Japan International Cooperation Agency

Project on Supporting Investment Promotion in Africa

Data Collection Survey on Investment Promotion in the Republic of Rwanda

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KRI International Corp.

Ernst & Young Sustainability Co. Ltd.

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in the Republic of Rwanda

Table of Contents

List of Tables

List of Figures

List of Abbreviations

Abbreviations	:	English or French
ACCA	:	Association of Chartered Certified Accountant
ACP	:	African, Caribbean, and Pacific Area
AEO	:	Authorized Economic Operator
AGOA	:	African Growth and Opportunity Act
AMU	:	Arab Maghreb Union
AQA	:	Audit Quality Assurance
ARIPO	:	African Regional Industrial Property Organization
ASEAN	:	Association of Southeast Asian Nations
AU	:	African Union
AfDB	:	African Development Bank
B/L	:	Bill of Lading
BEPS	:	Base Erosion and Profit Shifting
BIT	:	Bilateral Investment Treaty
BRD	:	Rwanda Development Bank
CAPMER	:	Centre for Support to Small and Medium Enterprise
CEMAC	:	Communauté Économique et Monétaire de l'Afrique Centrale
CEN-SAD	:	Community of Sahel-Saharan States
CEO	:	Chief Executive Officer
CET	:	Common External Tariff
COMESA	:	Common Market for Eastern and Southern
CPD	:	Continuing Professional Development
DGIE	:	Directorate General of Immigration and Emigration
DTF	:	Distance to Frontier
DWT	:	Deadweight tonnage
DfID	:	Department for International Development
EAC	:	East African Community

Abbreviations	:	English or French
EACCMA	:	East African Community Customs Management Act
EBA	:	Everything But Arm
EBM	:	Electronic Billing Machine
ECCAS	:	Economic Community of Central African States
ECOWAS	:	Economic Community of West African States
EDPRS 1	:	Economic Development and Poverty Reduction Strategy I
EDPRS 2	:	Economic Development and Poverty Reduction Strategy II
EGF	:	Export Growth Facility
EIA	:	Environmental Impact Assessment
EPA	:	Economic Partnership Agreement
EPZ	:	Export Processing Zone
EU	:	European Union
FDI	:	Foreign Direct Investment
FTA	:	Free Trade Agreement
FTZ	:	Free Trade Zone
GAAP	:	Generally Accepted Accounting Principles
GDP	:	Gross Domestic Product
GSP	:	Generalized System of Preference
HIDA	:	Human Resource and Institutional Capacity Development Agency
IASB	:	International Accounting Standards Board
ICD	:	Inland Container Depot
ICSID	:	International Centre for Investment Disputes
ICT	:	Information and Communication Technology
IDEC	:	Industrial Development and Export Council
iCPAR	:	Institute of Certified Public Accountants in Rwanda
IFC	:	International Finance Corporation
IFRS	:	International Financial Reporting Standards

Abbreviations	:	English or French
IGAD	:	Intergovernmental Authority on Development
IMF	:	International Monetary Fund
IPP	:	Independent Power Producer
IPRC	:	Integrated Polytechnic Regional Centre
IPSAS	:	International Public Sector Accounting Standards
ISA	:	International Standards on Auditing
ISP	:	Internet Service Provider
JETRO	:	Japan External Trade Organization
JICA	:	Japan International Cooperation Agency
KIA	:	Kigali International Airport
KLP	:	Kigali Logistics Platform
KSEZ	:	Kigali Special Economic Zone
LAIS	:	Land Administration Information System
LDC		Least Developing Countries
LED	:	light emitting diode
LPI	:	Logistics Performance Index
MFN		Most Favored Nations
MICE	:	Meeting, Incentive travel, Conference, Exhibition
MIFOTRA	:	Ministry of Public Sector and Labour
MIGA	:	Multilateral Investment Guarantee Agency
MINAGRI	:	Ministry of Agriculture and Animal Resources
MINEACOM	:	Ministry of Trade, Industry and East African Community Affairs
MINECOFIN	:	Ministry of Finance and Economic Planning
MINEDU	:	Ministry of Education
MININFRA	:	Ministry of Infrastructure
MINIRENA	:	Ministry of Natural Resources
MINISPOC	:	Ministry of Sport and Culture

Abbreviations	:	English or French
NAEB	:	National Agricultural Export Development Board
NCIP	:	Northern Corridor Initiative Projects
NGO	:	Non Governmental Organization
NIRDA	:	National Institute of Research and Development
NISR	:	National Institute of Statistics of Rwanda
OECD	:	Organisation for Economic Co-Operation and Development
OHADA	:	Organization for the Harmonization of Business Laws in Africa
ORTPN	:	Rwanda Office of Tourism and National Parks
OSBP	:	One Stop Boarder Post
OSC	:	One Stop Center
PCT	:	Patent Cooperation Tready
PEZ	:	Prime Economic Zone Ltd.
PFI	:	Policy Framwork for Investment
PPD	:	Public Private Dialogue
PPP	:	Public－Private Partnership
PRSC	:	Poverty Reduction Support Credit
PRSP	:	Poverty Reduction Strategy Paper
PSF	:	Private Sector Federation
RALIS	:	Rwanda Animal Livestock Inspection and Certification Services
RCGT	:	Regional Customs Transit Guarantee
RCRSA	:	Rwanda Commercial Registration of Services Agency
RCTS	:	Regional Cargo Tracking System
RDB	:	Rwanda Development Board
REC	:	Regional Economic Community
REIC	:	Rwanda Enterprise Investment Co.
REMA	:	Rwanda Environmental Management Authority
RIEPA	:	Rwanda Investment and Export Promotion Agency

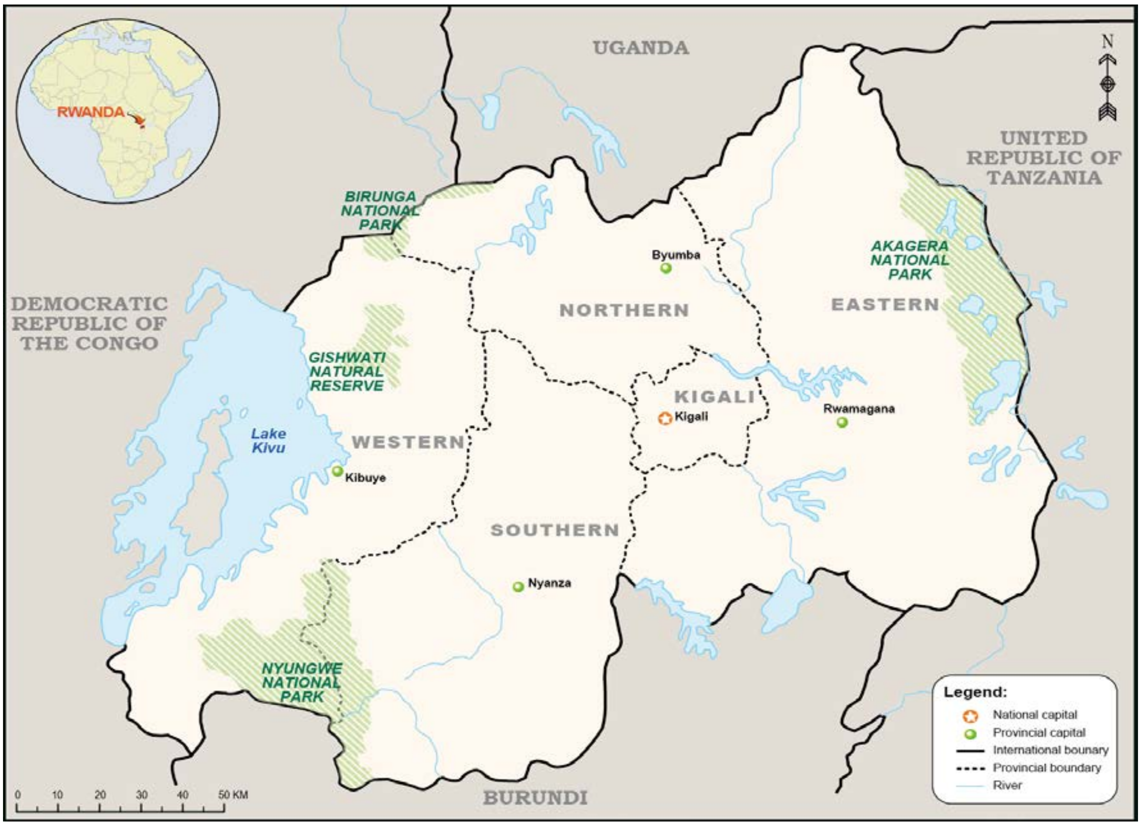
Abbreviations	:	English or French
RITA	:	Rwanda Information and Communication Technology Authority
RNRA	:	Rwanda Natural Resources Authority
RPF	:	Rwanda Patriotic Front
RRA	:	Rwanda Revenue Authority
RSB	:	Rwanda Standards Board
RSSB	:	Rwanda Social Security Board
RURA	:	Rwanda Utilities Regulatory Authority
ReSW	:	Rwanda Electric Single Window
SADC	:	Southern African Development Community
SCT	:	Single Customs Territory
SDGs	:	Sustainable Development Goals
SEZ	:	Special Economic Zone
SEZAR	:	Special Economic Zone Authority of Rwanda
SME	:	Small and Medium-sized Enterprises
SPIU	:	Single Project Implementation Unit
SPS	:	Sanitary and Phytosanitary
TFTA	:	Tripartite Free Trade Area
TICAD V	:	Tokyo International Conference on African Development V
TIN	:	Tax Identification Number
TMEA	:	Trade Mark East Africa
TSS	:	Technical Secondary School
TTC	:	Teacher Training College
TVET	:	Technical and Vocational Education and Training
UNCTAD	:	United Nations Conference on Trade and Development
VAT	:	Value Added Tax
VTC	:	Vocational Training Centre
WDA	:	Workforce Development Authority

Abbreviations	:	English or French
WDI	:	World Development Indicator
WIPO	:	World Intellectual Property Organization
WTO	:	World Trade Organization

Summary

1. General Background

The Republic of Rwanda (Rwanda) is located in East Africa. The land size is 26,338 km^2, which is 1.4 times larger than Shikoku Region of Japan. The population density is the highest in Africa. It is a landlocked country surrounded by Uganda in North, Tanzania in East, Burundi in South, and the Democratic Republic of Congo (DRC). It has many hilly areas and is known as "the land of a thousand hills".



Source: JICA Study Team

Figure 1 Map of the Republic of Rwanda

An outline of the county is shown below

Table 1 Country Outline

1	**Size**	26,338 km^2 (2010)
2	**Population**	12 million (2014)
3	**Capital**	Kigali
4	**Climate**	Although Rwanda is near the equator, it is in the temperate zone for its high altitude above sea level. There are two rainy seasons, between February and May, and September and December.
5	**Language**	Kinyarwanda, English (became an official language and a medium of education in 2009), French
6	**Religion**	Christianity (Catholic, Protestant), Islam
7	**Politics**	Republic under Paul Kagame as the president

Source: Ministry of Foreign Affairs in Japan (http://www.mofa.go.jp/mofaj/area/rwanda/index.html)

Table 2 Main Economic Statistics

Item		Index	Year
1	Nominal GDP	USD 82.7 billion	2015
2	Real GDP growth	6.9%	2015
3	Inflation	4.5%	2015
4	Export	USD 0.72 billion	2014
5	Import	USD 19.9 billion	2014
6	FDI inflow	USD 0.47 billion	2015
7	Exchange rate (USD)	RwF 721.8	2015

Source: Ministry of Foreign Affairs in Japan (http://www.mofa.go.jp/mofaj/area/rwanda/index.html), UNCAD stats

Table 3 Main Social Development Statistics

Index			Value		Year
1	Life expectancy		66.7	years old	2015
2	Infant mortality rate	(per 1,000 person)	32	Persons	2014/15
3	Maternal mortality rate	(per 100,000 births)	210	Persons	2014/15
4	Adult literacy rate		70.5	%	2015
5	Net primary education enrollment rate	(boy)	97.3	%	2016
		(girl)	98.0	%	2016
6	Transition rate from primary education to lower secondary education	(boy)	75.0	%	2014
		(girl)	70.7	%	2014
7	Completion rate of lower secondary education	(boy)	93.0	%	2009
		(girl)	90.9	%	2009
8	Transition rate from lower to upper secondary education	(boy)	81.2	%	2014
		(girl)	96.4	%	2014

Source: 1-3, 6, 8: NISR (2016) Statistical Yearbook 2016, 4: UNESCO Institute for Statistics (2016) http://uis.unesco.org/en/country/rw, 5: Ministry of Education (2016) 2016 Education Statistical yearbook, 7: Ministry of Education (2013) Education Sector Strategic Plan 2013/14 – 2017/18

2. Investment Potential

The following are key factors in deciding potential areas for investment in Rwanda:

Regional integration with regional economic communities, such as EAC and COMESA, is expected to lead to access to the regional markets, possibility of procurement of resources, such as human resources, capital, and raw materials, quality improvement in systems through the clarification and standardization of rules. Foreign investors in Rwanda put in perspective not only the Rwandan market but also neighbouring ones including DRC. On the other hand, it is necessary to consider competition and demarcation of roles with existing industrial clusters in Kenya, Tanzania, and Uganda which have advantages in power, logistics, etc. and closer access to big markets.

The private sector is still developing in terms of its economic size, company size, and capacity. The public sector still plays a major role in economic activities through public procurement etc.

Costs for power and transportation are high in Rwanda in comparison with its neighbouring counties. On the other hand, investments are made, making the most of relatively low wages, the African Grown and Opportunity Act (AGOA, USA) and Everything but Arms (EBA, EU), and the generalized system of preferences (GSP, other developed countries).

In addition to good governance, the government is improving the business environment and implementing policies for industrial development. Moreover, some investments derive from donors' cooperation for improvement in the surrounding environment improvement and cooperation in and financial cooperation when the private sector's objective of investment risk aversion matches that of the government and donors of achieving policy objectives.

From the above, investment potential is identified as follows:

Table 4 Cases of Investment Potential

Potential	Overview	Examples of industries
Products for the domestic and regional markets	Sectors where business is developed with introduction of automation (equipment) which requires large-scale investments. The market share is secured through differentiation through value addition to existing product lines or introduction of new product lines. The regional market is also target.	Food processing, packaging, construction materials, etc.
Strategic industries in government policies	Strategic sectors in main policies for economic development, industrial development and trade promotion. The government takes aggressive promotion policies. This includes PPP infrastructure development.	ICT, construction materials, apparel, MICE, infrastructure development, etc.

Source: JICA Study Team

3. Major Relevant Policies and Policy Formulation Process

Rwanda has sets the goal of becoming a middle income country by 2020 in its long-term policy, Vision 2020, and has formulated a five-year implementation plan and policies for industry, trade, export promotion, and small and medium enterprise development, ICT, tourism, etc. They show the initiative of the private sector and the utilization of the private sector's capital and know-how as implementation policies.

Characteristics of the formulation of investment policy and investment promotion policy lie in the use of the World Bank Group's Doing Business indexes and performance management of government ministries and organs and also related private sector organizations from the policy level. In Doing Business, mainly the Doing Business Unit of RDB has studied the composition of the indexes and coordinated and monitored systems and operation for improvement in ministries concerned. In each ministry, staff make performance-based contracts to facilitate achievement in goals.

For accountability in policy formulation, private public dialogues by the government, donors, and others, are implemented. Such opportunities has led to some fruitful policies while there are limitations on dialogues on an equal footing due to the private sector's size.

4. Legal System

The 2015 Investment Code is aligned with the EAC rules and regulations, and streamlined with the COMESA guidelines. It lays down general provisions of investment promotion, registration procedures, role of RDB in investment promotion and facilitation, change/suspension or termination of investment operations, cancellation of an investment certificate, and transitional period from the 2005 Code to the 2015 Code etc. In addition, the 2015 Code sets down principle of nondiscrimination between foreign and local investors as well as investor protection. According to RDB, the Rwandan government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list). The Annex of the 2015 Code stipulates concrete incentives.

In Rwanda, the legal system pertaining investment covers basic matters, such as equity and investor protection. Major pillars of investment promotion are (i) reduction in investment and operation costs through improving the business environment, (ii) investment promotion through industrial and export promotion policies, and (iii) tax incentives for private investment.

With regard to investment-related law, the 2005 Investment Code (Law No. 26/2005 of 17/12/2005 Relating to Investment and Export Promotion and Facilitation) was revised to the 2015 Investment Code (Law No. 06/2015 of 28/03/2015 Relating to Investment Promotion and Facilitation). The 2015 Investment Code takes a more targeted approach to priority sectors and stipulate incentives in its Annex. The main contents of the 2015 Code are as follows.

Table 5 2015 Investment Code

Items	Contents	Applicable Provisions
General provisions	Purpose of the 2015 Code and definitions of terms are provided.	Article 1-2
Guarantees to the investor, priority economic sector for investment	Openness to investment regardless of the origin of the investor (nondiscrimination between foreign and local investors), and priority economic sectors (export, industrial manufacturing, energy, transport, ICT, financial services, and construction of low-cost housing) are defined.	Article 3-5
Investor rights and protection	Protection of the investor's capital and assets, protection of intellectual property rights in relation to investment, repatriation of capital and assets, dispute settlement are stipulated.	Article 6-9
Registration procedures	Investment registration procedures and required documents etc. are stipulated. Timeframe for issuance for investment certificate is also defined – within two working days from the date of receipt of the application by RDB (in case of no deficiency).	Article 10-12
Obligation of	Obligations of a registered investor are defined.	Article 13

Items	Contents	Applicable Provisions
registered investor		
Role of RDB	The role of RDB in investment promotion and facilitation is defined.	Article 14
Change, suspension or termination of investment operations	Issues related with change, suspension or termination of investment operations are stipulated.	Article 15-17
Cancellation of an investment certificate	Issues related with cancellation of an investment certificate are stipulated.	Article 18-21
Transitional and final provisions	Issues related with transitional period from the 2005 Code to the 2015 Code are stipulated.	Article 22-25
Inventive	Specific incentives of a certified investor are stipulated.	Annex

Source: JICA Study Team based on the 2015 Investment Code

As a legal system towards public and private partnerships in infrastructure development, public works and services, the PPP Law (Law No.14/2016 of 02/05/2016 Governing Public Private Partnership) was enacted in 2016. PPP projects mainly in power are under implementation.

5. Business Environment

(1) Establishing Businesses

Organizations running a business in Rwanda are required to abide by Rwandan companies law, Law No. 07/2009 of 27/04/2009 relating to companies. In practice, the investor can register the corporation online (http://org.rdb.rw/) or go to the Rwanda Development Board's (RDB) Office of the Registrar General or a regional office to register. The RDB's Office of the Registrar General handles all applications for registering the establishment of a company and has jurisdiction over matters relating to entry, management and deletion of corporate data in the register. The procedures required for business activities are completed by registering the company at the office. In short, entry in the register, a tax identification number (TIN) from the Rwanda Revenue Authority (RRA) and a social security number from the Rwanda Social Security Board (RSSB) can all be obtained with applications submitted at one time. It takes approximately 6 hours to complete the process with adequately prepared documentation.

(2) Investment Approval

Legal system in Rwanda with respect to investment approval is stipulated in the 2015 Investment Code in an integrated fashion. There is no separate law that prescribes sector specific investment provisions, and the 2015 Investment Code and its ANNEX define all the investment incentives. Investment approval in Rwanda means to acquire certificate to receive investment incentives.

After establishing a business and obtaining relevant licenses necessary for each type of business activity from pertinent ministries, investors apply for investment approval to RDB to obtain investment certificate. Necessary procedures and decision making for investment approval are undertaken in One Stop Center (OSC) located in the ground floor of RDB building. Concrete procedures are summarized below.

<Investment Approval Process within RDB>
1) Investors submit application form and necessary documents to OSC in RDB (on-line application is also possible).
2) OSC Division Manager assigns review team to review the application (review team is set up from each OSC support desk in accordance with the contents of investment project).
3) After each officer reviews the application and come up with review results, consultation is conducted within the review team.
4) OSC Division Manager makes final decisions for approval.
* According to Article 12 of the 2015 Investment Code, investment certificate is issued within 2 working days in case of no deficiency.

Necessary documents for application are as follows.

<Required Documents>
1) Certificate of legal personality of the business company.
2) Business plan regarding the investment project.
3) Project EIA certificate issued in accordance with relevant laws.
4) Projected number of employees and categories of employments.
5) Proof of payment of registration fee (USD 500).
6) License granted by the business sector in which he/she intends to operate.
Source: 2015 Investment Code, Article 11

(3) Tax and Procedures for Paying Tax

The income of organizations that run businesses in Rwanda is taxed on income from Rwandan sources. In principle, expenses incurred in the execution of business in the 1 January to 31 December tax year are deductible for taxation purposes. The Rwanda Revenue Authority (RRA) is the tax authority, which presides over all items relating to taxation business (taxation, tax collection, refunds, tax suits, etc.) and is under the jurisdiction of the Ministry of Finance. Taxation laws are posted on the RRA website and implementation laws and procedural laws exist for every tax item. For example, with regard to corporate income tax, Law No. 16/2005 of 18/08/2005 2005 on direct taxes on income (hereinafter, referred to as “Direct Tax Law”) is the basis law for taxation, and there are Ministerial Orders and Commissioner General Rules as procedural laws. The main taxes imposed on corporations without any preferential tax arrangements are shown below.

Table 6 Overview of Taxes Imposed on Operating Companies in Rwanda

Tax item	Tax rate (%)	Remarks
Corporate income tax	30	A reduced tax rate (20%, 25%, 28%) is applied to newly listed companies for five years according to the amount of issued shares. Small and micro companies in the tax law must pay a certain amount of corporate tax according to sales volume.
Branch tax	30	The profits the branches earn are subject to the branch tax. The tax rate is reduced for countries with which Rwanda has concluded tax treaties.
Withholding tax :		
Dividend	15	Withholding tax on dividends received by residents of Rwanda or EAC countries from companies listed on the stock exchange is 5% for tax purposes.
Interest	15	
Royalties	15	
Services	15	Imposed on technical services and professional services provided by non-residents
Value-added tax	18	Imposed on all products and services, with the exception of tax-free goods, when provided in or imported into Rwanda.

Source: JICA Study Team based on the results of local interviews

(4) Land Acquisition and Registration

Legal framework of land administration system is based on Organic Land Law N° 8/2005 of 14/07/2005 (revised by Law N°03/2013 of 16/06/2013, hereinafter referred as “the Land Law”) which has regulated the use and management of land in Rwanda. Other land related laws and orders were also enacted in order to implement land policy.

Land governance in Rwanda falls under the responsibility of the Ministry of Natural Resources (MINIRENA), the Rwanda Natural Resources Authority (RNRA), the Office of Registrar of Land Title, the District Land Bureau and the Sector Land Managers. MINIRENA is responsible for the administration, planning and allocation of land. RNRA is responsible for land registration.

Land in Rwanda is categorized in two types, i.e. Public Land and Private Land. The former has 5 types of land. The outline of land system can be summarized as the following table.

Table 7 Outline of Land System in Rwanda

No.	Type of Land	Content	Remark
1.Public Land		Land owned by public institutions	
1)	State Land in Public Domain	The land is owned by state and used for public interests of Rwandan national. It is not transferable.	e.g. lake, river, national parks, national road, etc.
2)	Local Land in Public Domain	The land is owned by local government and used for public interests of local residents. It is not transferable.	
3)	State Land in Private Domain	The land is owned by state and it is transferable.	e.g. vacant land, confiscated land, etc.
4)	Local Land in Private	The land is owned by local	

No.	Type of Land	Content	Remark
	Domain	government and it is transferable.	
5)	Public Institution Land	The land is owned by public institutions as ministries and universities and it is transferable.	
2. Private Land		The land is owned by individuals or companies.	

Source: JICA Study Team based on interview with RNRA

(5) Labour Issues

The main legal basis for labour-related regulations in Rwanda is N° 13/2009 of 27/05/2009 Law regulating labour in Rwanda and detailed enforcement regulations. The content covers general principles, labour unions, types of employment, remuneration, labour conditions, employment of foreign workers, etc. The Ministry of Public Service and Labour (MIFOTRA) has jurisdiction. Guidelines for skill development and a National Employment Programme have been created and various policies are implemented.

Rwanda has a framework for priority employment of a certain number of Rwandan personnel and a future shift to local employment of highly professional human resources is called for. If the investment condition for employing foreigners prescribed in the Investment Law is not met, a written explanation of not employing such human resources. Employment and provision of training for Rwandan nationals are stipulated in the Investment Law as conditions for receiving tax benefits, and under the Direct Tax Law, on the premise of the foreign investor meeting certain conditions, a lower tax rate than the statutory tax rate is applied depending on the number of employees.

(6) Finance and Foreign Exchange

Rwanda has a liberal monetary policy and no foreign exchange control over current or capital transaction and complies with the conditions of IMF Article VIII which guarantees not imposing foreign exchange control as a countermeasure for adjustment of international balance of payment. Major legal foundation is Law No.11/97 and Regulation No.95/2013. According to the above law and regulation, investors can freely make foreign exchange transactions through authorized foreign exchange bank to transfer profit/ dividend or to settle export and import transactions. Current transaction and capital transaction in Rwanda is summarized in the following table.

Table 8 Summary of Foreign Exchange Control in Rwanda

Content of Transaction	Necessary Conditions
1) Current Transaction	• No restriction is imposed on current transaction such as trade settlement, repatriation of dividend or interest to overseas, and no there is obligation to make prior application before transaction. However, foreign currency denominated payment needs to be done through authorized foreign exchange bank with submission of supporting documents.

Content of Transaction	Necessary Conditions
	・ Exporters are obliged to repatriate export proceeds within three months from the date of physical departure of the goods.
2) Capital Transaction	・ Although no restriction is imposed on capital transaction, remittance over USD 10,000 is required to report to competent authority through authorized foreign exchange bank to check against illegal money laundering and terrorist fund. ・ In case of borrowing loans from overseas, borrower has to submit predetermined format through commercial bank.

Source: JICA Study Team based on various materials

(7) Trade and Customs Related Issues

Rwanda is a member of the EAC Customs Union. Therefore, its customs related rules and regulation is based on the rules of the customs union, namely, East African Community Customs Management Act (EACCMA) and East African Community Customs Management Regulations. The customs related arrangement such as bonded and duty reduction/exemption for industrial and trade promotion are also required to follow the EAC rules. It includes Export Processing Zones and Special Economic Zone (SEZ) schemes.

Procedures Prior to Export

The restricted items for export are listed in the Second Schedule of the EAC Customs Management Act (EACCMA). Exportation of some products may require prior registration as an exporter. Some are as shown in the table below.

Table 9 Prior Procedures for Export from Rwanda

	Procedures	Organizations in Charge
Agriculture products (Not processed)	Certificates of quarantine	Rwanda Animal Livestock Inspection and Certification Services (RALIS) (MINAGRI)
Coffee, tea	Export license Certification of Quality MINAGRI if for sanitary, phytosanitary (SPS) certificates	NAEB (MINAGRI)
Minerals	Mining Export License and Certified Training Chain by Rwanda Natural Resource Authority and International Conference of the Great Lakes Region	RNRA

Source: Trade Mark East Africa/PSF, Export Handbook

Procedures for Import

Important of some products may require import license and/or tested results of the quality standards. Application and issuing process of import license may be integrated in the Rwanda Electronic Single Window (ReSW) for some products such as pharmaceuticals, though not all. The progress may be influenced by the degree of the transition from paper-based and electronic/on-line processing of specific authorities. For example, animal quarantine and phytosanitary certificates were under process of transition to on-line based with the support from Trademark East Africa (TMEA). However, the progress was not able to be confirmed during the Survey.

Table 10 Necessary Documents for Export and Import in Rwanda

Export	Import
i) Commercial invoice ii) Export Declaration iii) Packing list iv) Sanitary and phytosanitary certificates v) Certificate of origin vi) Export license vii) Release order	i) Importer License ii) Import Declaration iii) B/L or Air Way Bill iv) Packing list v) Release order vi) Other necessary permits (quarantine etc.)

Source: JICA Study Team based on RRA websites and Doing Business 2017.

(8) Infrastructure (Power, Transportation and Industrial Sites)

The cost of electricity and logistics are as shown in the tables below.

Table 11 Comparison of Time and Cost of Getting Electricity

	Rwanda	Kenya	Uganda	Cambodia	Sub-Saharan Africa
Procedures (number)	4	3	6	4	5.1
Time (days)	34	95	66	179	115.4
Cost (% in GDP per capita)	2,722.6	642.0	8,449.0	2,173.3	3,711.1
Reliability of supply and transparence of tariffs index (0-8）	0	0	4	3	0.5
Ref: Power tariff surveyed by Doing Business	17.9	17.6	22.7	17.8	—

Source: JICA Study Team based on the data of World Bank, Doing Business 2017

Table 12 Import Transport Cost for Imports to Rwanda and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)	Inland transportation	Cost (USD)
Rwanda	Yokohama-Dar es Salaam	4,788	Dar es Salaam-Kigali	4,000-5,000
	Istanbul-Dar es Salaam	2,000	Mombasa-Kigali	4,500-5,000
South Africa	Yokohama-Durban	2,200	—	—
Kenya (Nairobi)	Yokohama-Mombasa	4,478	Mombasa-Nairobi	1,000

Note: Price per 40ft container.
Source: JICA Study Team based on the interviews, JETRO website, and Shippers Council of Eastern Africa、East Africa Logistics Performance Survey2015.

2010 Special Economic Zone (SEZ) Policy and following Law No05/2011 of 21/03/2011 Regulating Special Economic Zones (SEZ Law) are the institutional base for the SEZ scheme in Rwanda. Based on the SEZ Law, Special Economic Zones Regulatory Authority of Rwanda (SEZAR) was established. Currently, the first SEZ, Kigali SEZ has been operation and now developing the phase 2. Due to the limited volume of the tasks, SEZAR are still operating in RDB as apart of RDB utilizing some services by RDB.

Table 13 Major Points in 2010 SEZ Policy

Issues	Directions
Conditions for tenants	・ No strict performance requirements for tenants
Zone development, operation and management	・ Various types of PPP arrangement to be applied ・ Private-sector-lead development
Land title	・ SEZ development is regarded as public interest ・ Following current national land policy, foreigners will only be allowed to have 99-year lease hold of land.
Incentive	・ Supply of quality infrastructure, smooth and simplified administrative process through OSC ・ Corporate tax for SEZ developers, operators and users (tenants) is limited to 15%.
Regulatory institution	・ Establishment of Special Economic Zone Authority of Rwanda (SEZAR) ・ One stop service provision delegate to RDB

Source: GOR (2010), Special Economic Zone Policy

6. Investment Promotion Agency

Rwanda's investment promotion agency is the Rwanda Development Board (RDB). The main missions are as follows:

- To fast-track development activities and facilitate the government and the private sector to undertake an active role
- To promote local and foreign direct investments in Rwanda
- To promote exports to regional and international markets of goods and services with added value
- To participate in initiating and implementing policies and strategies in matters relating to tourism and conservation of national parks and other protected areas in matters relating to tourism, and advise the government on the promotion of the tourism sector
- To participate in initiating and implementing policies and strategies in the field of information and communication technology (ICT) and advise the government on the promotion of the sector
- To provide guidelines, analyze project proposals and follow up the implementation of government decisions in line with public and private investments
- To carry out privatization programs, monitor them and advise the government

accordingly crystalize

- To promote entrepreneurship and support the creation and development of private enterprises
- To initiate, implement and follow up the activities relating to modernization, harnessing partnership and registering trading companies and businesses, secured transactions, intellectual property rights and the rights to initiate, exercise and cause business activities cessation
- To promote investment in capacity building and mobilize the private sector for employees' skill development programs in order to improve efficiency and competitiveness
- To facilitate and help investors meet environmental standards
- To cooperate and collaborate with other regional and international institutions having similar missions
- To advise the government on all activities which can fast-track development in Rwanda

The main media of RDB's information provision and investment promotion activities are an English website (http://www.rdb.rw/home.html), brochures, and the like. PR tools are reviewed biannually and updated when necessary.

RDB offers a series of investment services from penetration assistance through monitoring and aftercare. The following are the main services:

<Investor Services Provided by RDB>
Penetration Assistance: (i) assisting foreign investors to obtain visas and work permits, (ii) providing information regarding the investment climate etc. Operation Support: (iii) providing information regarding business activities, and assisting investors to acquire relevant licenses and land, (iv) assisting investors to obtain investment approval (covered by Law N° 06/2015 of 28/03/2015), (v) providing support to secure necessary infrastructure facilities (power and water) for business activities. Monitoring and Aftercare: (vi) confirming the progress of business plans through visits to business sites, (vii) monitoring compliance with requirements for agreed incentives, (viii) providing support for problem solving.

The one stop centre (OSC) is located on the ground floor of RDB. Its responsibility and number of officers etc. at each desk are as follows. OSC's official working hour is from 7:00 am to 5:00 pm. (Application can be submitted 24-hours through on-line system.)

Table 14 Support Desks and their Responsibilities

Support Desk	Responsibility	Relevant Authority and Number of Officers
Migration	Issues related with visas and work permits	Officers who belong to Migration Department, President's Office are deployed at all times. (two officers)
RRA	Issues related with tax and tax incentives	RRA officers are deployed at all times. (one officer from 7:00am to 4:00pm, and one officer from 4:00pm to midnight)

Support Desk	Responsibility	Relevant Authority and Number of Officers
		* Two officers are deployed in shift in order to respond to on-line application
EIA	Issues related with EIA	Formerly, officers from Rwanda Environment Management Authority were deployed at all times but now authority has been delegated to RDB, and RDB officers are deployed. (six officers)
Utilities	Issues related with power and water	Power: an officer from Rwanda Energy Group is deployed at all times. (one officer) Water: an officer from Water and Sanitation Corporation is deployed at all times. (one officer)
RSB	Issues related with standards	An officer form RSB is deployed at all times. (one officer)

Source: JICA Study Team based on interview survey with RDB

7. Conclusion

Rwanda has realized outstanding rehabilitation and laying out the basis for poverty reduction since the time after the Genocide in 1994 with its strong leadership. Rwanda is now in the phase of upgrading industrial structure for further development. While the vision setting and performance monitoring system within the government system proves its capability, it is also observed that the private sector as a driving force for the further economic development has yet to be developed with strong leading industries.

Based on the analysis of potential market size accessible from Rwanda and production and logistics costs, a few potential types of investment can be identified. The predominant cases are those which target first the Rwandan market viewing the regional market as the future potentials. This type of the investment of the manufacturing sector locates the final process of production in Rwanda. It is also relatively technology-intensive investment with new technology in order to obtain quality competitiveness. The logistics costs for imported raw materials are covered by the higher quality. In order to minimize the risks, some utilized the support of donor and international organizations.

Despite the high score of Doing Business, it is also observed that the investors can encounter various problems due to the limited capacity both in domestic private sectors and government agencies which provide services or regulate the industry. Such issues may fall outside of the mandate of RDB as they are often the issues specific to the specific sectors. The extent of the coverage of RDB aftercare expected by investors and the actual mandates and capacity of RDB may have some gap. Therefore, it is necessary to have optimal coordinating mechanism with the various relevant institutions. Good communication with the investors in terms of the extent of what RDB can do is also important part of customer care not only for the investors to cope with their problems effectively but also for RDB and other government institutions to maintain their reputation as service providers.

Chapter 1 Outline of the Project and the Study

1.1 Background of the Project

The Fifth Tokyo International Conference on African Development (TICAD V) was held in June 2013. Active discussions took place on the direction of African development in line with the core themes of TICAD V, namely "Robust and Sustainable Economy," "Inclusive and Resilient Society" and "Peace and Stability". The Yokohama Action Plan, the roadmap for future African development, emphasized the importance of the private sector from the view of promoting economic growth. The plan also points out the importance of promoting investments in various sectors in addition to natural resources and accelerating employment, business linkage between local and foreign companies, and technical transfer. The government of Japan promised to assist African countries (e.g. dispatch advisors to ten countries).

In this regard, the Japan International Cooperation Agency (JICA) already dispatched experts to several countries. JICA also received requests to send experts from other countries, and it realized that it is necessary to provide a wide range of assistance for investment promotion from analysis on investment policies and investment climate (including legal frameworks) to expertise on business conducted by foreign companies.

Hence, the project was designed with two elements: i) Dispatch of the investment promotion experts in Kenya, Ghana, and Zambia, and ii) Data collection survey on investment promotion in Ethiopia, Rwanda, DRC, and Cameroon with the objectives listed below. This approach will make the project more inclusive and effective.

1.2 Objectives of the Project

Based on the background, the objectives of the project are as follows:

- To research investment climates, investment potential, and investment structure of the targeted countries and to conduct survey on the investment intention of foreign enterprises.
- To assist investment promotion of government agencies by dispatching Japanese experts to support developing their capacity, and to provide technical advice to improve the investment climate in the countries.

1.3 Implementation Structure of the Project

Based on the background and objectives, a data collection survey will be conducted and the issues on investment promotion will be identified in Ethiopia, Rwanda, Democratic Republic of Congo, and Cameroon. The survey (especially to study investment climate and IPAs) will utilize a standardized approach (e.g. Policy Framework for Investment (PFI) made by the Organisation for Economic Co-operation and Development (OECD) and Doing Business Index created by the World Bank) so that the results can be compared among countries.

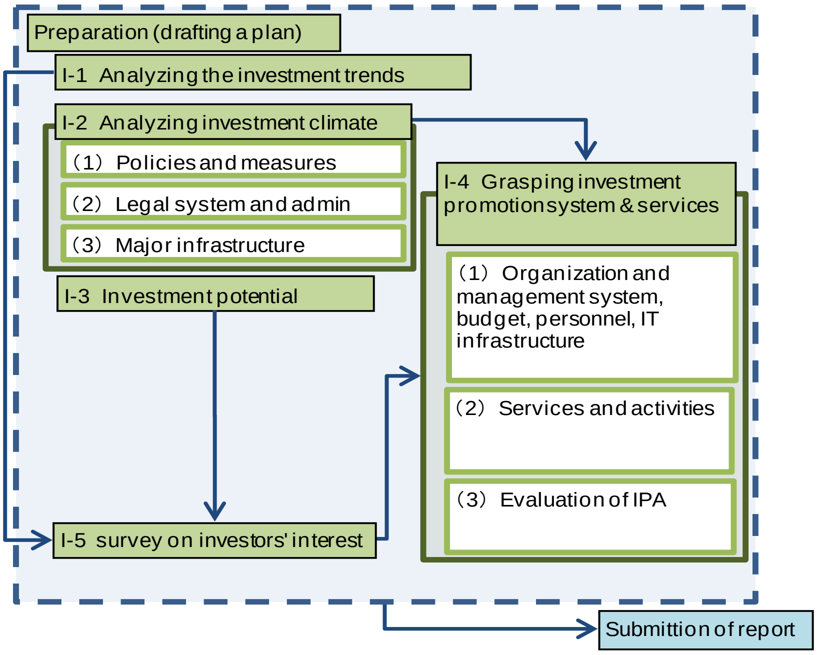


Figure 1-1 Workflow for Standardized Approach

For Ghana, Kenya, and Zambia, the expert in each country will conduct some pilot projects for technical transfer. The lessons learnt from the pilot projects will help JICA to formulate assistance to promote investments in these countries and other developing countries in Africa and in the world.

