IV. TRADE POLICIES AND PRACTICES BY SECTOR

(1) OVERVIEW

1. Since 1996 the policy of Rwanda has been primarily to rebuild its scantily diversified economic base, in which agriculture plays a key role, particularly in terms of employment and exports. Rwanda began liberalizing its agricultural sector in 1998. Custom duties were reduced in the 1990s and coffee export taxes were abolished in 1999. In 2003, customs duties in this sector (as defined under the International Standard Industrial Classification) averaged 7 per cent, with a maximum of 30 per cent. In 2000, the Rwandan Pyrethrum Board (OPYRWA) was privatized and tea factories are expected to follow shortly. Unprocessed agricultural and livestock products, inputs, and agricultural machinery and equipment are exempt from VAT; there are no customs duties on agricultural inputs. A line of credit has been established to facilitate the importation of chemical fertilizers. The Government's strategy is aimed at moving from subsistence farming to market-driven agriculture, and to reduce the number of persons employed in the sector.

2. The mining sector's contribution to exports has substantially increased over recent years. The sector is dominated by the Mining Production and Development Board (Redemi), which is one of the companies slated to be privatized. It is one of the non-agricultural sectors which, together with coltan, could contribute to the development of non-traditional exports.

3. The manufacturing sector is still embryonic. It is the most protected sector of the economy, with an average customs duty of 19 per cent and a maximum of 30 per cent. The production of leather and hides, and of textiles could potentially contribute to the development of the sector and exports. The Government intends to give manufacturing a leading role in its poverty reduction strategy by channelling investments into light industry, and, through the establishment of free zones, to promote local processing of certain goods prior to export.

4. Rwanda is a net importer of services. The State is a major shareholder in the banking and fixed-line telephony subsectors. Under the current privatization programme these shares will be given up. Rwanda's commitments under the General Agreement on Trade in Services (GATS) are limited to certain professional services, adult education, sewage and similar services; hotel and restaurant services; and recreational, cultural and sporting services in centres promoting eco-tourism.

(2) AGRICULTURE, LIVESTOCK, FISHING AND RELATED ACTIVITIES

(i) Major features

5. Rwanda is a rural country, with 90 per cent of the population working in the agricultural sector (including plant and animal production, fishing, forestry, and related activities). Rural population density is 574 inhabitants for each square kilometre of arable land.[1] In 2000, the share of agriculture in real GDP was 45.1 per cent, and the 2001 estimate was 45.8 per cent. In 2002, the sector accounted for 61.8 per cent of total goods exported (56.1 per cent in the case of tea and coffee), comprised mainly of unprocessed products.

6. Agricultural output is mainly based on family and subsistence farming, with almost 80 per cent of farms under one hectare. Livestock production is on the decline because pastures are being turned into crop lands. Fishing and forestry are underdeveloped. Bananas, sweet potatoes, manioc, beans and sorghum are the main food crops. The chief cash crops are tea and coffee, which provide

[1] Rwanda Investment Promotion Agency (2002).

more than half of Rwanda's export revenue; they are managed by the Office for Industrial Cultivation in Rwanda (OCIR-Thé) and (OCIR-Café).[2] A third industrial crop (pyrethrum) was revived in the mid-1990s (Table IV.1). Rwanda is a net importer of food products. Its imports of cereals, vegetable and animal oils, sugar and dairy products accounted for 16.3 per cent of total imported goods in 2002.

Table IV.1
Agricultural production, 1990 and 1995-2002
(Tonnes)

	1990	1995	1996	1997	1998	1999	2000	2001	2002
Total crops	**4,795,070**	**3,157,400**	**3,619,701**	**3,872,032**	**4,276,458**	**4,763,203**	**5,722,770**	**5,826,476**	**1,464,346**
Variation (%)			**14.6**	**7.0**	**10.4**	**11.4**	**20.1**	**1.8**	**..**
Cereals	**254,569**	**141,000**	**182,081**	**221,433**	**191,226**	**175,006**	**235,415**	**293,001**	**..**
Sorghum	142,603	77,300	102,076	122,204	102,533	107,566	155,106	174,927	..
Maize	95,685	55,600	66,595	83,427	58,618	54,912	62,502	92,129	78,465
Wheat	6,976	6,000	6,814	5,997	4,140	3,607	6,444	8,248	..
Rice	9,305	2,100	6,596	9,805	7,935	8,921	11,363	17,697	24,539
Pulses	**242,027**	**134,000**	**189,219**	**156,221**	**177,193**	**162,142**	**251,561**	**329,749**	**..**
Beans	204,707	126,300	178,697	141,815	153,917	140,425	215,347	289,983	244,623
Groundnuts	8,276	7,700	10,522	7,549	4,882	8,113	15,341	16,042	..
Soya	18,096	0	0	4,279	9,831	4,707	7,034	6,584	19,216
Peas	10,948	0	0	2,578	8,563	8,897	13,839	17,140	..
Roots and tubers	**1,448,214**	**881,000**	**1,143,004**	**1,245,959**	**1,204,203**	**1,445,637**	**2,880,668**	**2,914,965**	**..**
Potatoes	283,673	137,700	195,381	229,625	181,138	175,889	954,418	969,982	1,097,503
Sweet potatoes	817,738	550,500	664,601	741,624	751,141	862,567	1,025,573	1,136,569	..
Cocoyams	81,613	44,800	62,384	71,716	83,743	90,247	88,235	101,399	..
Manioc	265,190	148,000	220,638	202,994	188,182	316,934	812,442	688,015	..
Bananas	**2,776,764**	**2,001,400**	**2,105,397**	**2,248,419**	**2,625,485**	**2,897,435**	**2,150,501**	**2,103,122**	**..**
Fruit and vegetables	**73,496**	**..**	**..**	**..**	**78,350**	**82,983**	**204,625**	**185,639**	**..**
Coffee	**..**	**21,952**	**15,285**	**14,830**	**14,268**	**18,817**	**16,098**	**18,268**	**..**
Tea (dried)	**..**	**5,414**	**9,057**	**13,239**	**14,874**	**12,669**	**14,481**	**17,817**	**..**
Sugar cane	**..**	**..**	**15,000**	**20,000**	**30,000**	**40,000**	**40,000**	**..**	**..**
Pyrethrum	**..**	**..**	**900**	**900**	**950**	**950**	**1,000**	**..**	**..**
Tobacco	**..**	**..**	**3,600**	**3,600**	**3,700**	**3,700**	**3,800**	**..**	**..**

.. Not available.

Source: Ministry of Finance and Economic Planning (2002), *Rwanda in Figures*; Rwanda Investment Promotion Agency (2002); and information provided by the Ministry of Agriculture, Livestock and Forestry.

7. Agricultural productivity has been declining for over a decade because of environmental degradation and loss of soil fertility through over-cultivation (due to population increase); limited use of modern inputs; and excessive parcelling-out of land. This decline is also attributable to the fact that demographic pressure has forced farmers to use less fertile land at the base of the hills. Traditional cultivation methods are still widespread.

8. Rwanda began to liberalize the agricultural sector in 1998 and has invited broader participation of the private sector in various activities. During the 1990s, customs duties were reduced, and in 1999, export taxes on coffee were abolished. In December 2000, the Rwandan Pyrethrum Board (OPYRWA) was sold to a private company, the Rwandan Pyrethrum Company (SOPYRWA).

