RWANDA: AN ATTRACTIVE POLE OF INVESTMENTS IN AFRICA.

Introduction:

Why investing in Rwanda? What makes this country a particularity among African's continent when it comes, for investors, to put their money, or incorporate their companies, within the economy of a country ranked among the LDCs[1]?

Reasons may be found in choices made by Rwandan authorities to foster Doing Business within this jurisdiction. These choices revolve around increasing FDI on targeted sectors (1), establishing regulatory & legal framework (2), establishment of dedicated foundations (3) intended to stimulate projects around investment scheme, a Sustainable Development Goal investment incentives (4), which constitutes the basis for supporting the choice of Rwanda as privileged investment jurisdiction (5), not to mention Government Measures to motivate or restrict FDI (6). All those measures and choices are, of course, included in a specific procedure adapted to investments in Rwanda (7).

1. Increase FDI on targeted sectors.

The first incentive that ones can toke on consideration while seeking to invest in Rwanda is that, across the investments scheme, Foreign Direct Investment stocks have increased in recent years due to Rwanda's political stability and measures taken by authorities focusing on improving the business climate.

Although, according to UNCTAD 2021 World Investment Report, inflows fell sharply from USD 354 million in 2019 to USD 135 million in 2020 -following the global economic crisis triggered by the Covid-19 pandemic- it turns out that at the end of 2020, the stock of FDI was estimated at USD 2.6 billion.

This improvement at the end of 2020 is certainly explained by the fact that emphasis was placed on specific investments sector which are mainly, sectors of mining, construction and real estate, infrastructure, information and communication technologies.

In addition, the diversity noted at the level of partners in investment projects proves to be an undeniable asset when it comes to boosting the growth of these FDIs; indeed, according to statistics from Rwanda Development Board (RDB), the main investing countries are Portugal, the UK, India and the UAE.

2. Regulatory & legal framework.

The second key point is the fact that government of Rwanda is seeking to attract more FDI by establishing Regulatory and Legal framework that is fully compliant to international standards, which sets a new benchmark for Pan-African investment; and to date, it approved:

- BNR Law
- Partnership Law
- Insurance Law
- Data Protection Law
- CIS Law
- Foundation Law

---

[1] Less-Developed Countries.

- Trust Law
- CMA Law
- Payment System Law
- Negotiable Instrument Law
- Deposit Taking Micro Finance Law
- Mutual Legal Assistance Law
- FIC Law
- AML Law
- Company Law
- Investment Code

The Investment Code for example aimed at providing tax breaks and other incentives to investors and in this light, thought Kigali International Financial Centre, Rwanda has direct access to adjacent regional markets, and three of the regional economic blocs which represent a combined 838 Million consumers and make Rwanda a perfect place to invest into all the major African markets, namely:

- EAC – the East African Community,
- ECCAS – the Economic Community of Central African States,
- COMESA - The Common Market for Eastern and Southern Africa.

Moreover, KIFC is a destination for investors seeking to efficiently structure their new and existing investments in one location while the country grants investors an extensive range of benefits, including:

- no Forex exchange control,
- no restrictions on foreign ownership or assets,
- 100% repatriation of profits and tax incentives. That means that, the country has no statutory limit to foreign ownership or control, nor any official economic or industrial strategy that discriminates against foreign investors.

3.Implementation of dedicated foundations.

In addition, among laws listed above, in 2021 the Rwandan government adopted a law that provides incentives to reduce operating costs, attract talent and promote innovation and diversification in companies investing in the country through for example the implementation of Norrsken Foundation where Norrsken is building the biggest hub for entrepreneurship in East Africa with the main aim to help "entrepreneurs solve the world's greatest challenges".

And to achieve this goal, Norrsken supports entrepreneurs in two ways:

1- The first is through a co-working space for 425 impact entrepreneurs in Stockholm.
2- The second is through a VC fund backed by unicorn founders, which invests in companies with the potential to radically improve the world.[2]

[2] For further details, Go to: https://www.norrsken.org/ourmission

4. SDGs investment incentives.

Rwanda has also provided investment incentives relevant to SDG[3]-related sectors: preferential tax rates for investors undertaking energy generation, transmission and distribution, whether peat, solar, geothermal, hydropower, biomass, methane or wind.

This goes without to say that Rwanda offers many advantages to the investors:

- a large methane reserve,
- an expanding mining potential which remains to be explored,
- and the reputation of being one of the least corrupt countries in Africa.