1.4 Scope and Methodology of the Study on Investment Promotion in Rwanda

Rwanda sets its development goal in its long-term economic development policy, Rwandan Vision 2020, to become a middle-income country by 2020 with GDP per capita amount to USD1,240 and the less than 20% of population living below the poverty line.

Rwanda has been realizing relatively high economic growth in recent years. The efforts of improving business environment has been proven in the World Bank's Doing Business where Rwanda is ranked as the second best business environment in Sub-Saharan African countries. On the other hand, its export still relies on the primary commodities. Moreover, the gradual economic growth induces the larger importation entailing larger trade deficits. In order to achieve the targeted economic growth, continuous efforts in improving productivity of the economy and fostering competitive private sector is necessary. Therefore, quality investment inflows, regardless of domestic or foreign, is critical.

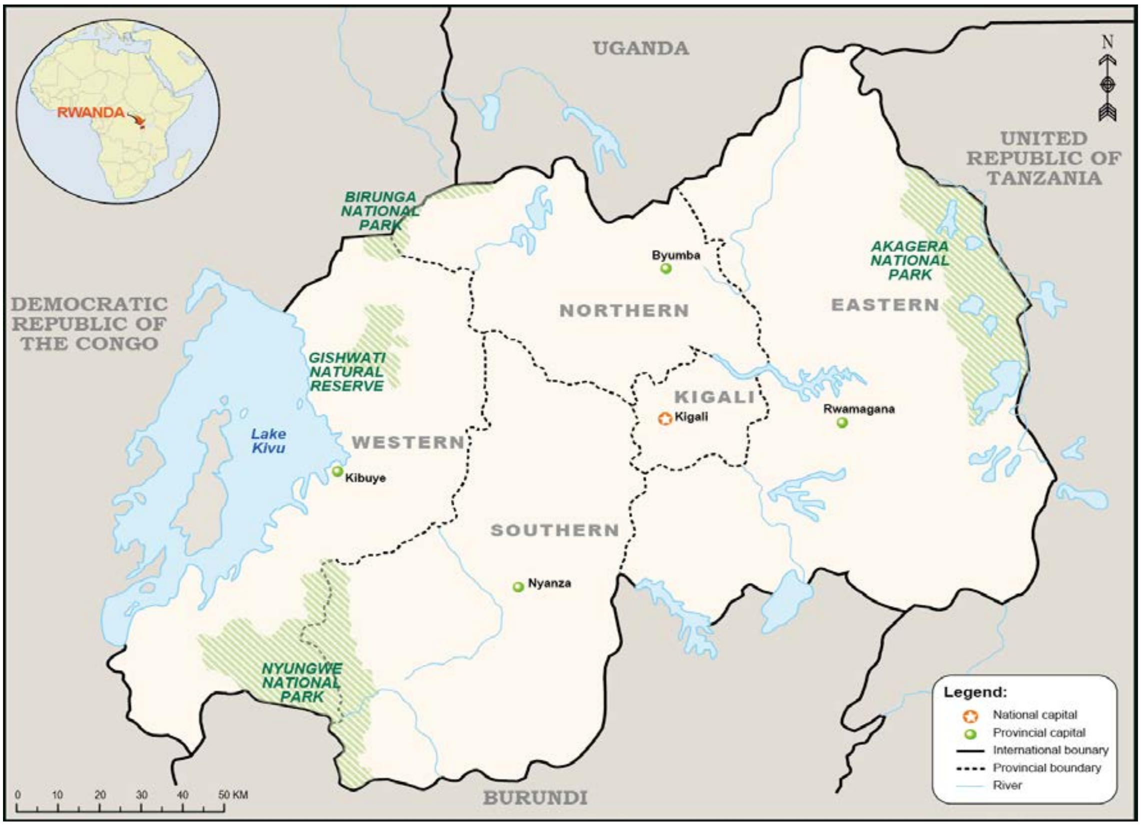
The regional integration is one of the key factor which influences competitiveness of Rwanda and its investment promotion strategy. Widening and deepening integration of EAC and COMESA can impact on investors' choice of investment destinations in Eastern and Southern Africa. The Tripartite FTA with EAC, COMESA and SADC was also signed. The development requires Rwanda to identify its strategic position in the larger market and to promote private investment effectively.

Understanding the above-stated background, the Survey reviewed the current situation of the investment potentials of Rwanda and the policy implementation for investment promotion. It further analyzed the problems and policy directions for further investment promotion.

Chapter 2 Outline of the Republic of Rwanda

2.1 Land

The Republic of Rwanda (Rwanda) is located in East Africa. The land size is 26,338 km^2~~, which is 1.4 times larger than Shikoku Region of Japan~~. The population density is the highest in Africa. It is a landlocked country surrounded by Uganda in North, Tanzania in East, Burundi in South, and the Democratic Republic of Congo (DRC). It has many hilly areas and is known as “the land of a thousand hills”.



Source: JICA Study Team

Figure 2-1 Map of the Republic of Rwanda

2.2 Political Situation

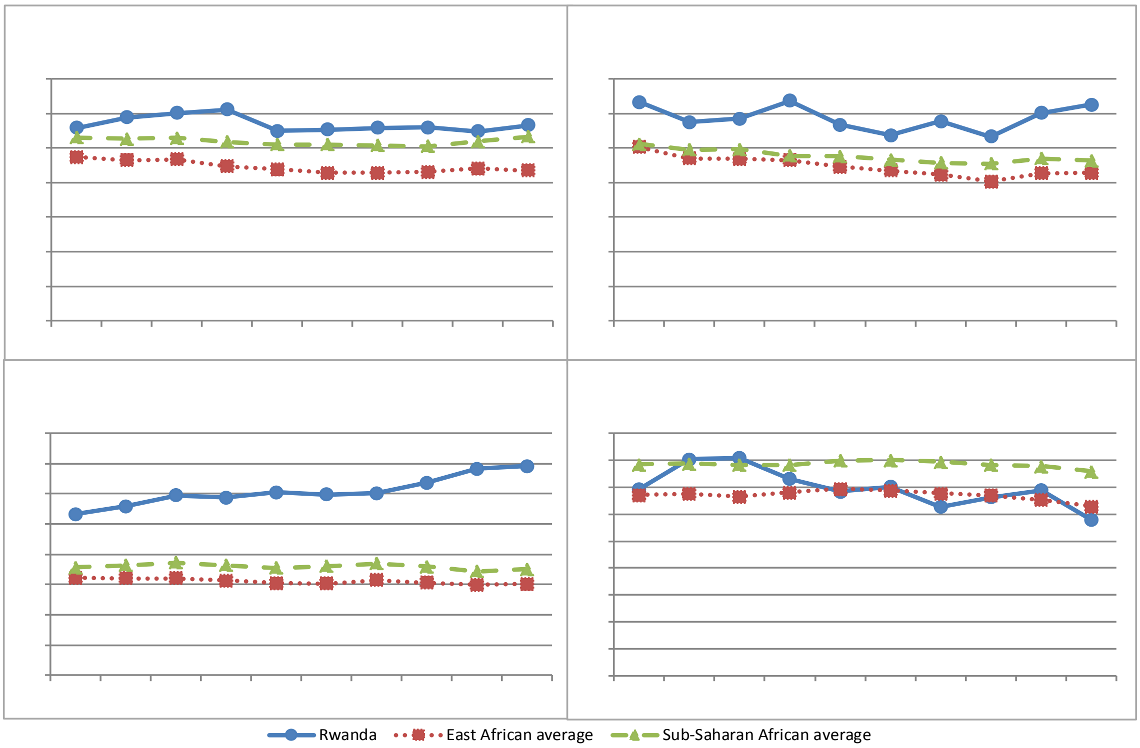
2.2.1 History

Rwanda was integrated into German East Africa in 1890 and then was put under the Belgian mandate since 1919. It achieved independence from Belgium in 1962. After genocide in 1994, a new administration of President Bizimungu and Vice President Kagame was formed. Rwanda has since made enormous efforts to reconstruct and develop. In 2003, a new constitution was established and the first presidential election with multiple candidates was held. ~~President~~Mr. Kageme ~~won it and~~ was ~~re-~~elected as the President. He was re-elected in 2010 election. The P~~p~~resident is committed to combatting corruption. ~~and~~ Rwanda is less corrupt than other African countries and safe. The next presidential election is to take place in August 2017. On the other hand, ~~President Kagame is~~

~~expected to be win a third term of office[1] while it is prudent to observe the political situation. In addition,~~ the situation of neighbouring Burundi worsened in 2015 and the flow of Burundian refugees into Rwanda ~~are~~ are observed~~immigrating~~[2].

2.2.2 Governance

The current situation of safety and rule of law in Rwanda can be described by using Ibrahim Indexes made by the Mo Ibrahim F~~f~~oundation[3] ~~since 2006~~. The figures below compare the current situation of safety and rule of laws of Rwanda, the East African average where Rwanda is located, and the sub-Saharan African average. Rwanda had always been above the averages of East Africa and sub-Sharan Africa in rule of law, accountability, and personal safety between 2006 and 2015. In national security, Rwanda's index was higher than the East African but dropped by over 20 points from 80.9 in 2008 to 57.9 in 2015.



Source: Mo Ibrahim Foundation (2016) Ibrahim Index of African Governance

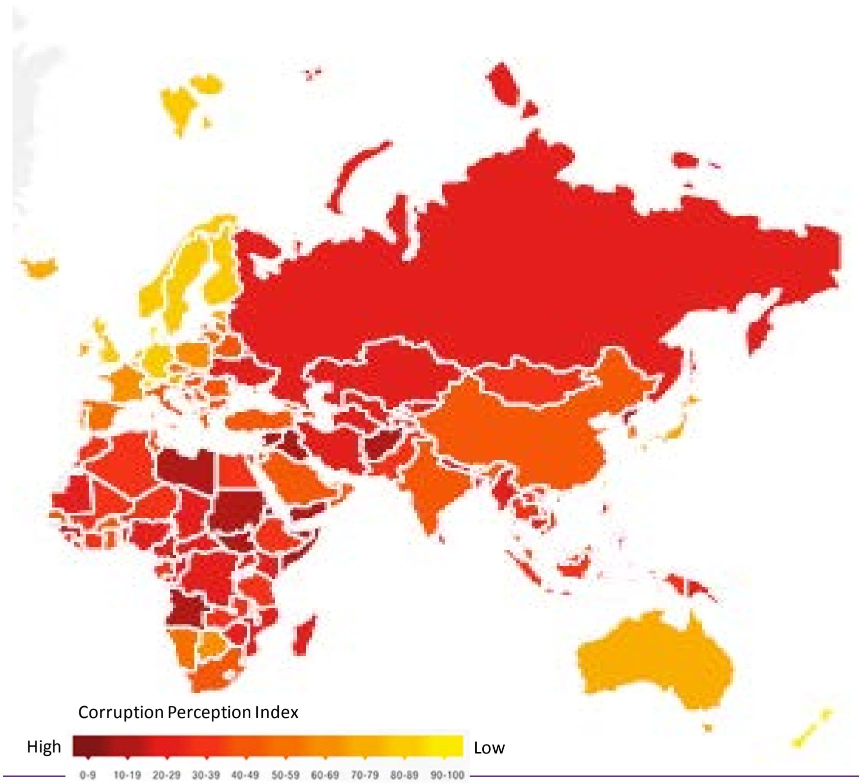
Figure 2-2 Comparison of Governance Indexes

~~1 The 2015 constitutional amendment adopted by referendum enabled a third term of office which was previously prohibited.~~

2 This sections refers to the Ministry of Foreign Affairs, "Basic information on the Republic of Rwanda" (http://www.mofa.go.jp/mofaj/area/rwanda/data.html#section1).

3 Ibrahim Index is an annual statistical assessment of the quality of governance in every 54 African countries. It measures safety and rule of laws, participation and human rights, sustainable economic growth, and human development in order to make it possible to compare among African countries across ages. The indexes are measured by Mo Ibrahim Foundation, which was created when Mr. Mo Ibrahim, the founder of Celtel, sold the company. In addition to the indexes, the foundation also set up and awards the Ibrahim Prize (called Novel Prize in Africa) to African executive leaders who, under challenging circumstances, have developed their countries and strengthened democracy and human rights for the shared benefit of their people, paving the way for sustainable and equitable prosperity.

~~The figure below shows a map of Africa coloured in different levels of red according to t~~The C~~c~~orruption P~~p~~erception I~~i~~ndex measures~~ing~~ the level of corruption by government officers and politicians. ~~as of 2016. The index is determined by~~ It is surveyed and compiled by the Transparency International, an international NGO which advocates corruption prevention. In sub-Saharan Africa, Botswana recorded 60 points out of 100 (35th in 176 countries) in 2016, which means it is one of the least corrupted countries in sub-Saharan Africa. Following Cape Verde (59 points, 38th) after Botswana, Rwanda together with Mauritius are in the third in sub-Saharan Africa with 59 points (50th). Rwanda is far above the sub-Sharan African average of 31 points. The corruption perception of the country is relatively low.



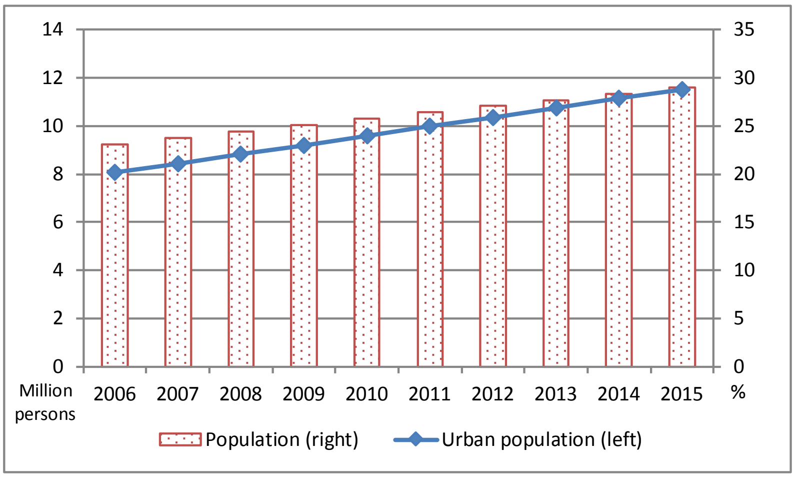
~~Source: Transparency International (2016) Corruption Perceptions Index~~

~~**Figure 2-3 Corruption Perceptions Index in Africa (2016)**~~

2.3 Social situation

2.3.1 Population

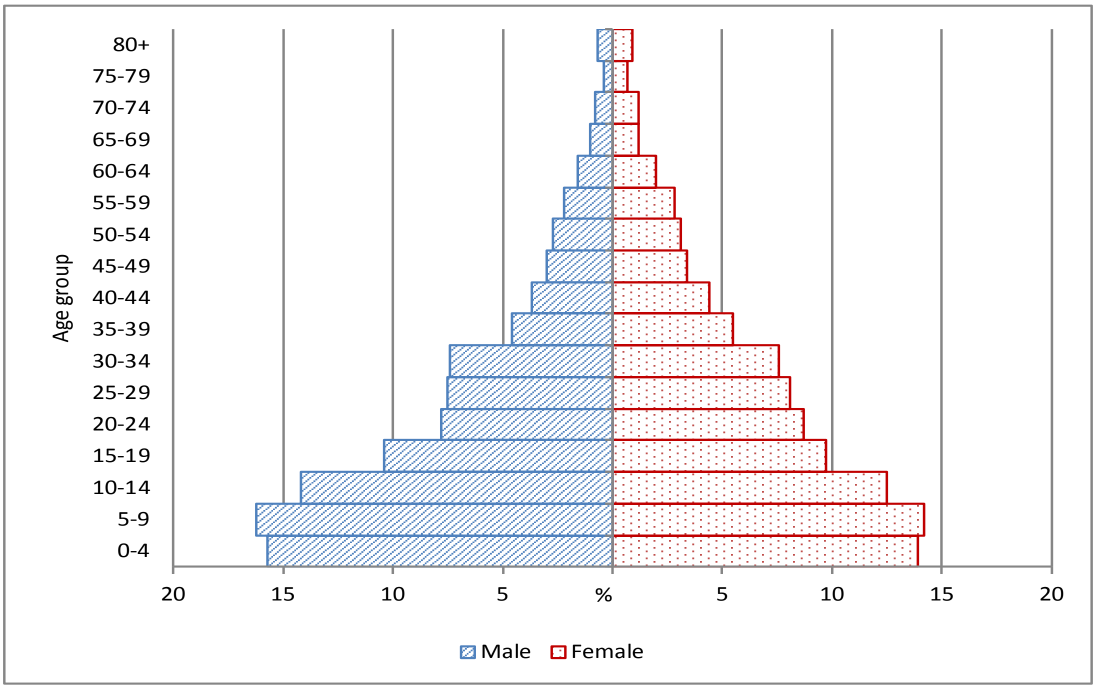
The population of Rwanda was 9.2 million in 2006 and exceeded 10 million in 2009 with an annual population growth rate of 2.6%. Along with the population growth, the urban population is increasing from 20% of the total population in 2006. Although the expansion of the urban population slowed down after 2010, it reached 29% of the entire population. ~~and p~~Population concentration in urban areas is accelerating.



Source: JICA Study Team based on World Development Indicators (2017)

Figure 2-3 Population and Percentage of Urban Population (2006 – 2015)

The population younger than 19 years old accounts for more than 50% of the total. Rwanda has a large ~~huge number of~~ youth populations. While many countries in ~~the~~ South-East Asia are expected to become aging societies by the 2020s[11], Rwanda can supply ~~much~~ labour ~~in terms of demographics~~ due to its demographic characteristics. On the other hand, it is necessary to expand the labour market and create~~develop an~~ employment policy in order to absorb increasing population.



Source: JICA Study Team based on NISR, Ministry of Health, and ICF International (2015) Rwanda Demographic and Health Survey 2014-15

Figure 2-4 Population Pyramid (2014 – 2015)

2.3.2 Health and Education Situation

Main statistics related to health and education are summarized below.

Table 2-1 Main Social Development Statistics

Index			Value		Year
1	Life expectancy		66.7	years old	2015
2	Infant mortality rate	(per 1,000 person)	32	Persons	2014/15
3	Maternal mortality rate	(per 100,000 births)	210	Persons	2014/15
4	Adult literacy rate		70.5	%	2015
5	Net primary education enrollment rate	(boy)	97.3	%	2016
		(girl)	98.0	%	2016
6	Transition rate from primary education to lower secondary education	(boy)	75.0	%	2014
		(girl)	70.7	%	2014
7	Completion rate of lower secondary education	(boy)	93.0	%	2009
		(girl)	90.9	%	2009
8	Transition rate from lower to upper secondary education	(boy)	81.2	%	2014
		(girl)	96.4	%	2014

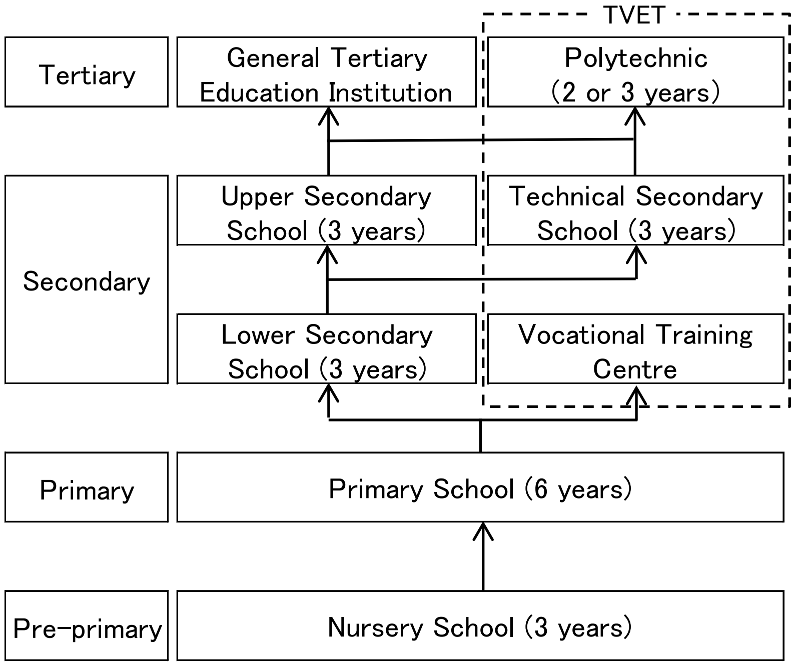
Source: 1-3, 6, 8: NISR (2016) Statistical Yearbook 2016, 4: UNESCO Institute for Statistics (2016) http://uis.unesco.org/en/country/rw, 5: Ministry of Education (2016) 2016 Education Statistical yearbook, 7: Ministry of Education (2013) Education Sector Strategic Plan 2013/14 – 2017/18

The life expectancy of Rwanda is 66.7 years old and eight years longer than the sub-Saharan African average of 58.9 years. The maternal mortality of Rwanda is 210 persons per 100,000 births, less than a half of the sub-Sharan African average (551 persons) [4].

The adult (those who are older than 15 years old) literacy rate stands at 70.5% in Rwanda, while that of the sub-Saharan Africa is 64.3%. The net primary education enrollment rates of both boys and girls exceed 95% and transition to lower secondary education is high at over 70%. The completion rate of lower secondary school is also high, recording more than 90% far above the sub-Saharan African average (37%)[5].

In the Rwandan education system, as illustrated below, pre-primary education is three years long and primary education is six years long. Secondary education is divided into lower and upper secondary education[6]. After completing lower secondary education, students have options to go on to general secondary schools, t~~T~~echnical s~~S~~econdary s~~S~~chools (TSS) which is a type of technical and vocational education and training (TVET) institutions, and others[7]. Higher education has seven-level degrees[8], such as diplomas, bachelors, masters, and Ph.D. TVET is provided through TSS, Vocational Training Centres (VTCs) at a similar level to lower secondary education and Integrated Polytechnic Regional Centres (IPRCs) in addition to TSS.

4 The life expectancy and maternal mortality rate of Sub-Saharan Africa are also from Human Development Report (2016).
5 UNICEF Global databases 2016
6 Basic education has been extended to 12 years inclusive of upper secondary education since 2012 in accordance with policy based on the president's pledge after becoming 9 years, namely primary and lower secondary education, in 2008.
7 Other than general secondary school and TSS, students can continue to the Teacher Training College (TTC).
8 Certificate, Diploma, Advanced Diploma, Ordinary Degree, Bachelor's Degree with Honours, Masters, Doctoral. The requirement for the award of each level are set out in Higher Education Council (2007) Rwanda National Qualification Framework.



Source: JICA Study Team based on Higher Education Council (2007) Rwanda National Qualification Framework, Ministry of Education (2013) Education Sector Strategic Plan 2013/14 – 2017/18, and Ministry of Education (2016) 2016 Education Statistical Yearbook

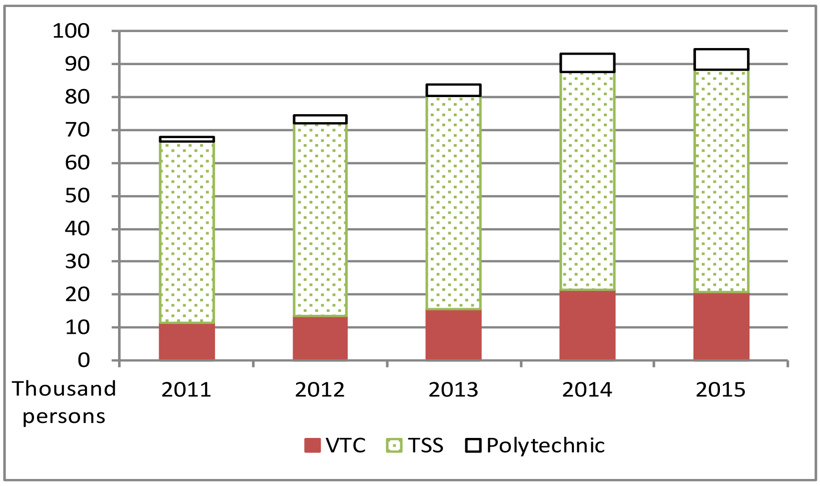
Note: The years indicated above are standard periods and can be longer due to repetition, etc. VTCs and higher education institutions ~~are~~ vary, depending on degree levels, courses, etc.

Figure 2-5 Education System in Rwanda

In Rwanda, there is a lack of specialists, such as technicians and engineers, due to the genocide and diaspora, but the Government has set “human resource development and a knowledge-based economy” as a pillar of Vision 2020 and established TVET institutes to development human resources (especially in science technology) to support economic development. Accredited TVET schools are 175 VTCs, 200 TSS, and 16 IPRCs[9]. In general higher education other than TVET, 10 public and 35 private institutions[10] are accredited.

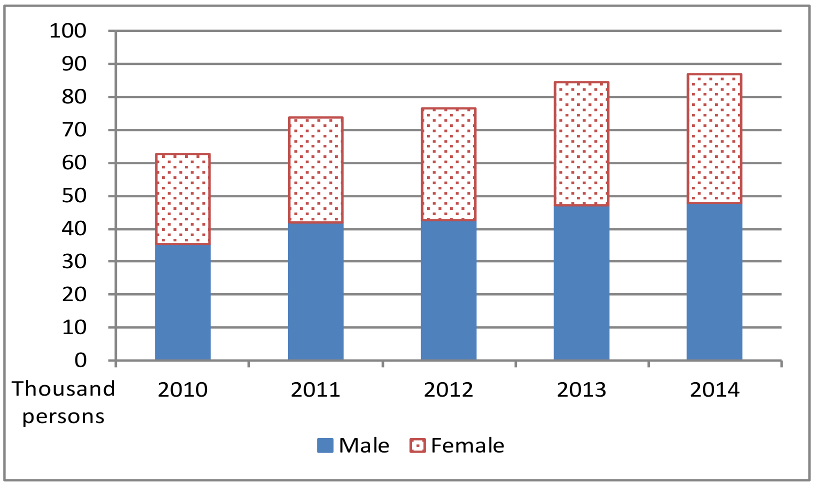
The number of ~~S~~students is~~are~~ on the rise at any level of VTCs, TSS, IPRCs. The increase in IPRC students are especially marked. Although the number is not as big as those of VTCs and TSS, it increased about fourfold from 1,571 in 2011 to 5,980 in 2015. Higher education students are gradually increasing about 1.4 times from 62,734 in 2011 to 87,013 in 2015.

[9] Workforce Development Authority (WDA), TVET Information System, http://www.wda.gov.rw/tvetis/index/
[10] Ministry of Education (2016) 2016 Education Statistical Yearbook



Source: JICA Study Team based on NISR (2016), –Statistical Yearbook 2016

Figure 2-6 TVET Institute Students (2011 – 2015)



Source: JICA Study Team based on NISR ~~(2015),~~ –Statistical Yearbook 2015

Figure 2-7 Tertiary Education Institute Students

The medium of instruction used to be ~~was~~ French, but education in English started in 2009 for its growing importance in the context of participation in the East African Community (EAC)[11] in 2007 and the Commonwealth in 2009 as well as a vehicle for international business. ~~However,~~ Kinyarwanda, Rwandan mother language, has been used for P1 (Grade 1 in primary education) to P3 (Grade 3) since 2011 while English is a compulsory subject. French is elective in secondary education but is no longer an official language of instruction[12].

2.4 Economic Situation

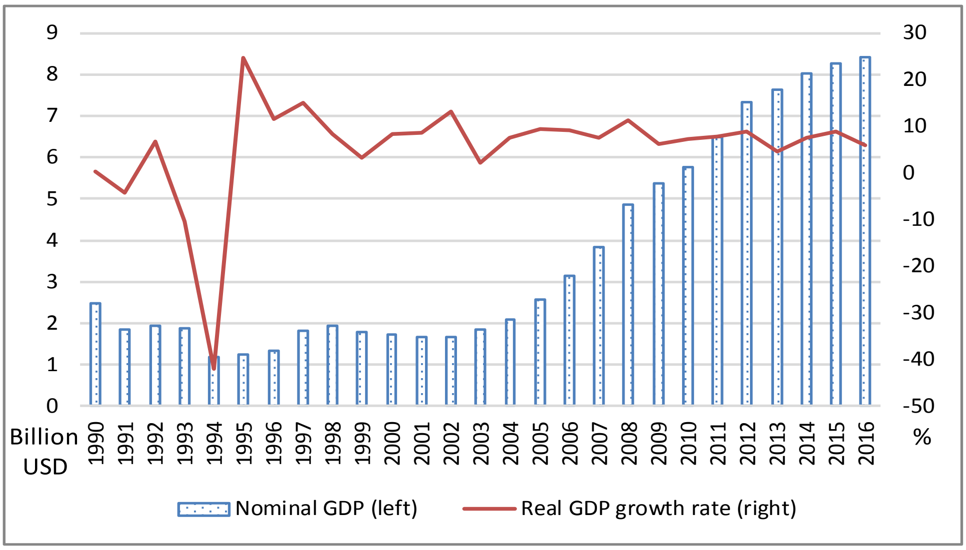
2.4.1 Gross Domestic Product (GDP)

The nominal GDP of Rwanda in the long term slumped drastically in the 1994 genocide but recovered to the pre-1994 level in 1998 and moved to the development phase in 2003. Subsequently,

[11] EAC is a regional community consisting of six countries: Rwanda, Burundi, Kenya, South Sudan, Tanzania, and Uganda. For more details please see 2.4.4.

[12] JICA/International Development Center of Japan (2012) Basic Education Sector Analysis Report – Rwanda –

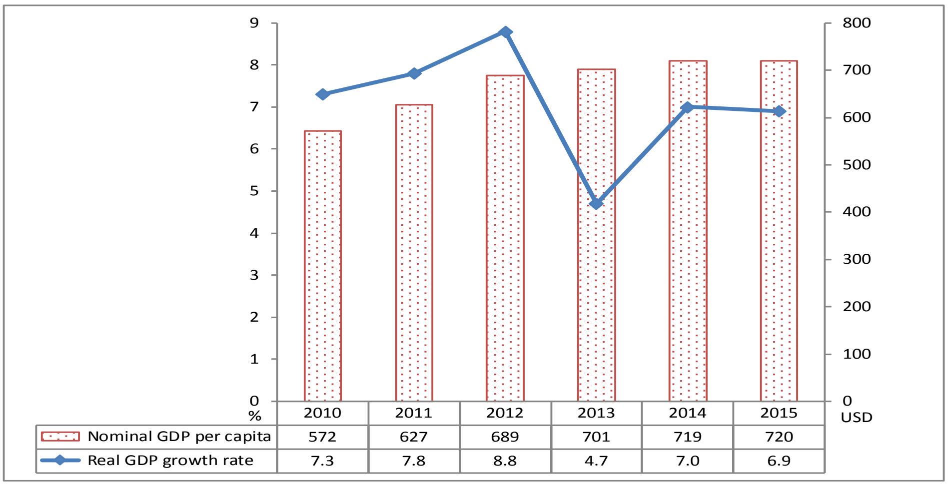
it skyrocketed ~~drastically~~ from USD 1.7 billion in 2003 to USD 8.4 billion in 2016 at an average annual growth rate of 12%[13]. For this dramatic reconstruction and development, Rwanda is called as "the miracle of Africa".



Source: JICA Study Team based on IMF, World Economic Outlook Database, April 2017
Note: Real GDP at constant 2014 prices.

Figure 2-8 Nominal GDP and Real GDP Growth Rate (1990 – 2016)

Real GDP growth (2011 base) between 2010 and 2015 shows that it fell from 8.8% in 2012 to 4.7% in 2013 but recovered to and maintained around 7.0%. Nominal GDP per capita is also gradually increasing from USD 572 in 2010 to USD 720 in 2015. The average nominal GDP per capita of sub-Sharan Africa was USD 1,594 in 2015[14].



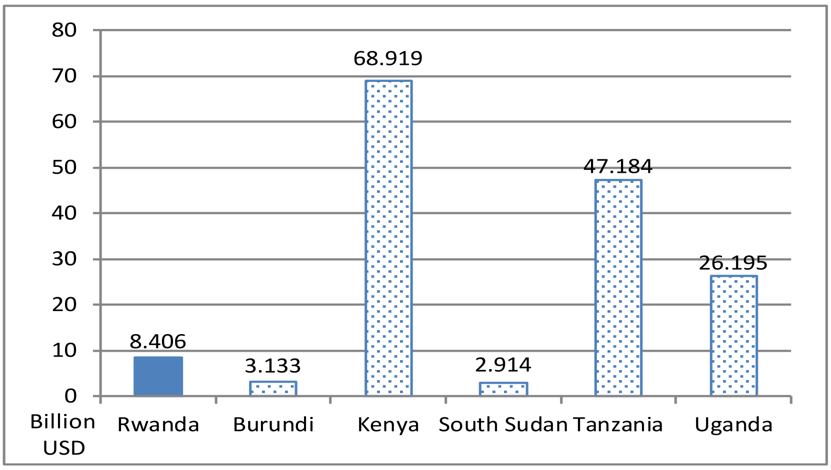
Source: NISR (2016) Statistical Yearbook 2016
Note: Real GDP at constant 2011 prices.

Figure 2-9 Real GDP Growth Rates and Nominal GDP per Capita

A comparison of Rwanda with EAC member states indicates Rwanda's nominal GDP of USD 8.4

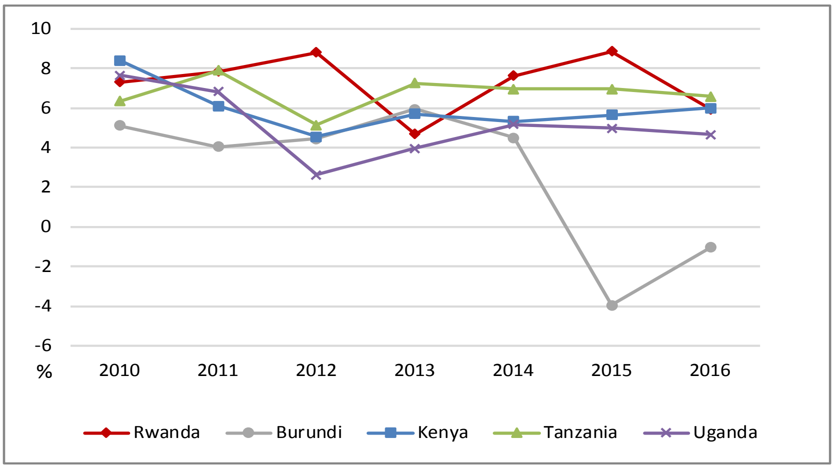
13 The average annual growth rate was computed based on the nominal GDP.
14 World Bank. World Development Indicators.

billion for 2016 and big differences from Kenya, Tanzania, and Uganda. Rwanda's real GDP growth rate stays generally high among EAC countries.



Source: JICA Study Team based on IMF, World Economic Outlook Database, April 2017
Note: The figures for the counties other than Rwanda are estimates.

Figure 2-10 Nominal GDP of EAC Countries (2016)

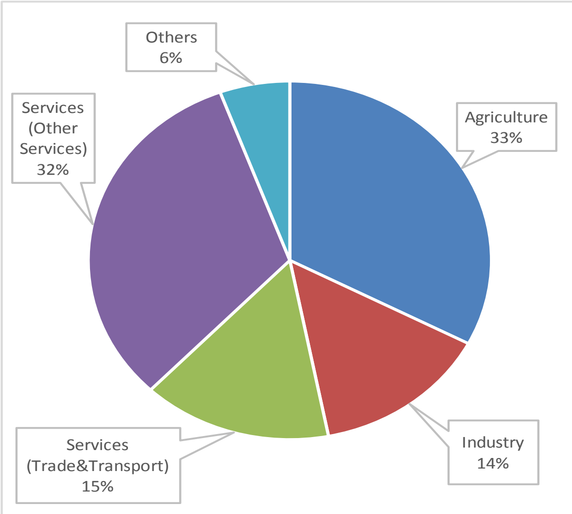


Source: JICA Study Team based on IMF, World Economic Outlook Database, April 2017
Note: The figures for Burundi, Kenya, and Tanzania for 2016 and those for Uganda for 2015 and later are estimates. The base years are 2014 for Rwanda, 2005 for Burundi, 2009 for Kenya, 2010 for Uganda, and 2007 for Tanzania.

Figure 2-11 Real GDP Growth Rates of EAC Countries (2010 – 2016)

2.4.2 Industrial Structure

In the GDP structure of Rwanda, Agriculture accounted for 33% of GDP , industry 14%, services including trade and transport 47%. Agriculture and services are main drivers of the economy. In industry, the GDP share of manufacturing is small (about 5%) and has ~~not~~ witnessed no big change since 1999. Construction boomed around 2010 and expanded from 5% to 7%, about a half of the industry.