(ii) Objectives and policy instruments

9. The main objective of Rwanda's agricultural policy is food security. Agricultural strategy, as laid down in "Rwanda Vision 2020", aims to move from subsistence farming to market-driven

[2] The OCIR was established in 1964 for both crops, and divided into the Tea Board (OCIR-Thé) and Coffee Board (OCIR-Café) in 1975. The two boards are currently under the administration of the Ministry responsible for agriculture.

agriculture, and to reduce the number of people working in the sector from 90 to 50 per cent over a period of 20 years. This will involve improving land use and soil conservation and management; developing the markets for land, inputs and finished goods; enhancing production methods through research, extension services and more intensive application of modern inputs; promoting rural credit schemes and other financial mechanisms; delivering training for farmers' and professional associations; and improving storage facilities, marketplaces and road infrastructure to ease the isolation of farmers.[3] The plan is also to encourage the diversification of crops and of more lucrative and nutritious products such as potatoes, manioc, maize, sorghum, wheat and soya, through regional specialization based on comparative advantage. At present, five crops, namely, beans, maize, potatoes, rice and soya have been declared priority crops.[4]

10. Within the framework of its poverty reduction strategy, in November 2001 the Government launched a 14-year rural development project for the modernization of agriculture. The cost is estimated at US$168 million, with 95 per cent funding from the World Bank. The project aims to raise productivity, income and rural employment through the promotion of market gardening, improvement of product marketing, research development and the establishment of marketing infrastructure.[5] In order to safeguard price stability, Law No. 15 of 28 January 2001 on the Organization of Domestic Trade establishes measures for the stockpiling of strategic food products.

11. The National Agronomic Research Institute of Rwanda (ISAR) is in charge of research in this area. A law on seed multiplication, inspection and marketing has been adopted by Parliament for the purpose of improving production. In 2002, a storage facility with a 500-tonne capacity and a seed washing unit were constructed; of the 1,600 tonnes of seed produced, 1,200 were distributed to farmers. Regular seed quality inspections will also be conducted and administrative arrangements have already been made to that effect.

12. In conjunction with the NBR, the Ministry with responsibility for agriculture has established a line of credit to facilitate the importation of chemical fertilizers.[6] In 2002, the Government provided the people's banks with RF 124 million for seasonal loans, and it has continued to deliver training for farmers in the use of modern inputs. The Government has also introduced guarantee funds and reimbursement plans for agricultural industries using World Bank and USAID funds.[7] Under a project supporting the development of the dairy cattle industry, RF 300 million have been allocated to guarantee 50 per cent funding for the construction of animal feedlots, processing plants, marketing companies, and animal fattening operations. This project also includes a RF 500 million line of credit.

13. A draft land law is being prepared to ensure a secure land tenure system, improve land use and provide a framework for the development of the land market.[8] In 1999, the Government adopted a strategic framework for the distribution of agricultural inputs, which are now exempt from sales tax.

[3] Rwanda Investment Promotion Agency (2002).

[4] Rwanda has three rice mills: in Rwamagana, with a daily capacity of 9,000 kg, but which is operating at only 10 per cent of its capacity; in Gikonko, and in Bugarama, which is not currently in operation because of a shortage of machinery and spare parts.

[5] Approximately two-thirds of food transactions (in value) are conducted outside markets. MINEFI–DREE (2002).

[6] US$2 million have been allocated for this purpose, with an additional US$300,000 for the purchase of agricultural inputs.

[7] Ministry of Finance and Economic Planning (2003).

[8] Land ownership is currently influenced by customary and Western practices. In principle, foreigners enjoy the same land rights as nationals.

Unprocessed agricultural (including livestock) products, inputs, and agricultural machinery and equipment are exempt from VAT. There are no customs duties on agricultural inputs.

14. In 2003, the average duty on imports of agricultural products was 13.2 per cent (with a minimum rate of 5 per cent and a maximum of 30 per cent). Many of the applied rates are higher than the bound rates, chiefly on dairy products, malt, saps, and fruit (Table AIII.2). A special 25-per cent tax on sugar imports was introduced through Law No. 41/2002 of 31 December 2002.

(iii) Policy by product

(a) Tea

15. The tea industry is robust; climatic conditions and soil quality provide certain comparative advantages. Rwandan tea is widely used in tea blends. In 2001, the production of green tea leaves reached a record level of 78,000 tonnes, while black tea production was close to 18,000 tonnes; this trend shows that the industry has recovered well since the 1994 genocide. In 2000 and 2001, tea had surpassed coffee as the main export product. In 2002, tea exports amounted to US$11.8 million, or 25.6 per cent of total goods exported; only 3 per cent of tea production is consumed locally. Tea accounts for approximately 36 per cent of State revenue. According to the authorities, with an average yield of 841 kg. (potential yield between 2.5 and 3 tonnes) per hectare in the industrial units, the industry is still under-exploited.[9]

16. The tea industry is one of the country's leading employers, providing close to 60,000 jobs not counting indirect employment. The plantations are managed by the Tea Board factories, tea cooperatives (Coopthés), the tea planters' association (Assopthé), "Thés Villageois" (village planters) and the only private tea factory – Sorwathé.[10] Returns in State-run entities are clearly lower than those earned by the cooperatives or private producers. For example, Sorwathé and Assopthé have only 9 per cent of the land used for tea plantations, yet together they produce 23 per cent of national production of green tea leaves and 25 per cent of black tea.[11]

17. Rwandan tea is sold either at auction in Mombasa or directly to private customers; the selling price in Mombasa serves as a reference for setting prices to private clients. The price of Rwandan tea ranges between one and three United States dollars, depending on its factory of origin, its grade and adherence to production standards. In an effort to bolster rural income and exports, the price paid to tea farmers was increased from RF 37 to 45 per kg. of green tea leaves in 2001.[12] The privatization of tea factories and estates operated by the Tea Board began in 1999.[13] Nine factories are to be privatized and the share held by the State in the Sorwathé factory, the only private factory at the moment, is also to be sold.[14] A new regulatory framework has been adopted; it includes, *inter alia*, a

[9] Ministry of Finance and Economic Planning, Privatization Secretariat (undated (b)).

[10] All factories are operated by the Tea Board (OCIR-Thé), except for Sorwathé.

[11] Ministry of Finance and Economic Planning, Privatization Secretariat (2002a).

[12] Ministry of Finance and Economic Planning, Privatization Secretariat (2002a).

[13] In the factories working with "Thés Villageois" and Coopthés a portion of the equity capital is reserved as follows: 10 per cent for "Thés Villageois", 35 per cent for Coopthé Mulidi, 20 per cent for Coopthé Shagasha and 15 per cent for Coopthé Mwaga-Gisakura. It was also decided to reduce the percentage of shares reserved for the strategic investor in the Pfunda factory from 90 to 55 and to offer those freed shares (35 per cent) to local investors.

[14] The Government owns 49 per cent of Sorwathé stocks (through OCIR-Thé and the Rwandan Development Bank), and the American company, Tea Importers, owns the remaining 51 per cent. The privatization programme reserves 10 percentage points of the 23.5 per cent of shares held by OCIR-Thé for Assopthé, and the remaining 13.5 percentage points will be bought by Sorwathé itself, after Tea Importers gives up its pre-emptive right.

revised mandate for the Tea Board to turn it into an agency for the regulation, promotion and surveillance of the tea industry's performance.[15] Ongoing research on the tea industry, conducted by ISAR, seeks to identify the optimal conditions for production and to improve seed quality.

