

RELATING RWANDA'S INVESTMENT CLIMATE REFORM PROGRAMME TO THE PFI

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Introduction:

The Government of Rwanda in an effort to reconstruct the country, stepped up the efforts to address all issues that may trigger the country's development including creating the necessary investment environment.

The presentation below, utilizing the PFI facility, indicates areas that have been addressed, those in progress and those that still need to fix as presented in **1 to 3 below**.

1. Areas identified to have been addressed:

a) Laws and regulations dealing with investments and investors .

- Laws and regulations are published in the Official Gazette viewed on a government website: [http:// www.primature.gov.rw](http://www.primature.gov.rw).

b) Government policy on compensation for expropriation

- Article 30 of the Investment Code provides that prompt, adequate, and effective compensation must be provided in case of expropriation
- Government can only expropriate for a public purpose, on a non-discrimination basis, and in accordance with due process of law.

c) General principle underpinning laws and regulations governing investment.

- Incentives and taxes are administered on a non-discriminatory basis to both foreign and local investors
- Financial transfers to service debt payments, dividends, royalties and profits are not restricted.

d) Expanding international treaties on the promotion and protection of investment.

- Rwanda Signed Bilateral Investment Treaties (BIT) with Belgium/Luxembourg, Switzerland, Germany and Mauritius. Formal launch of negotiations have been made with USA.
- No review has been made so far on international treaties and commitments

Comment: A lot of work needs to be done to expand the international treaties to other countries.

e) Ratification and implementation of binding international arbitration instruments for the settlement of investment disputes

- (ICSID). Instruments were signed on the 21st April 1978 and ratified on 14th November 1979
- Rwanda is signatory to the Convention of March 18, 1965, concerning the Settlement of Disputes in matters of investment between States and Nationals from other Member States, Decree-Law of July 16, 1979.
- **Comment:** Implementation of the arbitration facility is still in its infancy.

f) Government strategy for developing a sound, broad-based business environment

Strategies

- Business Law Reform Commission established in 2005 to revise laws that affect trade and investment.
- Establishment of 3 Commercial courts in 2005.
- A One Stop Centre under the Rwanda Investment and Export Promotion Agency (RIEPA).
- A Competitive package of incentives.

Comment: Though several strategies are in place, they are not exhaustive.

g) Rwanda Investment and Export Promotion Agency (RIEPA) was established on the 18th December 1998.

- Highest standards of excellence in service provision have been benchmarked and implemented to improve its service delivery.
- RIEPA is adequately funded by the GOR as well as by a World Bank Project.

h) Indicators established to monitor the performance of RIEPA

- Number of investments registered;
- Volume of exports and number of new products exported;
- Service delivery and investor facilitation on pre agreed standards through One Stop Centre.
- RIEPA is in the process of drawing agency charter to monitor the agency's performance.

Comment: Assessing RIEPAs effectiveness is required from time to time

i) Administrative procedures to facilitate and to reduce the cost of establishing a new investment.

- A One Stop Centre which facilitates investor in company incorporation, land allocation, visas and work permits.
- Establishment of a National Registration Service Agency in charge of company registry in progress.
- RIEPA provides aftercare services to established investors

An assessment of how effectiveness of the above institutions needs to be carried out

j) Dialogue mechanisms between RIEPA and investors .

- RIEPA organises a local and international investment conference on annual basis
- Outreach programs to investors;
- Monitoring of registered projects .

Comment: Effectiveness the above needs to be assessed.

k) Government consultations with RIEPA on matters having an impact on investment

- **RIEPA main function is to advise the Government on national policies and programmes designed to enhance the investment climate in the country.**

l) Measures put in place to address the specific investment obstacles faced by SMEs

- An Agency (CAPMER) provides services in the areas of management, marketing, development of bankable project proposals, access to credit, etc to SMEs.

Comment: effectiveness of the above measures needs to be evaluated.

m) Use of international and regional initiatives to promote investments.

- World Bank, UNIDO, WAIPA and COMESA Regional Investment Agency have been used.
- RIEPA is a member to World Association of Investment Promotion Agency (WAIPA) and COMESA Regional Investment Authority
- The GOR networks with UNCTAD and International Chamber of commerce

2. Areas identified by PFI as in progress but which needs urgent action

a) Ownership and registration all forms of property

- In progress with assistance from Investment Climate Facility (ICF)

b) Protection of intellectual property rights and effective enforcement mechanisms

- Draft intellectual property bill covering patents, trademarks, copyrights has been adopted by Cabinet and has been sent to Parliament

c) Level of protection to encourage innovation and investment by domestic and foreign firms.

- A National Registration Services Agency in progress and among others to register patents, trademarks and industrial

d) Effective contract enforcement system.

- Contract enforcement in Rwanda is effective and widely accessible to all investors.
- Arbitration and alternative methods of dispute resolutions are not sufficiently developed.
- An Arbitration Centre was created in 1998 as a non-governmental organisation with the help of GOR to settle commercial disputes.
- A draft Law on Arbitration and Conciliation is being drafted to provide a legal framework to arbitration.

3. As per the PFI facility the following are yet to be implemented.

a) Measures to ensure effective compliance with the country's commitments under its international investment agreements.

4. Comments on applicability of the PFI facility in determining the priorities for investment climate reform in Rwanda.

- a) The PFI is a good facility in as far as providing **a check list of issues** that need to be addressed in order to improve the investment climate in the country. However the issue of **cost of doing business is not addressed by the PFI facility** and yet its bearing on investment climate is very critical. For instance the cost of doing business may be relatively higher in Rwanda than Kenya due to the relative distance from the coast.
- b) PFI facility focuses so much on legal, policy and institutions necessary to improve investment climate which is quite good. On the other hand the facility ignores the question of the **effectiveness of laws and institutions and also capacity of such institutions** to deliver which are pertinent issues in the African context. Suggestion: A question can be added in the facility to **capture the perceptions of the beneficiaries** on the effectiveness of the laws institutions and policies put in place. Also an assessment can be done to determine the capacity of the institutions in place to deliver.

c) Relating the APRM facility to corporate governance to the PFI:

PFI deals much on the investment climate that is necessary to attract investors mainly foreign while corporate governance deals on issues that may mainly affect a corporation that is already in existence. Examples include among others accountability, treatment of shareholders, corporate social responsibility, etc. Since these issues are complementary, in my opinion I would suggest merging the APRM Corporate governance facility with that of the PFI.