Source: JICA Study Team base on NISR (2016) National Account 2015
~~Note: The total GDP for 2015 was approximately USD 8.1 billion.~~

Figure 2-12 GDP Share (2015)

Table 2-2 GDP Share by Industry (1999 – 2015)

	ISIC4	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
INDUSTRY	**B-F**	**12%**	**11%**	**12%**	**12%**	**11%**	**12%**	**12%**	**12%**	**12%**	**13%**	**12%**	**13%**	**14%**	**14%**	**15%**	**14%**	**14%**
Mining & quarrying	B	0%	0%	1%	0%	0%	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%	1%
TOTAL MANUFACTURING	C	8%	7%	6%	7%	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Manufacturing of food	*CA*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Manufacturing of beverages & tobacco	*CB*	*5%*	*4%*	*4%*	*4%*	*3%*	*3%*	*3%*	*2%*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*2%*	*2%*
Manufacturing of textiles, clothing & leather goods	*CC*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Manufacturing of wood & paper; printing	*CD*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Manufacturing of chemicals, rubber & plastic products	*CE*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Manufacturing of non-metallic mineral products	*CF*	*1%*	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Manufacturing of metal products, machinery & equipment	*CG*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Furniture & other manufacturing	*CH*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Electricity	D	1%	1%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Water & waste management	E	1%	1%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Construction	F	5%	5%	5%	4%	4%	5%	5%	5%	5%	6%	6%	6%	7%	7%	7%	7%	7%
SERVICES	**G-T**	**44%**	**45%**	**44%**	**45%**	**44%**	**42%**	**43%**	**43%**	**47%**	**48%**	**48%**	**48%**	**47%**	**47%**	**47%**	**47%**	**47%**
TRADE &TRANSPORT	**G-H**	**11%**	**11%**	**12%**	**12%**	**12%**	**12%**	**13%**	**13%**	**14%**	**16%**	**15%**	**16%**	**15%**	**16%**	**16%**	**16%**	**15%**
Maintenance and repair of motor vehicles	GA	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Wholesale & retail trade	GB	9%	9%	9%	9%	9%	10%	10%	10%	11%	13%	12%	12%	12%	12%	12%	12%	12%
Transport services	H	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
OTHER SERVICES	**I-T**	**30%**	**32%**	**31%**	**32%**	**30%**	**30%**	**30%**	**30%**	**33%**	**32%**	**32%**	**33%**	**31%**	**31%**	**31%**	**32%**	**32%**
Hotels & restaurants	I	1%	1%	1%	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%
Information & communication	J	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%	2%	3%	2%	2%	3%
Financial services	K	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%
Real estate activities	L	10%	9%	9%	8%	8%	7%	7%	6%	8%	8%	9%	8%	7%	6%	6%	6%	6%
Professional, scientific and technical activities	M	3%	3%	3%	3%	3%	2%	2%	2%	3%	3%	3%	3%	3%	2%	2%	2%	2%
Administrative and support service activities	N	3%	3%	3%	3%	3%	3%	2%	2%	3%	3%	3%	3%	3%	3%	3%	2%	3%
Public administration and defence; compulsory social secur	O	5%	5%	5%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Education	P	1%	2%	2%	2%	2%	2%	2%	3%	3%	2%	3%	3%	3%	3%	4%	4%	4%
Human health and social work activities	Q	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Cultural, domestic & other services	R-T	1%	3%	3%	4%	4%	4%	5%	5%	5%	4%	4%	4%	4%	4%	4%	4%	4%

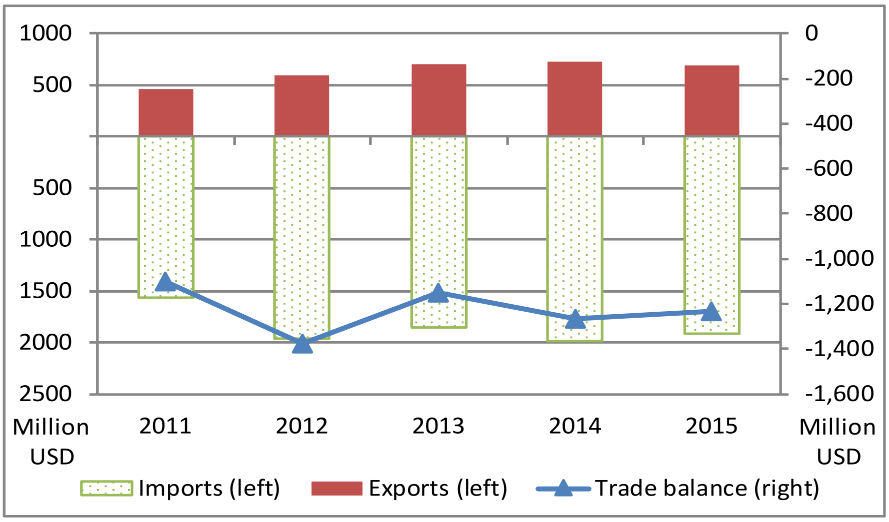
Construction Booming

New Investment Law
(List off Construction)

Source: JICA Study Team based on NISR (2016) National Account 2016

2.4.3 Trade Structure

In 2015, exports were valued at USD 684 million while imports at USD 1.~~,~~917~~917~~ billion~~million~~. ~~Excess of imports was marked.~~ The trade deficit has been ~~was gradually widening~~persistent. The proportion of trade with EAC countries stood at 21% (USD 95 million) in exports and 27% (USD 471 million) in imports in 2014[15]. Rwanda has a close connection with EAC. In exports to EAC, the share of Kenya was large (71%). In imports, the share of Uganda was large, accounting for 50% of the total value of imports from EAC.



Source: JICA Study Team based on NISR (2016) Statistic Yearbook 2016
Source: Both imports and exports are based on FOB~~f.o.b~~.

Figure 2-13 Trade Balance

(1) Export and Import~~ and Export~~ Trends by Commodity

Major export commodities, coffee and tea, represent 22% of the total ~~import~~export value. Mineral resources, such as ~~Niobium, vanadium,~~ tantalum, tin, gold, and tungsten, reached over 35%, followed by agricultural products (7%), such as wheat and maize flour, and livestock products. Primary commodities are major export commodities and the share of value-added industrial products is not large.

[15] NISR (2015) Statistic Yearbook 2015

Table 2-3 Major Export Commodities (2015)

Commodity	Export value ~~f.o.b~~FOB~~.~~ (million USD)	Proportion (%)
Total (of all commodities)	**390.35**	**100.00**
Niobium, vanadium ores, tantalum and concentrates	64.01	16.40
Coffee, not roasted, not decaffeinated	61.79	15.83
Other black tea (fermented) and other partly fermented tea	45.47	11.65
Tin ores and concentrates	33.76	8.65
Other unwrought gold (incl. gold plated with platinum), non monetary	29.91	7.66
Black tea (fermented) and partly fermented tea, in immediate packings of <=3 kg	22.13	5.67
Tungsten ores and concentrates	17.51	4.49
Wheat or meslin flour	12.16	3.12
Maize (corn) flour	10.22	2.62
Live bovine animals, other than purebred breeding	6.17	1.58

Source: JICA Study Team based on NISR (2016) Statistic Yearbook 2016

Major import commodities are consumer goods, such as mobile phones, medicaments, vegetable oil, sugar, and worn clothing. ~~Commercial imports and show a high propensity to commercial import.~~ Cements are imported as a construction material with the increase in ~~accompanying the expansion of~~ construction. ~~In t~~The table below shows major imported items in ~~for~~ 201~~4~~5. W~~, w~~orn clothing accounted for ~~amounted to~~ 1.46% of the total import value.~~but i~~ It may ~~s considered to~~ shrink due to the 2016 import restrictions of second hand ~~on~~clothes ~~it~~ with the aim of promoting the domestic apparel industry.

Table 2-4 Major Imports Commodities (2015)

Commodity	Import value CIF (million USD)	Proportion (%)
Total (of all commodities)	**1862.99**	**100**
Other portland cement	82.75	4.44
Telephones for cellular networks or for other wireless	75.64	4.06
Other medicaments in measured doses for retail sale	64.38	3.46
Other sugar, not containing added flavouring or colouring matter	45.9	2.46
Vegetable fats and oils and their fractions	36.15	1.94
Worn clothing and other worn articles	27.13	1.46
Flat rolled iron/steel, width >=600mm, otherwise plated	26.96	1.45
Other wheat and meslin	26.83	1.44
Other instruments and appliances for medical, surgical sciences	20.25	1.09
Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus, potassium	19.17	1.03

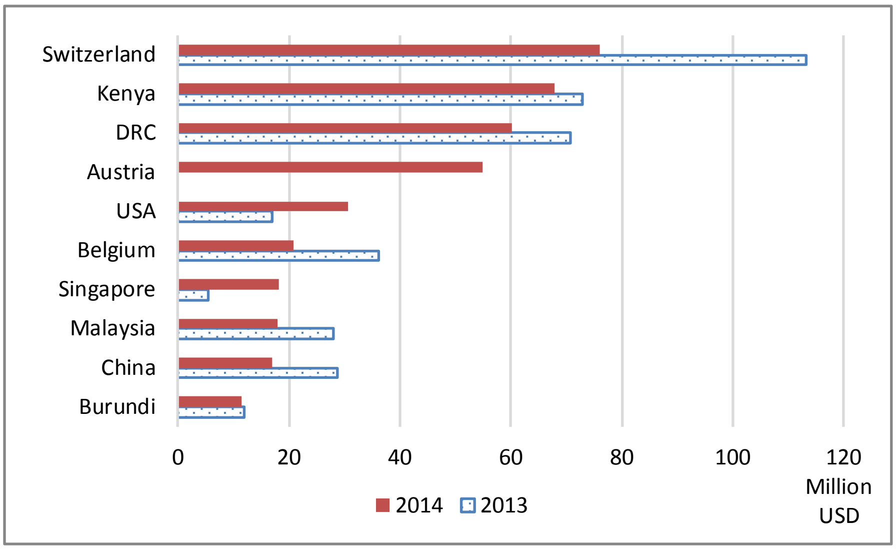
Source: JICA Study Team based on NISR (2016) Statistic Yearbook 2016

(2) ~~Import and~~ Export and Import by Country

~~As trade partners, p~~Principal export partners are EAC (especially Kenya) and DRC in Africa as well as Switzerland[16], Austria, Belgium. Major export destinations in Asia are Singapore, Malaysia, and

[16] Major commodities exported to Switzerland are base metal minerals, concentrates (niobium, vanadium, tantalum

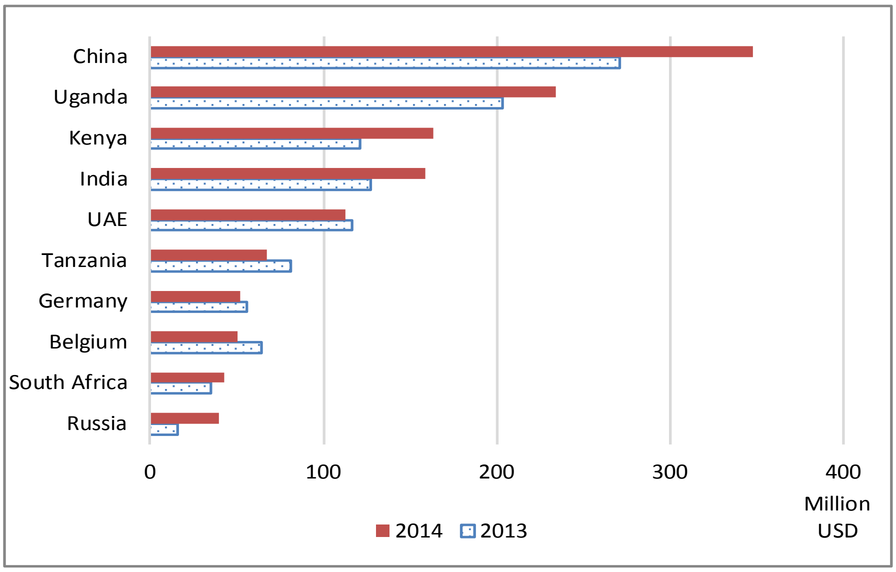
China.



Source: JICA Study Team based on NISR (2015) Statistic Yearbook 2015
Note: The values are based on CIF.

Figure 2-14 Major Trade Partners and Export Value

In imports, the value of imports from Uganda was big, but that from China surpassed it in 2013 and has become overwhelmingly large. Rwanda has close connections with EAC, especially Uganda, Kenya, and Tanzania.



Source: JICA Study Team based on NISR (2015) Statistic Yearbook 2015
Note: The values are based on f.o.b.

Figure 2-15 Major Trade Partners and Import Value

2.4.4 Regional Economic Communities in Africa and Rwanda

The shares of intra-Africa trade in both imports and exports remain at around 10%, while

ores and concentrates), and coffee.

intra-America and intra-Asia are higher[17]. Therefore, the African Union (AU), the largest regional organization in the world with 5~~4~~5 countries and territories in Africa[18], recognizes eight regional economic communities (RECs) and promotes the free movement of people, goods, and money within the RECs. AU's ultimate objective~~goal~~ is to promote ~~for Africa to be~~ political~~ly~~ and economic~~ally~~ integration~~ed~~ of member countries and to solve conflicts within the region. The table below illustrates the progress of regional integration in the eight RECs in Africa.

Table 2-5 Progress of Regional Integration in RECs

Regional Ecoomic Community	Established year	No. of member countries	Free Trade	Custom Union	Common Market	Currency Union
Southern African Development Community: SADC	1992	15				
○ East African Community: EAC	2000	6				
Economic Community of West African States: ECOWAS	1975	15				
○ Common Market for Eastern and Southern Africa: COMESA	1994	19				
○ Economic Community of Central African States: ECCAS	1983	11				
Arab Maghreb Union: AMU	1989	5				
Community of Sahel-Saharan States: CEN-SAD	1998	29				
Intergovernmental Authority on Development: IGAD	1986	8				

Source: JICA Study Team based on AU (http://au.int/en/organs/recs), AfDB (2014) Tracking Africa's Progress in Figures
Note: Dark grey indicates "introduced" (but not fully implemented in some cases), light grey "under consideration" and white "no progress". Rwanda is a member of RECs with "○".

Rwanda is a member of EAC, Common Market for Eastern and Southern Africa (COMESA)[19], and Economic Community of Central African States (ECCAS)[20]. EAC completed transition to the custom union in 2010 and introduced common external tariffs (CET) and the common rules of origin. However, CET is not applied to all import products with many exceptions[21]. In 2010, the Common Market Protocol also entered into force and has been promoting the free movement of people and services by such measures as ~~, including~~ the launch of the East African Passport. In 2013, a protocol containing an article on cooperation towards the establishment of the currency union by 2023 was signed.

In COMESA, 14 member states[22] signed the COMESA Free Trade Agreement in 2000, yet

[17] The share of intra trade (export and import, respectively) in other regions is: ASEAN (26%, 23.5%); EU (61.8%, 56.3%); NAFTA (48.5%, 33.7%) (AfDB (2014) Tracking Africa's Progress in Figures)
[18] AU Includes "Sahara Arab Democratic Republic", which Japan does not recognize as a country. ~~Morocco does not participate in AU.~~
[19] The member countries are 19 (Burundi, Comoro, DRC, Djibouti, Egypt, Eretria, Ethiopia, Kenya, Libya, Madagascar, Malawi, Malicious, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe, and Rwanda. The participation of South Sudan is under consideration.
[20] The member countries are 11 (Angola, Burundi, Cameroon, Central African Republic, Chad, Congo Republic, DRC, Equatorial Guinea, Gabon, Sao Tome and Principe, and Rwanda).
[21] For more details, please see "Chapter 6 6.2.8Trade-Related Procedures and Custom Clearance".
[22] The signatories are Burundi, Comoro, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles,

countries such as Ethiopia and DRC are preparing for joining the FTA. The c~~C~~ustoms u~~U~~nion was declared in 2009, but it is still in the process of eliminating customs within COMESA. Application of CET vary from country to country. COMESA aims to move to the common market by 2025 and the currency union by 2018.

EAC and COMESA, in which Rwanda participates, and the Southern African Development Community (SADC) decided to make a tripartite free trade area (TFTA) in order to improve the living standard of people in East and Southern Africa, to achieve sustainable economic development to reduce poverty, and to accelerate economic integration on the African continent. In June 2015, 24 countries[23] signed the declaration of establishment of TFTA and 16 of them[24] also signed the agreement, which led to the official establishment of TFTA. TFTA aims to establish the African Free Trade Area by 2017.

ECCAS has the headquarters in Libreville of Gabon and consists of 11 countries[25] including Rwanda. ECCAS established free trade zone in 2004 and is trying to make a custom union as a next step, but the progress is stagnant. As six member countries formerly under the French colonial rule are members of Communauté Économique et Monétaire de l'Afrique Centrale[26] (CEMAC)[27], ECCAS has been discussing since 2014 the possibility of integration with CEMAC, which has made more progress than ECCAS. Although CEMAC is not officially recognized as REC by AU, it already has a common currency, a parliament body, and a court. In addition, CEMAC is making preparations for economic integration in 2025, such as discussion on the adjustment of customs and the application of the generalized system of preferences (GSP) among the member countries.

~~In addition to the 8 RECs above, there is consisting of Cameroon, Central African Republic, Congo Republic, Gabon, Republic of Equatorial Guinea, and Chad, which are former French colonies, in Central Africa.~~

Below are the key indicators for Rwanda and its three RECs. Rwanda is small in land, population, and economic size vis-à-vis any REC while its economic growth rate is high. ~~It is considered that~~ Rwanda with a small market needs to ~~will~~ compete with other member countries while making the use of RECs’ big markets. It is therefore important to position Rwanda within RECs.

Sudan, Zambia, Zimbabwe, and Rwanda.

[23] Twenty-four countries excluding Libya and Eritrea as well as South Sudan which joined EAC in 2016 from 27 member countries which are in any of the three RECs.

[24] Angola, Burundi, Comoro, DRC, Djibouti, Egypt, Kenya, Malawi, Namibia, Seychelles, Swaziland, Sudan, Tanzania, Uganda, Zimbabwe, and Rwanda.

[25] In addition to the six CEMAC countries (Cameroon, Central African Republic, Congo Republic, Gabon, Equatorial Guinea and Chad), Angola, Burundi, DRC, Sao Tome and Principe, and Rwanda.

[26] Economic Monetary Community of Central Africa in English.

[27] All the CEMAC members are ECCAS members.

Table 2-6 Basic Statistics of REC and Rwanda

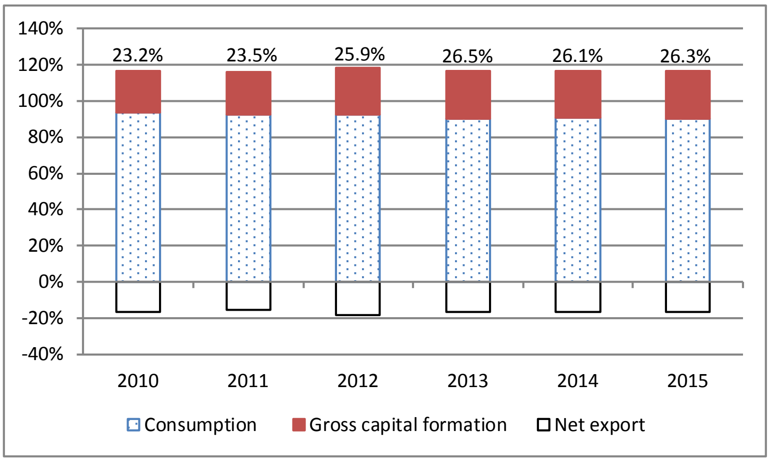
REC/Country	Land Size (sq. km)	Population (thousand)	Nominal GDP (million USD)	Nominal GDP per capita (USD)	Real GDP growth (%)
EAC	1,705,810	161,342	146,298	907	5.9
COMESA	11,170,101	505,376	702,830	1,391	4.1
ECCAS	6,547,170	174,740	242,786	1,389	3.4
Rwanda	24,670	11,610	8,096	697	6.9
Share of Rwanda in each REC					
EAC	1.4%	7.2%	5.5%	-	-
COMESA	0.2%	2.3%	1.2%	-	-
ECCAS	0.4%	6.6%	3.3%	-	-

Source: Land size: World Bank (2017) World Development Indicators, the others: UNCTAD Stat (http://unctadstat.unctad.org/EN/Index.html).
Note: Land size for 2016 and the others for 2015. The land size of EAC is a sum of all the six members, including South Sudan, the other values are sums of five members excluding South Sudan.

Chapter 3 Investment in Rwanda

3.1 Investment Trend

The share of gross capital formation in ~~gross domestic product (~~GDP~~)~~ stayed at around 25% between 2010 and 2015. After increasing from 23.2% in 2010 to 26.5% in 2013, it maintained the 26% level.



Source: NISR (2016) Statistical Yearbook 2016
Note: The figures above the columns indicate the shares of gross capital formation.

Figure 3-1 Share of Gross Capital Formation in GDP (2010 – 2015)

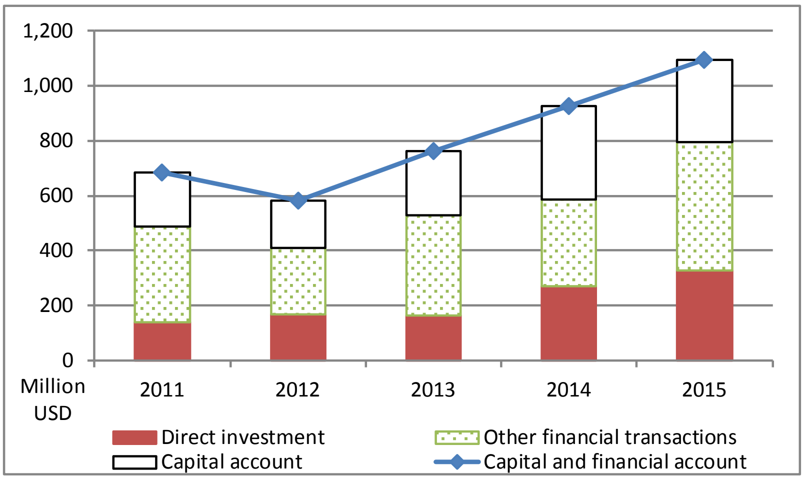
Gross capital formation expanded at an annual growth rate of some 15% between 2010 and 2015. As shown below, gross fixed capital formation accounted for about 97% of the gross capital formation, over 60% of which was attributable to construction.

Table 3-1 Breakdown of Gross Capital Formation (2010 – 2015)

	2010	2011	2010	2013	2014	2015
Gross fixed capital formation	97.0%	97.1%	96.8%	96.3%	96.6%	97.5%
Construction	60.7%	66.9%	64.3%	66.0%	66.5%	68.0%
Others	36.3%	30.3%	32.5%	30.2%	30.1%	29.5%
Change in inventories	3.0%	2.9%	3.2%	3.7%	3.3%	2.5%

Source: NISR (2016) Statistical Yearbook 2016

Capital and financial account in Rwanda's balance of payment dropped in 2012 from USD 700 million in 2011 and then rose to USD 1.1 billion in 2015. Direct investment achieved steady growth from approximately~~over~~ USD 100 million in 2011 to over USD 300 million in 2015 while its share in the capital and financial account remained between 20% and 30%.



Source: JICA Study Team based on NISR (2016) Statistical Yearbook 2016

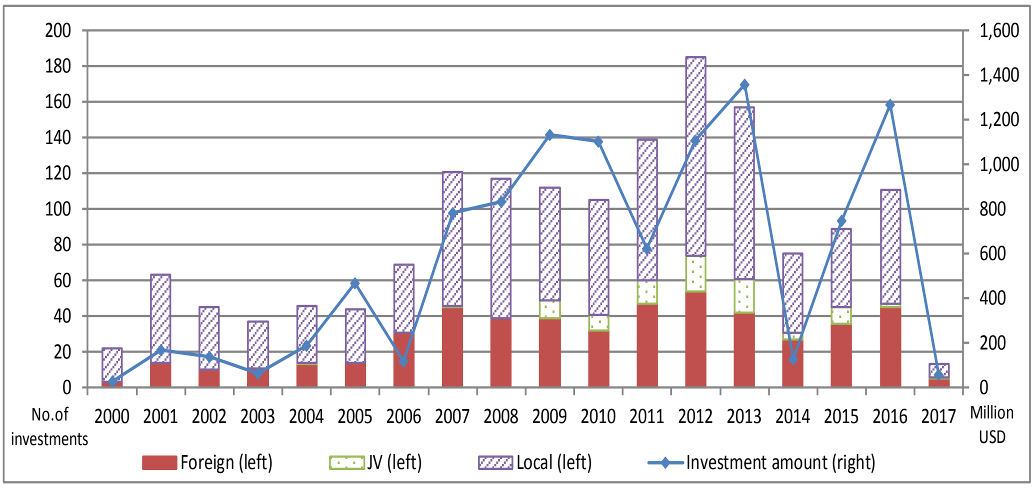
Figure 3-2 Capital and Financial Account (2011 – 2015)

In Rwanda, governmental approval to make an investment is not mandatory. Only investors who would like to receive financial and non-financial incentives need to submit ~~an~~ applications for investment certification to the Rwanda Development Board (RDB). Therefore, RDB’s data focus primarily on those registered with them. The scope of analysis of investment trends is limited due to the unavailability of comprehensive data on the numbers and amount of investments by year, sector, country, etc.

The figure below shows investment trends from 2000 to 2017. The enactment of the Law ~~N°~~No. 26/2005 of 17/12/2005 Relating to Investment and Export Promotion and Facilitation in 2005 accelerated investment. It was revised in 2015 to the Law ~~N°~~No. 06/2015 of 28/03/2015 Relating to Investment Promotion and Facilitation (hereinafter referred to as “2015 Investment Code”) with changes in investment incentives, but it would be too early to assess the impact of the revision given only a few years since then.

The number of registered foreign investments[28] skyrocketed tenfold from three in 2000 to 31 in 2006. After peaking at 54 in 2012, it declined until 2014 but is rebounding afterwards. Local investments surged fourfold from 19 in 2000 to 75 in 2007 and reached a record high of three-digit 111 in 2012. The number of joint ventures (JV) between local and foreign investors has been small, recording 20 at most in 2012. The amount of registered investments dropped sometimes but is generally on the rise.

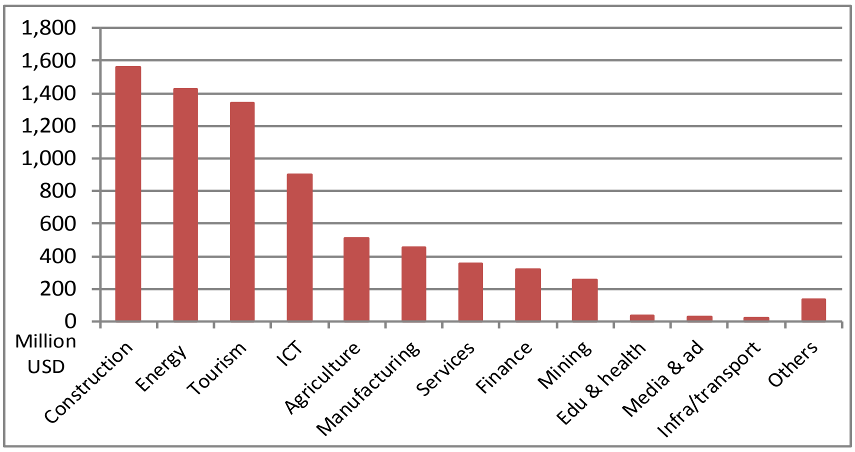
[28] ‘Foreign investors’ is defined by the Law N° 26/2005 of 17/12/2005 and the Law N° 06/2015 of 28/03/2015. In the latter, broadly speaking, they are Rwandans or members of the East African Community (EAC) or the Common Market for Eastern and Southern Africa (COMESA). In the data used in this section, however, they are other than Rwandans.



Source: JICA Study Team based on data from RDB
Note: The figure for 2017 covers up to February.

Figure 3-3 Number and Amount of Registered Investments (2000 – 2017)

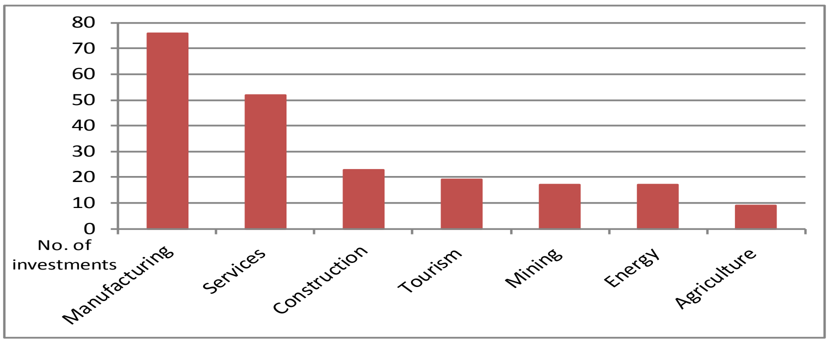
Investment stocks by sector in value from 2000 to 2013 show that infrastructure-related sectors, such as construction and energy, were the biggest, attracting approximately USD 3 billion, a quarter of the total. Next to them, the biggest sectors were tourism and ICT.



Source: RDB (2016) The Revised Investment Code

Figure 3-4 Registered Investments by Sector in Value (2000 – 2013)

Data on investments by sector in volume are available for 2015 and later. The biggest sector, manufacturing, represents a third of the total (76 investments), followed by services (52). Manufacturing and services combined constituted 60%.

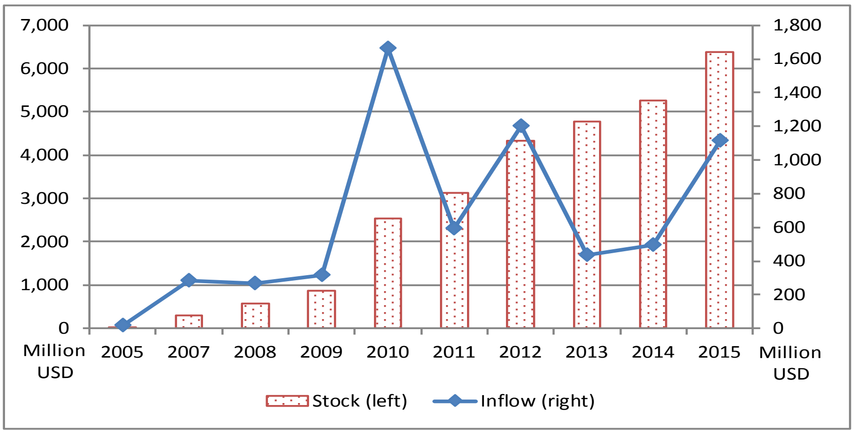


Source: JICA Study Team based on data from RDB
Note: The data covers up to February 2017.

Figure 3-5 Registered Investments by Sector in Volume (2015 – 2017)

3.2 Foreign Investment Trend

Data from the United Nations Conference on Trade and Development (UNCTAD)[29] indicate that foreign direct investment (FDI) inflows levelled off between 2000 and 2005 and soared since 2005 when the Law N° 26/2005 of 17/12/2005 was enacted. According to fDi Intelligence, FDI flows between 2005 and 2015[30] were vary from year to year while stocks[31] increased steadily. The stocks doubled from USD 0.9 billion in 2009 to USD 2.5 billion in 2010 and exceeded USD 5 billion in 2014.



Source: fDi Intelligence (Financial Times Ltd)
Note: The data cover up to July 2015.

Figure 3-6 Foreign Direct Investment (Stock and Inflow) (2005 – 2015)

As shown in the table below, a total of 117 investments were made in Rwanda from 2005 to 2015, amounting to USD 6.4 billion. In terms of the number of investments by sector, finance was the biggest sector (39 investments), followed by communication (17) and business services (8). Finance alone constituted a third, whereas finance and communication combined accounted for a half. On the other hand, the biggest sector in the accumulated and average amounts was coal, oil, and natural gas, recording USD 2.9 billion (45%) and USD 600 million respectively. Communication and finance

[29] UNCTAD Stat. http://unctadstat.unctad.org/EN/Index.html
[30] No data for 2006.
[31] The stock is an accumulation of values since 2005 and does not include those for 2004 or earlier.

followed in the accumulated amount while metal and alternative/renewable energy in the average amount. This indicates that the amount of investments in resources per investment was big.

Table 3-2 Foreign Direct Investment by Sector (2005 – 2015)

Sector	No. of investment	Accumulated amount (million USD)	Average amount (million USD)
Financial services	39	391	10
Communications	17	539	32
Business services	8	62	8
Food & tobacco	6	127	21
Coal, oil & natural gas	5	2,895	579
Hotels & tourism	5	265	53
Healthcare	4	45	11
Metals	4	293	73
Alternative/renewable energy	3	207	69
Automotive components	3	26	9
Others	23	1,531	67
Total	117	6,381	55

Source: fDi Intelligence (Financial Times Ltd)
Note: The data cover up to July 2015.

By business activity, the number of investments was the biggest in business services (47), representing a quarter of the total. It was followed by sales, marketing and support, manufacturing, retail, ICT and Internet infrastructure. These top five activities accounted for over 80%. In the accumulated amount, manufacturing was USD 2.3 billion, a third of the total, followed by activities which required massive investments, such as infrastructure and resources including construction, electricity, and extraction.

Table 3-3 Foreign Direct Investment by Business Activity (2005 – 2015)

Business activity	No. of investment	Accumulated amount (million USD)	Average amount (million USD)
Business services	47	456	10
Sales, marketing & support	16	124	8
Manufacturing	15	2,254	150
Retail	12	97	8
ICT & internet infrastructure	7	490	70
Electricity	6	924	154
Construction	5	1,168	234
Extraction	2	807	403
Logistics, distribution & transportation	2	33	17
Maintenance & servicing	2	10	5
Others	3	18	6
Total	117	6,381	55

Source: fDi Intelligence (Financial Times Ltd)
Note: The data cover up to July 2015.

In terms of source countries, Kenya ranked top in both the number and the accumulated amounts of investments, forming approximately 30%. India and US followed in volume while investments from Kenya, Uganda, and Tanzania, all of which are EAC member states, were many (40%). In the accumulated investment amount, UAE, India, and South Africa came after Kenya.

Table 3-4 Foreign Direct Investment by Source Country (2005 – 2015)

Source country	No. of investment	Accumulated amount (million USD)	Average amount (million USD)
Kenya	35	2,081	59
India	9	235	26
USA	8	195	24
Uganda	7	78	11
South Africa	6	201	34
Nigeria	5	55	11
UAE	5	255	51
Tanzania	5	55	11
Luxembourg	4	109	27
China	4	41	10
Others	29	3,077	106
Total	117	6,381	55

Source: fDi Intelligence (Financial Times Ltd)
Note: The data covers up to July 2015.

3.3 Major Foreign Investment

Except for sectors related to natural resources, foreign investment can be categorized into two type, namely horizontal and vertical, and there is an expanded form of the horizontal type called the export platform type[32]. The horizontal type produces final goods in the same country where the investor sells products in order to reduce transportation costs. The vertical type produces labor-intensive products in a country where labor costs are relatively low in order to reduce production costs. The export platform type is to produce final goods in a country which is close to the market in order to export the goods to the market with low transportation costs. The table below summarizes the characteristics of each investment type.

Table 3-5 Patterns of Companies' Expansion Abroad

	Horizontal type	Vertical type	Export platform type
Advantage	Reduction of trade cost	Reduction of production cost	Reduction of production and trade costs
Typical destinations	Countries with large market size	Countries with low labor cost	Countries with low labor cost and close to the market

Source: JICA Study Team based on RIETI etc.

In addition to the abovementioned characteristics, investors have characteristic investment strategies,

[32] Research Institute of Economy, Trade and Industry (RIETI) (2011) International Trade and Trade Policy Research, Cabinet (2012) Japanese Economy 2012 – 2013, Bank of Japan (2014) Companies' Expansion to Abroad and Earning Power etc.

based on the economic situation and investment potential in Rwanda. The table blow present a summary of the characteristics of typical companies interviews in the survey, which are explained in more detail in the next chapter. It includes not only foreign investments but also local investments with foreign participation.

Table 3-6 Surveyed Investments in Rwanda

Industry	Business activity and feature	Source country	Investment type	Pattern
Manufacturing	Manufacture and domestic sale of LED lights	Foreign	Horizontal	− Technology introduction based investment − Government policy supported (hand-in-hand) investment
Construction	− Manufacture of roofing and a high-price line − Introduction of technology of developed countries	JV between foreign capital and the Rwandan government	Horizontal	Technology introduction based investment
Distribution	− Import and wholesale of frozen seafood. − Headquartered in Kenya − Developed distribution infrastructure on their own	Foreign	Horizontal	− Business group based investment development − Supporting business concurrent investment
Manufacturing	Manufacture of steel products (construction materials like round bars)	Foreign	Horizontal (export to the regional market)	Technology introduction based investment
Manufacturing	− Manufacture of steel products (roofing). − A company of a group operating in Africa	Foreign	Horizontal	Business group based investment development
Manufacturing	Manufacture of female hygiene products	Foreign	Horizontal	Technology introduction based investment
Manufacturing	Manufacture of plastic packaging	Local	Horizontal	Technology introduction based investment
Manufacturing	Manufacture of paper packaging	Foreign	Horizontal	Technology introduction based investment
Manufacturing	Manufacture and export to Uganda of beverages	Local	Horizontal (export to the regional market)	Technology introduction based investment
Construction	Construction, concrete manufacture. Manufacture of concrete products like blocks, deriving from construction	Foreign	Horizontal	Supporting business concurrent investment
Agro-processing	− Manufacture and sale of crisps − Materials procured directly from neighbouring farmers	JV between foreign and local capital	Horizontal (export to the regional market)	International assistance project originated investment

Industry	Business activity and feature	Source country	Investment type	Pattern
Manufacturing	− Printing of posters, brochures, textbooks, etc. − Received capital and technology from European investors	JV between foreign and local capital	Horizontal	Technology introduction based investment
Manufacturing	− Manufacture of beverages − Affiliated with a well-established company in Rwandan	Local	Horizontal	Government policy supported (hand-in-hand) investment
Manufacturing	− Manufacture and sale of clothes (working wear, uniforms, sport wear) − Most for North America and Europe but some for the local and regional markets	Foreign	− Export platform/vertical − Horizontal	Government policy supported (hand-in-hand) investment
Agriculture, agro-processing	− Production, processing, export, sale of tea (black and green) − Bought a former state-owned tea factory in privatization. Received foreign capital and technology.	JV between foreign and local capital and the Rwandan government	Vertical (resource type)	JV based investment
Export	Export of coffee	JV between foreign and local capital	Vertical (resource type)	JV based investment

Source: JICA Study Team based on interviews with companies

3.4 Characteristics of Investment Patterns

There are two types in direct investments: i) investment by entrepreneurs and ii) joint venture and equity participation either by local or foreign investors, as similarly observed in other countries. In Rwanda FDI has manifested its presence in traditional core businesses in the fields of beverages, construction etc. In addition, there is an expansion of investment in large-scale infrastructure and energy projects.

One of the findings from the interview survey was the case where neighboring countries' investors making investments in Rwanda adopting improved technology and forming a joint venture with Rwandan entrepreneurs. In addition, it should be noted that its superior investment environment prompted investment decisions in Rwanda. Compared to other African countries, Rwanda is with clarity of laws and regulations and the responsive Government. For example, a company that manufactures construction materials raised the business environment in Rwanda as the first reason of selecting Rwanda as the investment destination. This is a typical case of investors selecting Rwanda for a good investment environment as its base with third country technology for higher value addition of products aiming at particular market segments in the Rwanda or the African countries.

As shown below, the patterns of investment are classified based on the findings from the interview survey.