18. A major constraint on tea production and marketing is the distance from markets and the country's landlocked situation (around three-quarters of the harvest is sold in Mombasa). The main buyers are Great Britain, for "prime" grade tea, Egypt and Pakistan, for medium grades, and South Africa, Somalia, Sudan and Yemen for lower grades[16]. Transport is a constant problem because of road conditions, and the number of borders the products must cross before reaching their destination. According to the authorities, the tea industry is much affected by the purchasing power of its partners, as the Rwandan population consumes very little tea.

(b) Coffee

19. Coffee is produced by approximately 400,000 smallholders under the supervision of the Coffee Board, which manages the stocks; there are no large estates.[17] The coffee industry was liberalized in the mid-1990s and, consequently, the Coffee Board is no longer engaged in coffee processing, marketing or exports. At present, secondary processing of coffee is handled by the five factories exporters (Agrocoffee, CBC, SICAF, Rwacof and Rwandex).[18] The Government is also selling its interest in Rwandex, the chief coffee exporter in Rwanda.

20. Approximately 97 per cent of the crop is Arabica coffee, and 3 per cent is of the Robusta type. Production rose from 15,285 tonnes in 1996 to 18,268 tonnes in 2001, partly because of the planting of new varieties which are more productive and precocious. Some 90 per cent of coffee is exported before roasting. Coffee is the main export commodity, except in 2000 and 2001, when it relinquished that position to tea.[19] In 2002, coffee exports rose to US$14 million, that is, 30.5 per cent of total exports.

21. Generally, the industry is suffering from a deterioration in quality, due in part to a loss of soil fertility, age of the plantations, the varieties grown, the absence of producers' organizations and of a system of quality control, and the insufficient number of washing stations. Coffee production has not recovered from the 1994 genocide, and is held back by poor promotion on international markets, the lack of infrastructure and the high cost of capital, which is scarce.

22. Since 1997, the price paid to producers is no longer fixed. A "floating" price is announced before each week end, and this serves as a baseline for negotiations between coffee producers and buyers. The calculation of this price is based on a "moving scale" which takes into account the various elements related to coffee picking, processing and export.

23. Export taxes on coffee were abolished in 1999. In 1997, the Government adopted a new policy for development of the coffee industry, along with a new strategy for enhancing quality. This policy has served as a guide for the definition of a four-year recovery programme (2000-2003), aimed

---

[15] Rwanda Investment Promotion Agency (2002).

[16] Pakistan alone buys 65 per cent of tea produced in Rwanda.

[17] OCIR-Café does not have its own plantations, but groups all the growers, to whom it distributes seedlings and insecticides and provides certification on quality standards. It is remunerated by growers at 3 per cent of their export sales price. OCIR-Café also issues licences to private coffee traders.

[18] Primary processing is done by the producers themselves using traditional or semi-modern methods. Only a small quantity is processed at modern washing stations.

[19] The drop in coffee exports was triggered by plunging coffee prices on the international market, but also by the fall in the quantity and quality of Rwandan coffee.

at increasing production through intensification, boosting producers' earnings, and improving quality.[20] In an attempt to contain coffee growing in certain areas, the Government has withdrawn its assistance to regions which are not targeted, that is, zones with climatic and soil conditions that are less favourable to coffee growing. Quality can also be improved through washing, and the Government is encouraging the private sector to build washing stations.[21] The National University of Rwanda (PEARL project), in cooperation with various partners, built and inaugurated an experimental washing station in Maraba for a local cooperative in July 2002.[22]

24. As in the case of tea, research on coffee focuses on identifying the optimal conditions for production and on improving seed quality. ISAR has a coffee research programme which is partially funded by the Coffee Board.[23] The Board is due to be reformed and turned into an industry-based organization, with terms of reference limited to regulation, surveillance, promotion, research and possibly the provision of extension services. Training for farmers' associations will be encouraged in order to improve communication and to promote the distribution and use of higher-quality inputs. Two coffee factories (Nkora and Gikondo) were privatized in 1999, as was the Masaka washing station in 2002.[24]

25. The quantitative objectives of the Government are ambitious: to produce 30,000 tonnes of coffee in 2005 (compared with 18,268 tonnes in 2001), including 20 per cent of high-grade Arabica, for which Rwanda has ideal natural conditions. The coffee production goal for 2010 is between 44,000 and 60,000 tonnes and the price paid to producers should go up from RF 120 to 400 per kg.[25]

26. In order to achieve these objectives, the Government will establish a plan to develop production (opening of around 100 washing stations, strengthening of the coffee growers' associations, renewal of seedling varieties, and setting up of a quality control system). It will emphasize the marketing and promotion of Rwandan coffee (collection of data on the domestic and international markets, launching of new promotional activities in Rwanda and abroad, and promotion of domestic coffee consumption), and the setting up of an appropriate institutional framework (establishment of new associations or a quality control bureau, capacity building within the Coffee Board, and creation of funding mechanisms).[26] The plan will also entail reducing the number of intermediaries in the marketing process.

(c) Pyrethrum

27. The production of pyrethrum resumed at the end of the 1990s and Rwanda now ranks third, with 8 per cent of world production, after Kenya (64 per cent) and Tanzania (14 per cent). In 2002, the production of dried flowers stood at 1,000 tonnes.[27] Since the Rwandan Pyrethrum Board

---

[20] The 2004-2010 action plan is being drafted.

[21] Rwanda currently has around 15 washing stations, as opposed to two in 2000. These stations grant credit to producers in their regions to guarantee coffee quality standards.

[22] PEARL (Partnership for Enhancing Agriculture in Rwanda Through Linkages) is a three-year, renewable project designed to boost the agricultural sector through partnerships. It was launched in 2001 and is funded by USAID through collaboration with two US universities (Michigan State University and Texas A&M University).

[23] In 2004, the Coffee Board contributed RF 11 million to the ISAR budget.

[24] There is a total of four hulling factories.

[25] Coffee sold by the "Abahuzamugambi ba kawa" cooperative already fetches RF 1,400 per kg. Other producers receive between RF 120 and 140 per kg. This cooperative had taken the decision to produce only a specialty grade coffee – Arabica Bourbon.

[26] Ministry of Finance and Economic Planning, Privatization Secretariat (2002(b)).

[27] FAOSTAT, available online at: http://apps.fao.org/default.htm.

(OPYRWA) was privatized and became the Rwandan Pyrethrum Company (SOPYRWA) in December 2000, pyrethrum production appears to have revived, even though it is still relatively modest.[28] Pyrethrum concentrate is exported mainly to the United States under the AGOA, but also to Kenya and South Africa.[29] According to some reports, after 18 months, Sopyrwa's exports had already reached between US$2 and 3 million.[30]

28. Sopyrwa employs 75 permanent workers and a temporary workforce of up to 500. Estimates issued by the authorities state that over 50,000 people depend on the company. Sopyrwa currently produces crude pyrethrum extract, which is then exported and refined abroad. However, the company is expecting to refurbish its refinery to begin exporting refined pyrethrum extract. The kg. price for extract is US$82. Under the Investment Code, Sopyrwa is tax-exempt for a period of five years.[31]

(d) Other crops and by-products

Sugar products

29. Sugar cane production in 2000 stood at 40,000 tonnes (0.8 per cent of total agricultural production), i.e. an increase of 15,000 tonnes since 1996, and covered 0.1 per cent of cultivated land. Sugar imports totalled 13,023 tonnes in 2002 (including 10,434 tonnes of sugar cane), to the tune of US$5.9 million, or 2.34 per cent of total imports (1.74 per cent for sugar cane). Rwanda does not export sugar.

