

FOREIGN INVESTMENT & OPPORTUNITIES IN RWANDA

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Introduction

Rwanda is a small, landlocked country in east-central Africa, covering an area of 26,338 km², of which 5.3% is water. The country has a population of 13.7 million people and a Gross Domestic Product (GDP, Current) of \$13.3 billion, according to a World Bank report published in February 2024. Despite various global challenges, including the effects of the Covid-19 pandemic and limited access to finances, Rwanda's economy achieved a growth rate of 7.6% in 2023. The economy is projected to grow at an average of 7.2% from 2024 to 2026. The country aspires to transition from its current low-income status to a middle-income country by 2035, supported by a favorable business-enabling environment.

Historical context: 1990-1994 conflict and post conflict

From 1916 to 1962, Rwanda was occupied by Belgium who had different views on the country's two largest ethnic groups: Hutu and Tutsi. Belgians viewed the Tutsi, the minority group, as superior, and favored them for leadership positions. This favoritism created tension and divisions between Hutu and Tutsi, which also led to social class warfare as Tutsi were perceived as having a higher social status. This tension has later resulted in the Rwandan Civil War, which took place between 1990 and 1994. The war began in October 1990 with an invasion by the Rwandan Patriotic Front (RPF), a rebel group formerly based in Uganda. The RPF was composed mostly of former Tutsi ethnic group refugees who had fled violent attacks by the Hutu-dominated government who demanded an end to discrimination against Tutsis and sought political participation¹.

Peace talks were held in Tanzania in 1992 between the RPF and the president's Habyarimana's regime, resulting in the signing of the Arusha Accords, which promised peace and a power-sharing

¹ Guichaoua, A. (2015). From war to genocide: Criminal politics in Rwanda, 1990–1994. University of Wisconsin Pres.

political system². However, on April 6, 1994, a tragic incident occurred when Habyarimana's plane was shot down, which led to radical factions, supported by military groups (Rwandan Armed Forces (FAR), Presidential Guard, and Interahamwe militias), capturing power and triggering the worst genocide of the 1990s. The civil war led to genocidal murder of an estimated 800,000 innocent civilians³.

Under the leadership of the RPF's leader, Paul Kagame, the former rebel movement seized power and established a transitional government on July 19, 1994, based on the Arusha Accords of 1993⁴. The accord, a peace agreement between the Government and the RPF, called for a ceasefire and aimed to end the conflict. It also established a transitional government and set out a timeframe for its implementation. With President Kagame's leadership, the country has undergone a remarkable transformation: the economic growth since 1995 have averaged 8% annually.⁵ Despite the country's poor resource endowment, Kagame's leadership has achieved significant progress. He has successfully curbed corruption practices and demonstrated adaptive leadership in implementing economic reforms. By fostering a sense of shared responsibility and ensuring effective coordination, he has guided the country towards development. Moreover, Kagame has enforced strict performance management, emphasizing quick wins. Government agencies were required to deliver results promptly under this stringent performance management system, aligning with longer-term development goals.

Economic outlook

Despite lacking abundant resources, Rwanda has experienced a continuous economic growth since the civil war. One of the key drivers of this exponential growth has been the significant increase in external trade, particularly in gold, coffee, tea, niobium, vanadium ores, and tin ores. Rwanda has also made a remarkable progress in all sectors, particularly in human well-being, while its diversification efforts have been bolstered by a strategic shift toward the services sector. The graph below shows the Real GDP growth between 2019-2023⁶.

² Khadiagala, G. M. (2002). Implementing the Arusha peace agreement on Rwanda. *Ending Civil Wars: The implementation of peace agreements*, 463-98.