(1) Conventional Investment Pattern

There are two most basic investment patterns. The first is a "direct investment" that establishes a manufacturing/sales base for business development in Rwanda and the second is a joint venture investment by a foreign investor who seeks local management resources for entry to the local market. What attracted attention in this business investigation is the pattern of investment development focusing on investment from Rwanda side or third country investors among the latter. Within this investment pattern, two subtypes were confirmed; i) a joint investment from the beginning, ii) foreign investors financing business initiated by Rwandan investors. The latter also includes the case of privatization of state enterprises. Though these types of investments are not necessarily unique to Rwanda, a government-affiliated enterprise might become a preferred choice of investment partnership for foreign investor when domestic industries start to expand in the market.

Table 3-7 Cases of Collaboration Between Foreign and Domestic Investors

Company/Sector	Business Activities
Manufacturing (Printing)	Catching up by mechanization. Large-scale investment by foreign capital participation. Technical guidance from foreign partners is available with training attached to machinery import to improve maintenance skills, etc. contributing to improving human resources and skills (quality improvement) as well as capital goods.
Manufacturing （Steel）	Capital alliance with Rwanda government capital. Intention to develop domestic as well as EAC markets. Selection of Rwanda as its base (for less corruptions and well developed institutions).
Coffee export	Coffee export by improving and renovating conventional business with ingenuity. Rural cooperation, original market development. Maintain business expansion by receiving foreign large capital.
Agro-industry	Tea production and processing. Due to the fact that overall production and export volume are still small, the scale of production may not have kept up with demand. Choice of partnership with foreign investors for the purpose of seeking to improve export competitiveness through collaboration rather than head-on competition.

Source: JICA Study Team based on the interview survey

(2) Patterns of Investment per Characteristics

From analysis of the interview survey, the investments in Rwanda have been classified into the five categories as explained below. In the real business cases, a few characteristics may be combined in one same examples to develop their unique businesses. Thus, the following models should be viewed as conceptual categorization.

1) ‘Technology Import’ (Equipment Based) Investment

This type of investment aims at import substitution by introducing manufacturing equipment through investment of a large-scale with superior technology level and product quality. After securing a certain share in the domestic market, these businesses tend to aim at maintaining market leadership and then promoting export to other neighboring countries (especially EAC countries). The business may succeed to expand into the additional markets through the partnership with the dealers, distributors and importers who handle the marketing in neighboring countries.

Table 3-8 ‘Technology Import’ (Equipment Based) Investment

Company/Sector	Business Activities
Manufacturing industry (Electrical appliance)	New market development by replacement of conventional light bulb to LED. By introducing products with performance not available in Rwanda, it will lead to import substitution. If the consumer realizes that the product's lifespan worth the price, it is possible to secure the market and profit even if the material, transportation costs are high. By thoroughly educating distributors / distributors, marketing is left to them. The next step is to export to southern Africa by having consultations with distributors / dealers, calculating the distance and cost factors (type: introduction of new products).
Manufacturing industry (Iron and Steel Industry)	A sales strategy to attain quality price margins to offset the higher costs in materials and transportation by introduction of improved technology. Market entry based on high value added, not low price (type: introduction of new products).
Manufacturing	Introduction of new technology by updating facility (manufacturing

Company/Sector	Business Activities
industry (Packaging material)	facilities). Although in Uganda the company is engaged in fierce competition in facility investment and expansion at home, the company's products are treated as high value added products in the Rwanda market. Improvement of productivity is realized by capital investment (expansion of the number of machines). A case in point where productivity accompanied with capital expansion. (type: modernization of product manufacturing process, introduction of new products).
Manufacturing industry (Packaging material)	Capitalizing on a new government policy (prohibition of plastic bags), and in order to secure early entrant profits, strategically implement capital investment to incorporate technologies to win competitions from the follow-up competitors (investment for securing production scale). In addition, to engage in development of new products (early introduction of new products through capital investment) that can gain the first-mover advantage (type: increase production capacity, introduce new products).
Manufacturing industry (Beverage)	Hiring of engineers from Uganda. Strategy of differentiation by aggressive technology introduction and quality control (type: modernization of manufacturing process, introduction of new products).
Manufacturing industry (Paper products)	Manufacturer of sanitary goods for women. Entered the market after importation of manufacturing machines. Established near oligopoly in the domestic market with the first-mover advantage, (type: introduction of new products), with earnings.

Source: The interview by JICA Study Team

2) 'Industrial Group Linked' Investment

This is a pattern of expansion (investment) making full use of the strengths of the corporate group. In this pattern, there are three types; i) those that adopt a division of labor within the EAC region and neighboring African countries, ii) those that adopt a division of labor, including bases other than Africa, iii) cross sectoral supply (production) chain organization such as planning, manufacturing, transportation, distribution. Each has secured the final process production base, or sales base in Rwanda.

Table 3-9 'Industrial Group Linked' Investment

Company/Sector	Business Activities
Manufacturing industry (Steel industry)	Market development within the region. Importing raw materials by an affiliated company, other group companies to manufacture intermediate goods near ports of Mombasa, and Dar es Salaam, final processing / sale in Rwanda.
Distribution (Sales of frozen foods)	Support by affiliated companies within a group. Collaboration between food importing companies, distribution companies, and cold chain operating companies within the group, utilizing their respective management resources, and developing business for a frozen food sales company in Rwanda.

Source: JICA Study Team based on the interview survey

3) Investment Leveraging Government Policy

This investment pattern is to develop business in cooperation with the Government (hand in hand) to realize the government policy mandates. Public-private partnerships are utilized to promote effective investment in the win-win relationship. At an early development stage of developing countries, policy decisions may take place to support large-scale investments. Such public involvement could lead to risk of corruption, anti-competitive markets. However, in Rwanda, strong government initiatives have resulted in attainment of policy goals such as job creation, transparency, compliance with due processes, and low levels of corruption. Among policy objectives, creation of employment opportunities is an important issue, and the Government has vied for labor-intensive industries, i.e., food processing and apparel industries. Also, as the Government promotes the "Made in Rwanda" campaign, the government procurement has become an effective means. The investments to comply with such government policies fall in this type of investment.

Table 3-10 Investment Leveraging Government Policy

Company/Sector	Business Activities
Manufacturing industry (Beverage)	Special preferable conditions are provided by the government, (ex. continuous electricity supply with preferable tariff, water supply and sewerage, etc.), when met with the sector promotion policy objectives such as increase of employment.
Manufacturing industry (Garment/Apparel)	Government support in Special Economic Zone. Product characteristics specialized industries such as uniforms. Employment creation targeted type
Manufacturing industry (Steel products)	Supply of construction materials to government procurement.
Manufacturing industry (Electrical appliance)	Supply of products to government procurement.

Source: JICA Study Team based on the interview survey

4) Investment Started with International Donor Support

This is an investment pattern that aims at developing businesses by continuing and developing part of the project that were originated with projects (poverty reduction, rural development, environmental protection, etc.) supported by international organizations as a part of assistance to Rwanda. Though the particular business itself may be a new initiative in Rwanda, it is a case of transplanting a business model that proved as success in other countries by international organizations. Therefore, the investment has an advantage with access to preferential measures for bilateral support, as well as business expertise.

Table 3-11 Investment Started with International Donor Support

Company/Sector	Business Activities
Manufacturing (Food processing)	Business development based on the rural development project supported by a donor agency

Source: JICA Study Team based on the interview survey

5) Affiliated Business Investment

It is an investment pattern that focuses on the businesses affiliated with the main/core business for business expansion. For example, there is a business which deals with both construction activities and construction material manufacturing. The survey confirmed only one such example of one construction company. Nevertheless, it is confirmed that one case of distribution business intends to pursue this investment strategy for future development. Through the interview survey, the construction industry as a whole is following this investment pattern.

Table 3-12 Affiliated Business Investment

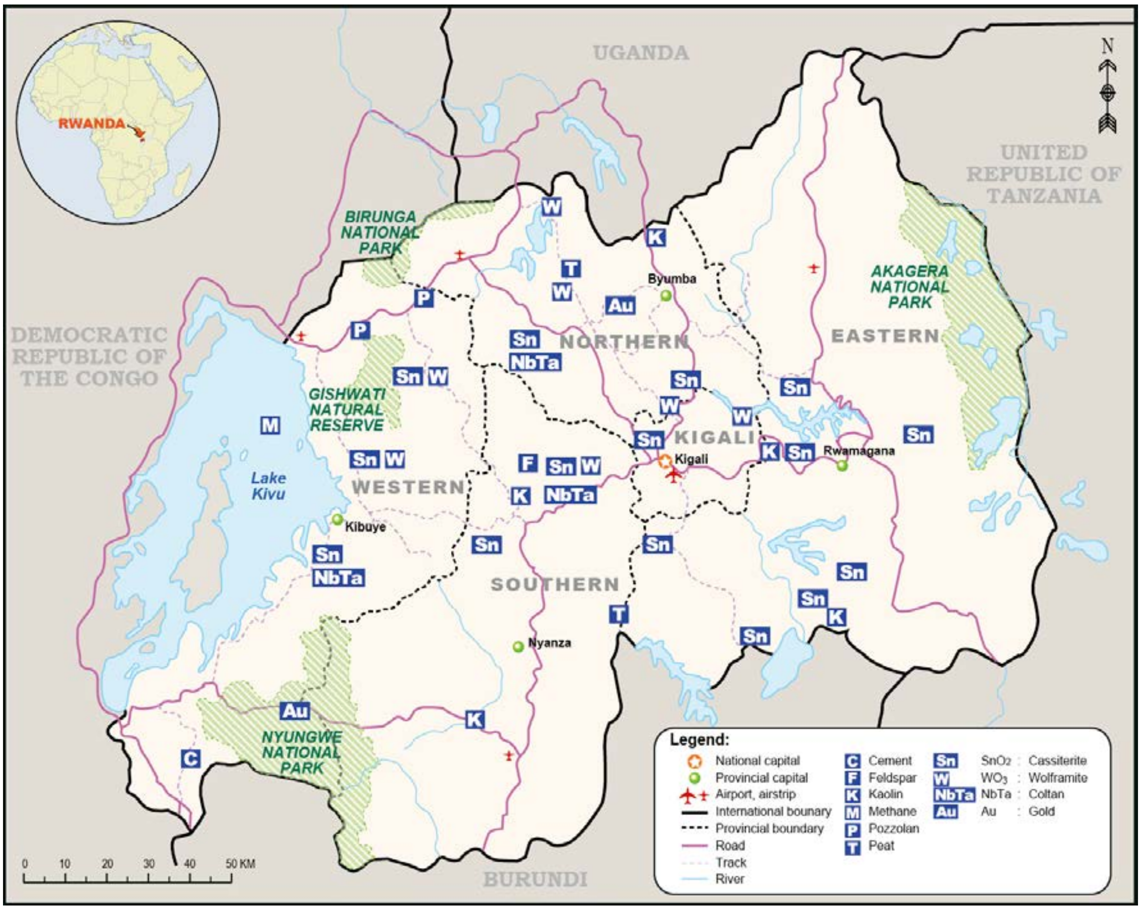
Company/Sector	Business Activities
Construction industry (Construction, and Concrete products)	Complementary business to supplement the fluctuated revenue pertinent to construction works by coupling with revenues from construction materials (cement and concrete blocks) production/sales
Distribution	Distribution chain development to transport the products (frozen seafood) for an affiliated company. Transporting goods for other companies and rental/lease of cold storage are now examined as expansion strategy

Source: JICA Study Team based on the interview survey

Chapter 4 Potential Industries for Investment

4.1 Natural Resource Endowments in Rwanda

The major natural resources are found in the locations as depicted in the map below.



Source: JICA Study Team

Figure 4-1 Natural Resource Endowments and National Parks in Rwanda

4.2 Current Situations of Factors Related to Potentials

4.2.1 Regional Economic Communities and the Integration

(1) East African Community

East African Community (EAC) with the total population of 170 million provides the factors affecting positively for investment potentials for Rwanda. Such factors are i) expanding market, ii) provision of technical and specialized human resources, iii)expanding business linkages with the prominent regional businesses, iv) provision of raw materials, and v) region-wide integrated and improved business environment.

It is a general expectation that the economic integration should provide both wider markets and the alternatives for procuring resources. On the other hand, it may be also noted that the non-tariff barriers (NTBs) and freer competition may be some factors which affects the final decision of the locations for industries. NTBs were not clearly raised as an issue during the interviews with investors in Rwanda. However, they have been observed in other EAC countries[33].

It was observed that companies in the neighboring countries have been operational in Rwanda. Some form regional supply chains where the raw materials or semi-processed products are provided to the Rwandan subsidiaries. Such inputs are produced in the areas in the proximity of the major ports or already existing industrial agglomerations such as Mombasa, Nairobi, Kampala or Dar es Salaam.

Infrastructure development is also promoted under the regional initiatives such as the Northern Corridor Initiative Projects (NCIP) and the East African Power Pool.

(2) Common Market for Eastern and Southern Africa

Common Market for Eastern and Southern Africa (COMESA) is also expected to provide the access to the larger market comprising population of over 400 million with more than 20 countries. In 2015, the Tripartite FTA among EAC, COMESA and SADC was announced to be formed. The actual process of the rule making etc. shall be expected.

(3) Preferential Market Access for Rwandan Products

Rwandan products are granted for the preferential market access to the following markets with preferential customs treatment. EU market has the Everything But Arm scheme. While EU and EAC have been negotiating the Economic Partnership Agreement, it has not been signed. In the meantime, Rwanda is eligible for EBA which is granted for the low developed countries (LDCs). Many countries apply Generalized System of Preference (GSP) to Rwandan agriculture, fisheries and forestry products as well as industrial products. It is also eligible for the duty-free access to US market under the African Growth and Opportunity Act (AGOA). However, AGOA export's share was only 4.8% of the total export value from Rwanda to the US in 2016. AGOA allows the third-party sourcing of the raw materials. The garment sector is in such countries as Kenya and Ethiopia using such access to the US market. Therefore, the strategies to tap the opportunities and differentiate from existing exporters as Kenya and Ethiopia should be required to realize the growth of the sector using AGOA scheme.

4.2.2 Cost Factors

(1) Labor population and Labor Wage

Rwanda's labor force has been increasing by 3% per annum. Since the legal minimum wage has not been revised for some time, it is difficult to use for comparison with the other countries. The table below are the comparison of actual level of the wage for workers (unskilled) in African and Asian countries. Rwandan wage is based on the result of the interviews survey with investors. Actual level

[33] The member countries set up the National Monitoring Committees to monitor the NTBs. At the EAC level. a forum has been set up for monitoring and coordination for reduction of NTBs.

of the wage may be relatively lower than in the other countries in the region, but may be depending on the types of the job.

Table 4-1 Comparison of the Wage between Rwanda, African and Asian Countries

	Rwanda	Kenya (Nairobi)	Tanzania (Dar es Salaam)	Cambodia (Phnom Peng)	Lao PDR (Vientiane)
Worker (USD/Mo.)	60～260	209～885	125	175	140
Minimum Wage (USD/Mo.)	―	168	58	153	100

Source: JETRO, Rwanda: Interview survey of investors
Note: ( ) are the cities where the data was collected. Data is for unskilled labor (or workers).

(2) Power Supply

The percentage of the population with the access to the electricity is limited to 19%. The number of households with the access to the power from grid are only around 20%[34]. Many investors pointed out the power supply as a problem though SEZ enterprises witnessed relatively stable or at least predictable supply with planned blackouts. The power tariff for industrial use was lowered in the end of 2016.

Table 4-2 Comparison of Power Tariffs in Rwanda and African and Asian Countries

	Rwanda	Kenya (Nairobi)	Tanzania (Dar es Salaam)	Cambodia (Phnom Peng)	Lao PDR (Vientiane)
Power tariff (USD/1kwh)	0.11	0.07	0.09	0.17	0.09
Monthly basic fee & demand charge (USD)	Demand charge: 1.461.4/kVA Service charge: 4.07	Monthly basic fee: 166 Demand charge: 2.15/kVA	Demand Charge: 9.6/kVA	―	―

Source: JETRO, Rwanda: REG website.
Note: Tariffs are for industrial large users. For Rwanda, calculated from RWF to USD at USD1=757.26RWF (1kwh=83RWF in off-peak hours, i.e., 23h－08h).

4.3 Current Status of Business Establishments in Industrial Sectors

According to the business survey in 2014, the number of establishments in Rwanda is 154,236. By type of establishment, approximately 95% of these are private enterprises, 1.1% of business establishments are owned by the state or state capital participation, 1.3% by unions, and 2.9% by NGOs and other organizations. Looking at the employment sizes, small and very small scale businesses are overwhelming in number, accounting for 98.8% of the total. There are approximately 300 large-scale businesses and 1,600 mid-scale businesses.

[34] WDI、MININFRA(2015), Energy Sector Strategic Plan 2013/14-2017/18

Table 4-3 Number of Establishments by Type and Size

INSTITUTIONAL SECTOR	No.	Percent
Total	**154,236**	**100**
Private	146,227	94.8
Mixed Private and Public	81	0.1
Public	1,499	1
Cooperative	2,071	1.3
Local NGO	2,406	1.6
International NGO	142	0.1
Joint Civil society (CS) and Government	1,810	1.2

SIZE	No	Percent
Total	**154,236**	**100**
Micro(1-3)	138,894	90.1
Small(4-30)	13,385	8.7
Medium(31-100)	1,628	1.1
Large(100+)	329	0.2

Source: JICA Study Team Analysis based on NISR, Establishment Census 2014

As clearly shown in the GDP composition, there are a number of establishments in the service sector. There are 78,464 establishments (50.9% of the total) in wholesale and retail trade, 44,626 business establishments (28.9% of the total) in accommodation and food service activities. These two categories accounted for approximately 80% of the total industry. The service industry as a whole including other services accounts for 86.5% of the total industrial sector. In contrast, the manufacturing industry is limited to 10,742 establishments, accounting for only 7% of the total.

Table 4-4 Number of Establishments by Business Category

ECONOMIC ACTIVITY	No.	Percent
Total	**154,236**	**100.0**
Agriculture, forestry and fishing	751	0.5
Mining and quarrying	282	0.2
Manufacturing	10,742	7.0
Electricity, gas, steam and air conditioning supply	25	0.0
Water supply, sewage, waste management and remediation activities	64	0.0
Construction	157	0.1
Whole sale and retail trade; repair of motor vehicles and motorcycles	78,464	50.9
Transportation and storage	288	0.2
Accommodation and food service activities	44,626	28.9
Information and communication	404	0.3
Financial and insurance activities	1,150	0.7
Real estate activities	4	0.0
Professional, scientific and technical activities	962	0.6
Administrative and support services activities	929	0.6
Public administration and defence; compulsory social security	104	0.1
Education	3,483	2.3
Human health and social work activities	1,245	0.8
Arts, entertainment and recreation	156	0.1
Other services activities	10,400	6.7

Source: JICA Study Team Analysis based on NISR, Establishment Census 2014

The statistical distribution of establishments by the size of the annual turnover volume indicates 95% of business establishments recorded the sales less than RWF 12 million, i.e., approximately USD16,000, indicating the dominance of small-scale business entities. Among all, sectors such as manufacturing, wholesale/retail trade, accommodation and food service are particularly dominated by small businesses. On the other hand, in the three sectors of electricity/gas, construction, and finance, establishments with sales more than RWF 50 million (approximately USD 65,000) accounted for 46%, 41%, and 44% of the overall turnovers respectively. These sectors are occupied with large scale in turnovers.

Table 4-5 Number of Establishments by Annual Turnover Size

Economic activity	ANNUAL TOTAL TURNOVER IN 2013												
	Total	Less than 300.000		300.000 - 12 million		12-20 million		More than 20 to 50 million		More than 50 million		NS
Total	**86,445**	**48,027**	**55.6%**	**34,717**	**40.2%**	**1,318**	**1.5%**	**788**	**0.9%**	**1,501**	**1.7%**	**94**
Agriculture, forestry and fishing	622	136	21.9%	352	56.6%	38	6.1%	26	4.2%	68	10.9%	2
Mining and quarrying	213	33	15.5%	119	55.9%	14	6.6%	6	2.8%	40	18.8%	1
Manufacturing	7,192	4,053	56.4%	2,941	40.9%	60	0.8%	44	0.6%	83	1.2%	11
Electricity, gas, steam and air conditioning supply	15	1	6.7%	6	40.0%	0	0.0%	1	6.7%	7	46.7%	0
Water supply, sewage, waste management and remediation activities	37	12	32.4%	17	45.9%	4	10.8%	0	0.0%	3	8.1%	1
Construction	139	10	7.2%	43	30.9%	16	11.5%	12	8.6%	58	41.7%	0
Whole sale and retail trade; repair of motor vehicles and motor cycles	46,948	24,232	51.6%	21,210	45.2%	710	1.5%	315	0.7%	438	0.9%	43
Transportation and storage	214	35	16.4%	110	51.4%	19	8.9%	18	8.4%	30	14.0%	2
Accommodation and food service activities	23,340	15,960	68.4%	7,002	30.0%	162	0.7%	73	0.3%	120	0.5%	23
Information and communication	204	90	44.1%	84	41.2%	6	2.9%	4	2.0%	20	9.8%	0
Financial and insurance activities	1,040	41	3.9%	252	24.2%	117	11.3%	166	16.0%	459	44.1%	5
Real estate activities	4	1	25.0%	1	25.0%	1	25.0%	0	0.0%	1	25.0%	0
Professional, scientific and technical activities	649	137	21.1%	399	61.5%	53	8.2%	27	4.2%	33	5.1%	0
Administrative and support services activities	596	162	27.2%	365	61.2%	19	3.2%	22	3.7%	28	4.7%	0
Education	489	69	14.1%	234	47.9%	54	11.0%	53	10.8%	77	15.7%	2
Human health and social work activities	348	76	21.8%	218	62.6%	19	5.5%	10	2.9%	25	7.2%	0
Arts, entertainment and recreation	66	12	18.2%	44	66.7%	6	9.1%	2	3.0%	2	3.0%	0
Other services activities	4,329	2,967	68.5%	1,320	30.5%	20	0.5%	9	0.2%	9	0.2%	4

Source: JICA Study Team Analysis based on NISR, Establishment Census 2014

Looking at the size of employment by sector, wholesale/retail trades, accommodation/food service, manufacturing, and education accounts for 70% of the overall employment, i.e., 493,302 in total while comprising 24.4%, 16.7%, 8.0%, and 16.9%, respectively. The first three sectors are consist of small-scale businesses. Therefore, it is conceivable that majority of employees receive relatively low wages.

Table 4-6 Size of Employment by Sector

Economic Activity	TOTAL WORKERS	
	Count	Percent
Total	493,302	100.0
Agriculture, forestry and fishing	27,830	5.6
Mining and quarrying	16,282	3.3
Manufacturing	39,708	8.0
Electricity, gas, steam and air conditioning supply	1,845	0.4
Water supply, sewage, waste management and remediation activities	1,139	0.2
Construction	5,325	1.1
Whole sale and retail trade; repair of motor vehicles and motorcycles	120,482	24.4
Transportation and storage	4,694	1.0
Accommodation and food service activities	82,213	16.7
Information and communication	1,925	0.4
Financial and insurance activities	11,216	2.3
Real estate activities	9	0.0
Professional, scientific and technical activities	3,151	0.6
Administrative and support services activities	11,283	2.3
Public administration and defence; compulsory social security	21,443	4.3
Education	83,569	16.9
Human health and social work activities	26,477	5.4
Arts, entertainment and recreation	1,470	0.3
Other services activities	33,241	6.7

Source: JICA Study Team Analysis based on NISR, Establishment Census 2014

From the viewpoint of the number of establishments and the number of employees, Rwanda's industries are composed of small-scale businesses. Cambodia is comparable to Rwanda in its sizes in population and economy, as well as characteristics of having a weak manufacturing sector. The population and GDP of Rwanda are 80% and 60% of those of Cambodia respectively. With this in mind, the total number of Rwanda's business establishments as well as employment size are both approximately 30% of those of Cambodia, indicating the nebulous development state. Given the policy priority for employment generation, business development and expansion of employment opportunities are much anticipated.

Table 4-7 Rwanda vs Cambodia in Comparison of Number of Establishments and Employment

	Rwanda		Cambodia	
Population (mil.)	11.3	77%	14.7	
GDP (US$ bil.)	8.14	46%	17.70	
Per Capita GDP (US$)	720	63%	1,140	
Number of estabalishment	154,236	30%	513,759	
Large (100+)	329	37%	895	emp. 100+
Medium (31-100)	1,628	39%	4,204	20-99
Small (4-30)	13,385	21%	64,779	4-19
Micro (1-3)	138,894	31%	443,881	1-3
Number of employees	613,907	33%	1,874,670	

Source: JICA Study Team Analysis based on NISR, Establishment Census 2014 and Economic Census 2015

Despite remarkable economic recoveries achieved, the current economy is structurally still in the early stage of development. Secondly, the strong government initiatives promoted collaboration between the Government and private sector to enhance economic planning capacities, resulting in efficient business infrastructure developments. At present, the role of the Government procurements in public works generates an important effect on economy, verifying the nature of nebulous stage of economic development. There is a policy bias in Rwanda to promote collaboration over competition to nurture national champions for economic development through the direct dialogues between the Government and private sector, Private Sector Federation (PSF)'s commitment to the realization of the national policies.[35] There is no doubt that such win-win relationships between the Government and private sector have formed a baseline for economic development.

This situation has the danger of inflicting negative side effects arising from collusion between public and private sectors and creating noncompetitive and unfair business environments. However, at the moment, strong government initiatives have engendered pro-business environment such as compliance with due processes and ensuring of transparency. As a result, the investment environment in Rwanda has won a highly acclaimed status in Africa, the current administrative system promotes development of industries positively. Yet it is still necessary to maintain vigilance over outgrowth of anti-competitive environment resulting from public private collaboration despite current good performances. It is important to expand employment opportunities and support entrepreneurs as well as implement import substitution through measures such as "Made in Rwanda" campaign. Also it is critical to secure further investment opportunities in the future.

4.4 Potential Investment Areas and Sectors and Related Issues

Based on the analyses above on the industrial structure and typographical classifications of the current investment trends and patterns, the potential investment areas can be recommended as follows.

(1) 'Equipment' Industry (Capital Intensive Investment)

For an import product, there is an investment potential for business development by introduction of automation machines (equipment) enabled by large-scale investment. Although it is necessary to have a demand size to support a large initial investment, it also becomes an effective means for differentiation strategy with newly introduced products and enhanced productivities. As long as investment funds meet a certain threshold level, the supplier of equipment can provide technology, and raw material supplies. Provided with some product quality level, a product newly introduced to the domestic market may easily win the market share, whereas in the market with alternative imported goods, the local produced products will have a cost advantage with a margin of import costs to the local market price (respondents in the interview survey made impressions that elimination of the import costs as their competitive edges). This investment strategy is appropriate for food processing, packaging materials, construction materials, etc.

[35] Based on Public-Private Dialogue (PPD), the two parties often sign a MOU on matters such as commitment on the target volume for export etc.

In order to gain access to the developed country markets beyond the local markets (EAC and neighboring countries), further improvements in both technology and quality is necessary and subsequently the mid- to long- term investment are required to achieve the goal. In the short run, a pragmatic investment strategy is to scale the investment targeting the domestic market, the EAC region and the surrounding countries' markets, to make sure to balance between the investment scale and the market size and absolutely avoid the over-investment.

(2) Strategic Industry According to Government Policies

Industrial policies including Vision 2020 have identified potential sectors such as ICT, construction materials, apparel, and meetings, incentives, conventions, and exhibitions (MICE) related industries. Another important policy target of infrastructure development also offers investment opportunities for the supporting industries.

1) ICT Sector

Although ICT is also a strategic sector in Rwanda, ICT covers huge areas and works. New innovations at overseas may have immediate application in Rwanda as well. In that sense, it is fully conceivable that some outstanding foreign investors and international organizations may initiate investments.

In this sector, Korean investors invested in telecommunication businesses and spurred the growth of related businesses including internet service providers (ISPs) for local webs which has received a popular attention as the testing stone for ISP investment viability. With the initiatives by the ICT Chamber, there are a number of startups in ICT areas. However, the human resources in the fields are far from abundant and therefore there is a need for foreign investment and foreign donor assistance. Among the initiatives, the Northern Corridor Technology Alliance (NCTA) is currently working to promote the following 13 projects as Northern Corridor Integrated Projects (NCIP). All the projects require feasibility studies, for which support from foreign countries are expected. There are movements indicating the possibility of investment depending on the outcomes of the feasibility study.[36] Investments are conditional on the adequate training of personnel and appropriate investment scheme (e.g. PPP method etc.).

[36] The First ICT Business Forum was held in Tokyo on December 1, 2016 under the joint efforts by Rex Vert from Japan and WiredIn from Rwanda. The participants from Japan included Fujitsu, Toyota Trading Co., Sysmec, RexVert, JETRO as well as JICA.

<NCIP Promoted Projects>

1) Regional e-learning platform
2) E-health
3) Regional e-soko (trading platform)
4) E-customs single window
5) E-immigration (single tourism visa application and online payment platform)
6) Fibre optic along all infrastructure projects (ex. Standard Gauge Railway, Oil pipeline, Roads, Electricity Network)
7) Regional Citizen Database Harmonization
8) Last Mile Connectivity
9) Cyber Security
10) Electronic Cargo Tracking System
11) National ID Integration
12) Electronic Addressing System for Postal Codes, GPS, GIS
13) Regional Government to Citizen Services Platform

2) Construction Materials (Technological Advancement with Government Procurements as Stepping Stone)

It is generally understood that the construction boom has calmed down in Rwanda. On the other hand, construction demands from developments of infrastructure, hotels and tourism facilities will continue to grow steadily, or at least maintain a certain level of demand. In the field of government procurement, the guideline (No. 440/10/16 / TC, 19 April 2016, by the Ministry of Finance and Economic Planning) was issued to support the "Made in Rwanda" campaign. Under this guideline, domestic procurement is strongly promoted. Public investments in the infrastructure and construction sector are growing rapidly and subsequently the procurement of construction materials is expected to expand in the future[37]. Further investment in technology is likely to open up new markets beyond government procurement. It is important to expand the investment scope beyond government procurements.

Today, the government procurement market is approximately 760 million dollars in FY 2015/16. Government procurements also extend into areas of apparel such as military uniforms, and uniforms of government-related organizations.

[37] The share of public works within the government procurements was 29% in 2013, but increasing to 65.5% with a value of US$ 760 million in 2015.

Table 4-8 Government Procurement and Funding Composition in Rwanda (Public Tender Base)

		2011-2012 (fy)		2012-2013		2013-2014		2014-2015		2015-2016	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Type of Procurement	Goods	440.5	50.4%	227.0	47.6%	385.4	60.8%	199.0	34.9%	202.0	26.6%
	Services	37.1	4.2%	40.7	8.6%	64.1	10.1%	49.6	8.7%	57.1	7.5%
	Works	397.1	45.4%	208.7	43.8%	184.0	29.0%	322.3	56.5%	500.6	65.9%
	Total	875	100%	476	100%	633	100%	571	100%	760	100%
Source of Funds	National Treasury	702.3	80.3%	279.4	58.6%	284.2	44.9%	442.0	77.4%	603.9	79.5%
	Autonomous Institutions	80.4	9.2%	64.9	13.6%	74.3	11.7%	10.7	1.9%	16.1	2.1%
	Donors	-	-	-	-	-	-	-	-	32.3	4.3%
	Direct Donors Support	91.9	10.5%	132.1	27.7%	275.0	43.4%	111.1	19.5%	96.1	12.7%
	Direct Revenues	-	-	-	-	-	-	7.1	1.2%	11.1	1.5%
	Total	875	100%	476	100%	633	100%	571	100%	760	100%

Source: JICA Study Team, based on Rwanda Public Procurement Authority, Annual Report (2012 - 2016)

3) Apparel (Collaboration and Co-existence with Large Manufacturers)

The Government supports garment and apparel industries as "employment creation industry". Demand for domestic products is expanding due to import restrictions on used clothing. Rwanda itself provides a small market, but there are investment potentials with an eye to the EAC's market with its total GDP standing at US$14 billion. In the field of government procurement, there is already a major player. Therefore, collaborative investment is more realistic than competitive investment in clothing accessories and related products such as buttons, fasteners, and adhesive for clothing. It is also possible to avoid competition with major companies by investing in markets for mosquito nets, i.e. a strategic item in government policy. Tourism industries such as hotels require apparel products such as linens. The businesses in the sector need to offset disadvantages and advantages brought by transportation cost and preferential treatment in addition to value chain development.

4) MICE

The key issue is upgrading of the quality of service corresponding to the hotels and convention centers that are rapidly enhancing its grades. Currently, mostly centered in Kigali, the hotel and restaurant sectors are growing rapidly in response to the expansion in MICE. In order to provide connection, transportation services such as taxis, limousines, buses, and short-distance flights are much needed. In addition, related infrastructure development is essential including road development to resort hotels as well as water supply, electric and communication infrastructure, MICE related infrastructure. In addition, there is a growing demand for service industry for convention planning/management services, interpretation/translation services, as well as general tourism.

It is urgent to train qualified personnel in various related service fields including hotels. Thus vocational training/education business is also a potential investment field. In addition to training human resources, cooperation with government strategies and policies is important.

Chapter 5 Investment Policy in Rwanda

5.1 Investment Policy in Rwanda

The Policy Framework for Investment (PFI) by OECD, the analytical framework for investment promotion policy, identifies policies and practices that are required for promoting investment, namely, strong institution and effective public governance, trust, whole-of-government approaches, inter-governmental coordination, transparency and engagement, innovation in policy design and delivery, and international cooperation. Various issues may be necessary to improve in order to facilitate favorable business environment for investors; these are discussed in the next chapter. In particular, coherence and convergence of various policies, trust, and transparency of the system are important nature for investment promotion.

Therefore, this chapter analyzes; i) policy coherence regarding investment, ii) characteristics of legal system on investment considering the relations with international framework, and iii) legal system on investment promotion. Furthermore, iv) overview of incentives on investment promotion is provided, and v) coordination among stakeholders regarding policy making process, policy implementation, and current state of their effectiveness are reviewed. Lastly, evaluation of investment promotion policy, regulations, initiatives and their coordination mechanism is conducted based on the above analysis and review.

5.2 Coherence of Investment and Other Economic Development Policies

5.2.1 Significance of Improving the Investment Climate for National Development Strategy

National development plans in Rwanda comprise a long-term national vision, Rwanda Vision 2020 (prepared in 2000 and revised in 2012), and its five-year implementation plans, namely, Poverty Reduction Strategy Paper (PRSP) 2002-2006, Economic Development and Poverty Reduction Strategy 1 (EDPRS 1) 2008-2012, and EDPRS 2 2013-2018.

Rwanda Vision 2020 has put up i) macroeconomic stability and wealth creation to reduce aid dependency, ii) structural economic transformation, and(iii) creating a productive middle class and fostering entrepreneurship in order to achieve its objective to become a middle income country by 2020. Vision 2020 has indicated following six pillars: i) good governance and a capable state, ii) human resource development and a knowledge-based economy, iii) a private sector-led economy, iv) infrastructure development, v) productive and market-oriented agriculture, and vi) regional and international economic integration. Cross-cutting areas of Vision 2020 are: i) gender equality, ii) protection of environment and sustainable natural resource management, and iii) science and technology, including ICT. The initial target for GDP per capita in Vision 2020 (prepared in 2000) has been revised from USD 900 to USD 1,240 in the revised Vision 2020, given the country's rapid economic growth.

During the Government National Dialogue conducted in December 15 and 16, 2016 (see “5.5.3 Public Private Dialogue (PPD) and Initiatives for Policy Reflection”), President Kagame has announced in his speech that Rwanda would become a high income country by 2050, and the overview of Rwanda Vision 2050 was presented. Five main areas of Rwanda Vision 2050 are: i) quality of life, ii) modern infrastructure and livelihoods, iii) transformation for prosperity, iv) values for Vision 2050, and v) international cooperation and positioning. In order to achieve visions indicated in each area, the country is required to: i) realize high and sustained growth of the economy (average annual GDP growth of above 10%), ii) build on positive Rwandan values, and iii) build on successful foundations e.g. use of ICT, ease of doing business, etc.

While PRSP which had been prepared under Rwanda Vision 2020 aimed at recovery from the humanitarian aid after the genocide/civil war in 1994, EDPRS 1 has shifted its focus from recovery to sustainable economic growth. EDPRS 2 aims to accelerate economic growth (average GDP growth of 11.5%) to middle income status by 2020. EDPRS 2 outlines five objectives: i) rapid economic growth to middle income status, ii) increased poverty reduction, iii) more off-farm jobs, more urbanization, iv) reduced external dependency, and v) private sector as engine of growth. In order to achieve these objectives, economic transformation, rural development, productivity and youth employment, and accountable governance are regarded as priorities.

Individual policies related to industry and trade will be taken up in the next section. Major policies under the Ministry of Trade, Industry and EAC Affairs (MNEACOM) are: National Industrial Policy (April, 2011), Small and Medium Enterprises (SMEs) Development Policy (June, 2010), Special Economic Zone Policy (May, 2010, currently under revision), Rwanda Trade Policy (June, 2010), National Export Strategy II (October, 2015) etc. MNEACOM is now preparing Made in Rwanda Policy, which is expected to enact within 2017 (see “5.2.2 Overview of Related Policies” for overview of each policy). Each policy and strategy has put up the importance of investment promotion, and has emphasized that investment (both foreign and domestic private investment) are indispensable to achieve Vision 2020 objectives (to increase investment to comprise 30% of GDP by 2020[38]) and to realize visions outlined in each policy.

The general idea common to these policies are: i) to promote export and to cope with trade deficit problems, ii) to promote domestic manufacturing sector and facilitate import substitution to save foreign currency, iii) to promote high value added service industries such as ICT and financial services and to promote foreign investment, and iv) to develop SMEs and to create employment. Behind this are: i) the country’s excessive imports over exports as a result of recent economic development, ii) advancement of industrial structures through promotion of possible high value added areas where Rwanda can tap in (such as export promotion, ICT, finance etc.), and iii) capacity

[38] Actual proportions of investment to GDP are: 13% (2000), 16.3% (2006), 21% (2010), and 24.4% (2012)

enhancement of weak domestic investors and introduction of foreign investment which would trigger investment to realize policy objectives including employment generation (see “5.2.4 Evaluation of the Convergence and Coherence of the Policies for Investment Promotion”).

5.2.2 Overview of Related Policies

Following are overview of the major policies related to industry and trade under MINEACOM.