30. Custom duties on imports are 30 per cent for sugar confectionery not containing cocoa, 15 per cent for molasses, produced by sugar extraction and refinement, and 5 per cent for other products. In December 2002, a special 25-per cent tax was introduced on sugar imports.[32]

(e) Livestock raising

31. Livestock production is extensive in Rwanda. In 2003 Rwandan animal stocks consisted of 850,000 cows, 372,000 sheep, 1,270,000 goats, 212,000 pigs, 498,000 rabbits and 2,482,000 fowls. The development of livestock farming has been curbed by the expansion of crop production and the resulting fall in the amount of land available for pasture.

32. Cattle is mostly raised as a symbol of wealth and social status; only 15 per cent of the cow herd is slaughtered annually.[33] The traditional method of cattle rearing creates soil degradation due to overgrazing. The current Government policy is to reduce the herd of cattle to 500,000 head over a period of 10 years in order to move away from "prestige" cattle rearing of large herds with low yield towards a more viable livestock production. Pedigree dairy cattle are also being introduced into Rwanda and efforts are being made to improve the stock through artificial insemination.[34]

33. Prices are determined by the market. Import duties on live animals are 5 per cent, and 15 per cent on meat. Duties on dairy products, eggs and honey range from 5 to 30 per cent. Imports of meat

[28] OPYRWA was founded in 1978, with the merger of the Association of Pyrethrum Planters (ASPY) and a crude pyrethrum extract factory, Usinex. ASPY was replaced by a new cooperative, Ishyabiki, which has a membership of 12,000.

[29] In 2001, exports to the United States rose to US$0.94 million.

[30] PressNet, Rwanda, available on-line at: http://www.pressnet-dc.com/pdfs/rwanda.pdf.

[31] Ministry of Finance and Economic Planning, Privatization Secretariat (2001).

[32] Law No. 41/2002 of 31 December 2002.

[33] Rwanda Investment Promotion Agency (2002).

[34] The national centre for artificial insemination intends to perform 200,000 procedures over five years.

and foodstuffs of animal origin from countries where certain diseases are prevalent are banned. Importation is contingent upon presentation of a certificate of origin and health issued by the official veterinary service of the exporting country (Chapter III(2)(viii)(b)).

(f) Fishery products and by-products

34. The share of fishing in real GDP is low, and was estimated in 2002 at 0.33 per cent. Following the 1994 genocide, production had fallen to under 2,000 tonnes of catch per year. However, rehabilitation and revitalization efforts have led to a significant increase in production, which reached 7,100 tonnes in 2001, and was estimated at 7,000 tonnes in 2002. Fishing generates an annual turnover of US$6.1 million and employs around 30,000 people. Imports currently meet approximately 45 per cent of the demand. Exports are almost nonexistent and consist of border trade of around 1,000 tonnes of *Limnothrissa miodon* with the Democratic Republic of the Congo (Table IV.2).[35]

35. Artisanal fishing is practised in Rwanda, primarily on the lakes, but also along waterways and rivers over a surface area of 1,420 km^2, or 5.4 per cent of the national territory. Fish species in lakes are primarily *Limnothrissa miodon* (40 per cent of total catch), followed by Tilapia (*tilapia spp.*) and African catfish (*clarias gariepinus*), among others. Rwandan lakes, except for Lake Kivu and the lakes of the Akagera national park, are mostly overfished. They have borne the effects of increased fishing activity, an outdated legislative framework, a lack of monitoring and fisheries management policy, and the use of destructive fishing techniques.[36]

Table IV.2
Fishing, 2001
(Tonnes)

	Production	Imports	Exports
Fishing	7,100	6,053	1,000
Fish farming	300	0	0
Total	**74,000**	**6,053**	**1,000**
Value (RF million)	2,840.0	2,421.2	..

.. Not available.

Source: FAO (2002a).

36. Fish farming is basically undertaken as a source of additional income and is estimated at 300 tonnes annually, with 25,000 fish breeders participating in production. There are currently 2,600 ponds in operation throughout Rwanda (compared with 4,300 before 1994). Attempts to raise fish in cages and ponds are under way, and integrated fish culture is being considered.[37] In order to diversify the types of fish produced, efforts have been made to introduce other species, such as common carp and Chinese carp, but without success.

37. The three main objectives of Government policy are food security, poverty reduction and environmental protection through the rational husbandry of fishery resources. The Government hopes to develop the subsector through various programmes aimed at increasing productivity. This will be accomplished through rehabilitation and enhancement of the fish stock; a participatory approach to lake management, and the strengthening of fishing and fish farming associations. State involvement in production-related activities and marketing will be phased out through privatization of State

[35] FAO (2002a).
[36] Ministry of Agriculture, Livestock, Environment and Rural Development, Environment Division (1998).
[37] FAO (2002a).

fisheries and fish culture establishments, in order for increased focus to be placed on planning, research and extension services to impart new production techniques.

38. The regulatory framework dates back to the period between 1930 and 1950 and needs updating.[38] A draft law on fisheries and fish culture has been prepared with FAO assistance and is now under review by the Council of Ministers and Parliament. It will cover such areas as the fisheries regime and types of fishing licence; management and development of fisheries and aquaculture; authorization; measures for conserving fishery resources; aquaculture; regulation of water resources; hygiene and quality of fishery products; research, and offences.

39. Recreational or professional fishing in Rwanda requires a fishing licence. Non-resident foreigners in Rwanda may earn access rights by agreement between Rwanda and their countries of origin, or special authorization from the Ministry responsible for fisheries. Fishing under a concessionary arrangement will enter into force when the new law on fisheries and fish culture is adopted.

40. Through "Vision 2020", the Government of Rwanda plans to reach a production target of 17,362 tonnes of fish by 2010, consolidate legislation under various arrangements between 2010 and 2020, and raise production to 24,560 tonnes by 2025.[39]

(g) Forestry

41. Rwanda produces mainly raw or lightly processed forest products (scarcely diversified) such as fuel wood (charcoal or unprocessed), building lumber and sawnwood. Wood is chiefly used as a source of energy.[40] In 2001, forestry contributed to 1.4 per cent of real GDP. Imports consist mainly of manufactured forest outputs such as paper articles, panels and plywood, sawnwood, treated poles, and wooden furniture. In 2002, the value of imports rose to US$10.8 million. Exports are down, some US$78,700 in 2002 (from US$482,600 in 2000[41]) for wood, and US$140,800 for wooden furniture (exported mainly to Italy).[42] Table IV.3 summarizes the situation in the subsector (apart from wooden furniture) in 2001.

[38] Decree of 12 July 1932 relating to fishing concessions; Decree of 21 April 1937 relating to fishing regulations; Decree No. 325/Agri of 16 October 1947 relating to the introduction of foreign species into the indigenous animal population; Decree No. 52/25 of 3 February 1955 which prohibits fishing using narcotics; Decree No. 52/160 of 16 February 1955 establishing regulations on lake fishing; Decree No. 5520/186 of 14 August 1958 establishing regulations on fishing in the Rusizi river; Decree No. 5520/97 of 2 December 1959 prohibiting seine fishing on inland lakes; Ministerial Order No. 1076/05 regarding the appointment of criminal investigation police officers in the area of fisheries and fish culture; Ministerial Instructions (No. 1900/07.24) of 11 December 1997 issuing a reminder regarding the fishing regulations, and Ministerial Instructions (No. 1069/11.24) of 1 September 1999 relating to fishing permits.