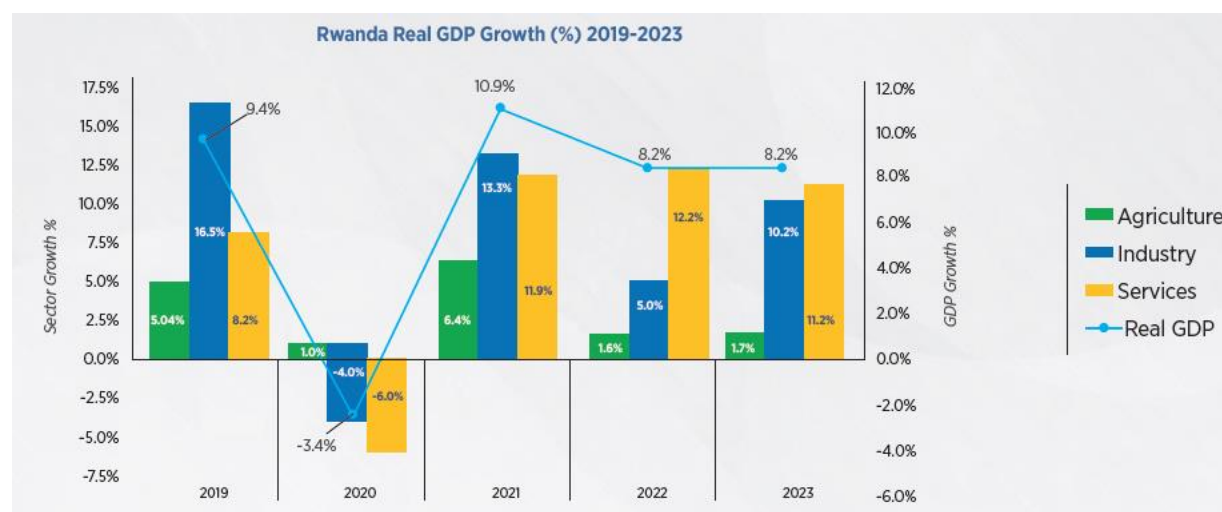
³ <https://www.hrw.org/reports/pdfs/r/rwanda/rwanda993.pdf>

⁴ Dannenbaum, T. (2009). War and peace in Rwanda. In *Stopping Wars and Making Peace* (pp. 77-119). Brill Nijhoff.

⁵ Rwigema, P. C. (2021). Potrait of developing economy: Rwanda perspective. *The Strategic Journal of Business & Change Management*, 8(3), 637-680.

⁶ <https://www.minecofin.gov.rw/news-detail/economy-registered-82-growth-in-2023>

Graph 1. Rwanda Real GDP Growth (%) 2019-2023



Source: NISR – March 2024

Although in 2020, Rwanda's Real GDP growth has sharply declined to -3.4% due to the Covid-19 pandemic, the economy began to recover in 2021 showing a strong growth trend (Graph 1). The growth in the service sector was driven by the ICT sector, an increase in wholesale and retail activities, and a rise in transport activities. The industry sector's growth resulted from strong performance in manufacturing and construction activities. Manufacturing activities were particularly boosted by increases in food processing, textiles and clothing, and leather goods.

Rwanda boasts an enabling business environment, a robust and growing private sector, and significant infrastructure projects, such as the new Kigali International Airport in Bugesera District, which is estimated to require a \$2 billion investment. Moreover, Rwanda is one of three countries selected to host Africa's first mRNA vaccine plants after the COVID-19 pandemic, alongside South Africa and Senegal. Investments in infrastructure have resulted in efficient transport systems, increased access to power, and affordable telecommunication⁷.

According to the Rwanda Development Board (RDB), in 2023, the meetings, incentives, conferences, and exhibitions (MICE) sector experienced significant growth, generating total revenue of over USD 95 million, a 48% increase compared to 2022. This growth resulted from the successful organization of about 160 events. These included events like Cyber Tech Africa, Mobile

⁷ https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Rwanda_-_Transport_Sector_Review_and_Action_Plan.pdf

World Congress and Inclusive Fintech Forum. In addition, Rwanda has developed industrial parks to accelerate investment, especially in manufacturing, which has led to an increase in the local domestic and foreign supply of manufactured goods. Several global brands, such as Motorola Solutions, Volkswagen, Andela, Radisson, and Mara Phones, have already established businesses in the country. Additionally, academic institutions like Carnegie Mellon University from Pennsylvania have set up campuses in Rwanda.