(1) National Industrial Policy (April 2011)

The vision stipulated in National Industrial Policy is for Rwanda to have “Competitive industrial and advanced services sectors producing over USD1.5 billion of exports[39] by 2020, while increasing the number of off farm jobs”. The Policy clearly states the necessity of investment rate to reach 30% of GDP by 2020 (i.e., the objective of Rwanda Vision 2020) as one of policy objectives. In order to achieve its vision, the National Industrial Policy has three objectives: i) increasing domestic production for local consumption, ii) improving Rwanda’s export competitiveness, and iii) creating an enabling environment for Rwanda’s industrialization. In order to realize them, the government has introduced time based model for providing sector-specific support as follows: i) improve the feasibility of desirable industries and promote feasible sectors (short-term), ii) promote new desirable sectors as they become feasible (medium-term), and iii) reduce support to successful sectors and provide support to new feasible sectors.

(2) Small and Medium Enterprises (SMEs) Development Policy (June 2010)

The vision indicated in SME Development Policy is “to create a critical mass of viable and dynamic SMEs significantly contributing to the national economic development”. According to the Policy, Rwandan small and micro businesses comprise 97.8% of the private sector and account for 36% of private sector employment. SME development is also important from the perspective of employment generation and the government has put up its policy objectives as follows: i) promote a culture of entrepreneurship among Rwandans, ii) facilitate SMEs access to business development services, iii) put in place mechanisms for SMEs to access appropriate business financing, and iv) simplify the fiscal and regulatory framework for SMEs growth. In this regard, recommendation has been provided to establish a new SME Development Corporation with financial and administrative autonomy to be able to attract private investment.

(3) Special Economic Zone (SEZ) Policy (May 2010, currently under revision)

The overall aim of SEZ Policy is “to ensure the successful development of existing SEZs and future SEZs so that SEZs can contribute significantly to the development goals of Rwanda whilst utilizing public resources in the most efficient and cost effective way”. The Policy is currently under revision (expected to be approved within 2017) (see “5.4.3 Access to Industrial Land”).

[39] Rwanda’s actual export in 2010 was USD 454 million. (Source: National Industrial Policy)

(4) Rwanda Trade Policy (June 2010)

The vision outlined in Rwanda Trade Policy is "growing sustainable and diversified quality products and services for trading locally, regionally and internationally with the aim of creating jobs, increasing incomes and improving the living standards of Rwandans". The government has indicated following trade policy objectives to realize this vision: i) increased productivity, competitiveness and diversified sustainable productive capacities for trading nationally, sub-regionally, regionally and internationally, ii) enhanced participation of importers and exporters of goods and services in regional and international trade, iii) increasing investment, including FDI, into production of competitive goods and services for the export market, iv) increased human resources skills in trade and development through training and retraining in private and public institutions, v) strengthened science, technology and innovation policies, strategies and institutions including intellectual property laws, in support of industrial development and creative knowledge-based industries, and vi) effective organization of internal trade.

As regards policy objective iii), the government emphasizes the importance of investment into productive sectors. Concretely, investment, both domestic and foreign, into the agricultural sector is encouraged. The Policy emphasizes the importance of creation of a conducive environment for attracting investment, particularly for targeted agricultural exports that promote diversification into new products as well as add value to existing products like coffee and tea. In addition, the government promotes FDI-led export strategy; targeting the agriculture, manufacturing and services export sectors. The government continues to make sure that trade policy is harmonized with the existing framework including EAC and COMESA.

According to MINEACOM, seven years have already passed since the current Trade Policy was prepared and the necessity of revising the Policy has been recognized, when new movements such as revision of SEZ Policy and introduction of Made in Rwanda Policy are taking place. However, concrete plan for the Trade Policy revision has not yet been in place.

(5) National Export Strategy II (October 2015)

Strategic objectives indicated in National Export Strategy II are i) direct interventions in selected segments of the export sector with high growth potential, ii) improving access of Rwanda's exports of goods and services to markets, iii) upgrading firm capacity to enter and grow in export markets, and iv) establishing an Export Growth Facility (EGF). In order to diversify export structures, the Strategy categorizes export sectors into traditional export sectors: tea, coffee, and minerals etc., non-traditional export products: vegetable produce, agro-processed goods, manufactured goods etc., and export sectors with high growth potential: fashion, biotechnology etc., and provides export promotion strategy for each category.

(6) Made in Rwanda Policy (currently under preparation)

Made in Rwanda Policy which is currently under preparation is a policy derived from Domestic Market Recapturing Strategy (March, 2015), which has been prepared with German support. The Strategy has come up with an optimistic scenario that total foreign exchange savings induced by the Strategy could reach almost USD 450 million per year[40]. It has indicated that cement and construction materials would increase domestic production. According to MINEACOM, Made in Rwanda Policy will be introduced to cope with trade deficit problems, with the aim to promoting export and import substitution, which is in line with the government's on-going initiatives. The Policy is expected to be approved within 2017. Concrete measures (part of them has been introduced / implemented already) are as follows.

- Changing people's mindset to pay more attention to and increase willingness to buy domestic products through conducting expos and media campaigns
- Promoting initiatives to strengthen competitiveness both in terms of price and quality of domestic products through gradual reduction of electricity tariff
- Gradual reduction of importing second hand clothing
- Introducing local preference in public procurement
- Facilitate establishment of SEZs

5.2.3 Legal System for Investment

In 2015, the 2005 Investment Code (Law No. 26/2005 of 17/12/2005 Relating to Investment and Export Promotion and Facilitation) was revised to the 2015 Investment Code (Law No. 06/2015 of 28/03/2015 Relating to Investment Promotion and Facilitation) and the Rwandan government has been pushing forward institutional development for investment promotion. According to RDB, the investment promotion agency, major objectives of the 2015 Investment Code is to shift from generic investment promotion to a more targeted approach and to provide attractive fiscal incentives for large scale investment projects with an aim to creating further economic impact from global perspective. With regards to priority sectors (stipulated in Article 3 of 2015 Investment Code), the government also aims to promote investments of SMEs and to broaden the entire sector base.

The 2015 Investment Code is aligned with the EAC rules and regulations, and streamlined with the COMESA guidelines. It lays down general provisions of investment promotion, registration procedures, role of RDB in investment promotion and facilitation, change/suspension or termination of investment operations, cancellation of an investment certificate, and transitional period from the 2005 Code to the 2015 Code etc. In addition, the 2015 Code sets down principle of nondiscrimination between foreign and local investors as well as investor protection. According to

[40] Source: "4.3 Anticipated Impact" of Domestic Market Recapturing Strategy (page 8)

RDB, the Rwandan government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list). The Annex of the 2015 Code stipulates concrete incentives.

The main contents of the 2015 Code are as follows.

Table 5-1 2015 Investment Code

Items	Contents	Applicable Provisions
General provisions	Purpose of the 2015 Code and definitions of terms are provided.	Article 1-2
Guarantees to the investor, priority economic sector for investment	Openness to investment regardless of the origin of the investor (nondiscrimination between foreign and local investors), and priority economic sectors (export, industrial manufacturing, energy, transport, ICT, financial services, and construction of low-cost housing) are defined.	Article 3-5
Investor rights and protection	Protection of the investor's capital and assets, protection of intellectual property rights in relation to investment, repatriation of capital and assets, dispute settlement are stipulated.	Article 6-9
Registration procedures	Investment registration procedures and required documents etc. are stipulated. Timeframe for issuance for investment certificate is also defined – within two working days from the date of receipt of the application by RDB (in case of no deficiency).	Article 10-12
Obligation of registered investor	Obligations of a registered investor are defined.	Article 13
Role of RDB	The role of RDB in investment promotion and facilitation is defined.	Article 14
Change, suspension or termination of investment operations	Issues related with change, suspension or termination of investment operations are stipulated.	Article 15-17
Cancellation of an investment certificate	Issues related with cancellation of an investment certificate are stipulated.	Article 18-21
Transitional and final provisions	Issues related with transitional period from the 2005 Code to the 2015 Code are stipulated.	Article 22-25
Inventive	Specific incentives of a certified investor are stipulated.	Annex

Source: JICA Study Team based on the 2015 Investment Code

Article 22 of the 2015 Investment Code stipulates issues related with transitional period from the 2005 Code to the 2015 Code. Investor who benefits from the incentives provided under the 2005 Code, which are not provided for under the 2015 Code, shall continue to benefit from these incentives for a twelve months period from the date of the publication of the 2015 Code in the Official Gazette of the Republic of Rwanda (see "6.2.2 Investment Approval").

5.2.4 Evaluation of the Convergence and Coherence of the Policies for Investment Promotion

Policies and legal system for investment are aligned, and directions of Rwanda's economic development are shared within the entire government. President's strong leadership and political will is clearly delineated in Vision 2020 and cascaded down to EDPRS2, Development Plans of each ministry/region, annual budget etc. in a consistent manner. Performance based contracts play a critical role in securing policy coherence through commitments and continuous monitoring of progress both in the government and private sector. All stakeholders have a sense of being "on-board" and interviewed investors appreciate systematic policy structures as they clearly articulate priorities and future directions of the country.

The general idea common to these policies are: (i) to promote export and to cope with trade deficit problems through enhanced agricultural productivity and adding values to agricultural products, (ii) to promote domestic manufacturing sector and facilitate import substitution to save foreign currency, (iii) to promote high value added service industries such as ICT and financial services and to promote foreign investment which will contribute to technological transfer, and (iv) to develop SMEs and to create employment.

Therefore, industrial policies, trade policies and investment policies in Rwanda are very clearly stipulated and their coherence is duly secured. The key works of current Rwanda's economic policy are "export promotion", "import substitution", "introduction of foreign investment", and "employment generation", and priority sectors for investment are established for those sectors closely related with these key words. In addition, Made in Rwanda campaign which started around 2015 with the initiatives of MINEACOM is very well known not only within the government but also to private sectors on the ground. There seems to be increased momentum to achieve Rwanda Vision 2020 and 2050.

Priority sectors for investment promotion in Ministry of Finance and Economic Planning (MINECOFIN), MINEACOM and the 2015 Investment Code are summarized in the following table.

Table 5-2 Priority Sectors for Investment Promotion in Related Ministries and 2015 Investment Code

MINECOFIN	MINEACOM	2015 Investment Code (Article 3)
・ Export ・ Employment generation ・ Agriculture ・ Energy ・ Social protection ・ Service delivery ・ Urbanization and rural settlement	・ Industrial development for domestic production, export promotion and diversification ・ SME development for employment creation ・ Streamlining and rationalization of international trade ・ Regional integration	・ Export ・ Manufacturing ・ Energy, transport, ICT, financial services, construction of low-cost housing

Source: JICA Study Team based on 2015 Investment Code and interviews with relevant ministries

As indicated in one of the five objectives in EDPRS 2, the Rwandan government has been aiming for economic growth with private sector as its engine. Thus private sector is important stakeholder in the country's development. As such, Private Sector Federation (PSF) is part of the signer of Performance

Based Contract – private sector is also an integral part of Rwanda's economic development through signing Joint Performance Based Contract and committing to make performance.

5.3 Analysis of the Legal System for Investment

5.3.1 Non-discrimination and Equal Treatment

The 2015 Investment Code guarantees free investment and industrial activities (Chapter II Guarantee for Investors). Chapter 5 also stipulates non-discrimination of the treatment regardless of domestic or foreign. The Code does not have a negative list of industries which limits private or private foreign investment.

5.3.2 Investor Protection

The 2015 Investment Code ensure the rights of investors in the following articles.

Table 5-3 Articles Related to Investors Rights and Protection in 2015 Investment Code

Article	Contents
Article 4	Investors' rights
Article 6	Protection of investor's capital and assets Prohibition of seizures and expropriation of investor's property in public interest without fair compensation in accordance with relevant law
Article 7	Protection of investors intellectual property
Article 8	Free repatriation of capital, assets, and profit of foreign investors

Source: 2015 Investment Code

Rwanda is a contracting state of the New York Convention which provides the framework for the arbitration mechanism for international commercial disrupts and the member of International Centre for Investment Disputes (ICSID) for dispute arbitration for investment disputes between the state and the foreign nationals. Rwanda is also a member of Multilateral Investment Guarantee Agency (MIGA). Africa Trade Insurance Agency also provides insurance for trade and investment in Rwanda.

For protection of intellectual property right (IPR), Rwanda has both international and domestic legal frameworks. It is a member of the World Intellectual Property Organization (WIPO) and the African Regional Industrial Property Organization (ARIPO). It is also signatory of various conventions as listed below.

- Paris Convention for the Protection of Industrial Property
- Berne Convention for the Protection of Literary and Artistic Works
- Patent Cooperation Treaty (PCT)[41]
- Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks
- Brussels Convention Relating to the Distribution of Programme-Carrying Signals

[41] Based on the WIPO website (http://www.wipo.int/wipolex/en/details.jsp?id=5249)

transmitted by Satellite

- Hague Agreement Concerning the International Registration of Industrial Designs

In the domestic legal system, Law No. 31/2009 of 26/10/2009 on the Protection of Intellectual Property (IPR Law) provides the basis for the regulation. It covers competition, copy rights and related rights, enforcement of IPR, geographical indication, industrial design, layout of integrated circuit, patent, trademarks, trade names, traditional cultural expression, and cultural knowledge.

IPR related issues are under the mandate of MINEACOM whereas the copy rights are under the Ministry of Sport and Culture (MINISPOC). The registration of trade names, trade marks and patents are administered by the Office of Registrar General. While the violation of the IPR may be arbitrated through the arbitration system for commercial disputes, some cases may be penalized based on the rules stipulated in the IPR Law. Currently, the review of the domestic laws for development of domestic laws to incorporate with PCT, the Madrid Protocol and the Hague Agreement by MINEACOM and MINISPOC.

EAC has been engaged preventing importation counterfeit goods. In Rwanda, RRA is in charge of the control.

5.4 Policy and Regulation regarding Investment Promotion

As mentioned above, in Rwanda, the 2015 Investment Code stipulates principle of nondiscrimination between foreign and domestic investors. In addition, the Rwandan government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list), and in principle, there is no limitation of investment. Therefore, a concept of investment “permission” does not exist in Rwanda. Rather, investors can apply for “approval” of various investment incentives. A brief summary of investment incentive measures is described below. Comparison with the previous 2005 Investment Code is conducted as well.

5.4.1 Provision of Tax and Administrative Incentives to Promote Private Investment

Special incentives for registered investors are stipulated in the Annex of the 2015 Investment Code. Major incentive measures under the 2015 Investment Code are summarized in the table below. Comparison with the 2005 Investment Cost is also provided for comparison purposes.

Table 5-4 Major Incentives Defined under the 2015 Investment Code and Comparison with the 2005 Investment Code

Incentives	2015 Investment Code	2005 Investment Code
Corporate Income Tax (Basic tax rate: 30%)	・15% for priority economic sectors (export, manufacturing, ICT, energy, transport, financial services, and construction of low-cost housing). ・0% for an international company which has its headquarters or	・Corporate income tax discount varying between 2% to 7% depending on number of employees and exports. ・0% for an international company which has its headquarters or regional office

Incentives	2015 Investment Code	2005 Investment Code
	regional office in Rwanda. (Annex I, II)	in Rwanda. (Annex 2 C, D)
Investing in Strategic Projects	Corporate income tax holiday up to 7 years for a registered investor investing an equivalent of at least USD 50 million and contributing at least 30% of this investment in form of equity in energy, manufacturing, tourism, health, ICT, and export related investment projects. (Annex III)	Additional incentivizes to be granted by Cabinet. (Article 19)
Capital Gains Tax	A registered investor shall not pay capital gains tax. However, income derived from the sale of a commercial immovable property shall be included in the taxable income of the investor. (Annex VI)	No exemptions.
Value Added Tax (VAT) Exemption / Refund	・ VAT exemptions to be in accordance with the Law establishing VAT. ・ Introduction of fast track refund procedure of 15 days upon receipt of the relevant documents by the tax administration authority. (Annex VII) * Note	VAT exempt for imported goods and services of investment projects. (Article 17)
Accelerated Depreciation	50% countrywide (Annex VIII)	40%: Kigali City, 50%: outside Kigali (Annex 2 A)
Protection of Assets	Investor's capital and assets as well as intellectual property rights in relation to investment are protected. (2015 Investment Code, Article 6, 7)	Protection of assets only in case of expropriation (Article 30)
Investment Registration Timeframe	Within 2 working days. (Article 12)	Within 10 working days (Article 5)
Investment Threshold	Threshold removed. Threshold only required for the Immigration incentives. (USD 520,000) (Annex IX)	・ USD 100,000: local and COMESA citizens ・ USD 250,000: foreign investors (Article 2)
Priority Sectors	1. export, 2. Industrial manufacturing, 3. energy, transport, ICT, financial services and construction of low-cost housing. (2015 Investment Code, Article 3)	1. ICT, 2. tourism, 3. energy, 4. Agriculture and agro-based industries, fishing and forestry, 5. industry, 6. re-export trade, 7. mining, 8. research, 9. Infrastructure (especially investment in water resource activities), 10. waste recycling (Article 29)
Construction Incentives	Incentives were removed.	Facilitation of construction projects: 5% flat fees in lieu of applicable VAT and customs duties. (Article 28)
Customs Duties	Removed. Customs duties only exempt for materials to be used in the Export Processing Zones. (Annex V)	Investors given duty exemptions on machinery and equipment. (Annex 1)

Source: JICA Study Team based on 2015 Investment Code, 2005 Investment Code and information provided by RDB.
Note: After the enactment of the 2015 Investment Code, there was regulation change regarding VAT exemption. See text below for explanation.

Major changes of incentives from the 2005 Investment Code are: (i) priority sectors were reduced and more focused, and corporate income tax discount was applied only to priority sectors, (ii) specific sectors applicable for corporate income tax holiday up to 7 years were clarified, (iii) fast track VAT refund procedure of 15 days was defined, (iv) investment registration timeframe was reduced from 10 working days to 2 working days, (v) minimum investment threshold in strategic sectors was removed, and (vi) construction incentives were removed.

As regards VAT exemptions, it is defined in accordance with the law establishing VAT, and there was a regulation change after the enactment of the 2015 Investment Code. Concretely, the VAT Law which was enacted in November, 2012 (Law No. 37/2012 of 09/11/2012 Establishing the Value Added Tax) was revised to a new VAT Law in October, 2016 (Law No. 40/2016 of 15/10/2016 Establishing the Value Added Tax). Article 2 of the new VAT Law defines exempted goods and services – VAT for inputs, materials and equipment for business activities appearing on the list made by the pertinent Minister and approved by the Minister in charge of taxes are exempted. Based on this regulation change, some investors under industrial manufacturing sector pointed out that although VAT exemption for importing raw materials and machinery was removed under the 2015 Investment Code, they became refundable after the enactment of the new VAT Law. This move aims at boosting Made in Rwanda campaign. In fact, in December, 2016, MINEACOM announced exemption for import duty and VAT of textile raw materials and leather products by local manufacturers in the face of government's policy to reduce importation of second-hand clothing.

With regards to construction incentives, incentives were removed since the government considered they were causing significant losses to the government. Although 12 months transition period were provided to those investors in construction sector, they have been suffering from negative impacts on their business, and some local companies are raising questions to reconsider this measure. In fact, this issue has been taken up in the Public Private Dialogue (PPD) for discussion and consideration (see "5.5.3 Public Private Dialogue (PPD) and Initiatives for Policy Reflection"). In light of these movements, RDB is currently conducting the analysis of its policy impact by getting comprehensive picture of construction sector – finding out the share of construction companies which have been granted investment certificate out of those granted construction permit.

5.4.2 Promotion of Participation of Private Enterprises to Public Investment Projects

The role of the public-private partnership (PPP) is mentioned in Vision 2020 and EDPRS 2 context of the demand for facilitating energy and transport infrastructure and the finance and skill gaps for such development. Project financing and implementation through participation of the private sector are regulated with the basic framework provided by the Law No.14/2016 of 02/05/2016 Governing Public Private Partnership (hereinafter referred to as "PPP Law"). PPP Law are the basis for PPP-type procurement not only for infrastructure development and operation, but also other such as tourism development, natural resource development and social services.

The types of PPP arrangement covered din PPP Law are Management Contract, Built-Own-Operate

(BOO), Built-Own-Transfer Lease-Operate-Develop (BOT) and Lease-Operate-Development (LOD) (Article 3). PPP Law, however, does not cover public procurement and privatization of state-owned enterprises (Article 4). The law governs public procurement is Law No. 12/2007 of 27/03/2007 on Public Procurement, and privatization is by Law No. 2 of 11/03/96 on Privatization and Public Investment.

Major institutions related to PPP projects formulation and implementation are the Steering Committee, Contracting Authority and RDB. RDB provides the guidelines for project formulation and procurement. It also leads the negotiation. Contracting authorities formulate projects, prepare the necessary documents for public tendering process and sign the contracts.

According to the information provide in the PPP Knowledge Lab developed by the World Bank, 8 projects are listed as on-going PPP projects (see the table below).

Table 5-5 PPP Projects in Rwanda

Name of the project	Year of finance closure	Invested value (USD mil)
Akanyaru Valley Peat-Fired Power Project	2015	320.00
Agahozo-Shalom Youth PV Solar Plant	2014	24.10
Rwanda Mountain Tea Giciye SHPP	2012	12.00
KivuWatt	2011	142.00
Gisenyi Methane Gas Plant	2010	16.00
Kibuye Power 1	2005	76.00
Aggreko 10 MW Power Station Rwanda	2005	1.58
Electrogaz	2003	0.00

Source: World Bank PPIAF、PPP Knowledge Lab website

Other resources enumerate agriculture development (irrigation, flower growing), ICT (telecom infrastructure and services)[42]. These projects were signed/launched prior to the enactment of PPP Law. Therefore, the negotiation processes were led by RDB, whereas the decision makings were done at the high level of contracting authorities. Recently, development of the Kigali Logistics Platform (KLP) and Bugesera International Airport were signed with the PPP developers in January 2016 and September 2016, respectively[43].

Although the analysis was based on the data prior to PPP law, Economist Intelligent Unit evaluated Rwanda's operational maturity of PPP institutional framework rather lower comparing with other indicators. Among 15 countries evaluated in the same study, it ranked 11th[44]. Development of legal

[42] East African Chamber of Commerce, Industries and Agriculture (2014) Attracting funding of PPPs through an action plan and accompanying guidelines and hand book for advocacy and awareness creation for the management of PPP deals based on business climate assessment and gap analysis
[43] MINEACOM Press release (http://www.minicom.gov.rw/index.php?id=24&tx_ttnews%5Btt_news%5D=1054&cHash=b4cc92f79f5889be2a450e57839d7b01), MININFRA Press release (http://www.mininfra.gov.rw/index.php?id=19&tx_ttnews%5Btt_news%5D=178&cHash=5d04b28399926f7da4feff4c933101b3)
[44] Economic Intelligence Unit and World Bank (2015) Evaluating the environment for public-private partnership in

framework with PPP Laws is the basis for the PPP types investment promotion. While the prior experiences with investors through the projects so far have provided lesson learned and various experiences, strengthening the expertise with relevant human resources as well as the experiences in project finance, legal affairs, technical aspects of specific infrastructure may be desirable for capacity building.

5.4.3 Access to Industrial Land

Access to the land is a major policy issue for industrial development in Rwanda as highlighted in the National Industrial Policy[45]. Rwanda Tourism Policy in 2009 also pointed out the problems of land acquisition. The National Industrial Policy raised the policy measures as development of Technopoles, agro-processing parks, Tourism resort cities (Kivu belt), a Biotech park (Bugesera) in addition of existing Kigali Special Economic Zone (KSEZ) using PPP. In addition, the district revel industrial parks are also planned for development. The measures to increase the supply of the industrial land as well as the access to it are i) SEZ development, operation and management, ii) industrial park development, and iii) introduction of available industrial sites by RDB. For the logistics-related facility development, KLP is expected to be developed in the suburbs of Kigali. Apart from the already developed Kigali SEZ (KSEZ), the first SEZ, MINEACOM has the plan of establishing district industrial parks in 9 secondary cities.

(1) Outline of SEZ Scheme

1) SEZ Scheme in EAC Customs Management Regime

It should be noted that the Customs Union formed by EAC provides the basic rules and regulations for the administration of customs-related policy measures such as export processing zones and bonded arrangement. In the Part F of the Protocol on the Establishment of the East African Customs Union, export promotion schemes including export processing zones (EPZs) are mentioned. The Regulations of the Protocol also provides the rules such as the limitation of the export of goods and services from EPZ to SCT up to 20% of the annual sales. However, SEZ does not have detailed provisions in the Protocol. In the Part G of the Protocol, SEZ was mentioned, but it only stipulates the issues for freeports. At the time of the Survey, the finalized SEZ policy by EAC as well as legal framework related to the administration of SEZs in EAC level was not in place.

2) SEZ Policy and Legal Framework in Rwanda

Rwanda’s 2010 SEZ Policy provided the direction for the issue of land expropriation and property rights, expropriation and infrastructure development, incentives and the institutional framework for development and management of the zone including the establishment of new functions and coordination with relevant regulatory bodies. Prior to the policy, Free Economic Zone (FEZ) was

Africa: The 2015 Infrascope
[45] Ministry of Trade and Industry, National Industrial Development Policy (April 2011)

established applying the incentives stipulated in 2005 Investment Code. However, the laws for approving and licensing for tenants specified for FEZ were not in place. Therefore, 2010 SEZ Policy and following Law No05/2011 of 21/03/2011 Regulating Special Economic Zones (SEZ Law) are the institutional base for the SEZ policy.

Table 5-6 Major Points in 2010 SEZ Policy

Issues	Directions
Conditions for tenants	・ No strict performance requirements for tenants
Zone development, operation and management	・ Various types of PPP arrangement to be applied ・ Private-sector-lead development
Land title	・ SEZ development is regarded as public interest ・ Following current national land policy, foreigners will only be allowed to have 99-year lease hold of land.
Incentive	・ Supply of quality infrastructure, smooth and simplified administrative process through OSC ・ Corporate tax for SEZ developers, operators and users (tenants) is limited to 15%.
Regulatory institution	・ Establishment of Special Economic Zone Authority of Rwanda (SEZAR) ・ One stop service provision delegate to RDB

Source: GOR (2010), Special Economic Zone Policy

SEZ Law raises provision of quality infrastructure and streamlined and simplified administrative services. For the operation, Regulation on the Development and Operation of Special Economic Zones, Regulation No.01/2012/SEZAR adopted on 20/12/2012 was also developed.

The major points of SEZ Law are as shown in the table below.

Table 5-7 SEZ Scheme Outlined in SEZ Law

Items	Summary contents
Criteria for establishing SEZ (Article 4)	・ The zone criteria include development of land to provide the conducive environment for the promotion of agro-industry, financial, tourism, green energy technology industry residential building and so on ・ The land is to be identified for the dedicated use for above-stated activities. ・ Infrastructure development and satisfactory service provision
Types of zones (Article 5)	・ Free Trade Zone (FTZ) and non-FTZ
Customs management (Article 33, 34)	・ Import to FTZ is duty-free. Bonded arrangement provided to goods imported to FTZ for a designated period. ・ Customs office installed at each SEZ for monitoring. ・ In FTZ, it is allowed to re-package, assemble, sort, and clean imported materials and mix with domestic products ・ If such FTZ products are sold outside Rwanda's customs area, it will remain duty-free. If sold in the customs area, it will attract import duty.

Source: SEZ Law

In terms of EPZ using the rules under EAC's customs regime, only a few companies are entitled for the status. The issuance of license and administration is done by RDB[46].

At the time of the SEZ policy formulation, private participation in the form of BOT, concession after the construction by the government, and pure private sector development was envisaged. In terms of the first SEZ, Kigali SEZ (KSEZ), it was developed by Prime Economic Zone Ltd (PEZ) wit with the participation of the government and foreign private share[47]. PEZ undertook the expropriation, resettlement and compensation of the residents.

Currently, no incentives apart from the duty-free arrangement for FTZ is provided under SEZ Law The incentives are provided based on the investment license under 2015 Investment Code.

3) Implementing Organization of SEZ Scheme

After SEZ Law, SEZAR's mandates, power, organizations and functions are further clarified by the Prime Minister's Order No. 21/03 of 05/03/2012[48]. Those functions include the following: i) policy advice regarding SEZ to GOR; ii) licensing of developer, operator, and user (tenants); iii) quality monitoring of infrastructure in the sites; iv) issuing certificates of origin for the products produced in SEZ, v) setting up and management of one-stop center (OSC); and vi) setting standards and coordination for relevant administrative procedures with other relevant government entities.

As KSEZ is currently only one SEZ, the required capacity for SEZAR is observed to be limited. Therefore, SEZAR's functions are installed in RDB and some of the tasks mandated by SEZAR has been processed using RDB's functions.

(2) Current Situation of Development of SEZ and Industrial Parks

The only currently available SEZ is KSEZ. The land was acquired by GOR and the developers and tenants access to the land with the 99-year lease hold or freehold. The site was developed and is operated and managed by Prime Economic Zone (PEZ), a private company with the participation of the capital from the government entities as Rwanda Development Bank. The area to be developed are 98ha for Phase 1 and 178ha for phase 2[49]. At the time of the Survey, most of the land of the phase 1 site had tenants. The site accommodates mixed industries including manufactures and logistics. Phase 2 will have a zone designated for ICT sector, but allows various industries.

GOR promotes development of District Industrial Parks industrial parks in the Secondary Cities. All the sites listed in the table below secured the land with due process for land acquisition except Musanze. All are also completed feasibility and technical studies.

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[46] According to the RDB website, Marketing and Business Development Specialist in RDB is in charge of EPZ licensing（http://businessprocedures.rdb.rw）.
[47] PEZ's shareholders include Rwanda Social Security Board (RSSB）, SONARWA, Rwanda Development Bank, , Crystal Venture Ltd、MAGERWA、Egyptian enterprise (Prime Holdings).
[48] 第 4 条
[49] Interview with RDB

Table 5-8 Progress of Industrial Park Development

Area	Width (ha)	Status
Bugesera	330	Under construction of Phase 1 (100ha)
Huye	50	Zoning and demarcation completed
Rwamagana	80	Surrounding road construction completed
Nyagatare	50	Land secured, F/S completed.
Musanze	164	Under the process of expropriation
Nyabihu	44	Zoning and demarcation completed
Muhanga	63	Land secured, F/S completed
Rusizi	45	Zoning and demarcation completed
Kicukiro SME Park	43.2	Basic infrastructure under construction

Source: MINEACOM
Note: Information as of March 2017

While development and operation are primarily pursuing PPP type and private-sector-lead arrangement, it is not easy to identify the adequate partners. For Phase 1 of Bugesera Industrial Park, on and off-site infrastructure development has been started with the budget of MINEACOM. MINEACOM also planned to start the site preparation for Rwamagana and Rusizi[50].

(3) Review of SEZ Policy

At the time of the Survey, GOR was in the process of revising the SEZ policy. At the time of the 2010 SEZ Policy was developed, FTZ scheme were to be applied to those products exported to EAC member countries. However, under the current customs regime where the EAC market is SCT and handled similar to the domestic market, FTZ arrangement cannot be utilized for products for EAC markets. It is also necessary to review and provide the attractive incentive for developers, operators and users without duplication with the incentives provided by 2015 Investment Code. Currently, industrial parks and SEZ development is planned concurrently. However, regarding the two schemes with common natures, two may be administered in more integrate manner. Following the revision of the policy, it is also expected that the necessary amendment of the laws and regulations will be done[51].

5.4.4 Efforts for Legal System Development through Participation in the International Framework

Rwanda is a member country of EAC and COMESA, and the government has been promoting trade and investment through participation of regional economic integration framework which EAC and COMESA are implementing. Apart from the regional economic communities, Rwanda also has other bilateral and multilateral agreements and conventions as listed below.

(1) Multilateral Investment Guarantee Agency (MIGA)

Rwanda is a member of MIGA which provides guarantees for non-commercial risks such as expropriation, currency inconvertibility, transfer restriction, war and civil unrest. Since 2005, various

[50] Based on the interview with MINEACOM
[51] Based on the interview with MINEACOM

projects have granted the guarantee. The sector includes banking, mining, machinery sales and maintenance for mining, manufacturing, and IT infrastructure development.

(2) Bilateral Investment Treaty (BIT)

Rwanda signed BIT with Belgium, Luxemburg, Germany, Korea, and US. They are all effective. Rwanda also signed with Mauritius, South Africa, Morocco, and Turkey[52].

5.5 Coordination among Stakeholders Regarding Policy Making Process and Policy Implementation, and Current State of their Effectiveness

5.5.1 Improvement of Business Environment in line with the Doing Business Indicators by the World Bank/IFC

Doing Business Unit was established within RDB in 2008 with a support from the World Bank in order to take measures for enabling business environment throughout the nation. This Unit will be incorporated into other division of RDB with its organizational restructuring. Coverage of the task and responsibility will be broadened – from initiatives related to Doing Business Indicators to Global Competitiveness Index from wider perspectives.

National Steering Committee on Doing Business, chaired by the Minister of MINEACOM, has been established as a platform to coordinate national level issues related with Doing Business Indicators. There is a mechanism in place to prepare action plans, implement and monitor them for improvement. Pertinent ministries and agencies, representatives of private sector (PSF) and development partners providing support for enabling business environment (the World Bank, IFC, DFID, Trade Mark East Africa etc.) participate in this framework.

5.5.2 Initiatives to Resolve Issues utilizing Issue Tracker in the Government

According to MINEACOM, "Issue Tracker" system – a web online system among relevant ministries to share and resolve policy and regulation issues which industries face – has been introduced since 2014 (actual operation started in September, 2015). It functions as electronic bulletin board where relevant officers of ministries and agencies concerned can put up problems and possible solutions addressed from private companies. There seems to be a plan to expand this system to local level, and training has been conducted to relevant district officers nationwide.

5.5.3 Public Private Dialogue (PPD) and Initiatives for Policy Reflection

There is a mechanism for public-private dialogue called "PPD" for improving investment and business environment of the country. Under the strong leadership of President Kagame, dialogues on business environment have been continuing with the aim to achieve objectives delineated in Rwanda Vision 2020 and 2050.

PPD is convened every year with participation of president, pertinent ministers and Private Sector

52 UNCTAD Website (http://investmentpolicyhub.unctad.org/IIA/CountryBits/176).

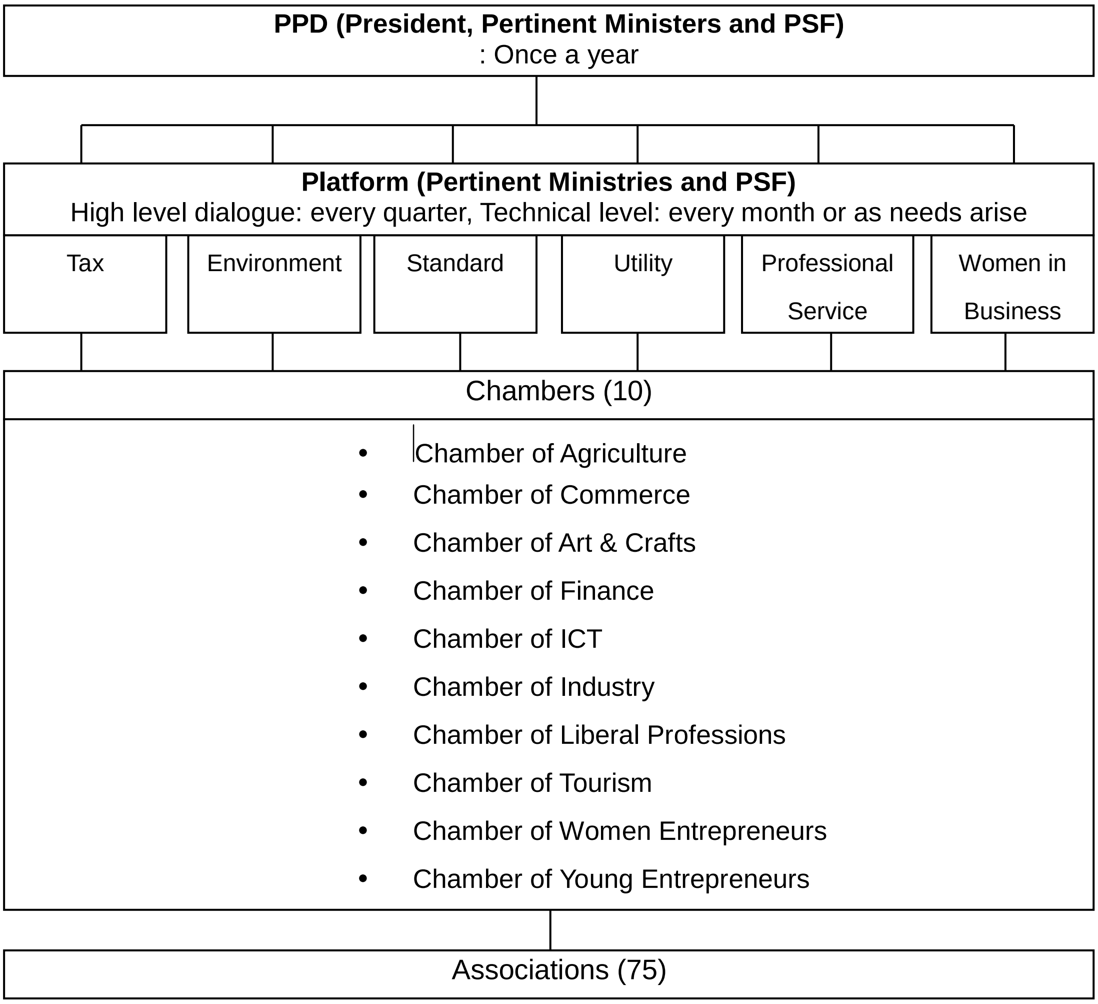
Federation (PSF) to share government policies and problems which private sector faces in doing business. Action plans are prepared and monitoring and evaluation of implementation progress are conducted under this framework to ensure actual enforcement.

(1) Mechanism of PPD

Under PPD, “Platform” in accordance with different issues – tax, environment, standard, utility, professional service and women in business – is established to conduct public-private dialogue on issue specific problems. Participants are pertinent ministries (both high level and technical level) which act as focal point in the government and relevant private companies. (High level dialogue is conducted every quarter and technical level dialogue is conducted every month or as needs arise.)

Problems which could not be resolved under Platform are raised to PPD for further discussion. For example, recent agenda taken up at the PPD was the issues on removing construction incentives under the 2015 Investment Code. The issues were raised from construction industry for further discussion and consideration.

PSF has 10 Chambers and under Chambers are 75 Associations (each Chamber consists of 5 to 8 Associations). With such layer-like mechanism, there are both top-down (PSF➔Chamber➔Association) and bottom-up (Association➔Chamber➔PSF) approaches to improve policy/regulations and to resolve business issues on the ground.