[39] FAO (2002b).

[40] Wood supplies over 80 per cent of the energy consumed in Rwanda.

[41] The wide discrepancy between the years can be explained by the organization of exhibitions.

[42] These figures were obtained from data provided by partner countries. According to the statistics for Rwanda, 2002 exports were a mere US$17,900, and furniture wood, US$6,500. Official reports state that these amounts also include exports of artwork.

Table IV.3
Forest products, 2001

	Imports		Exports		Production	Consumption
	Quantity	US$ (thousands)	Quantity	US$ (thousands)	Quantity	Quantity
Sawn wood (m^3)	**27**	**20**	**86**	**3**	**79,000**	**78,941**
Lumber (coniferous)	0	0	86	3	22,000	21,914
Lumber (non-coniferous)	27	20	0	0	57,000	57,027
Wood-based panels (m^3)	**3,530**	**772**	**0**	**0**	**0**	**3,530**
Veneer sheets	0	0	0	0	0	0
Plywood	2,437	608	0	0	0	2,437
Chipboard	1,057	150	0	0	0	1,057
Fibreboard	36	14	0	0	0	36
Wood pulp (tonnes)	**0**	**0**	**0**	**0**	**0**	**0**
Chemical pulp	0	0	0	0	0	0
Paper and paperboard (tonnes)	**995**	**860**	**198**	**153**	**0**	**797**
Newsprint	3	3	0	0	0	3
Paper, printing and writing	564	505	123	109	0	441
Other	428	352	75	44	0	353
Round wood (m^3)	**0**	**0**	**143**	**159**	**7,836,000**	**7,835,857**
Industrial round wood (m^3)	0	0	143	159	336,000	335,857
Firewood (m^3)	0	0	0	0	7,500,000	7,500,000

Source: FAO, available at: http://www.fao.org/forestry [4 December 2003].

42. The only lumber processing factory in Rwanda is the Rwandan Matches Company (SORWAL). Its annual processing capacity of 2,160 m^3 is largely under-utilized (760.5 m^3 annually). Approximately 160 people work in the factory, not counting those involved in felling the trees and working the wood.[43] In 2000, the State sold its shares (29.5 per cent) in the "Development and Business Prospects" enterprise (Debupro). Ten establishments are involved in furniture manufacturing, artwork and match production. Furniture is produced by three companies (Manumétal, Ameki Color and Chez John) and by associations of craftsmen.

43. The declared policy objectives for the subsector are the building and conservation of forest resources, increase in production, and better use and promotion of forest products. However, Rwandan forestry resources are on the decline. Between 1990 and 2000, Rwanda lost 32 per cent of its forest cover, due to several factors such as land clearance for crops, intensive logging and poor management. In 2000, forest cover nationwide was estimated at 473,200 hectares, or 18 per cent of the domestic territory (47 per cent of which was natural forest and 53 per cent comprised of plantations).[44] In Rwanda, wood resources per capita are among the lowest on the continent owing to tremendous demographic pressure. The annual production capacity of forests (apart from processed forest products) meets approximately 70 per cent of the population's needs.[45] This situation leads to increased dependence on imported forest products.

44. The forestry subsector is governed by Law No. 47/1988 of 5 December 1988 on the Organization of Forestry Policy, the main object of which is to protect and develop wooded areas and institutionalize the national forestry service. It distinguishes between State, communal and private forests, establishes conditions for their management, and lays down measures providing for resource conservation and forestry operations. The implementation of the forestry policy and its corresponding enforcement provisions are also defined therein.

[43] Mihigo, Augustin (2001).
[44] Reafforestation efforts have been undertaken in an attempt to compensate for the regression of natural forests. As a result, the surface area of forest plantations rose from 80,000 to 252,000 hectares between 1980 and 1999.
[45] Mihigo, Augustin (2001).

45. The Law has been heavily criticized. The obligation placed on owners of plantations exceeding two hectares to draw up management plans is controversial since following up on its implementation is hampered by insufficient human and material resources. The penal provisions and provisions relating to forest rangers are considered weak and unsuitable. The 1-per cent tax on the yield of private forest plantations of more than two hectares has the effect of a production tax, and discourages investment. The measures necessary to make the Law fully operational have not yet been taken. Application orders have not been adopted or updated with respect to the organization and powers of the national forestry service; the creation of a permanent service to manage the national forestry stock and the prefectural forestry commission; management contracts; guidelines for felling trees; or procedures for classifying and declassifying forests.[46]

46. At present, there are protected areas, where all activity (especially felling) is prohibited. Felling is likewise prohibited in State-owned forests under ministerial orders. Felling permits are issued at the provincial level by the director in charge of agriculture, livestock and forestry, after evaluating the potential environmental effects, and payment of RF 2,000 in administrative fees to the NBR. Permits are valid for three months. In order to cut trees covering an area of over two hectares, a preliminary assessment of the consequences is required. The establishment of a forest protection service is also envisaged.

47. The subsector faces several constraints, such as hilly terrain with low fertility, drought, and termites; absence of reliable statistics to enable proper planning; inoperable legislation on forestry and national forestry fund; scattered management and forest resource protection structures; high management costs; and insufficient number of forestry officials and specialists in forestry operations and woodcraft.[47]

(3) MINING AND ENERGY

(i) Mining

48. The mining industry employs just over 600 workers, and contributed 0.2 per cent of real GDP in 2001. Cassiterite (tin oxide), colombo-tantalite (coltan) and tungsten are the most extensively mined minerals[48], and their production in 2001 totalled 555, 395 and 162 tonnes respectively.[49] As in the case of other sectors, mining also suffered from the effects of the 1994 genocide; in 2001 mining production was down to 77 per cent of its 1990 level.[50] The mining industry exports all its production, which in 2002 amounted to 35.5 per cent of total goods exports. A new mining code is to be finalized in 2004.

[46] Mihigo, Augustin (2001).

[47] Ministry of Agriculture, Livestock, Environment and Rural Development, Environment Division (1998).

[48] There are also other minerals and ores, such as: gold, ruby/sapphire, beryl, amblyogonite, amethyst, iron, chiastolite, marble, dolomite, laterite, quartzite, silica sands, quartzophylade/slate schists, granite/migmatite, amphibolite, clay, kaolin, talc, pouzzolana, volcanic rock, travertine, diatomite and gypsum.

[49] Ministry of Finance and Economic Planning, Privatization Secretariat (undated (c)).

[50] According to the Rwandan authorities, the sector also suffers from a lack of information on minerals, including reserves, from a fiscal policy offering few incentives, from continued illegal mining operations, inadequate power supply, low international prices, inadequate support, training and information for mining operators, and low investment in the sector.

49. The sector is led by the Mining Production and Development Board (Redemi), a State enterprise which began operating in 1989 and is currently on the list of companies to be privatized.[51] Its cassiterite, tungsten and coltan output in 2000 was 203, 117 and 12 tonnes respectively. Redemi numbered 493 employees and 212 temporary workers in 2000. Other companies operating in the sector are COPIMAR, SOGERMI, Rwanda Metals, *Pyramide Internationale*, and RAS.[52]

50. The Ministry in charge of mining issues various types of permit - concessions, special operating permits, and temporary authorization for mining surveys and operations.[53] A mining concession is valid for 30 years and renewable for 15-year periods: the licensing fee is RF 150,000, renewal RF 300,000, changes or transfer cost RF 250,000 and amalgamation fees are RF 250,000; survey fees are RF 75,000.