Finally, the Government has continued to develop liberal policies to make Rwanda a hub of trade and services. This strategy has been very successful since the country has been considered one of the most reformist states of the past 15 years.

Furthermore, the country is also impressively ranked in the Doing Business 2020 report published by in terms of ease of doing business (the highest ranked country in Africa).

Foreign Direct Investment	**2018**	**2019**	**2020**
FDI Inward Flow *(million USD)*	382	354	135
FDI Stock *(million USD)*	2,284	2,547	2,636
Number of Greenfield Investments*	8	20	4
Value of Greenfield Investments (million USD)	224	1,246	233

Source : UNCTAD - Latest available data.

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

5.In summary: what to consider when investing in Rwanda?

Strong Points Among the reasons to invest in Rwanda are:

1- a steady and high growth rate (averaging over 7% in the last decade).
2- it is one of the most favorable business environments on the African continent.
3- significant progress in governance and relative political stability.
4- low levels of corruption (for the standards of the region).
5- important natural resources: the country has reserves of cassiterite, coltan, gold and precious stones (like aquamarine, ruby, sapphire).
6- a high potential for the tourism industry.
7- governmental incentives for foreign investors.

However, one would not be objective without mitigating those key points insofar Rwanda still have:

1- a high dependence on commodity prices and international aid.
2- the country's location, with exposure to geopolitical tensions in the Great Lakes region.

---

[3] Sustainable Development Goal.

3- a high demographic pressure, with one of the highest population density rates in Africa.
4- a shortage of qualified labor.
5- its small domestic market and.

6. Government Measures to Motivate or Restrict FDI.

The government of Rwanda seeks to attract more foreign direct investments and as stated above, in February 2021, Rwanda has revised the Investment Code to introduce new priority sectors and activities and adopt several new tax incentives, most of a fiscal nature and, for instance, for philanthropic investors, angel investors or strategic investment projects.

In fact, the new Investment Code aimed at providing tax breaks and other incentives to investors, such as:

- for an international company with its headquarters or regional office in Rwanda, a preferential corporate income tax rate of 0%

- for any investor, a preferential corporate income tax rate of 15%

- corporate income tax holiday of up to 7 years

- exemption from taxation on capital gains

- exemption of customs tax for products used in Export Processing Zones

- VAT refund (foreign firms should receive VAT tax rebates within 15 days of receipt by the RRA, although many companies reported delays in the reimbursement process, from a few months up to several years in some cases)

- accelerated depreciation

- immigration documents facilitation

- various Special Economic Zones have been established, including the Kigali Free Zone (KFZ) and the Kigali Industrial Park free-trade zone.

7. Procedures relative to foreign investment.

Freedom of Establishment in Rwanda, local and foreign investors have the right to own and establish business enterprises in all forms of remunerative activity. The Investment Code guarantees equal treatment between foreigners and nationals with regard to business operations, free transfer of funds, and compensation against expropriation.

Furthermore, foreign investors can acquire properties in Rwanda, though there is a general limit on land ownership: while local investors can acquire land through leasehold agreements that can go up to a maximum of 99 years, foreign investors are restricted to leases up to a maximum of 49 years (with the possibility of renewal).

Acquisition of Holdings Rwanda has neither statutory limits on foreign ownership or control, nor any official economic or industrial strategy that discriminates against foreign investors.

Obligation to Declare. The Rwanda Development Board is the agency responsible for coordinating the governmental activity for investment projects, for services like business registration, investment promotion, environmental compliance clearances, and other necessary approvals. New investors can register online at the RDB's website and receive a certificate in a short period of time.

Requests for Specific Authorizations. All sectors in Rwanda are open to foreign investment and there is no mandatory screening of foreign investment. However, Rwanda Development Board evaluates the business plans if investors request any of the tax incentives provided by the law. Public authorities reserve the right to inspect compliance of foreign investment projects with environment, health and other standards at any stage of operation.

8.Conclusion.

Rwandan Government, like others of various LDCs, aware of these challenges, has launched efforts to mitigate both the effect of the crisis on his economy as the whole and on FDI.

Today, Rwanda is the leader in East African Community by creating larger markets and also regional integration schemes that will encourage intraregional FDI, especially in Africa, where the majority of the potential members of the AfCFTA (55 in total) are LDCs (33). The implementation of the AfCFTA and its sustainable investment protocol could open ample opportunities for investment in productive capacities and in sustainable development.

Adv. Mohamadou Aminou.
Attorney
Rwanda Bar Association & EALS.
Tél. +250 788 425 129
+237 694 751 777
Mail: aminou@aaatorneys.net