Source: JICA Study Team based on hearing survey

Figure 5-1 PPD Structure

(2) Mechanism for Other PPD

There are several dialogue mechanisms other than PPD. For example, SME Forum has been established and started actual operation since 2014. Government National Dialogue is another framework – not only business community but general public participates to ensure accountability of public services. Government Retreat is a dialogue mechanism in which discussions among stakeholders are conducted according to issues and problems.

(3) Achievement and Issues Regarding PPD

According to the interview survey, most interviewed investors and government officials regard PPD mechanism at each level (PSF, Chambers, Associations) functioning and benefitting to private sector business activities as well as the country's economic development. In fact, steady achievements have been observed through PPD framework. For example, establishment of Export Growth Facility (EGF) is regarded as one of concrete achievements. Furthermore, implementation of Made in

Rwanda campaign and reduction of electricity tariff were realized as a result of voices from private sector.

On the other hand, several development partners pointed out problems of lack of sufficient capacity on the side of private sector. In this regard, there seems to be limitation of private sector participation in the PPD framework in a substantial manner. Critical background factor is the insufficient capacity of PSF, Chambers and Associations in terms of finance and ability.

5.6 Evaluation of Investment Promotion Policy, Regulation, Initiatives and Coordination Mechanisms among Stakeholders

5.6.1 Evaluation of Investment Promotion Policy, Regulation, Initiatives and Coordination Mechanisms among Stakeholders

Following four features can be pointed out with regards to investment promotion policy, regulation, initiatives and coordination mechanisms in Rwanda.

A) President's strong leadership and political will is clearly delineated in Vision 2020 and cascaded down to EDPRS2, Development Plans of each ministry/region, annual budget etc. in a consistent manner.

B) Performance based contracts play a critical role in securing policy coherence through commitments and continuous monitoring of progress both in the government and private sector.

C) The government endeavors to achieve excellent results in Doing Business Indicators, Made in Rwanda campaign etc., and to drastically improve country image to attract more investment and facilitate business activities.

D) While PPD mechanism incorporates implementation, monitoring and evaluation of reform initiatives – a follow-up system to secure enforcement – capacity of private sector is still very weak.

As regards D), although the government emphasizes the importance of private sector led economic growth as stipulated in Rwanda Vision 2020, capacity of private sector both in terms of finance and skills is still weak. In fact, public investment accounts for 80% of country's economy and major portion of economic activities are supported by state owned companies and companies supported by political parties/military/governmental organizations.

5.6.2 Direction for Improvement

In order to cope with the situation mentioned above, introducing measures to fill the gap between policy and implementation on the ground is critical. Therefore, it is considered relevant to strengthen basic capacity of private sector. One idea would be to provide support: (i) to grasp and analyze issues and problems each Chamber and Association faces, (ii) to come up with pragmatic countermeasures for improvement in harmony with EAC and COMESA rules as well as domestic law and regulations, and to address these issues in the PPD framework, and (iii) to strengthen private sector capacity to monitor implementation of such improvement measures.

With respect to such policy and institutional reform, a combination of program loan (budget support) and complementing technical cooperation is considered effective from the experiences in Asia. For example, in Vietnam, program loan called Poverty Reduction Support Credit (PRSC) has been provided for more than ten years through co-finance of various development partners including the World Bank, Asian Development Bank, JICA, DFID etc. The program provided budget support to achieve Vietnam's various policy reforms in the areas of investment climate and business environment, public financial management, financial sector reform, state sector reform, public administration reform, environmental management, infrastructure development, education, health, and fighting corruption). In the course of PRSC process, identification of specific policy actions, monitoring of implementation status of these policy actions, and confirmation of their achievements were taken place. Various development partners including JICA have provided individual technical cooperation projects on the ground which has created synergy effects with PRSC to ensure reform enforcement.

In Rwanda, Poverty Reduction Support Facility/Grant has been provided with the initiative of the World Bank (IDA) from 2004 to 2011 (up to PRSF 8) in the form of policy advice, policy dialogue and analysis. Six targeted policy areas are: (i) enhancing business climate, (ii) building economic infrastructure, (iii) increasing agricultural productivity, (iv) enhancing population skills, (v) improving public accountability, and (vi) enhancing public financial management, having similar configuration as the case in Vietnam. Although plan to resume two remaining operations (PRGF 9 and 10) is unknown[53], PRGF is considered relevant to resolve above-mentioned problems to fill the gap between policy and implementation, and to strengthen private sector capacity with complementing technical assistance on the ground.

[53] According to the ICR Review Report by the World Bank Independent Evaluation Group, suspension of PRSF9 and 10 was a reflection of the fact that key donors and the World Bank's stakeholders had made a decision to refrain for general budget support to Rwanda after the publication of the report by the Group of UN Experts on the DRC, which found that the Rwandan government was violating the UN sanctioned arms embargo in the ongoing conflict.
(Source: ICR Review Report on PRSF 8 by the IEG)
http://documents.worldbank.org/curated/en/363921473922352232/pdf/ICRR14924-P122247-Box396299B-PUBLIC.pdf

Chapter 6 Analysis of Investment Climate in Rwanda

6.1 Overview of Investment Climate in Rwanda and Method of Analysis

6.1.1 Method of Analysis

Investment climate consists of the combination of various issues which are related to the business operations and launching of investment projects. of the issues include regulatory environment, infrastructure development and other factors which can affect costs and time in business operation. Consideration of whether to embark on direct investment may start long before the establishing an operation in the investment destinations: It may start as trading directly or through agents or partners. In this Chapter, the life cycle of investment only covers from the establishing a company up to winding up of the business where investors expect to follow various operational and administrative procedures. The process before direct investment may be affected the conditions of the size of the market, maturity of industries, marketing channels and competitions which are partially analyzed in Chapter 4.

Various conditions may affect the cost, quality and delivery of the business. The figure below shows the life cycle of the investment and various types of transactions and administrative processes.

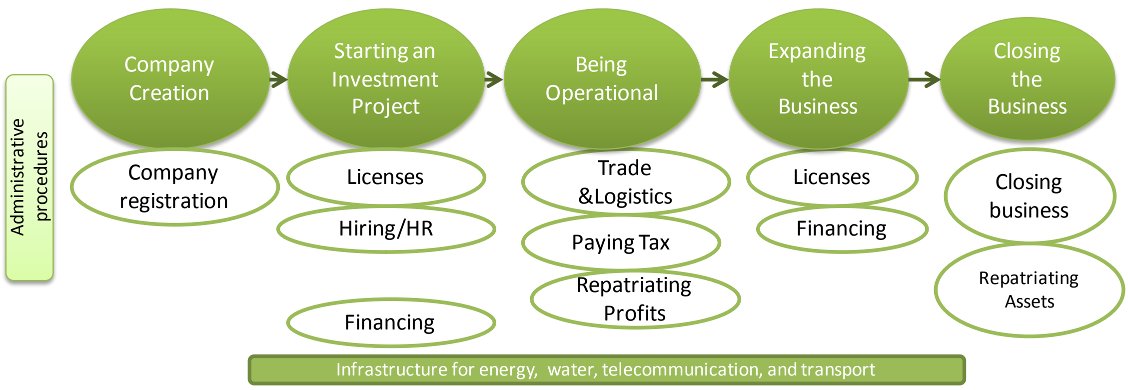


Figure 6-1 Life Cycle of Direct Investment and Administrative Procedures

The number and types of necessary procedures vary depending on the types of industries and businesses. Availability of quality infrastructure is also an important factor for business operation.

The analysis on investment environment in this section looks at the critical issues in regulatory environment and the situations of infrastructure in Cameroon from the following aspects: (i) frameworks and structures including overall flows of procedures, status of development and (ii) actual situations based on the information on the experiences of investors in their business operation with the data on costs, times and other burdens. Following the analysis, the following topics will be described: (iii) identification of the critical problems and (iv) efforts of the Government and other development partners.

6.2 Current State of the Business Environment

6.2.1 Establishing Businesses

(1) Overview of System and Procedures

Organizations running a business in Rwanda are required to abide by Rwandan companies law, Law No. 07/2009 of 27/04/2009 relating to companies. This law, comprises general regulations relating to business corporations, regulations relating to business operations (establishment, form of company, trade name, articles of incorporation, shares, rights and duties of shareholders, etc.) and detailed provisions on operational management of the company (rights and duties of board members, account books, auditing, mergers, etc.). The law also contains a separate section on foreign companies which sets out in brief regulations governing foreign corporations (starting up, financial reporting, settlement, etc.).

While there are no particular restrictions on foreign investors investing in Rwanda under Law relating to investment promotion and facilitation, No. 002/2015 of 18/05/2015, priority sectors are mentioned with incentives given to investors. Foreign investor here is defined in the law as an individual or corporation (company, partnership, etc.) that does not hold Rwandan or EAC or COMESA nationality, or a corporation (company, partnership, etc.) that is registered in Rwanda and has 51% or more foreign shareholders of non-EAC/COMESA nationality. Under the Investment Law 2005, a minimum investment of USD 250,000 for foreign investors and USD 100,000 for investors from within Rwanda or the EAC/COMESA block used to be required to obtain an investment permit, but this restriction was abolished in the 2015 Investment Code. At present, an investment amount is set only as a threshold for approval of unconditional employment of foreigners (employment of up to three foreigners is permitted with investment of USD 250,000 or more).

It takes about six hours to set up a business in Rwanda and two steps are required[54]. In practice, the investor can register the corporation online (http://org.rdb.rw/) or go to the Rwanda Development Board’s (RDB) Office of the Registrar General or a regional office to register. The RDB’s Office of the Registrar General handles all applications for registering the establishment of a company and has jurisdiction over matters relating to entry, management and deletion of corporate data in the register. The procedures required for business activities are completed by registering the company at the office. In short, entry in the register, a tax identification number (TIN) from the Rwanda Revenue Authority (RRA) and a social security number from the Rwanda Social Security Board (RSSB) can all be obtained with applications submitted at one time.

(2) Analysis of Current Situation and Challenges

Rwanda has advanced legal system relating to business activities compared with other African

[54] In addition to starting up a business, before commencing operations, it is necessary to register in advance with RDB for obtaining an electronic signature, purchase an Electronic Billing Machine (EBM) and pay for a trading licence (patent), but the time required for being operational is short even considering these procedures.

countries. At government level, top-down leadership ensures political stability and an environment in which government policies are appropriately implemented. As for laws relating to companies, the companies act adopted in 2009 guarantees legal certainty. In addition, a financial reporting and auditing system was clearly defined for banks and financial institutions other than banks doing business in Rwanda under the Law N° 007/2008 of 08/04/2008 concerning organization of banking, and for all other business companies under the Law 07/2009. To Rwanda's credit, the overall system relating to the business environment has been improved. For example, the Capital Markets Authority was established in 2011 and a system for regulating capital markets has been developed, and the importance of the system for real-estate appraisal has been acknowledged by the government and regulations are to be established. There is almost no government corruption, transparency is high and the commitment of the government is strong. It is also said that awareness of compliance has been heightened in the private sector too. The results of a comparison based on Doing Buisiness 2017 pertinent indicators in the EAC region are shown below.

Table 6-1 Comparison of Doing Business indicators for business incorporation and business operation among EAC countries

DB indicator	Rwanda	Burundi	Kenya	Tanzania	Uganda
Starting up Business	76	18	116	135	165
Protecting Minority Investors	102	137	87	145	106
Enforcing Contracts	95	149	87	59	64
Resolving Insolvency	73	141	92	100	111

Source: JICA Study Team based on Doing Business 2017

Looking at the actual state of the system, in interviews with local Japanese companies and foreign companies, none of the companies mentioned issues of complicated or hard-to-understand procedures when starting up a business. Rapid incorporation envisioned by RDB is practiced, formalities have been simplified by online procedures and the cost of starting up a business has been greatly reduced, demonstrating effectiveness in the sense of preventing irregularities by middlemen.

In Kenya, an EAC member country, the companies law remained unchanged from when it was established in colonial time, 1948, until recently, and a framework for financial reporting (OHADA: Organization for the Harmonization of Business Laws in Africa) has at last been developed in French-speaking Africa. Rwanda, on the other hand, has established an appropriate legal system based on the actual situation of the business world, and administrative services provided by the government are very efficient. The government also proactively provides opportunities for dialogue with private firms through PSF and RDB channels. For example, from interviews with a representative partner at local accounting firm it became clear that, whereas in other countries it can take 1-2 months to get a meeting with a high-level official in a ministry or government office, in Rwanda a meeting can be arranged straightaway in 1 or 2 days. This is an indication of the positive attitude of the government to incorporating the views of the business world.

(3) Direction for Improvement

The first step in improving the business environment is to simplify the procedures for setting up a business, but the stability of the system is important from the perspective of the long-term business activities of investors. The fact that there is little mention of corruption in public purchasing or breach of contract by business partners in Rwanda is deemed to show that fairness is maintained. In a comparison with other sub-Saharan African countries in the benchmark results based on the average distance to frontier (DTF) score in Doing Business 2017, Rwanda ranks after Mauritius for excellent business environment. Meanwhile, for investors to continue doing business in Rwanda, of the indicators mentioned above, improvements are called for not only in the system relating to starting up a business, but also in protecting minority investors, enforcing contracts and resolving insolvency.

Furthermore, in part of the current law, there is a clause that suggests government involvement. More precisely, on the judgement of the supervisory ministry or government office or when a claim is received from a person holding a certain percentage of shares or credit, with the aim of protecting public interest or company shareholders and creditors, the minister responsible can issue instructions to the Registrar General to investigate the company concerned. As a similar system to this, one of the rights of minority shareholders recognized in the Companies Act in Japan is the right to demand inspection subject to their holding 3% or more of the voting rights of all shareholders or 3% or more of the total number of shares issued, but no clauses suggesting government involvement exist. Likewise, in the Corporation Code of the Philippines, which is a middle-income country, the right to inspect and examine the books is recognized as rights of shareholders, but the required number of shares is not stated, nor is there any special reference to government involvement. With regard to the clause mentioned above, although actual misuse from the perspective of public benefit or actual invocation of state power by the Rwandan government was not heard during interviews, it is a point that foreign investors should bear in mind.

6.2.2 Investment Approval

(1) Overview of System and Procedure

Legal system in Rwanda with respect to investment approval is stipulated in the 2015 Investment Code in an integrated fashion. There is no separate law that prescribes sector specific investment provisions, and the 2015 Investment Code and its ANNEX define all the investment incentives. Investment approval in Rwanda means to acquire certificate to receive investment incentives.

1) Eligibility Criteria

Article 12 of the 2015 Investment Code stipulates that “the applicant for investment certificate who fulfils registration requirements referred to in Articles 10 and 11 of this Law and approved by the business sector in which he/she intends to operate, shall be issued with an investment certificate within two working days from the date of receipt of the application by the Board”. Article 11 stipulates investment registration requirements, however, concrete eligibility criteria for RDB’s decision making is unknown

2) Priority Sectors and Activities

Article 3 of the 2015 Investment Code specifies priority economic sectors. They are more focused compared with those indicated in the 2005 Investment Code (Law No. 26/2005 of 17/12/2005 Relating to Investment and Export Promotion and Facilitation) (see “5.4.1Provision of Tax and Administrative Incentives to Promote Private Investment” for comparison between the two codes). Major objectives of the 2015 Investment Code are to take a more targeted approach and to provide attractive fiscal incentives for large scale investment projects with an aim to creating further economic impact from global perspective.

<Priority Sectors under the 2015 Investment Code>

- Export
- Industrial manufacturing
- Energy, transport, ICT, financial services and construction of low-cost housing

Source: 2015 Investment Code, Article 3

3) Approval Process for Investment Incentives and Required Documents

After establishing a business and obtaining relevant licenses necessary for each type of business activity from pertinent ministries, investors apply for investment approval to RDB to obtain investment certificate. Necessary procedures and decision making for investment approval are undertaken in One Stop Center (OSC) located in the ground floor of RDB building. Concrete procedures are summarized below. (see “7.2.3 Current State of OSC”)

<Investment Approval Process within RDB>

① Investors submit application form and necessary documents to OSC in RDB (on-line application is also possible).

② OSC Division Manager assigns review team to review the application (review team is set up from each OSC support desk in accordance with the contents of investment project).

③ After each officer reviews the application and come up with review results, consultation is conducted within the review team.

④ OSC Division Manager makes final decisions for approval.

* According to Article 12 of the 2015 Investment Code, investment certificate is issued within 2 working days in case of no deficiency.

Necessary documents for application are as follows. As mentioned above, investor are required to obtain relevant licenses necessary for each type of business activity from pertinent ministries prior to applying for investment approval. RDB requires investors to submit relevant licenses, together with the following application documents

<Required Documents>

① Certificate of legal personality of the business company.

② Business plan regarding the investment project.

③ Project EIA certificate issued in accordance with relevant laws.

④ Projected number of employees and categories of employments.

⑤ Proof of payment of registration fee (USD 500).

⑥ License granted by the business sector in which he/she intends to operate.

Source: 2015 Investment Code, Article 11

4) Application of Incentives after Acquiring Investment Certificate and its Monitoring

Incentives are not applied automatically to investors after their acquiring investment certificate. Investors need to submit official financial reports to RDB every year, three months prior to the transition to the next fiscal year, and to fulfill requirements for incentives such as import tax exemption, VAT refund, corporate income tax exemption etc. The eligibility for application of these incentives is monitored by RRA (not RDB)[55].

5) Transitional Period from the 2005 Code to the 2015 Code

The 2015 Investment Code has provision regarding transitional period. Investors who benefited from the incentives provided under the 2005 Investment Code, which are not provided for under the 2015 Investment Code, shall continue to benefit from these incentives for a twelve months period from the date of the publication of the 2015 Investment Code in the Official Gazette of the Republic of Rwanda. According to interview survey with RDB, individual negotiation between investors and RDB regarding actual incentive measures seemed to be possible during this transitional period.

(2) Analysis of Present State and Issues

According to interview survey with foreign investors including Japanese companies, no particular problem (in terms of procedures and timeframe) has been pointed out with regards to obtaining investment certificate. In fact, necessary acceptance mechanism has already been secured within OSC and on-line application system has been developed to simplify the process. Interviewed investors appreciated excellent responsiveness and efficient management of the officers in OSC.

6.2.3 Tax and Accounting System

(1) Overview of System and Procedures

The income of organizations that run businesses in Rwanda is taxed on income from Rwandan sources. In principle, expenses incurred in the execution of business in the 1 January to 31 December tax year are deductible for taxation purposes. The Rwanda Revenue Authority (RRA) is the tax

[55] RDB also monitors progress of project implementation, actual outputs and achievements etc.

authority, which presides over all items relating to taxation business (taxation, tax collection, refunds, tax suits, etc.) and is under the jurisdiction of the Ministry of Finance. Taxation laws are posted on the RRA website and implementation laws and procedural laws exist for every tax item. For example, with regard to corporate income tax, Law No. 16/2005 of 18/08/2005 2005 on direct taxes on income (hereinafter, referred to as “Direct Tax Law”) is the basis law for taxation, and there are Ministerial Orders and Commissioner General Rules as procedural laws.

The Companies Act 2009 obliges organizations that run businesses in Rwanda to create account books and submit financial reports in accordance with International Financial Reporting Standards (IFRS) or International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) and International Public Sector Accounting Standards (IPSAS) for the public sector regardless of the size of the company. Moreover, auditing is required in accordance with International Standards on Auditing (ISA) and audited financial statements must be released within three months of the closing date and consolidated financial statements within six months. The Institute of Certified Public Accountants of Rwanda (iCPAR) is a professional accountancy organization established by No. 11/2008 of 06/05/20 Law establishing the institute of certified public accountants of Rwanda and determining its powers, organization and functioning, in order to develop an accounting system in Rwanda and provide professional advice to the government in the area of accounting. The iCPAR is under the jurisdiction of MINECOFIN.

The main taxes imposed on corporations without any preferential tax arrangements are shown below. Companies must make instalment payments quarterly, which are each equal to 25% of the tax due for the previous tax year. Companies must file a final tax return within three months after the end of the tax year, subtracting withholding tax and instalment payments. When there is no taxable income, zero returns must be submitted and net operating losses can be carry forwarded up to five years.

Table 6-2 Overview of Taxes Imposed on Operating Companies in Rwanda

Tax item	Tax rate (%)	Remarks
Corporate income tax	30	A reduced tax rate (20%, 25%, 28%) is applied to newly listed companies for five years according to the amount of issued shares. Small and micro companies in the tax law must pay a certain amount of corporate tax according to sales volume.
Branch tax	30	The profits the branches earn are subject to the branch tax. The tax rate is reduced for countries with which Rwanda has concluded tax treaties.
Withholding tax：		
Dividend	15	Withholding tax on dividends received by residents of Rwanda or EAC countries from companies listed on the stock exchange is 5% for tax purposes.
Interest	15	
Royalties	15	
Services	15	Imposed on technical services and professional services

Tax item	Tax rate (%)	Remarks
		provided by non-residents
Value-added tax	18	Imposed on all products and services, with the exception of tax-free goods, when provided in or imported into Rwanda.

Source: JICA Study Team based on the results of local interviews

Rwanda has signed tax treaties with EAC members, South Africa, Mauritius, Belgium and Barbados to eliminate double taxation. Rwanda has close economic ties with all the countries concerned. Tax treaties are also planned with Germany and Turkey, but as of the present time no approach has been made to Japan. Foreign investors should bear in mind not only taxation in the source country, but how their overseas income will be taxed in the country of the parent company. There are also problems relating to the tax planning of affiliated companies. For example, some countries have a foreign tax relief system or a foreign dividend exclusion system, and in some cases the tax burden on the overseas subsidiary can be reduced by tax exemption.

(2) Analysis of Present State and Issues

The tax authorities in Rwanda announced a three-year strategic plan starting in 2015 in order to achieve the goals of Vision 2020 and EDPRS2. The strategic priority items and action plan are: i) strengthening of compliance when filing returns and paying tax, and expansion of targets of tax auditing, ii) improvement of VAT administration by strengthening the Electronic Billing Machine (EBM) system, and iii) expansion of the taxation base by expanding the range of EBM introduction, as well as improvement of the level of RRA services and capacity building. These initiatives have successfully contributed to growth of tax revenue (up 14.8% on the previous year), improvement of tax revenue as a percentage of GDP (from 15.3% to 16.1%) and increase in revenue (up 104.3% against the budget). On the other hand, a need for continued improvement was recognized in explanation of the tax laws, enhancement of compliance awareness among taxpayers and improvement of the organizational inefficiencies of the tax authorities.

It was pointed out that the statutory tax rate, which exceeds 30%, the same level as Japan, is a huge tax burden on companies, but in the EAC block, Tanzania and Kenya have roughly the same corporate tax rate, and in view of Rwanda’s security, transparency and political stability, the tax rate alone is not thought to affect decision-making by investors. However, the tax rate in Europe, with which Rwanda has strong economic ties, is mainly in the 20-something percent range. Therefore, a key issue in the prevention of corporate tax avoidance in Rwanda is to implement a transfer pricing tax system. In this end, Rwandan Government creates guidelines for transfer pricing based on OECD rules, and the current tax laws contain a definition of the arm’s length price and an outline of its calculation method, but development of a full-scale system in Rwanda is still in the future. A department in charge of international tax and accounting will be set up within the organization soon, human resources with the necessary skills will be secured and a team capable of executing the Base Erosion and Profit Shifting (BEPS) action plan will be lined up, ensuring Rwanda's taxation base.

Furthermore, foreign investors need to look at permanent establishment (PE) of a base. PE means a certain "place", "facilities", "functions" and "base" for conducting business activities in the foreign country into which the investor is expanding, and Rwanda's Direct Tax Law contains a definition based on Article 5 (Permanent Establishment) of the current OECD Model Tax Convention. Therefore, even if an entity is not registered as a corporation in Rwanda, the existence or nonexistence of business activities is judged from reality, such as the status of its daily business, the venue of the general shareholders meeting, the location of keeping its account books, the main shareholders, the place of residence of its directors, etc. For example, whether or not an entity that provides on-site technical services is regarded as a PE is a common issue, but in the case of Rwanda, there is a clear description of persons who are considered resident in Rwanda for corporate tax purposes (for example, anyone who stays in Rwanda for more than 183 days in any 12-month period, either continuously or intermittently), and this rule is enforced appropriately.

Besides the preferential tax system in the 2015 Investment Code mentioned earlier, under the Direct Tax Law, if Rwandan nationals are employed for more than six months in one taxable period and the withholding tax on those employees is not 0%, a lower tax rate than the statutory tax rate will be applied, depending on the number of employees. These regulations underpin the policy intention to prevent employment of Rwandans as non-regular employees or employment at low salaries. As well as the application of a reduced tax rate for export businesses according to their foreign earnings, the law features the development of a tax system in compliance with the Rwandan government's Investment Law, such as the existence of a system where corporate tax exemption for five years is applied to microfinance businesses with the approval of the ministry with jurisdiction.

In light of the current situation, few companies raised concrete issues in the area of tax, but the reality is that as well as a shortage of accounting and tax personnel and a lack of understanding of accounting standards among the responsible persons in companies and government entities, account books are not appropriately prepared nor are records of transactions and the necessary documents appropriately managed. In addition, with no increase in accounting personnel, there is no alternative but to employ CFOs or finance officers from abroad, which results in increasing business costs. In fact, according to iCPAR, over 70% of Rwandan companies employ a foreign CFO or controller, and the among remaining 30%, some of them do not file their tax returns by the deadline or make errors, sometimes resulting in severe penalties such as imposition of additional tax or taxes in arrears. Furthermore, many non-VAT registered businesses such as retailers and small and medium-sized businesses issue their records on paper without using Electronic Billing Machine (EBM), which is mandatory under Rwandan VAT rules. Then, enterprises purchasing goods and services from those suppliers cannot offset output VAT against input VAT because handwritten receipts are not accepted by RRA as official records. Consequently, they have to bear huge VAT payments, affecting cash flow of their businesses[56].

With regard to accounting issues, a report published by World Bank[57] mentioned areas where improvement is required: i) development of an appropriate legal system, ii) securing of adequate capacity (training, qualification system, continuous training), and iii) system implementation (audit quality assurance, regulatory authority). In response, the Rwandan government and iCPAR are in the process of implementing an action plan in compliance with Vision 2020 and EDPRS2. For example, with the support of the government and donors, an Audit Quality Assurance (AQA) department was established in iCPAR as the organization responsible for guaranteeing the audit results presented by the auditor, but due to a shortage of personnel, no activities were actually implemented until mid-2014. In addition, capacity-building of members has been put forward as a goal at workshops and various meetings, by strengthening the capacity of iCPAR itself and implementing the continuing professional development (CPD) programme for members and upskilling programme for accountants. In particular, the gap between actual auditing practices in Rwanda and the legal requirements must be monitored continuously. Awareness activities and training of quality control professionals are carried out with support from the International Federation of Accountants (IFAC), but the organization remains weak and strengthening of governance, strengthening of the functions of the secretariat and securing of stable funding for activities are required. The issues raised include rotation of auditors, an awareness programme on observance of appropriate financial reporting and strengthening of the inspection function of iCPAR.

All in all, goal-setting premised on the development goals specified by the government in the area of both tax and accounting is a feature of Rwanda. In connection with the achievement of the goals in the tax field, the tax authorities in each EAC member country meet every six months and discuss issues related to tax collection, tax evasion and customs duties. RRA is aiming for unification with the tax systems of EAC members at the stage of tax policy formulation and tax enforcement, while periodically reviewing Rwanda’s own tax system.

(3) Direction for Improvement

In Rwanda, an appropriate tax system with the Direct Tax Law at its core exists in the domestic taxation system. The necessary tax system has been developed based on the actual conditions, and in the area of international taxation, a system is being developed in line with international practices. In interviews with local companies, industry groups and diplomatic corps, comments were received

[56] If the products and services provided by the company are mainly goods whose raw materials are imported from overseas suppliers, the transaction records are usually considered to have been appropriately prepared. The degree of importance given to this point varies from company to company.
[57] Republic of Rwanda Rwanda ROSC A&A 2015 Report on the Observance of Standards and Codes – Accounting and Auditing (Report No: ACS17317)

about dissatisfaction with the tax rate itself and with the severity of the penalties imposed when the tax laws are infringed, but there was less harassment from the tax authorities than the Study Team heard about in other African countries. On the other hand, it was also heard that the withholding tax and excise tax are prescribed in detail, with the final goal of increasing tax income through the Rwandan tax system, and that there are differences in interpretation of tax rules between the taxpayers and the tax authorities. However, this can happen not only in Africa, but in advanced countries too, though to a different degree, and it is not seen as a problem specific to Rwanda.

When a foreign company decides to invest in Rwanda, while incentives can be a major factor for foreign investors considering investment, the respective countries' tax systems should be considered separately. Furthermore, from the investor's perspective, it is usual to shift profits from a country with a high tax rate to a country with a low tax rate by the financing method or shifting the supply chain, and to conduct optimum tax planning from an all-round viewpoint, including the form of expansion, trade route and form of transaction. For example, the results of a comparison of the indicator in Doing Business 2017 relating to tax are shown below, and the time and procedures involved in VAT refunds are also studied based on the 2017 survey. Under Rwanda's domestic laws, the rules (LAW N°37/2012 OF 09/11/2012) state that refunds are made within 30 days of receipt of the necessary documents, including tax returns, after the end of the VAT taxation period, but before refunds are made, the director-general can request verification (refund audit) within three months. The Doing Business 2017 results give a time of 59 hours, but in the field hearing some statements indicated that VAT refunds take a considerable length of time.

Table 6-3 Comparison of Doing Business Ranks of Paying Taxes among EAC Countries

DB indicator	Rwanda	Burundi	Kenya	Tanzania
Paying taxes	79.6	62.2	61.7	54.1

Source: JICA Study Team based on Doing Business 2017

In the present state of accounting practices in Rwanda, there are problems to be solved before accounting itself, including that the responsible persons in companies and government entities do not understand the international accounting standards themselves, the account books are not created appropriately and the transaction records and necessary documents are not managed appropriately. In practice, previously audits were conducted by someone with the ACCA qualification, but there is an absolute shortage of personnel. The government is conducting an upskilling programme in the form of the government bearing the cost of training staff in order to develop accounting personnel, and it is sponsoring awareness enhancement of auditing standards for the private sector and various seminars for SMEs and private companies. Also, the number of students selecting accounting, economics and finance for students is on the increase with main factors being awareness activities conducted by iCPAR, employment requirements for staff in charge of accounting in the government, and a change in the awareness of students. It is expected that those personnel trained through these programmes get accustomed to knowledge and skills essential to business operations by experiencing on practical matters. Therefore, for securing high-skilled workforce which is currently relying on foreigners, it is important to proceed gradually in considering fully the burden against enterprises directly related with their competitiveness and keeping the balance between the demand from enterprises which needs sufficient skillful staff immediately, and the time and cost in doing so, rather than in a rough and sloppy manner.

On top of these issues, the current corporate tax rate in Rwanda (30%) remains high from an international perspective. Various national governments have been engaged in a corporate tax rate war since 2000, and looking at the average corporate tax rate in the main regions of the world, it is on a downward trend, falling below 25% in 2015. When foreign investors see the size of the corporate tax burden, they do not just consider the nominal tax rate, but the effective tax rate as the form of the burden[58]. According to “The Mirrlees Review”, it is the effective tax rate that has an impact when a company is deciding whether to manufacture at home or abroad, what impacts the investment level in a country is the marginal tax rate adjusted for policy measures such as a preferential tax system, and the statutory tax rate is an important indicator from the viewpoint of where multinational corporations keep their profits[59]. In the Rwandan domestic market, first of all reduction of the statutory tax rate, which is high by international standards, should be prioritized in order to reduce the effective tax rate.

6.2.4 Land Acquisition and Property Registration

(1) Overview of System and Procedure

Land tenure system in Rwanda had been governed by few scattered legislation until 2004 after independence and there was no proper land policy nor land law. It was characterized by the coexistence of customary law practiced almost everywhere in rural areas and written law for urban land.

Legal framework of land administration system is based on Organic Land Law N° 8/2005 of 14/07/2005 (revised by Law N°03/2013 of 16/06/2013, hereinafter referred as “the Land Law”) which has regulated the use and management of land in Rwanda. Other land related laws and orders were also enacted in order to implement land policy. The Land Law was enacted to address the issues such as: a) strong demand on land due to rapid economic growth and population increase; b) needs to establish land ownership system in agricultural sector; c) lack of reliable land registration

58 The effective tax rate here is the result of taking the taxable income as the denominator and the tax calculated by the standard tax rate under the tax laws as the numerator. Allowing for the fact that the taxable income and the accounting profit do not match and factoring in tax laws that differ from country to country as well as tax saving actions such as policy-based preferential tax systems for investment promotion, foreign tax exemption, carry back of operating loss and compression of taxable income using tax planning, a simple international comparison is difficult.
59 Auerbach, A. J, M.Devereux, and H.Simpson (2007) “Taxing Corporate Income”, Paper Prepared for The Mirrlees Review, Reforming the Tax System for the 21st Century

system; d) improper land transactions not based on fair market value for state owned land; and e) soil and environmental degradation, and so on.

The following guiding principles were adopted for implementation of an effective and efficient land policy:

- Land is a common heritage for past, present and future generations and all Rwandans enjoy the same rights of access to land without any discrimination;
- Land administration should guarantee land tenure security;
- The objective of land use should be clarified;
- The difference of land administration and land use should be considered whether urban or rural land is concerned; and
- Land transactions and land taxation should be included in land administration as elements of land development, and so on.

Land governance in Rwanda falls under the responsibility of the Ministry of Natural Resources (MINIRENA), the Rwanda Natural Resources Authority (RNRA), the Office of Registrar of Land Title, the District Land Bureau and the Sector Land Managers. MINIRENA is responsible for the administration, planning and allocation of land. RNRA is responsible for land registration.

In addition, as a central land administration centre of land registration, National Land Centre has been established in RNRA, which has linked with Land Bureau in 5 Provinces and 30 Districts. According to local autonomy system in Rwanda, there are 416 Sectors under Districts, and 2146 Cells under Sectors. These land offices have been overseen by National Land Commission and District Land Commissions.

Land in Rwanda is categorized in two types, i.e. 1) Public Land and 2) Private Land. The former has 5 types of land. The outline of land system can be summarized as the following table.

Table 6-4 Outline of Land System in Rwanda

No.	Type of Land	Content	Remark
1.Public Land		Land owned by public institutions	
1)	State Land in Public Domain	The land is owned by state and used for public interests of Rwandan national. It is not transferable.	e.g. lake, river, national parks, national road, etc.
2)	Local Land in Public Domain	The land is owned by local government and used for public interests of local residents. It is not transferable.	
3)	State Land in Private Domain	The land is owned by state and it is transferable.	e.g. vacant land, confiscated land, etc.
4)	Local Land in Private Domain	The land is owned by local government and it is transferable.	
5)	Public Institution Land	The land is owned by public institutions as ministries and universities and it is transferable.	

No.	Type of Land	Content	Remark
2. Private Land		The land is owned by individuals or companies.	

Source: JICA Study Team based on interview with RNRA

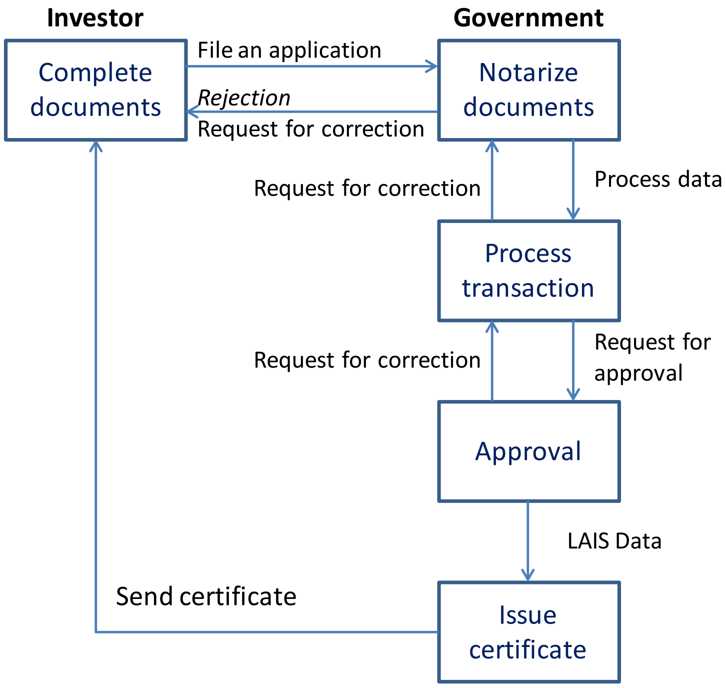
In case Rwandan nationals acquire the above mentioned Public Land of 3)-5) or Private Land, the land is subject to up to 99 year long term lease (It can be renewable). As far as SEZ is concerned, if investors (regardless of nationality) acquire land within the zone for industry, commercial or residential use, freehold title can be granted.

In case foreign nationals or companies (including joint ventures that Rwandan investors own less than 51% of shares) invest in Rwanda and acquire the above mentioned Public Land of 3)-5) or Private Land, the land is subject to up to 49 year long term lease (It can be renewable). However, if reciprocal arrangement of freehold title is regulated by bilateral or multilateral agreement, even foreign nationals/companies can have freehold title. RDB supports foreign nationals/companies to acquire land.

As far as agricultural land is concerned, only long-term lease is allowed for either foreigners or Rwandan nationals. The lease term is 49 years for the former, 99 years for the latter.

Having been supported by international donors as DFID, the government of Netherland, Sweden International Development Agency (SIDA), the government of Rwanda has developed Land Administration Information System (LAIS) in order to manage land tenure properly, in particular land certificate at the time of land registration. LAIS has been in operation since 2012. LAIS has central data processing system which enables on line application for land division, transfer of land certificate, change of land use, and consolidation of land as well as on line application for land certificate.

The procedural flow for land registration is illustrated in the following figure (In case of commercial and industrial land).



Source: JICA Study Team based on the various source including interview with RNRA

Figure 6-1 Procedural Flow of Land Registration in Rwanda

According to the World Bank's 2017 Doing Business, the Rwanda's ranking of Registering Property has been significantly raised from the previous year's 12th to the 4th and the indicator of DTF has improved 4.92 point to 92.67. The table below indicates that the Rwanda's indicators locate not only the top position in Sub-Saharan Africa, but also better position than the average OECD high income countries in terms of number of procedures, time, cost and quality of administration. This improvement is considered as a result of simplification of land registration procedure entailed by full-scale operation of LAIS.