Rwanda Development Board (RDB) and the National Economic Performance

To encourage investment in the country, the government established the Rwanda Development Board (RDB) in 2008 to accelerate economic development by promoting private sector growth. This is done through investment promotion, exports and Special Economic Zones (SEZ) development, skills development and investment deals negotiation. This initiative also involved merging eight government entities into a single one-stop-shop for business and investment. The key services offered by the RDB include One-Stop Center services, Investment Promotion and Facilitation, Export and Special Economic Zones Development, and Skills Development. In 2023, the RDB registered investments totaling USD 2.47 billion, marking a 50% increase compared to 2022⁸.

Data from the National Institute of Statistics of Rwanda (NISR) revealed that the UAE emerged as the top export destination for Rwandan goods, including mineral and horticultural products, in 2023. The Democratic Republic of the Congo (DRC) followed, accounting for \$173.5 million and a 10.4% share of the exports. China occupied the third place with a 5% share, followed by Hong Kong SAR and the UK (Graph 2).

⁸ <https://rdb.rw/ar/2023-RDB-AR.pdf>

Graph 2. Rwanda's export destinations, 2023

Country	UAE	DRC	China	Hong Kong SAR	UK
2023					
Export Value (USD million)	951.1	173.5	83.9	44.1	37.3
Share	56.9%	10.4%	5.0%	2.6%	2.2%

Source: NISR Formal External Trade statistics 2024 (without re-exports)

The leading sectors of Rwanda include agriculture, mining, energy, trade and hospitality and financial services. The economy is predominantly rural and heavily dependent on agriculture due to the country's fertile soil, which allows for the production of diverse crops. Additionally, there has been remarkable progress in human well-being, such as the establishment of health posts that provide basic health services nationwide to underserved communities⁹. They serve as an interface between community health workers and health centers, with the goal of bringing health services closer to the community with support from partners, local administration and the Ministry of Health.

Data from the Rwanda Development Board (RDB) indicates that real estate, manufacturing, arts, entertainment, and recreation have emerged as the top sectors attracting significant investments. Notable projects include the Kigali Green Complex (KGC), which will be a 29-storey building, making it the tallest in Rwanda and the first ever Gold Rated LEED Green, smart mixed-use complex. Another significant project is the Masaka Hospital Project, which aims to expand the hospital's capacity to accommodate 2,000 patients per day. These projects highlight Rwanda's commitment to attracting diverse and substantial investments across various sectors.

In the Global Financial Centres Index (GFCI) 34, the capital of Rwanda Kigali has climbed more than 10 places, securing the third position in Africa, behind Casablanca and Mauritius. GFCI 34 provides evaluations of future competitiveness and rankings for 121 financial centres around the

⁹ https://www.childrenandaids.org/sites/default/files/2018-05/Rwanda_Nat%20Health%20Sector%20Plan_2018-2024.pdf

world and serves as a key reference for policy and investment decision-makers. With the ranking, Kigali is poised to become part of the significant financial centres and a preferred jurisdiction for investment into Africa thus attracting a number of international experts.