51. Special operating permits are reserved for small-scale mining or limited production and for small-scale mining associations. These are valid for a period of four years at a cost of RF 50,000. It is possible to renew such permits twice, at a cost of RF 75,000 and 100,000 respectively).[54] Temporary authorization for mining surveys and operations is valid for 12 months, costs RF 5,000, and is renewable twice, for RF 10,000 and 25,000 respectively.

52. The average customs duty on imports of mining products is 5.9 per cent; the rates vary between 5 and 30 per cent.

(ii) Energy

(a) Overview

53. In 2001, water and electricity contributed 0.2 per cent of real GDP, and are produced almost exclusively for the domestic market. At present, 80.4 per cent of energy consumed is derived from wood which is burnt in its primary state or processed into charcoal. This form of energy is used mainly by households. However, Rwanda has a deficit in wood, both for energy purposes and for other economic activities.[55] Alternative sources and uses of energy are shown in Chart IV.1 below.

[51] In December 2001, the Karuruma foundry, belonging to Redemi, was sold to Niobium Mining Company, a German enterprise, for US$300,000. The other enterprise to be privatized in the sector was the Lime Project (transferred in 1998 to the Limestone Development Project (PVC) cooperative), which mines travertine and turns it into limestone, which is sold mainly to Electrogaz; PVC paid only 14 per cent of the offered price of RF 110 million.

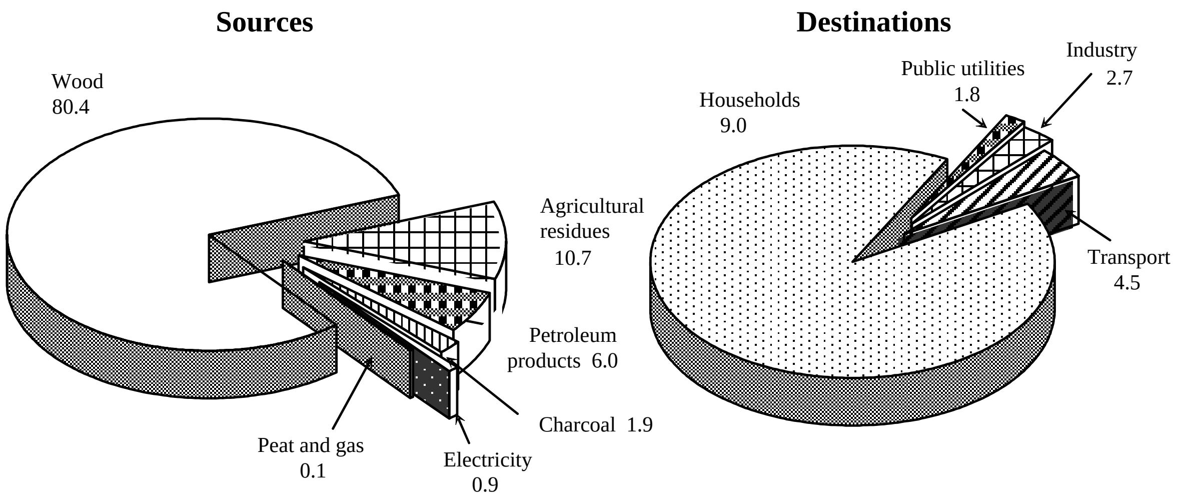
[52] Ministry of Finance and Economic Planning, Privatization Secretariat (undated (c)).

[53] Minstry of Energy, Water and Natural Resources (MINERENA).

[54] Since 2002, 46 quarrying permits have been granted.

[55] Ministry of Finance and Economic Planning, Privatization Secretariat (undated(a)).

Chart IV.1
Sources and destinations of energy, 2002



Source: **Ministry of Finance and Economic Planning, (2003), Energy and Water.**

54. The Government's aims to make better use of existing resources. It envisages the following alternatives to the traditional sources of energy production: establishment of micro-power plants, use of solar and wind energy (particularly in rural areas), geothermal energy, use of peat or methane gas from Lake Kivu, with an estimated 55 billion m^3 in reserves. Prior to the conflict, there were 21 micro-power plants, of which only one is currently in operation. The Nkora coffee factory has a micro-power system. As far as solar energy is concerned, a pilot project to supply electricity to 30 villages is under review by the World Bank. In 1999, a unit was established for the promotion of methane gas from Lake Kivu (UPGAZ). This gas is being used experimentally by Rwandan Beer and Soft Drinks Company (Bralirwa). The use of energy from other sources is at the reconnaissance stage.

(b) Electricity

55. Electrical energy production in Rwanda is almost exclusively hydraulic, even though fuel and solar energy are also sometimes used. Electrogaz, a State enterprise, has a de facto monopoly on the production and distribution of water and electricity in Rwanda. Only 6 per cent of the population is currently connected to the electricity network, but Electrogaz is not in a position to satisfy the entire domestic demand. The enterprise has sustained losses of nearly 60 per cent of amounts owed by customers, and is burdened by debt and outdated water supply and electricity networks, resulting in huge technical losses (33 per cent of electricity production and 50 per cent of water supply).[56] In 2002, domestic production of electricity reached 98.2 million kWh and imports, mainly from the DRC and Uganda, totalled 116 million kWh. Exports to Uganda amounted to 8.4 million kWh. In 2001, the supply of water and electricity represented 0.2 per cent of real GDP.

[56] Ministry of Finance and Economic Planning, Privatization Secretariat (undated (a)).

56. In 1998 the Government launched a programme of sectoral reform, to end the Electrogaz monopoly, restructure the company, encourage private-sector participation, and develop rural infrastructure. The Electrogaz monopoly on production, transport and distribution of water, electricity and gas has been officially abolished. Organic Law No. 18/99 of 30 August 1999 provides for a two-tiered approach to the restructuring of Electrogaz: firstly, through a management contract, then by a concession or lease. The Lahmeyer International Consortium of Germany has been retained and a contract to that effect was signed on 28 August 2003. The company has been officially managed by the Consortium since 24 October 2003. No date has been set for granting a concession or lease. A regulatory body for public utility services, with responsibility for the monitoring of production, and price setting for exports and imports was established in 2001.

57. The basic rate for electricity was set at RF 8.5/kWh by virtue of an order dated 7 January 1988. The rate for low voltage is RF 42/kWh, RF 42/kWh for medium voltage for installations of less than 100 kW and RF 10/kWh for installations of higher capacity.[57]

(c) Petroleum products

58. Rwanda has neither oil resources nor a refinery. All petroleum products are imported. The annual consumption of refined petroleum products is estimated at 100,000 tonnes, and these are imported from Kenya and Tanzania. The Ministry with the energy portfolio is responsible for regulating this subsector.

59. Around 15 oil companies operate in Rwanda. Each company is free to import petroleum products.[58] Rwanda has five main storage facilities in Gatsatsa and Butare with a total capacity of almost 15,000 m^3; smaller facilities are located in Kigali and Giseny. On 5 August 1999, a contract was signed with Shell Rwanda for the sale, by the Rwandan State, of 19 service stations owned by PetroRwanda and for a 30-year lease of the Gatsata depot.[59] Shell offered US$2.1 million for the stations. At the moment Shell has not fully taken over and operates only 14 stations. Shell Rwanda now employs, directly and indirectly, over 200 employees.