Table 6-5 Comparison of Land Registration Procedure among Rwanda, Sub-Saharan Africa and OECD Countries

Indicators	Rwanda	Sub-Saharan Africa	OECD High Income Countries
Number of procedures (No.)	3.0	6.2	4.7
Time (days)	12.0	59.7	22.4
Cost (% of land price)	0.1	8.0	4.2
Quality of land administration[60]	28.0	8.4	22.7

Source: World Bank, Doing Business 2017

60 The indicator concerning the quality of land administration consists of the following four aspects and is evaluated by 0-30 figure (higher the figure, higher the quality): reliability of infrastructure; transparency of information; geographical coverage; and settlement of land disputes.

(2) Issues and Donors' Assistance

1) Issues

As a result of full-scale operation of LAIS, although computerization has advanced and land registration process has been significantly improved at central level (including Kigali City), it has not been much functioned at local level due to underdevelopment of communication infrastructure. In addition, at local level, quite a few people still make informal land transaction and do not apply registration. In this regard, their mindset is needed to be changed by education and edification towards general public. Regarding IT human resource, although the government of Rwanda has been promoting in depth computerization in the area of land administration, the government has to recruit foreign experts from such as Uganda and Netherland since qualified experts are not available in the country.

Furthermore, as RNRA does not have function of so called "Land Bank" but only responds to individual enquiry as ad-hoc basis, it needs to develop institutional capacity to systematically introduce potential land to investors.

2) Donors' Assistance

As mentioned earlier, the group of international donors represented by DFID has been supporting land registration system to the whole country through Land Tenure Regularisation Programme (LTR), which consists of three components as a) Development of land management service; b) Promotion of computerization; 3) Dissemination, education and marketing to general public.

6.2.5 Labor System

(1) Overview of System and Procedures

The main legal basis for labour-related regulations in Rwanda is N° 13/2009 of 27/05/2009 Law regulating labour in Rwanda and detailed enforcement regulations. The content covers general principles, labour unions, types of employment, remuneration, labour conditions, employment of foreign workers, etc. The Ministry of Public Service and Labour (MIFOTRA) has jurisdiction. Guidelines for skill development and a National Employment Programme have been created and various policies are implemented. For example, as well as strengthening Technical and Vocational Education and Training (TVET) by specifying the level of skills required in each sector, Employee Service Centres and Career Advisory Services have been established in RDB in an effort to compensate for the mismatch with employment. In addition, in order to increase blue-collar workers, external training programmes are provided in the form of public-private partnerships (PPP), with the Private Sector Federation (PSF) as the contact point, and for instance, iCPAR provides awareness activities and upskilling training programmes to grow the number of high-level accountancy specialists, such as financial officers.

Moreover, Rwanda has a framework for priority employment of a certain number of Rwandan personnel and a future shift to local employment of highly professional human resources is called for. If the investment condition for employing foreigners prescribed in the Investment Law is not met, a written explanation of not employing such human resources. Employment and provision of training for Rwandan nationals are stipulated in the Investment Law as conditions for receiving tax benefits, and under the Direct Tax Law, on the premise of the foreign investor meeting certain conditions, a lower tax rate than the statutory tax rate is applied depending on the number of employees.

The RDB facilitates the issue of visas and acquisition of work permits and an official from the Directorate General of Immigration and Emigration (DGIE) is permanently posted to the RDB. The DGIE has the authority to issue temporary residence permits and permanent resident permits. Investors usually fall into the category of temporary residence permits and information such as forms, requirements and period of validity is made available to each relevant industry sector. The procedures for foreign residents to acquire a work permit can be taken online (https://www.migration.gov.rw/) and the necessary documents are listed.

(2) Analysis of Current Situation and Challenges

The Rwandan government places importance on the use of Rwandan nationals in the provision of human resources to the private sector, as shown in Vision 2020 and EDPRS 2: human resources development, improvement of the quality of education, skill-matching in the labour market, fostering of a spirit of entrepreneurship, and skill development. In interviews with local companies, no issues were raised in terms of the amount of new employment, but many comments focused on the issue of quality. In reality, the Workforce Development Authority (WDA) under the Ministry of Education is used as a mechanism for providing various job training to Rwandan graduates and young people.

Supply and demand in the labour market are matched using mechanisms such as TVET and PSF. The Sector Skills Council established by MIFOTRA, which meets every quarter, is an important forum for industry to observe the labour market, grasp news and share information with WDA as well as to conduct questionnaires on the employment status of TVET graduates and the level of satisfaction of employees and to periodically review the content of its services. More precisely, its achievements so far include provision of a job training infrastructure, improvement of the quality of services, expansion of the number of persons involved and implementation of the National Employment Programmes.

WDA places particular importance on employment of young people and women, and regular programmes include the Vocational Training Centre (1-12 months), Technical Secondary School (3 years) and Polytechnic Diploma (1-2 years). Sixteen industries are targeted, with particular importance given to construction, tourism including hospitality, and manufacturing fields. Meetings with RDB are held every quarter to discuss these priority industry sectors and programme content and to grasp the needs of industry. On the other hand, due to the absolute shortage of human resources to whom management and high-level technical positions can be entrusted, a majority of companies employ personnel from Uganda and Kenya. To improve this situation, MIFOTRA has set targets for the required number of personnel in each priority area between 2013 and 2018. In particular, various initiatives have been taken, such as focusing on expansion of human resources in science and technology, providing scholarships and promoting the taking of degrees (doctor's, master's) overseas.

Foreign investors are thought to need many foreign residents when starting up a business. The number of employees for a given period of time and the timing of transfer to local staff are not strictly applied, but continuous training should be provided to upskill Rwandan workers. This action is politically supported and the costs incurred for training enjoy tax incentives such as inclusion in deductible expenses. Considering the background to these conditions, it can be said that Rwandan Government does not intend to obstruct foreign labour but such initiatives are seen not only in developing countries and their intention is similar to that of Japan, where human resources with advanced skills may have priority visas issued and extensions of period of stay recognized.

(3) Direction for Improvement

In the company interviews, few companies raised the procedures for acquiring a work permit or visa as a problem in the employment of foreign residents. Unnecessary administrative procedures have been reduced by the introduction of online procedures. The majority of the companies commented that the procedures for obtaining a permit are streamlined and the system for submission of documents at the respective office, obtaining approval and finally obtaining the permit is straightforward and with time, applications are approved. Some companies use WDA's job training services to employ skilled local workers. Unlike several years ago, WDA has a reputation for providing services that meet the needs of business companies and is adequate for providing general training.

The main issue facing WDA, however, is its limited budget. TVET running costs are high and the machinery and equipment used in the technical schools are very expensive. The cost of providing useful materials for practical training is also a major burden. For example, to teach wood processing techniques, it is necessary to provide the actual wood. Therefore, various support from donor organizations will continue to be necessary in future for the smooth conduct of activities. In addition, the provision of places like Fab Lab which was launched in May 2016, where *monozukuri* (manufacturing) know-how and machine tools are used experimentally and practically is very helpful in enabling visitors to receive practical training in how to use machines and industrial product design software and to obtain specialist advice for product development. The enhancement of services for the development of human resources with skills matched to investor needs is required to secure specialists with improved technical ability and develop this kind of industrial workforce.

As for priority employment of Rwandan nationals, in view of their abilities, few companies entrust management to them. Then, it is reasonable to consider involving diaspora living overseas into Rwandan human resource market and in fact, it is important to proactively utilize Rwanda Day[61], an event which is held every year. The fact that the President himself visits human resources in the diaspora across the world and urges them to come and work in Rwanda will make it possible to fill senior positions currently held by foreigners with Rwandans. At the same time, political support from the Rwandan government is necessary to secure highly skilled human resources in order to actively promote industrial development. It is desirable to utilize foreign labour because it not only brings new skills but also specialist knowledge and experience that benefit Rwanda.

6.2.6 Foreign Exchange and Remittance System

(1) Overview of System and Procedure

Rwanda has a liberal monetary policy and no foreign exchange control over current or capital transaction and complies with the conditions of IMF Article VIII which guarantees not imposing foreign exchange control as a countermeasure for adjustment of international balance of payment. Major legal foundation is Law No.11/97[62] and Regulation No.95/2013[63]. According to the above law and regulation, investors can freely make foreign exchange transactions through authorized foreign exchange bank to transfer profit/ dividend or to settle export and import transactions.

Current transaction and capital transaction in Rwanda is summarized in the following table.

Table 6-6 Summary of Foreign Exchange Control in Rwanda

Content of Transaction	Necessary Conditions
1) Current Transaction	・ No restriction is imposed on current transaction such as trade settlement, repatriation of dividend or interest to overseas, and no there is obligation to make prior application before transaction. However, foreign currency denominated payment needs to be done through authorized foreign exchange bank with submission of supporting documents. ・ Exporters are obliged to repatriate export proceeds within three months from the date of physical departure of the goods.
2) Capital Transaction	・ Although no restriction is imposed on capital transaction, remittance over USD 10,000 is required to report to competent authority through authorized foreign exchange bank to check against illegal money laundering and terrorist fund. ・ In case of borrowing loans from overseas, borrower has to submit predetermined format through commercial bank.

Source: JICA Study Team based on various materials

61 Held in San Francisco in 2016 (http://rwandaday.org/2016).
62 The above law mainly regulates central bank's regulatory power over foreign exchange market
63 The above regulation mainly stipulates liberalization of capital transaction and corresponding rules of foreign exchange transaction.

Under the database of World Bank[64], foreign reserve in Rwanda increased smoothly in accordance with economic development, exceeded USD 1 billion in 2011 and reached highest level of USD 1.07 billion in 2013, but it decreased to USD 0.9 billion (equivalent to about 4 months of imports) as a result of decline of recent commodity price.

Although there is no restriction on obtaining foreign exchange in Rwanda, according to the interview with middle scale commercial banks, it nearly took for two weeks to get allocation of USD 2,000 - 3,000 in response to request of USD 1 million to central bank due to deterioration of international balance of payment in July 2016. On the other hand, according to interview with central bank, it sometimes takes long time to obtain large amount of foreign currency such as USD 1 million in one bank. In this regard, despite non existence of foreign exchange restriction in principle, it can be considered that foreign exchange sometimes does not run smoothly if there is severe foreign exchange shortage.

6.2.7 Finance

(1) Overview of Financial System

Rwanda's financial sector has bank, capital market, insurance, pension fund and micro finance, etc, but about two thirds of its asset has been dominated by banking sector (Figure 6-2). In banking sector, there are 12 commercial bank, 3 micro finance banks, 1 development bank and 1 cooperative bank.

The largest commercial bank is Bank of Kigali which occupies about 30 % of the market share, and the remaining share is mainly occupied by local banks and Pan African banks such as KCB and Ecobank. Global market oriented banks such as HSBC or Standard Chartered Bank have not entered the market.

Among 7 listed companies listed in Rwanda Stock Exchange (RSE), 4 companies are cross-listed [65] with Nairobi Stock Exchange, and only 3 domestic companies are listed primary RSE.[66] The market volume is very limited and it has not been sufficiently functioning as capital market yet. In order to develop the market, Rwandan government has plan to privatize state owned companies to attract investors. In capital market, in addition to stocks, products as national bonds and investment trust are available.

In insurance market, there are 2 state owned companies and 13 private owned companies. The government has decided not to issue new license in consideration of decreasing solvency margin as a result of over-competition caused by too many players in small market.

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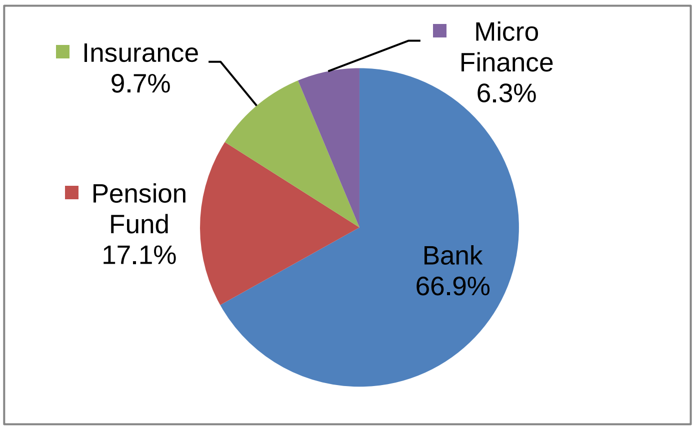
[64] http://data.worldbank.org/indicator/FI.RES.TOTL.CD
[65] The cross-listing is the listing of a company's common shares on a different exchange than its primary and original stock exchange.
[66] Those 3 companies are Bralirwa Ltd, Bank of Kigali Ltd. And Cristal Telecom Ltd.



Source: National Bank of Rwanda (NBR)

Figure 6-2 Breakdown of Financial Asset in Rwanda (2015)

According to interview with some commercial banks, commercial loans in Rwanda are mostly short and medium term (1-5 years). The current interest rate of less than 3 years maturity is 17-18%, while 16% for 3 to 5 year term loan. The largest portion of commercial banks' profit is originated from corporate banking sector for large- and medium-scale enterprises, but there is a tendency that the profit share of retail banking sector for small and medium enterprises (SMEs) and individuals is increasing recently.

The table below shows comparison of indicators for financial access in Rwanda, Kenya and Sub-Saharan Africa. Although Rwanda's figure is more or less similar to average figure of Sub-Saharan Africa, the former is a little lower than the latter except for the number of borrowers per a thousand adults. However, Rwanda's figure is substantially lower than Kenya's and there is much room for improvement in terms of financial access.

Table 6-7 Comparison of Indicators for Financial Access among Rwanda, Kenya and Sub-Saharan Africa (2015)

	Rwanda	Kenya	Sub-Saharan Africa
No. of depositors per thousand adults (person)	146.1	1,315.6	154.8
No. of borrowers per thousand adults (person)	35.4	231.1	35.1
No. of bank branches per 100,000 adults	25.5	49.0	N.A
No. of ATM per 100,000 adults	5.7	10.2	6.1
Amount of domestic financing for private enterprises (% of GDP)	21.3	34.8	29.3

Source: JICA Study Team based on World Bank's "World Development Indicator 2016"

With a view to support financing of export oriented enterprises, Rwandan government has set up Export Growth Facility (EGF) and provide various modes of finance through Development Bank of Rwanda such as 1) RFR 1 billion Investment Catalyst Fund- concessional loans with subsidy for exporters-; 2) Matching Grant- subsidy of half cost for obtaining ISO or halal certificate for export destination country; and 3) Guarantee- guarantee for exporters to get trade finance from commercial banks-. C&H Garment Ltd., a large scale Chinese garment manufacturer, has been availing EGF facility

(2) Government's Effort for Improvement and Donors' Support

The government of Rwanda has long term plan to attract International Financial Service Centre to Rwanda by employing the slogan of "The Central Gateway to Africa" through taking advantage of good security, ICT infrastructure and human resources who are proficient at English and French. According to "Rwanda Financial Sector Strategy (2013-2018)" formulated by the Ministry of Finance and Economic Planning (MINECOFIN), the country has a vision to realize the above mentioned centre by promoting such sector as ICT, international logistics, banking service, fund management, capital market, and so on.

Concerning SME finance, some equity financing cases can be found that the joint venture between IFC, a Dutch NGO, state owned Rwanda Enterprise Investment Co. (REIC) and Business Partners International (BPI) has raised SME investment fund realized investments targeting for high potential but new enterprises that require medium and long-term fund.

6.2.8 Trade-Related Procedures and Custom Clearance

(1) Procedures for Trading Across Borders

A few points to be noted in the administrative procedures for import and export are as described in the following parts.

1) Pre-shipment Procedures

In the international trade, some products are restricted for transactions or required permits. Some of the procedures are as listed below.

Procedures Required Prior to Export

The restricted items for export are listed in the Second Schedule of the EAC Customs Management Act (EACCMA). Exportation of some products may require prior registration as an exporter. Some are as shown in the table below.

Table 6-8 Prior Procedures for Export from Rwanda

	Procedures	Organizations in Charge
Agriculture products (Not processed)	Certificates of quarantine	Rwanda Animal Livestock Inspection and Certification Services (RALIS) (MINAGRI)
Coffee, tea	Export license Certification of Quality MINAGRI if for sanitary, phytosanitary (SPS) certificates	NAEB (MINAGRI)
Minerals	Mining Export License and Certified Training	RNRA

	Procedures	Organizations in Charge
	Chain by Rwanda Natural Resource Authority and International Conference of the Great Lakes Region	

Source: Trade Mark East Africa/PSF, Export Handbook

Procedures Required Prior to Import

Important of some products may require import license and/or tested results of the quality standards. Application and issuing process of import license may be integrated in the Rwanda Electronic Single Window (ReSW) for some products such as pharmaceuticals, though not all. The progress may be influenced by the degree of the transition from paper-based and electronic/on-line processing of specific authorities. For example, animal quarantine and phytosanitary certificates were under process of transition to on-line based with the support from Trademark East Africa (TMEA). However, the progress was not able to be confirmed during the Survey[67].

Table 6-9　Prior Procedures for Import to Rwanda

Items	Procedures	Agencies in charge
Agriculture products (Not processed, seeds)	Submit the certificate of quarantine	Rwanda Animal Livestock Inspection and Certification Services (RALIS) (MINAGRI)
Agriculture input	Obtain import license for agro-chemicals	
Meat	Obtain import license	
Products with mandatory standards[68]	Submit certificate of quality analysis	Rwanda Standards Board (RSB)
Second-hand clothes[69], bags and shoes	Submit certificate of fumigation	—
Pharmaceuticals, machinery to produce pharmaceuticals	Obtain import license	Ministry of Health

Source: US Department of Commerce website, RBS website, ReSW website.

(2) Outline of Customs Clearance

Necessary documentations for export and import for Rwanda are as listed in the table below.

Table 6-10　Necessary Documents for Export and Import in Rwanda

Export	Import
viii) Commercial invoice ix) Export Declaration x) Packing list xi) Sanitary and phytosanitary certificates xii) Certificate of origin xiii) Export license xiv) Release order	vii) Importer License viii) Import Declaration ix) B/L or Air Way Bill x) Packing list xi) Release order xii) Other necessary permits (quarantine etc.)

Source: JICA Study Team based on RRA websites and Doing Business 2017.

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67 E-RALIS was announced by MINAGRI (source: ReSW website, http://sw.gov.rw/?p=358)

68 Rwanda's mandatory standards is regulated by the Standard Law (No.43/2006 of 05/10/2006). According to RSB, the products with the compulsory standards are food, pharmaceuticals, chemical products, cosmetics, lubricant, fertilizer, sanitary pats, paints, construction materials, and batteries (source: Mandatory Standards 2013, http://www.rsb.gov.rw/~rbs/fileadmin/user_upload/files/pdf/Compulsory-mandatory_stds_booklet.pdf).

69 Second-hand clothes are restricted for importation in order to protect the local industry.

The table below compares the necessary documents for importation in Rwanda, Kenya, Singapore and Moldova[70]. It should be noted that the data used in Doing Business referred to in this table is based on the case of importing auto parts. Therefore, some items listed in the table above may not be including in this table.

Table 6-11 Import Customs Clearance Documents in Rwanda and other Countries

Rwanda	Kenya	Singapore	Moldova
i) Importer License ii) Import Declaration iii) B/L or Air Way Bill iv) Packing list v) Release order	i) Import Declaration Form ii) Pre-Import Verification of Conformity iii) B/L or Air Way Bill iv) Commercial invoice v) Packing list vi) Proof of payment of customs duty vii) Declaration of customs value viii) Terminal handling receipt	i) Commercial invoice ii) Packing list iii) Import permit iv) Customs declaration	i) Commercial invoice ii) Packing list iii) Sales Contract iv) Certificate of Origin v) Import declaration vi) CMR waybill

Source: Doing Business 2017

The number of documents required for importation to Rwanda is fewer than the regional comparator, Kenya and Moldova which were ranked higher than Rwanda in Doing Business.

The customs office categorizes the cargos into 3 lines as listed in the table below based on the risk level. Upon the submission of the request form for the customs declaration online (ASYCUDA World by UNCTAD), the declaration is sorted automatically. According to RRA, the ratio of those categorized as red is 15 to 16% in total CIF value of imports. Electronic customs clearance systems is laid out including those border points of SCT such as Dar es Salaam and Mombasa. The customs clearance system is also integrated in ReSW as mentioned later..

Table 6-12 Categories for Customs Risk Management System (Import) in Rwanda

	Inspection	Percentage share in total import value	Time required for inspection
Blue	No inspection, post-clearance audit	About 50%	Average 2 hours
Yellow	Document inspection	About 35%	-
Red	Physical inspection	About 15%	1day for 2%, 3 to 4 hours for 80% of cargos fallen into the category

Source: JICA Study Team based on the interview with RRA.

[70] Singapore were selected as it can be the benchmark for the best practice. Moldova was also selected as it can be reference for a low income land-locked country, yet ranked higher than Rwanda.

Those categorized as the blue lane will be sampled and audited after the customs clearance as a part of the risk control. RRA also conducts inspection of 2% of the randomly sampled consignments under the blue lane as the supplier check. Quick discharge can be applied for perishables, fragile products, and parts for industrial machinery[71].

With the application of EAC's SCT, the customs clearance for the major parts of imported products through Dar es Salaam and Mombasa can be done at the ports (for SCT, see "6.2.8 (4) Efforts of Simplification of Trade-Related Process").

Rwanda is a key trade partners of DRC, though mainly with informal cross-border trade. For the formal trade between two countries, simplified rules developed by COMESA is applied with simplified process for the certificate of origin. For those exporting less than 2000 USD 2,000 to DRC will be eligible for the simplified certificate of origin and enjoy duty-free.

(3) Duty and Charges for Export/Import

1) Duty Tariff and Charges for Import

The duty and charges arose for imports are as listed in the table below. It should be noted that the handling charges and administrative charges are to be borne at the ports of Dar es Salaam and Mombasa.

Table 6-13 Duty and Charges for Importation in Rwanda

Tax, duty and charges	Rates	Authority
Import duty (EAC CET)	0%, 10%, and 25% of CIF value	RRA
VAT	Depending on the products, normally 18% of sum of CIF value and import duty	RRA
Withholding tax	5% of CIF value	RRA
Consumption Tax	Depending on the products	RRA
Infrastructure Development Levy	1.5% of the value for the import from outside of EAC	—

Source: Based on RRA websites and other sources.

However, in case the Quitus Fiscal is issued by PSF, the withholding tax may be waived[72].

2) Institutional Framework of Customs Duty

The customs regime is governed and managed by the EAC Customs Union with EACCMA. Common External Tariff (CET) with 3 tariff bands is applied for those traded items with outside of EAC. However, specific sensitive products can be allowed to impose more than 25%.

EAC Protocol on the Establishment of East African Customs Union stipulates the following schemes for trade promotion.

[71] RRA website (http://www.rra.gov.rw/index.php?id=227)
[72] PSF website (http://wwwpsf.org.rw/spip.php?article29)

Table 6-14 Trade Promotion Scheme Under EAC Customs Union

Scheme	Outline
Duty Remission	Duty free import are allowed for those products such as raw materials for manufacturing industries, consumed products in EAC and gazette by EAC Council. Application submitted to RRA and RRA will forward it to the EAC Secretariat. Valid for 12 months. Bond will be charged for the guarantee prior to the use of the scheme (refunded if no problem).
Duty Drawback	Duty is to be refunded meeting the specific conditions such as the good imported exported eventually or used in the designated ways.
Export Processing Zone (EPZ)	Imported materials are handled as duty free in the designated area as long as used for producing products for export outside of EAC.

Source: EAC Customs Union Protocol, EACCMA, RRA website (http://www.rra.gov.rw/index.php?id=235)

The table below compares the average custom duty tariffs for the Most Favored Nations (MFN) of a neighboring country (Nigeria), Western and Eastern Africa as well as the example from Asia. As Rwanda applies EAC CET, the level is almost the same with other EAC member countries, but higher than Cambodia. Within EAC, business communities often raise the issue of non-tariff barriers (NTB) and harassment at the borders. During the interviews in Rwanda, however, there was no specific issues on NTBs and harassments raised.

Table 6-15 Average Customs Duty Tariffs in African and Asian Countries

Country	Average tariff (MFN, %)	Average tariff (Regional economic community, %)
Rwanda	12.6	0
Kenya	12.7	0
Uganda	12.1	0
Cambodia	11.9	2.9

Source: JICA Study Team based on WTO material. Tariff profile from 2014 for Cambodia, 2016 for others. Rwanda, Kenya and Uganda used regional economic community tariff for EAC and ASEAN for Cambodia.

(4) Efforts of Simplification of Trade-Related Process

1) Using SCT

Introduction of SCT shortened the time required for the transit and border crossing process. Good arriving at a sea port can clear once at the border point and delivered to the owner of the cargo directly without going via customs houses within Rwanda. RRA witnessed the shorter turnaround time for tracks and the better flow of cargos, which increased the tax revenue[73]. Although SCT are not applied for all the goods, many interviewed companies were utilizing SCT.

2) Single Window for Trade-Related Procedures

Rwanda Electric Single Window (ReSW) was developed and introduced comprising wide-range of procedures related to trade. Single platform provides the services for application, inspection/evaluation, invoicing, payment as well as the data and document management. The table below is the list of procedures incorporated in the ReSW.

[73] Based on the interview with RRA.

Table 6-1 Major Procedures incorporated in ReSW

Procedures	Explanation
Management of incentives provided by Investment Code and process of duty free	Management of list of items approved for duty free import under the investment license. Input and managed by RDB, referred at the time of customs clearance.
Risk management	Sampling for post-clearance audit, management of the data
Cargo manifest	
Management of bonded warehouse	Cargo management of MAGERWA's bonded warehouse.
Information and public announcement regarding customs process	Announcement for any procedural changes related to customs.
Certificate of origin	Application and issuance of certificates of origin
Management of animal and phytosanitary quarantine	Only for upload of the certificates. Application and approval is under MINAGRI which has not been integrated in the system.
TIN	Share TINs of companies within RRA.
Management of trade-related licenses	Licenses for customs clearance agents, transporters, and warehouse are managed. operators.
Vehicle number registration	Registration of chassis numbers and automatic provision of registration number.
COMESA Bond Guarantee	Administration of transit bond.
Inventory management of petrol products	Inventory and transaction information management at depot.
Communication with customs clearance agents	Use the SMS or e-mail on the system in order to reduce the risk of corruption and other mal practices.
M-Declaration、SMS-Declaration	Small-scale importer can declare via mobile phone.
Registration of black-listed vehicle and screening	With the cooperation arrangement of Interpol

Source: JICA Study Team based on the interview with RRA and ReSW website.

3) Efforts for Improving Trade-Related Process

Other efforts for improving trade related process are bonded warehouses, introduction of authorized economic operator scheme and gold cards (both are for simplified customs clearance procedures, the former introduced by EAC and the latter by GOR), and One-Stop Border Post (OSBP). OSBP is now installed in Rusumo, Kagitumba, and Gatuna border post.

Some improvements are introduced regionally. In the Northern Corridor, Rwanda, Kenya and Uganda started to use Regional Cargo Tracking System (RCTS). With the support of the TradeMark East Africa (TMEA). RCTS can be used throughout the corridor and expected to reduce the time of inspection at the borders[74]. COMESA introduced the Regional Customs Transit Guarantee (RCTG). This guarantee scheme can provide the transit bond covering from the first country to the final destination. The cargo does not have to go through multiple procedures for guarantee for each transiting countries.

[74] The East African, March 24, 2017 (http://www.theeastafrican.co.ke/business/Rwanda-launches-electronic-cargo-tracking-system/2560-3863508-wro84sz/index.html)

(5) Problems Observed and Direction for Improvement

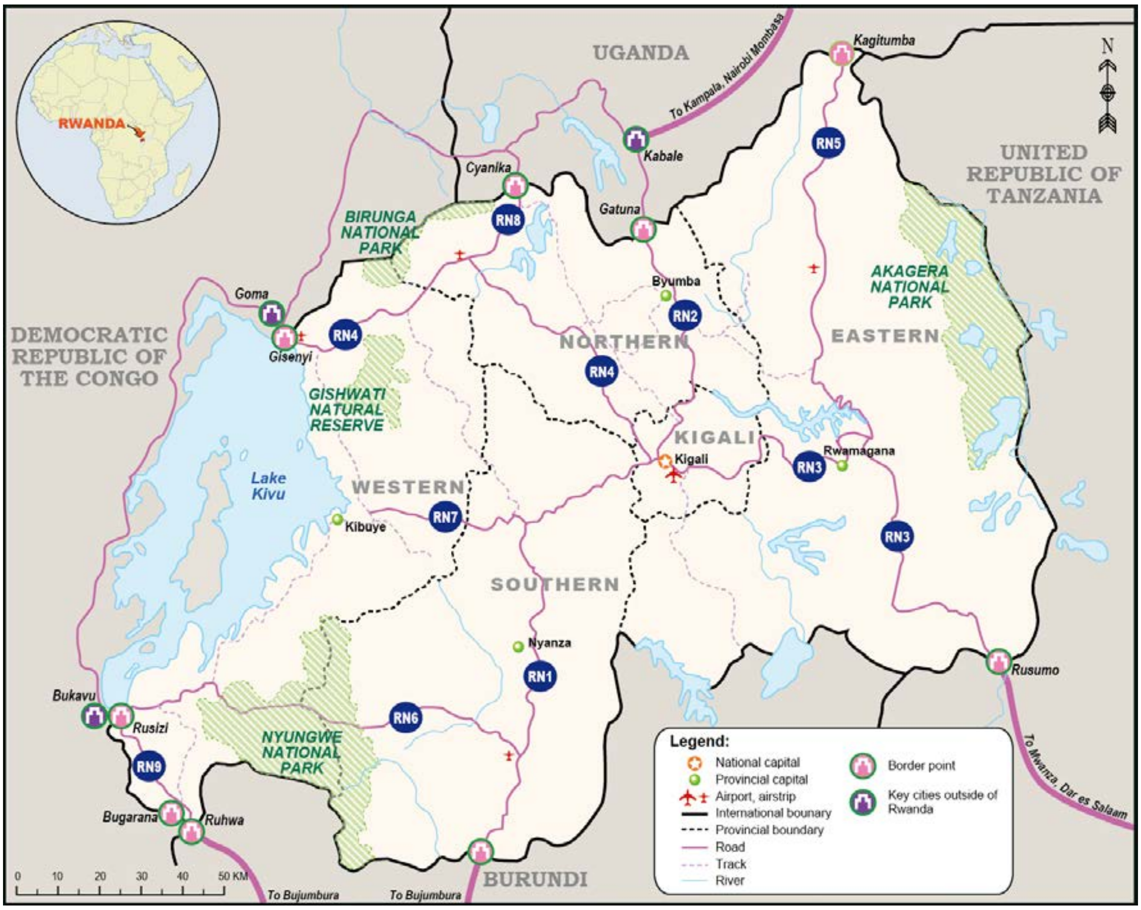
Rwanda has been proactively making efforts for reduction of burden for trading across borders through simplifying and expediting trade-related procedures by utilizing regionally-introduced schemes as SCT and progressive utilization of ICT and improved systems as electronic single window.

Many interviewed companies during the Survey were with the investment licenses with some duty-free status for importation of machinery and facilities, and the problems related to customs and trade-related procedures were not the outstanding issues. Some pointed out the sudden bans and changes of trade-related regulations affect the business plans. Another problem pointed out was the processes which are not on-line and computerized. For example, export of agricultural produce requires cumbersome process prior to the part dealt by ReSW which has been manually done. Another issue observed was the difficulty in importing seeds and seedlings for agricultural investment. The approval procedures for importing seeds and seedlings are to follow the currently established Rwanda laws and regulation. However, it may be too strict and detailed from the aspect of the regional and international practices. While the computerization may streamline the processes in certain fields, it may be also necessary to match the procedures, operational capacity of the regulatory agencies as well as the burdens imposed to the private operators.

6.2.9 Logistics

(1) Overview of International Transportation of Rwanda

The major inland transportation routes connecting Rwanda and the nearest sea ports, Dar es Salaam and Mombasa are called the Central Corridor and Northern Corridor, respectively. The map below shows some important transportation infrastructure.



Source: JICA Study Team

Figure 6-3 International Transportation Routes and Logistics Facilities

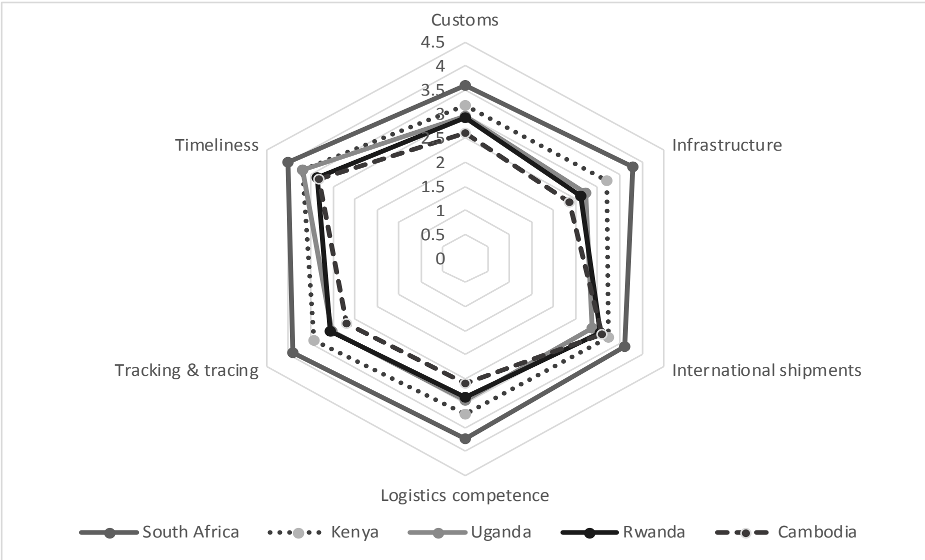
The major international transportation routes are as shown in the table below.

Table 6-16 Rwanda's Major International Transportation Routes

Mode	Overview
Air	・ Kigali International Airport is the gateway. ・ Direct flights to Europe (Brussel, Amsterdam, London), Africa (Nairobi, Mombasa, Dar es Salaam, Entebbe, Bujumbura, Addis Ababa, Lagos, Johannesburg, Lusaka, Libreville, Brazzaville), Middle East (Turkey, Quatar, UAE), and Asia (Mumbai)
Sea	・ Nearest sea ports are Dar es Salaam and Mombasa
Land	・ Dar es Salaam-Rusumo-Kigali (Central Corridor) ・ Mombasa-Nairobi-Malaba or Busia- Kampala- Gatuna- Kigali ・ Kigali-Bujumbura ・ Kigali-Gisenyi-Goma ・ Kigali-Rusizi-Bukavu

Source: JICA Study Team

The quality of logistics evaluated by the Logistics Performance Index (LPI) 2016 ranked Rwanda as 62nd out of 160 countries.



Source: JICA Study Team based on World Bank LPI2016.

Figure 6-4 Logistics Performance of Rwanda and Africana and Asian Countries

The figure above compares Rwanda's LPI and regional and other African and Asian countries. Cambodia was used as it is also the least developed country looking at the industrial development utilizing cheap labor force. In general, the score is lower than South Africa and Kenya. The elements with higher score than the overall score (2.99) was International shipment, Tracking & tracing and Timeliness. On the other hand, the compared to Cambodia, the score were generally higher. It may be even improved through the introduced new systems such as SCT, e-cargo tracking and so forth.

(2) Logistics Facilities

1) Airports

There are only two international airports; Kigali International Airport (KIA) and Kamembe International Airport. There are domestic airports, namely Gisenyi, Ruhengeri, Butare, and Nemba. KIA, the main international airport, has only limited capacity for the landing of large aircrafts. However, it has also the limited room for expansion due to the geographical characteristics.

Thought the number is still limited, the degree of the increase of passengers and cargo are observed in recent years. The number of passenger increased by 80% if including transit.

Table 6-17 Volume of Air Transport

		2010	2011	2012	2013	2014
Passenger (Persons)	International	277,842	323,978	396,607	443,517	445,438
	National	9,444	20,931	28,953	25,765	20,949
	Transit	26,041	32,418	63,343	90,249	102,594
	Passenger total	**313,327**	**377,327**	**488,903**	**559,531**	**568,981**
Air cargo (t)	International cargo (Total of import and export)	6,148	5,721	6,255	6,961	7,587
	Cargo total with postal service	**6,352**	**5,922**	**6,857**	**7,389**	**7,906**

Source: NISR, Statistical Yearbook 2016

GOR is promoting the project to construct new airport in Bugesera in order to accommodate the expected demand increase. The project employs PPP approach. The construction and operation agreement was signed with a Portuguese company in 2016[75]. Though infrastructure development as well as the service provision may be ideally private-sector-led. However, considering the size of the market, it may be rather realistic to be led by the Government initiatives first[76].

2) Road Network and Transportation

Rwanda's road density in 2013 was 0.57 km per 1 km^2 while the African average was 0.57 km[77]. the quality may have some problem. Out of 6,655 km in total of national and district roads, only 20% were paved in 2017[78]. The major routes were improved, whereas the development in rural areas and areas off from the major routs may be still critical.

The following table compares the number of registered vehicles in Rwanda, Tanzania and Kenya[79]. The number is limited compared with Kenya and Tanzania. Though data may be not enough new, the level of motorization Rwanda in 2011 was much smaller than Kenya which has 10 times larger number of registered vehicle where the population is 4 times larger population.

Table 6-18 Registered Vehicles in Rwanda, Tanzania, and Kenya

		2011	2012	2013	2014	2015
Truck	Rwanda	3,134	3,435	3,931	4,315	4,502
	Tanzania	66,352	72,445	79,476	89,592	95,402
	Kenya	72,915	80,736	90,306	100,987	142,036
Passenger vehicle	Rwanda	5,634	-	-	-	-
	Tanzania	340,748	378,228	434,738	511,359	562,355
	Kenya	54,796	56,502	58,799	61,222	100,984

Source: EAC Secretariat, East African Community Facts and Figures (2016) Report, NISR, Statistical Yearbook 2016

According to the survey done with the cooperation of associations of transport operators in Kenya, Tanzania, and Rwanda, the majority of Rwandan operator only possesses one vehicle. The average number of vehicle per operator is also lower than Kenya and Tanzania. Therefore, the capacity of trucking industry is also limited in capacity[80].