Table 1. Kigali ranking in GFCI 35 (Middle Eastern & African Centres)

Kigali ranking in GFCI 35 (Middle Eastern & African Centres)

Centre	GFCI 35		GFCI 34		Change In	Change In
	Rank	Rating	Rank	Rating	Rank	Rating
Dubai	20	724	21	719	▲ 1	▲ 5
Abu Dhabi	37	707	35	702	▼ 2	▲ 5
Casablanca	56	688	54	682	▼ 2	▲ 6
Tel Aviv	48	696	57	679	▲ 9	▲ 17
Mauritius	61	683	68	666	▲ 7	▲ 17
Bahrain	76	668	74	660	▼ 2	▲ 8
Riyadh	84	660	75	659	▼ 9	▲ 1
Doha	88	656	78	656	▼ 10	0
Kigali	67	677	81	651	▲ 14	▲ 26
Kuwait City	80	664	82	646	▲ 2	▲ 18
Johannesburg	82	662	83	642	▲ 1	▲ 20
Nairobi	95	641	90	629	▼ 5	▲ 12
Cape Town	83	661	91	628	▲ 8	▲ 33
Lagos	100	632	103	613	▲ 3	▲ 19
Tehran	112	616	115	591	▲ 3	▲ 25

Source: Africa Development Bank & China Development Institute; March 2024

Korea Rwanda relationship and Saemaul Undong Movement in Rwanda

Korea and Rwanda officially established diplomatic relations in March 1962. Since then, several investments have been made, particularly benefiting the ICT sector. Korea Telecom (KT) was the first South Korean company in Rwanda and was established in June 2013 through a Public Private Partnership (PPP) and has become a major player in the country's ICT landscape, forming the backbone of Rwanda's communications infrastructure. KT Rwanda Networks (KTRN), with Korea Telecom holding 51% of the shares and the Rwandan government owning 49%, enjoyed a monopoly from 2013 until 2022. In 2022, the government revised its national broadband policy and strategy to allow more players, such as MTN and Airtel, into the market.

The Saemaul Undong (New Village Movement), introduced by South Korea in Rwanda, has strengthened the friendship and relationship between the two countries. Through this movement,

Korea has shared its expertise in rural development, technical and vocational education, and ICT. The initiative aligns with Rwandan government programs such as 'Umuganda,' a monthly community service activity mandatory for all Rwandans.

The implementation of the Saemaul Undong involved several Korean development partners, including the Korea International Cooperation Agency (KOICA), the Korea Saemaul Undong Centre, and World Friends Korea (WFK). Other Korean organizations, such as Good Neighbours International (GNI) and Global Civic Sharing (GCS), have also participated¹⁰. Rwanda has consistently received Korean aid under the Country Partnership Strategy (CPS), as it has demonstrated a commitment to implementing development projects with positive outcomes like the Gihogwe Rice Producers' Cooperative (rice cooperative) which expanded in scale even after the official Rwanda Global Saemaul Undong (SMU) Program ended. The goal of the project was to enhance the supply and usage of quality seed of improved varieties to increase production.

Conclusion

Having recovered from conflict a few years ago, Rwanda is now ranked among the top countries for ease of doing business, a leading financial hub, and one of the most attractive investment destinations in Africa. The country offers a conducive business operating environment, providing investors with numerous opportunities, especially for those targeting real assets in the economy.

Through the Development Bank of Rwanda (DRB), the entire investment process has been streamlined and expedited. The process can be completed online, with investors receiving their certificates within a few days after application, which has attracted numerous investors and entrepreneurs. This efficient system has eliminated much of the red tape that discourages investors in other parts of the continent.

Rwanda's business-friendly environment, diverse industries, and strategic location provide investors access to a large regional market and a vast consumer base, as well as opportunities to

¹⁰ Nauta, W., & Lee, T. J. (2017). 7 South Korean Civic Actors in Rwanda. *African-Asian Encounters*, 183.

tap into the region's diverse resources. Foreign Direct Investment (FDI) has been increasing, with the government offering various incentives to investors.

Korea signed the Double Taxation Avoidance Agreement (DTAA) with Rwanda in September 2023 in Busan, creating an opportunity for Korean companies to invest in Rwanda. This agreement not only facilitates Korean investment in Rwanda but also offers them access to the larger East Africa market. This development presents significant opportunities for both countries to enhance their economic ties and expand business ventures.

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