60. Customs duties on imports of petroleum products are 30 per cent for gasoline and diesel, and 5 per cent for kerosene and aviation (jet) fuel. Other taxes include a 3-per cent concession licence fee, a warehousing profit tax (2.32 per cent of the customs value), 18 per cent VAT (except for kerosene imports, which are tax-exempt), and a 37-per cent domestic consumption tax on gasoline (apart from aircraft fuel) and on diesel oil.[60] A contribution to the national roadway fund (RF 24.43/litre and RF 20.23/litre on gasoline and diesel imports respectively) is also levied. Apart from these taxes, other duties, charges and profit margins are taken into account by the Government in setting the price for diesel oil and gasoline, since the prices of other petroleum products are not controlled. For example, load loss costs are estimated at RF 0.78/litre, banking fees for the four products mentioned are 2.5 per cent, profit margin taxes of wholesalers are RF 14/litre and for retailers RF 11/litre. In January 2004, the price at the pump for gasoline and diesel was RF 482/litre, kerosene RF 250/litre and aviation fuel US$0.51/litre.[61]

[57] These tariffs for electricity were set by orders dated 25 June 1991, 29 July 1996 and 30 March 1997.

[58] These enterprises are: Total, Shell, Sakirwa Petroleum, Discentre, PETROCOM, Source Oil, MEREZ, GAPCO, Kalinda Léonald Station Service (KLSS), Max Station, Kobil, SIGECO, and STIPPAG.

[59] PetroRwanda was liquidated in 2002.

[60] VAT was introduced in 2001 to replace the 15-per cent turnover tax (Icha).

[61] These prices were set in conjunction with the Ministry of Commerce, Industry and Tourism, the Rwandan Private Sector Federation and the Association of importers and distributors of petroleum products.

61. In terms of reliability and efficiency, road transport is preferred; rail, air and pipeline transport are also used. However, because Rwanda is landlocked, high transportation costs remain a major obstacle for the subsector.

(4) MANUFACTURING

(i) Overview

62. The manufacturing sector is still at an embryonic stage. In 2001, the sector employed fewer than 2 per cent of the active population (22,356 employees in 2000) and its share in real GDP was estimated at 8.6 per cent for 2001 (10.5 per cent in 1996). Exports of manufactured goods are very limited and consist almost exclusively of agro-industrial products, mainly tea, coffee and pyrethrum. Apart from these products, the agri-food industry is not highly developed, and output is mainly geared towards the domestic market. At the fiscal level, the main contributors to the State budget are Bralirwa and the cement industry.[62]

63. In 2001, Rwanda had 111 small, medium and large manufacturing enterprises.[63] Manufacturing is dominated by the food processing industry (45 enterprises, 15 of which produce coffee and tea). Food processing provides almost 70 per cent of all industrial jobs, employing 24,603 people, 15 per cent of whom work in the tea and coffee subsectors.[64] There are 10 establishments in the furniture industry and 13 each in publication and printing, and the manufacture of chemicals. The sector consists mainly of small enterprises – 88 with fewer than 100 employees; eight establishments have a staff of over 500 (tea, textile and cement subsectors). In 2000, around 77 per cent of workers in the sector were employed by 22 public and parastatal entities.[65]

64. Production focuses on the manufacture of goods such as beverages, textiles, tobacco, cement, tea and coffee (Table IV.4). Three areas, beverages and tobacco-based products, food products, and chemicals account for approximately 66 per cent of production. Almost two-thirds of the companies involved are located in Kigali. Only 18 of these companies belong to foreign entities, 97 are owned exclusively by Rwandans, and 41 are government-invested.[66]

---

[62] Bralirwa is also one of the largest employers in the private sector, with 650 workers; its annual turnover is approximately €55 million.

[63] According to information provided by the Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives, Industry and Crafts Division, 91 enterprises had more than ten permanent employees in June 2003.

[64] Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (2002).

[65] *Marchés tropicaux et méditerranéens* (Tropical and Mediterranean markets), No. 2923 (2001), "Spécial Rwanda", 16 November.

[66] Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (2002).

Table IV.4
Main manufactures, 1990 and 1998-2001

	1990	1998	1999	2000	2001
Cattle feed (tonnes)	3,003	2,787	2,955	3,118	3,114
Modern beer (000 litres)	59,604	65,007	51,950	44,244	47,961
Lemonade (000 litres)	12,494	28,946	22,165	20,778	22,842
Sugar (tonnes)	2,283	..	2,137	1,068	6,363
Cigarettes (millions)	347	303	217	327	278
Textiles (000 metres)	20,037	10,346	9,832	9,934	10,431
Soap (tonnes)	..	6,966	6,431	5,867	7,056
Paint (tonnes)	..	540	944	968	997
Toothpaste (boxes)	..	1,007	5,379	28,730	5,648
Batteries (000 cartons)	..	10	4	4	4
Cement (tonnes)	60,000	60,030	66,291	70,716	83,024
PVC pipes (tonnes)	1,960	2,957	3,252	3,578	3,864
Sheet metal (tonnes)	5,988	2,588	4,575	5,435	4,532
Nails (tonnes)	383	560	1,125	879	879

.. Not available.

Source: Ministry of Finance and Economic Planning (2002), *Rwanda in Figures*.

65. According to official sources, the main factors hampering the development of the sector are the high transport and energy costs, a lack of qualified personnel and training opportunities, and frequent power outages.

66. The main objective of industrial policy is poverty reduction. Under the "Vision 2020" programme, the Government expects to channel investments into light industry for the processing of local resources, and to focus on economic diversification and competitiveness within an export-oriented setting. In order to achieve this, detailed files on local resources, their availability and markets are provided to potential investors. The Government also intends to develop the appropriate infrastructure (in particular transport, communications, water and energy) and to provide a sound legal framework in which industry can thrive. It further plans to promote local change through the establishment of free economic zones (Chapter II (6)), and accelerate the process of privatization.

67. Enterprises that have already been privatized in this sector include, *inter alia*, the Rwandan Agency for the Development of the Banana Industry (OVIBAR) and the *Imprimerie nationale du Rwanda* (Rwanda national printing works) in 1998; SORWAL in 2000, *Papeteries du Rwanda*, (Rwanda paper mills), Sonafruits and Tabarwanda in 2001. *Régie de l'imprimerie scolaire* (State-owned printing works - Imprisco), the Rwanda Textile and Blanket Company (Rwantexco) and two tea factories (Table AIII.3) are in the process of being privatized.

68. Import duty on manufactured goods averages 19 per cent, with rates ranging between zero and 30 per cent. Manufacturing is the most protected sector of the economy. The maximum rate of 30 per cent applies mainly to manufactures. This situation is evidenced by the generally positive escalation of duties which reflects effective levels of protection that are much higher.

(ii) Main industries

(a) Chemical and related industries

69. The chemical and related industries consist of 22 enterprises, only one of which – Sulfo Rwanda Industries[67] – employs more than 100 people; seven others have a staff of 50 to 100, and the

[67] This company is among the 10 main VAT contributors. It produces, *inter alia*, soaps, detergents, cosmetics, plastic items, paperboard, pans, tins, and also sweets, mineral water, margarine and tea.

remainder each employ fewer than 50 people.[68] These industries account for almost 4 per cent of manufactures. In 2001, they contributed 0.4 per cent of real GDP, and chemical products represented 0.5 per cent of total merchandise exported (compared to 0.4 per cent in 2002). Rubber or plastic articles accounted for 0.1 per cent of total goods exports in 2002 (Table AI.2).