The share of the Central Corridor starting from Dar es Salaam in Rwanda's international transport may be larger than the one via the Northern Corridor. In the both corridors, the share of cargo volume to Rwanda is limited, but larger in the Central Corridor. Within the 4.57 million MT of transit cargo at the Port of Dar es Salaam in 2013/14, 0.67 million MT was toward Rwanda (14.7%

[75] MININFRA Press Release
(http://www.mininfra.gov.rw/index.php?id=19&tx_ttnews%5Btt_news%5D=178&cHash=5d04b28399926f7da4feff4c933101b3)
[76] AfDB (2013) Rwanda Transport Sector Review and Action Plan
[77] Ibid.
[78] NISR、Statistical Yearbook 2016
[79] As data comparable across EAC countries are not available, Rwanda's data is based on the Statistical Yearbook 2016 (registered trucks).
[80] Hartmann, Olivier, and Ephrem Asebe (2013) Road Transport Industry in East Africa

of transit cargo). On the other hand, the handling volume in Mombasa is limited to 2.5% of all transit cargo (0.19 million DWT out of 7.75 million DWT in 2016)[81].

3) Inland Logistics Facilities for Cargos

Logistics facilities such as warehouses have been located in Kigali. Bonded warehousing was formerly monopolized by then-state-owned MAGERWA. However, it was liberalized and MAGERWA also privatized. MAGERWA still has the warehouse and container yard in Kigali and warehouses near the borders.

GOR has plan to develop a logistics hub in the suburbs of Kigali through PPP arrangement. Kigali Logistics Platform (KLP) is to be developed as a dry port with bonded warehouse and other logistics facilities. GOR and the Dubai-based port operator, Dubai Port World (DPW) signed BOT contract for 25-year concession. The size of the facility will be 90,000 m^2 with 12,000 m^2 container yard and 19,600 m^2 warehouses. The handling capacity is 50,0000 TEU per year[82].

(3) Cost and Time for International Transportation

1) Transport Cost

The table below summarizes the result of the interviews with enterprises in Rwanda, in terms of the cost of the international sea freight for imports. The data of other countries was obtained from JETRO website and the Shippers Council of Eastern Africa. The actual cost of freight may vary depending of the types of the consignment and conditions.

Table 6-19 Import Transport Cost for Imports to Rwanda and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)	Inland transportation	Cost (USD)
Rwanda	Yokohama-Dar es Salaam	4,788	Dar es Salaam-Kigali	4,000-5,000
	Istanbul-Dar es Salaam	2,000	Mombasa-Kigali	4,500-5,000
South Africa	Yokohama-Durban	2,200	—	—
Kenya (Nairobi)	Yokohama-Mombasa	4,478	Mombasa-Nairobi	1,000

Note: Price per 40ft container.
Source: JICA Study Team based on the interviews, JETRO website, and Shippers Council of Eastern Africa、East Africa Logistics Performance Survey2015.

The cost may be fluctuate depending on the dwell time at the ports. In fact, the time may be longer in Dar es Salaam due to the delay of the customs clearance and handling at the port. The freight costs for trucks for the Central Corridor have been reduced due to the increase number of truck operators. However, the quality may be a problem according to the interviewed companies. The number of

81 Tanzania Port Authority, Annual Report and Accounts Year Ended on 30 June 2014, Kenya Port Authority, Annual Review and Bulletin of Statistics 2016.
82 DP World Press Release (http://web.dpworld.com/wp-content/uploads/2016/02/2015_01_19_Kigali_Logistics-Centre_Eng.pdf)

Rwandan track operators are limited and they encounter various problems including harassment from Tanzanian regulatory bodies.

2) Transit Time

Necessary time from major origins to Rwanda is as shown in the table below.

Table 6-20 Time Required for Import

	Country of embarkation & nearest port	Sea transport	Customs	Inland transport
Central Corridor	China-Dar es Salaam	20-30 days	3-7 days	5-7days
	Istanbul-Dar es Salaam	25 days		
Northern Corridor	Mombasa	—	2-3 days	7-8 days

Source: JICA Study Team based on the interview.

(4) Problems and the Policy Directions

Due to the distance from the sea port, freight costs with current mode of transport naturally become costly and time-consuming. The problem is also seen in delay caused at the port, borders along the corridors as well as the traffic issues. These are not controllable by Rwandan side actors. It is also observed that the volume of the traffic and cargo may not be in the level enough to have some economies of scale. In order to cope with these problems, some manufacturing companies stock larger inventory of raw materials.

The air fair is also still high and, yet, difficult to secure the space due to the smallness of the market which cannot support larger air craft with large capacity.

GOR has been actively engaged in transport infrastructure development together with the administrative system improvement for trading across borders as mentioned in the previous part under the concept of “land-linked” rather than land-locked. While infrastructure development is still necessary in the long-term prospect of the increase demand for transport including those from DRC, it should be also noted that the volume handled so far remain limited and relatively smaller comparing with neighboring countries.

In the Northern Corridor, the head of the nations of Rwanda, Kenya and Uganda jointly promote the joint Northern Corridor Initiatives Projects (NCIP). It includes the flagship projects as the construction of standard gauge railways (SGR). Such strong initiatives may be a positive factor for the modal shift which may change the transportation cost and time drastically.

While such long-term shift may be realized in future, GOR’s efforts seek participation of the private sector. In order to facilitate the private sector involvement, the realistic and balanced plan as well as the reasonable share of risks may be necessary in order to cover the smallness of the market and maintain the viability of the project.

6.2.10 Power

(1) Situation of Power Supply in Rwanda

1) Ratio of Electrification and Supply Capacity

The ratio of population with the access to electricity is limited to 19.8% in 2014. It is still low though higher than Tanzania. The gaps between urban and rural population is large. Only 9.1% of population has access to electricity, whereas 71.8% in urban areas has access[83]. The subscribers for electricity have been increasing from 260,000 in 2011 to 570,000 in 2015[84].

Table 6-21 Access to Electricity in Africa and Asian Countries (2014)

	Rwanda	Kenya	Tanzania	Ugandan	Ethiopia	Cambodia
Ratio of population with access to electricity (%)	19.8	36.0	15.5	20.4	27.2	56.1

Source: World Bank, WDI

The total installed capacity in 2017 is 210.9MW[85]. The capacity has been increased with the start of operation of Nyabarongo 1 and other small and micro-hydro, thermal, solar and methane gas.

Table 6-22 Major Power Plant and Capacity

		Installed capacity (MW)	Capacity in 2015 (MWh)
Hydro	Ntaruka	11.3	36,422
	Mukungwa1	12.0	10,990
	Mukungwa2	2.5	10,139
	Nyabarongo1	28.0	137,724
	Ruziziz 2	12.0	
	Rukarara1	9.5	43,351
	Rukarara 2	2.2	
Thermal	Gishoma	15.0	
	KSEZ TPP	11.0	59,047
	SES CIMERWA	14.0	19,520
	Jabana 1	7.8	20,935
	Jabana 2	20.0	100,404
Methane gas	Kibuye Gaz Methane	26.4	7,971
Solar	GigaWatt	8.5	13,347

Source: REG website (http://www.reg.rw/index.php/projects/generation/625-power-generation), NISR Statistical Yearbook 2016

The share of the generation according to the type are as seen in the table below.

83 WDI
84 NISR, Statistical Yearbook 2016
85 REG website

Table 6-23 Types of Power Generation and the Share

(%)

	2011	2012	2013	2014	2015	2016
Hydro	45.97	42.00	43.85	51.53	43.22	40.85
Diesel thermal	35.73	41.29	39.97	30.63	27.84	24.68
Methane gas	3.40	3.11	3.01	2.31	15.91	14.10
Solar	0.24	0.22	0.21	5.61	4.70	5.84
Peat	―	―	―	―	―	7.15
Import	14.65	13.39	12.96	9.93	8.33	7.38

Source: REG website

Energy Sector Strategy Plan 2013/14-2017/18 formulated based on EDPRS 2targets the installed capacity to be reached at 563MW by 2018 and the access to the electricity up to 70% of the population[86].

2) Cost and Quality of Power

According to Doing Business 2017, the access to electricity is evaluated in comparison with neighboring countries as indicated in the table below[87].

Table 6-24 Comparison of Time and Cost of Getting Electricity

	Rwanda	Kenya	Uganda	Cambodia	Sub-Saharan Africa
Procedures (number)	4	3	6	4	5.1
Time (days)	34	95	66	179	115.4
Cost (% in GDP per capita)	2,722.6	642.0	8,449.0	2,173.3	3,711.1
Reliability of supply and transparence of tariffs index (0-8)	0	0	4	3	0.5
Ref: Power tariff surveyed by Doing Busienss	17.9	17.6	22.7	17.8	―

Source: World Bank, Doing Business 2017

(2) Privatization of Power Sector and Direction for Future

Rwanda has liberalized the power and water sector opening the market from the prior monopoly of the state-owned enterprise (SOE). In 2011, the Law No.21/2011 of 24/06/2011 Governing Electricity in Rwanda was enacted and liberalized the power sector. The SOE previously provided water and power supply services were divided and Rwanda Electricity Group (share holding company) and Electricity Utilities Corporation Ltd. and Electricity Development Corporation Ltd. were established[88]. The licensing of operators as well as setting tariffs for public services are regulated by RURA. RURA's roles and mandates are based on the Law No. 09/2013 of 01/03/2013 Establishing Rwanda Utilities Regulatory Authority (RURA) and Determining its Mission, Powers, Organisation

86 Energy Sector Strategy Plan 2013/14-2017/18
87 The actual rank was based on the composite index based on the evaluation of transparency of tariff and supply stability and power tariff in addition to the number of procedures, time required to the connection and the cost incurred by connection.
88 REG Website (http://www.reg.rw/index.php/about-us)

and Functioning.

So far, many IPPs have been operating. Some are micro and small-hydro, but a few are large-scale operators. KivuWatt is a generation utilizing methane gas. The contract for a 350 million USD project for peat power generation was signed in 2017 (Akanyaru Valley Peat-Fired Power Project)[89].

The power sector has accumulated the experience of financing and operation globally. GOR has already enacted the PPP Law in 2016. On the other hand, Rwanda may still require experienced human resources in order to be able to utilize the lessons learned globally not only to attract investors but also adequately share the risks of investors for continuous operation of these private operators.

[89] Africa finance Corporation Press Release (http://www.africafc.org/News-Events/News-Press-Releases/Landmark-80MW-peat-to-power-project-in-Rwanda-reac.aspx)

Chapter 7 Analysis on IPA and Its Function in Rwanda

7.1 Organization and Function of RDB

7.1.1 Legal Basis of RDB and Its Authority

RDB was established in 2008 under the Organic Law N° 53/2008 of 02/09/2008 Establishing Rwanda Development Board (RDB) and Determining Its Responsibilities, Organization and Functioning, merging eight institutions with the aim of fast-tracking Rwanda's development. RDB's authority is provided by Law N° 46/2013 of 16/06/2013 Establishing Rwanda Development Board (RDB) and Determining Its Mission, Organization and Functioning[90]. The main missions are as follows:

- To fast-track development activities and facilitate the government and the private sector to undertake an active role
- To promote local and foreign direct investments in Rwanda
- To promote exports to regional and international markets of goods and services with added value
- To participate in initiating and implementing policies and strategies in matters relating to tourism and conservation of national parks and other protected areas in matters relating to tourism, and advise the government on the promotion of the tourism sector
- To participate in initiating and implementing policies and strategies in the field of information and communication technology (ICT) and advise the government on the promotion of the sector
- To provide guidelines, analyze project proposals and follow up the implementation of government decisions in line with public and private investments
- To carry out privatization programs, monitor them and advise the government accordingly crystalize
- To promote entrepreneurship and support the creation and development of private enterprises
- To initiate, implement and follow up the activities relating to modernization, harnessing partnership and registering trading companies and businesses, secured transactions, intellectual property rights and the rights to initiate, exercise and cause business activities cessation
- To promote investment in capacity building and mobilize the private sector for

[90] The Law N° 46/2013 of 16/06/2013 was enacted in 2013 when the Organic Law N° 53/2008 of 02/09/2008 was repealed by the Organic Law N° 06/2013/OL of 16/06/2013 Rpealing Organic Law N° 53/2008 of 02/09/2008 Establishing Rwanda Development Board (RDB) and Determining Its Responsibilities, Organization and Functioning as Modified and Complemented to Date.

employees' skill development programs in order to improve efficiency and competitiveness

- To facilitate and help investors meet environmental standards
- To cooperate and collaborate with other regional and international institutions having similar missions
- To advise the government on all activities which can fast-track development in Rwanda

7.1.2 RDB's Organizational Structure, Budget, and Staff Allocation

(1) Organizational Structure

RDB restructured in December 2016. A new organization chart was unobtainable during the survey, but interviews with RDB revealed that they have cross-cutting departments, namely the Investment Promotion and Facilitation Department (IPFD), Office of Registrar General, Competitiveness and Business Communication Department, Strategic Investment Department, Special Economic Zone (SEZ) and Export Department[91]. Economic cluster departments are the Departments of Tourism, Conservation, and ICT. In addition, RDB has Procurement and Legal Departments, Single Project Implementation Unit (SPIU), the Departments of Administration, IT Operations, and Finance as supporting divisions and units[92].

The survey focused on IPFD which is the primary contact of investors. IPFD consists of the Divisions of Investment Marketing, One Stop Center (OSC), and Aftercare with no significant change through the restructuring. The main duties are summarized in the table below:

Table 7-1 Main Duties and Responsibilities of IPFD

Divisions	Main Duties and Responsibilities
Investment Marketing	· Promotion (marketing) of Rwanda · Implementation of and participation in events for investment promotion · Information provision for potential investors
OSC	· Consultation on investment · Investment registration and approval · Support for acquisition of visas and work permits · Support for access to public utilities (water and power) · Support for land access and construction · Support for acquisition of environmental impact assessment (EIA) certificates
Aftercare	· Support for provision of investment incentives · Monitoring and facilitation of the implementation of business plans · Monitoring of compliance with requirements for granted

91 The Special Economic Zone Authority of Rwanda (SEZAR) established in 2012 under the Law N° 05/2011 of 21/03/2011 Regulating Special Economic Zones in Rwanda is based in RDB as a transitional measure due to only one SEZ, namely the Kigali SEZ (KSEZ), in operation at present. It is to operate for some time by an Order of the Prime Minister in 2012, but the Revised SEZ Policy under development shows direction toward SEZAR's independence.
92 RDB. 2017. Client Service Charter.

Divisions	Main Duties and Responsibilities
	investment incentives ・ Introduction to partners and matching ・ Settlement of disputes between investors and public organizations ・ Public private dialogues (PPD) ・ Policy advocacy

Source: JICA Study Team based on interviews with RDB

(2) Budget and Staff Allocation

The government budget for the entire RDB for 2016/17 is approximately USD 53 million[93]. It is broken down into USD 6 million for administrative and support services (overheads like employees' salaries) and a development budget of USD 47 million. The budget for investment promotion and business facilitation[94] is USD 0.67 million, representing 1% of the development budget. The actual executed amount and budgets from other sources are unknown to the survey.

The table below shows the staff of IPFD as of December 2016. It indicates that they were not many[95].

Table 7-2 Staff of IPFD (as of December 2016)

Division/Position	Number
Head of the department	1
Advisor to the department	1
Investment Marketing	11
One Stop Centre	13
Aftercare	7
Total	**33**

Source: JICA Study Team based on an interview with RDB

The personnel of the Aftercare Division were down to five as of March 2017. One officer from the division is assigned to each investment-certified investor for monitoring and aftercare. Each officer is responsible for at least 150 investors. Given the limited availability of information, it is imprudent to fully judge whether the number of investors per person is suitable to take good care of each one.

7.2 Overview of RDB's Investment Promotion Activities

7.2.1 PR and Promotion Activities

The main media of RDB's information provision and investment promotion activities are an English website (http://www.rdb.rw/home.html), brochures, and the like. PR tools are reviewed biannually and updated when necessary.

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93 Law N°31/2016 of 30/06/2016 Determining the State Finances for the 2016/2017 Fiscal Year.

94 There are other budgets related to investment facilitation, such as export and business development and SEZ, but the abovementioned budget is the one named 'investment promotion and business facilitation' only.

95 The Ethiopia Investment Committee (EIC), which is an investment promotion agency in Ethiopia, only had half the original capacity but still there were 188 persons in 2015 when a survey was conducted. However, RDB is not strictly comparable to EIC because the table above covers only one department of RDB, not the entire organization, and also because they are different in organizational authority and national economic size.

Figure 7-1 RDB's Website

The home page of RDB's website briefly summarizes investment-related event information, Rwanda's attractiveness and business environment, and others. It also has tabs and links to detailed information, such as investment opportunities by sector and information about business and investment registration. The website enables investors to find a variety of useful information. Examples include their investor services, general information about the Rwandan economy and society, investment opportunities, investment guides and incentives, procedures for starting business, legal information pertaining investment, and the business environment. Providing contact information, it allows potential investors to directly contact RDB for consultation.

RDB creates brochures on investment procedures, overviews of priority industries, and investment opportunities. They are easily obtainable on the website.

In addition, RDB holds events for investors as opportunities to provide information in person. Recent events in Rwanda include the Global Africa Investment Summit (5 – 6 September 2016) and the World Economic Forum on Africa (11 – 13 May 2016). RDB also sends and receives investment missions. Recently missions were dispatched to Australia, Germany, and Turkey, to name but a few.

RDB discusses 10 priority countries for investment promotion every December. Shown below are priority countries and industries as of December 2016.

Table 7-3 Priority Countries and Industries (as of December 2016)

Country	Industry	Country	Industry
China	Construction materials	South Africa	Manufacturing
Germany	Manufacturing	South Korea	Various
India	Various	Turkey	Packaging
Kenya	Manufacturing, agro-processing, finance	UAE	Various
Nigeria	Manufacturing, agro-processing, finance	USA	IT

Source: JICA Study Team based on interviews with RDB

7.2.2 Investor Services

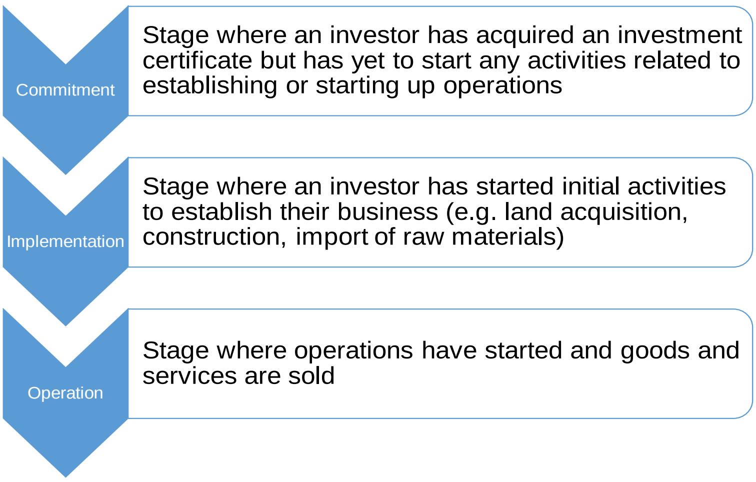
RDB offers a series of investment services from penetration assistance through monitoring and aftercare. The following are the main services:

<Investor Services Provided by RDB>

Penetration Assistance: (i) assisting foreign investors to obtain visas and work permits, (ii) providing information regarding the investment climate etc.
Operation Support: (iii) providing information regarding business activities, and assisting investors to acquire relevant licenses and land, (iv) assisting investors to obtain investment approval (covered by Law N° 06/2015 of 28/03/2015), (v) providing support to secure necessary infrastructure facilities (power and water) for business activities.
Monitoring and Aftercare: (vi) confirming the progress of business plans through visits to business sites, (vii) monitoring compliance with requirements for agreed incentives, (viii) providing support for problem solving.

In operation support (iii), OSC provides information and guidance on land acquisition at investors' request and aftercare officers handle enquiries and connect them to authorities concerned. With regard to (iv), different laws defined incentives in some areas like agriculture, but all incentives are articulated solely by Law N° 06/2015 of 28/03/2015 to avoid overlaps and confusion.

In monitoring and aftercare (vi), RDB confirms progress in implementing five-year business plans which must accompany investment registration forms and assists investors in addressing challenges if any. To monitor progress and ensure smooth implementation, investment projects are categorized into three stages as illustrated in the figure below: "Commitment," "implementation," and "operation." RDB focuses on the commencement of operations within five years after registration. Monitoring results are managed in the customer relationship management system and shared within RDB.



Source: JICA Study Team based on interviews with RDB

Figure 7-2 Stages of Investment Projects

Regarding (vii), incentives are not applied automatically once an investment certificate is granted. Investors are obliged to submit a copy of a certified financial report within three months following the preceding financial year and fulfil requirements for the incentives. RRA verifies the financial report and compliance with the requirements while the Aftercare Division of RDB conducts physical checks through site visits. In (viii), RDB attempts to understand challenges facing investors through communication with them and site visits and address them in cooperation with other departments and ministries. Some challenges are brought up to high-level officials and solved. In addition, public private dialogues give forums where the government listens to investors' voices and tackles challenges (see "5.5.3 Public Private Dialogue (PPD) and Initiatives for Policy Reflection").

7.2.3 Current State of OSC

RDB's One Stop Center (OSC) is in charge of one of major activities of the organization, responsible for providing consultation services to investors and issuing investment certificate. OSC is the largest Division within Investment Promotion and Facilitation Department, located in the ground floor of RDB building. OSC consists of following support desks: Migration, Rwanda Revenue Authority (RRA), Environmental Impact Assessment (EIA), Utilities, and Rwanda Standards Board (RSB). Procedures and decision making for investment approval are all made within OSC. Procedure is simplified with a 24-hour on-line system which investors can submit application for investment certificate through the system. In addition to providing consultation services to (potential) investors at the time of their application and reviewing business plans they've submitted for investment approval, each support desk provides necessary advice to investors in collaboration with Aftercare Division to investors who are already certified. If necessary, support desks also provide assistance to investors to acquire land as per their request.

According to OSC, responsibility and number of officers etc. at each desk are as follows. OSC's official working hour is from 7:00 am to 5:00 pm. (Application can be submitted 24-hours through on-line system.)

Table 7-4 Support Desks and their Responsibilities

Support Desk	Responsibility	Relevant Authority and Number of Officers
Migration	Issues related with visas and work permits	Officers who belong to Migration Department, President's Office are deployed at all times. (two officers)
RRA	Issues related with tax and tax incentives	RRA officers are deployed at all times. (one officer from 7:00am to 4:00pm, and one officer from 4:00pm to midnight) * Two officers are deployed in shift in order to respond to on-line application
EIA	Issues related with EIA	Formerly, officers from Rwanda Environment Management Authority were deployed at all times but now authority has been delegated to RDB, and RDB officers are deployed. (six officers)
Utilities	Issues related with power and water	Power: an officer from Rwanda Energy Group is deployed at all times. (one officer) Water: an officer from Water and Sanitation Corporation is deployed at all times. (one officer)
RSB	Issues related with standards	An officer form RSB is deployed at all times. (one officer)

Source: JICA Study Team based on interview survey with RDB

After establishing a business and obtaining relevant licenses necessary for each type of business activity from pertinent ministries, investors apply for investment approval to OSC to obtain investment certificate. According to interview survey with foreign investors including Japanese companies, no particular problem (in terms of procedures and timeframe) has been pointed out with regards to business establishment, acquiring licenses required for each type of business activity, and obtaining investment certificate. Thus, OSC has been contributing to facilitate business start-up. As regards OSC's support for land acquisition, manufacturing sector is encouraged to relocate into SEZ, in accordance with the government's land use plan. Therefore, OSC has been in coordination with SEZAR set within the RDB to provide necessary information to investors who are searching for land for their business activities.

7.2.4 Policy Recommendation

Aftercare Division is in charge of policy recommendation within the RDB. In this regard, the Division publicizes policy changes and provides other useful information to investors. In addition, the Division is in charge of PPD, and has been participating in the dialogues in coordination with MINEACOM, other government organizations as well as PSF in order to consult policy issues and to come up with measures to enhance business environment (see "5.5.3 Public Private Dialogue (PPD) and Initiatives for Policy Reflection"). The recent agenda taken up in the PPD framework was the removal of construction incentives under the 2015 Investment Code. In response to this, RDB is currently conducting the analysis of its policy impact by getting comprehensive picture of construction sector, and will consider actual measures to be taken based on the analysis.

7.3 Evaluation of RDB's Organization and Function and Investment Promotion Activities

7.3.1 Evaluation of Organization and Functions and Direction for Improvement

After restructuring in December 2016, RDB was recruiting new staff and reinforcing the implementation structure at the time of the survey. They have made a determined effort to improve the investment climate, especially Doing Business rankings, and achieved impressive results. For further enhancing the investment climate beyond Doing Business rankings and OSC and enriching investor services, it is recommended to increase and develop human resources. For instance, investors expect uniform quality services regardless of officers. Deepening understanding of what investor services should be and heightening capacity to implement it will lead to quality improvement and standardized quality services.

7.3.2 Evaluation of Investment Promotion Activities and Direction for Improvement

(1) PR Activities

As PR activities for potential investors across the world, RDB offers various information on investment in Rwanda on the website. It is noteworthy that RDB takes advantage of the latest tools, such as Facebook and Twitter, which enable RDB to reach a vast number of users, together with conventional publicity materials, such as brochures and newsletters. Online information on the business environment and investment procedures is extensive. It enables investors to gain necessary information without travel to Rwanda and even register companies and investments online. Such a useful online system has an excellent reputation from investors.

Despite all the enormous effort, it was pointed out that many foreign people still had a negative image of Rwanda in the past and were not fully aware of the rapid recovery and development achieved for the last two decades. The persistent old image is considered a hamper to being a possible investment destination. On the other hand, investors in South Africa and other countries interviewed in this project showed that the dramatic result of Doing Business rankings attracted the attention of many investors. This indicates that effective appeal with the use of international indicators produced a successful outcome. It is therefore vital to shed the image of the past and create a new one while publicizing the spectacular attainments in Doing Business. To be more specific, it will be effective to describe Rwanda's current situation in a subjective and visually appealing manner. The voices of third parties (businesses operating in the country) will be persuasive and influential about the current situation of the country and their successful stories, in addition to statistics and images already in use. In this regard, it will be beneficial to raise the satisfaction of existing investors as described later and build a system to obtain favourable feedback as well as to address their challenges.

(2) Investor Services

RDB offers a series of investor services, namely penetration assistance, operation support, and aftercare. At present, OSC have the most staff and investment registration plays a pivotal role in investor services. Procedures for company and investment registration are so simple and fast that investors highly appreciate them.

No issue on company and investment registration was identified. Meanwhile, aftercare was given a mixed reception from investors as they faced various challenges after operations commence. Some issues are outside the jurisdiction of RDB, such as infrastructure like power and water supply and financial access. Some appreciate support from aftercare officers and PPD for solving problems. Meanwhile, some expect RDB to provide a package of the latest information investors need as aftercare, such as amendments to laws and regulations concerning investment and business like the tax system, but their expectations are not completely met.

Officers in the Aftercare Division are assigned to companies with investment certificates and confirm progress in registered investments for both aftercare and monitoring. They try to be proactive while some investors pointed out that site visits for monitoring were hardly made. Some indicated that they did not provide active support unless investors contacted them for support or advice and that they had to go from one ministry to another. Furthermore, many interviewees use their connections with high-level officials to solve problems in part because they are big companies.

Part of investors' unmet satisfaction is attributable to perception gaps of aftercare between RDB and investors. RDB provides aftercare for registered investors up to the commencement of operation[96]. RDB attempts to avoid trouble at the 'implementation' stage and focuses on the commencement of "operation" within five years after investment approval. Investor services beyond the five years are business accompanying monitoring rather than aftercare. By contrast, investors expect consultation and problem solving even after the 'operation' stage and are considered to view services even after operations start as part of aftercare.

The survey cannot fully verify the effectiveness of monitoring and aftercare up to "operation" due to unavailability of detailed investment information, such as the number and value of investments that reached "operation" after approval[97]. Given only a few years since the revision in the investment law, however, it would be reasonable to assume that a limited number of registered investment projects became operational. In any event, it is imperative to assess the effectiveness of investment incentives and further enrich monitoring and aftercare for producing investment effects. It is also essential to clarify the period and scope of aftercare and bridge the perception gap between RDB and investors.

In implementing the defined aftercare, the construction of a system is critical, ranging from the establishment and reinforcement of the implementation structure, such as the numbers of staff and investment projects per staff, up to the evaluation of aftercare. As an evaluation of aftercare, performance contracts embrace quantitative indicators, such as the number of handled investors and response times and are recommended to have qualitative indicators for better quality of services.

[96] The Law N° 06/2015, Chapter III, Article 11 articulates that a business plan accompanying the application for investment registration must include the date of commencement of operations.

[97] A government source shows that over 84% of investment projects registered between 2010 and 2014 were converted to the implementation stage (Government of Rwanda (2015) Government Annual Report July 2014 – June 2015). The report neither gives the percentage of those which became operational nor clarifies whether the achievement of 84% means the number of projects or the value of investments. Therefore, an accurate assessment is difficult.

Chapter 8 Conclusion

8.1 Overall Evaluation of the Situation for Investment Promotion

8.1.1 Political and Economic Background

Rwanda has realized outstanding rehabilitation and laying out the basis for poverty reduction since the time after the Genocide in 1994 with its strong leadership. As recognized in the various planning documents, Rwanda is now in the phase of upgrading industrial structure for further development. While the vision setting and performance monitoring system within the government system proves its capability, it is also observed that the private sector as a driving force for the further economic development has yet to be developed with strong leading industries.

Rwanda tries to leverage its economic development in the regional economic integration. In fact, the integrated economic development in regional economic communities includes those countries large markets as well as with major sea ports for Rwanda. Moreover, the competition among the member countries and comparative advantages for specific tasks of Rwanda in the region will affect the industrial development of Rwanda.

8.1.2 Analysis on Investment Potentials

Based on the analysis of potential market size accessible from Rwanda and production and logistics costs, a few potential types of investment can be identified. First, the predominant cases are those which target first the Rwandan market viewing the regional market as the future potentials. This type of the investment of the manufacturing sector locates the final process of production in Rwanda. It also employs capital-intensive equipment/facilities with relatively new technology in order to obtain quality competitiveness. The logistics costs for imported raw materials are covered by the higher quality.

Another prominent type may be the investment by large regional business groups. They organize value chains in the regions and even other locations outside of the region.

In order to avoid various risks, some starts the support from the international development partners or the Government. It is important especially under the current situation with limited B-to-B markets.

Export-oriented industries require to overcome some burdens such as production costs and low human capacity and productivity. Utilization of preferential treatment for the access to European and US markets and higher value addition based on the specific climatic and natural conditions may be sought. Proactive support of developing partners and the Government may be also required.

8.1.3 Evaluation of Business Environment

Rwanda’s business environment has been widely recognized through the World Bang Group’s Doing Business. On the other hand, the problems raised in the interviews during the Survey were availability of human resources, power, water, logistics costs. Issues which are not covered in the Doing Business indicators.

While various administrative procedures measured by the Doing Business has been streamlined by such measures as introduction of automated systems. Some investors claimed, however, issues which are not fully covered in Doing Business require more efforts for improvement. For example, investors may encounter the problems of smooth administrative process for paying tax. It is due to the human insufficient human resources both at corporates and the tax authority. The new system may also impose some critical burdens for the private sector. Introduction of the electronic billing machine (EBM) is introduced in order to collect VAT accurately. However, in reality, formal enterprises with the capacity of introducing EBM are imposed to pay both input and output VAT as many informal and formal but small businesses may not be able to issue receipts using EBM. It is not allowed to claim input VAT without EBM receipt.

GOR has been making efforts to expand the human resource bases through educational system. Moreover, private investment in the area of education such as universities and professional schools are observed. While such measures may eventually satisfy the demand of skilled and technical human resources, these types of the human resources require some experiences before providing steadfastly services.

8.1.4 Evaluation of Legal System for Investment Promotion

(1) Evaluation of the Investment Code and Investment Promotion policy

The 2015 Investment Code provide the basis of investment policy such as non-discrimination and protection of the property rights of investors. For investment promotion, the major pillars of the policy are 1) reduction of the cost of doing business through better business environment, 2) investment promotion through the policy for industrial and export promotion, and 3) provision of fiscal incentives.

Business environment has been improved especially in the areas where Doing Business evaluates the degree of ease of administrative processes and reduction of the cost. 2015 Investment Code also provided the policy scope with 1) selected priority sectors, 2) focused provision of fiscal incentives, 3) shorter time period for investment licensing, and 4) abolishing the minimum capital requirement. It may be too early to measure the impact of the new law. Policy measures for industrial and export promotion were relatively well perceived.

(2) Evaluation of the Improvement of Business Environment

Rwanda was actively engaged in improving the evaluation by the World Banks' Doing Business through the national steering committee and Doing Business Unit established in RDB. The coordination of the implementation of necessary reforms as well as the monitoring are led by these two entities. The problems of the business environment is also raised at the PPD. The framework also function as monitoring.

Policy implementation is ensured using the performance based contract which controls the performance to the level of each officers in charges at the Government entities. Through such communication and joint monitoring with the private sector and performance management, the transparency of formulation and implementation of the investment policy is ensured to some extent. However, it should be noted that the capacity of the private sector may be limited to ensure full transparency due to their stage of development as infancy.

8.1.5 Evaluation of Investment Promotion Agency

The roles of RDB as IPA vary covering a wide range of issues. Its activities for dissemination of information and investment licensing are evaluated as efficient and effective.

On the other hand, the Survey could not confirm the situation of such services as aftercare. The feedback from the interviewed investors are also mixed. It may be due to the capacity of RDB in terms of its budget and human resource allocation as well as its limited mandates in specialized areas. While the investors expect some support even after being operational, the authorities other than RDB may not be fully ready for providing services or streamlined administrative processes to meet the expectation of the investors.

8.2 Suggestions for Promoting Foreign Investment

8.2.1 Broad-Based Private Sector Development

1) Industrial Development

The industrial basis may first need to be broaden through proactive industrial development. While it is important to foster indigenous entrepreneurs, it is also important to accommodate small and medium foreign enterprises apart from the larger-scale investment projects. It is important to be more accommodative to small and medium enterprises based on a few reasons. First, every economy comprises active and entrepreneurial small and medium enterprise. They may look for the market which are not fully exploited by major companies. Second, foreign investors tend to value the witness of the same nationals. Therefore, the customer services regardless of the size of the investment should be considered for the basis for further investment promotion.

2) Strengthening Advocacy Functions of Private Sector

While PPD may be a forum for suggesting, discussing and monitoring the actions for improvement of business environment, it was observed that the private sector may need to be strengthened in order to identify critical issues and discuss effective actions. As some development partners such as GIZ have employed, the approach may be focused more on the sectoral based.

3) Balanced Procurement of Specialized Skilled Labor Force and

Domestic Human Resource Development

In order to meet the demand of skilled and specialized human resources, flexible immigration policies for foreign skilled and specialized workers is critical. While the formal education may provide scholastic knowledge of specific sectors, specialized skills and knowledge may be obtained more efficiently through working experiences in the sector.

The scarcity of qualified and capable human resources is not only hindrance for private business development, but also for the public sector who understand such issues as legal and financial matters. It is important to have the broad-based human resources not limiting to the top management level.

Higher and technical formal education may be still necessary for long-term solution for the HR development. The two-folded approach may be able to provide expedited industrial development.

8.2.2 Sector-Based Investment Promotion

(1) Capital-intensive industries

Industries such as food processing and packaging industries may be required to consider the competition with products from the neighboring countries as well as Asian countries. In order to overcome the competition through acquiring the equivalent and even enhanced technical competitiveness, proactive promotion of FDIs from neighboring countries of the industries, introduction of improved and value-added technologies and intensive human resource development may be necessary.

(2) ICT

Regarding the limited development of B-to-B type of services as well as large-scale manufacturing capacity to supply the IT products, investment promotion by leveraging the public procurement opportunities may be first utilized as an entry point.

(3) Construction Material

Continuous demand for infrastructure development are expected due to the public procurement and the Government projects. The heavy and large products are manufactured or assembled within the proximity to the final market. Therefore, construction materials may be located in Rwanda. On the other hand, the competition among the neighboring countries may be also considered. The introduction of value-added products, the production technology upgrading and human resource development should be concurrently done.

(4) MICE

Development of MICE and related industries may be realized through the combination of various policy measures. Infrastructure development for efficient and reliable public service provision is the premise of MICE. Therefore, coordination of infrastructure development policy is critical. At the same time, human resource development is also critical. Convention planning and operation services, translation and interpretation services, and other related services should be readily available with adequate human resources.

(5) Agro-Industries

Agro-processing industry can be established on the basis of the stable supply of quality inputs. Despite its importance as foreign currency earner, even coffee cannot be produced stable enough to meet the demand. Introduction of new variety which are better for processing may be also important if considering the processing industry development. The exporting and importing agriculture related products may be reviewed from the aspect of whether it is harmonized system with the regional and global practices in addition to the other aspect. Specialized and experienced knowledge may be required at the level of screening and appraising of the application as well as the inspection of those trade-related transaction.

(6) Infrastructure Development

Infrastructure development requires financial and technical participation of the private sectors. However, investing infrastructure bears large risks. Therefore, the mechanism to share the risks in such a way that the private sector see the projects as viable. Despite the fact that GOR expects the private sector actively participate in the financing and implementation of infrastructure development projects. On the other hand, it may be realistic to provide the initial investment to induce the private investment as seen the case of industrial parks development. At the same time, specialized human resources in the relevant entities with the knowledge of legal, financial and specific technical matters should be posted to some important entities such as RDB and contracting authorities in order to have a smooth communication with the private sector..

8.2.3 Strengthening Organizational Capacity for Investment Promotion

(1) Maintaining Services and Communication Satisfying Demand of Investors

Investors can face various problems in the implementation and operational period of the invested projects. Many of such problems may be specific in nature depending on sector/industry. Some may be under the mandates of the other ministries/agencies than RDB. It may be recommended that RDB communicates with their customers (investors) to be able to have the good understandings on the RDB’s mandates and the types of the services it can cater for. The roles and the services of RDB may be also considered based on its resources and capacity and clearly communicated with the private investors. It may be suitable to provide realistic solutions with the collaboration with various related entities. Such interaction may enhance the credibility of RDB.

(2) Enhancing Capacity of RDB for Project Formulation

Investors spend much longer times for project preparation until the time of application of permits and licenses. The tasks undertaken during this preparatory period include information collection, identification of suitable business partners, securing necessary inputs and operational basis and so forth. It is important to confirm the business viability and reduce the risks of the project. The support for the investors with the pipeline projects are therefore critical. Such support may require in-depth knowledge of business development as well as specialized knowledge in specific sectors/industries. The desired types of the specialized background may vary including ordinal business administration areas such as legal, finance and tax as well as the project formulation and finances for infrastructure development project and international contracts. As it may not be able to secure the enough human resources, it may seek advises from the outside (private) organizations.