70. Import duties on chemicals and related products range between 0 and 30 per cent, with an average of 13.3 per cent. Rubber products are the most protected (with an average tariff of 25.3 per cent), followed by paints, varnishes and lacquers (24.4 per cent), and soaps (23.4 per cent).

(b) Agri-food industry

71. In 2001, the agri-food industry (including tobacco) represented 8 per cent of real GDP. It includes approximately 30 enterprises, the largest two of which are Bralirwa and the Kabuye State-owned sugar company. Bralirwa operates a brewery and a factory producing beverages under licence by the Coca-Cola Company. It employs close to 600 people and is the only company in the country producing beer and carbonated beverages. In 2001, its market share was estimated at 99 per cent; the rest was imported. Seventy per cent of Bralirwa belongs to the Heineken Group; the remaining 30 per cent is owned by the State and is in the preparatory stages of privatization. The Kabuye sugar factory was privatized in 1997. It produces white sugar and employs approximately 300 workers. Among the other enterprises, 17 employ between 50 and 100 people, and the remainder fewer than 50 workers, for the most part in the coffee industry.

72. Average duty on agri-food imports is 18.4 per cent, with rates ranging between 5 and 30 per cent. The average tariff is 30 per cent on carbonated beverages, mineral water, bakery and pastry imports; 29 per cent on wine, 26.7 per cent on distilling, rectifying and blending spirits, 23.2 per cent on cocoa, chocolate and confectionery, and 22.6 per cent on dairy products.

(c) Textile industry

73. The textile industry is currently composed of two enterprises – the Rwanda Textile Factory, (Utexrwa) and the Rwanda Textile and Blanket Company (Rwantexco).[69] In 2001, textile production amounted to 10.4 millions metres, or 52 per cent of the production level in 1990. Although the textile industry is burdened by high production costs (energy, water, transport), and probably could not compete with the Asian countries on the world market, Rwanda has export markets for its textiles in the region. The industry could also benefit from the AGOA arrangement in the area of textiles and clothing, for which Rwanda became eligible on 4 March 2003 (Chapter II(5)(iv)(b)).

74. Average customs duty on textiles and textile articles was 20.2 per cent, with tariffs ranging between 5 and 30 per cent and applied rates exceeding the bound rates on several goods, mainly carpets and tapestries and some items of clothing (Table AIII.2).

(d) Hides, skins and leather industry

75. Only one industrial enterprise is currently processing skins, hides and leather, the Nyabugogo Slaughterhouse (*Société d'abattoir de Nyabugogo* - SABAN), a private entity formed in 1998.

[68] In 2000, close to 2,000 persons were working in the industry.

[69] Utexrwa employs more than 500 people and produces cotton products and clothing. Rwantexco employs fewer than 50 people, and is on the list of enterprises to be privatized.

SABAN consists of two units: a slaughterhouse and a tannery.[70] Fewer than 50 people are employed in the tannery.

76. In 2002, Rwanda exported skins, hides and leather at a value of US$2.3 million. These products hold great promise for the development of manufactured exports, even though their progress has been set back by a lack of local processing capacity (tanneries). Rwanda currently sells raw hides and skins and semi-finished leather to leather processing industries in Asia and the European Union. SABAN is now testing the processing of raw goat skins into wet blue, and is expecting to convert them at a later stage to crust and finished leather.

77. Import duties on skins, hides and leather vary between 5 and 30 per cent, with an average of 20.7 per cent. The highest rates apply to leather goods other than footwear (average rate of 30 per cent) and footwear (28 per cent), followed by fur dressing and dyeing (18.8 per cent) and leather tanning and dressing (14.5 pour cent).

(5) SERVICES

78. Services accounted for more than 45 per cent of real GDP in 2002. The largest subsectors were the wholesale and retail trade (between 9 and 10 per cent of GDP), public administration (7 per cent of GDP), and transport and communications services, whose share in GDP rose from 4.1 per cent in 1997 to 7.5 per cent in 2002. Financial services are not highly developed and account for approximately 3 per cent of GDP.

79. Rwanda has undertaken limited commitments under the General Agreement on Trade in Services (GATS) with respect to certain professional services[71]; adult education services; sewage and similar services; hotel and restaurant services; and recreational, cultural and sporting services in centres promoting eco-tourism. For each of these services, Rwanda has undertaken not to maintain any market access or national treatment restrictions for modes of supply 1 to 3 (cross-border supply, consumption abroad and commercial presence). There has been no binding with respect to measures affecting the presence of natural persons for the supply of medical and dental services and hotel and restaurant services.[72] For all the remaining activities mentioned above, Rwanda has undertaken not to maintain any restrictions on the presence of natural persons.

(i) Financial services

(a) Banks

80. The banking subsector in Rwanda consists of the National Bank of Rwanda (NBR), six commercial banks[73], the Mortgage Bank of Rwanda (*Caisse hypothécaire du Rwanda)*, the Rwandan Development Bank (RDB), the Union of People's Banks of Rwanda (*Union des banques populaires du Rwanda* - UBPR), which groups savings and loans cooperatives, and Duterimbere, an institution specializing in micro-finance. It was estimated that, in 2001, 300,000 people (4 per cent of the

[70] The Nyabugogo tannery was sold to SABAN when the Joint Rwandan/Libyan Company for the Development and Marketing of Agricultural Products and Livestock (SODEPARAL) was liquidated and the Nyabugogo slaughterhouse, when the Agency for the Promotion, Sale and Importation of Agricultural Products (OPROVIA) was liquidated in 1998.

[71] Legal, medical, dental services.

[72] Specialized personnel and executives are the exception.

[73] Bank of Kigali, Commercial Bank of Rwanda, African Continental Bank in Rwanda (BACAR), Bank of Commerce, Development and Industry (BCDI), Gold Trust Bank (BANCOR), and General Banking Company (COGEBANQUE).

population) held bank accounts and that 200,000 of them had their accounts with UBPR.[74] In terms of customer deposit accounts, the Commercial Bank of Rwanda (CBR), the Bank of Kigali (BK), and the Bank of Commerce, Development and Industry (BCDI) controlled 30 per cent, 37 per cent and 20 per cent, respectively, of market share in 2001. Deposits and loans granted by the commercial banks are presented in Table IV.5. These are usually short-term loans and are granted mainly for financing distribution activities and working capital for companies engaged in manufacturing or tourism-related activities (Table IV.6).

81. The State participates extensively in banking activities and owns 86.75 per cent of CBR shares; 50 per cent of BK; 55.76 per cent of RDB; 69.02 per cent of the Mortgage Bank of Rwanda; 2 per cent of UBPR, and 1 per cent of the African Continental Bank in Rwanda (BACAR). The Mortgage Bank is wholly State owned.[75] Privatization of CBR and BACAR is under way. UBPR receives indirect State aid, in the form of tax exemptions, because of its role in poverty reduction, and in 2003, the World Bank provided US$50 million for that purpose. Foreign investors own 50 per cent of BK, 43 per cent of BANCOR, 34.11 per cent of RDB and 12.86 per cent of CBR.

Table IV.5
Commercial bank deposits and loans granted, 1999-2003
(RF billions)

	1999		2000		2001		2002		September 2003	
	Deposit	**Loan**	**Deposit**	**Loan**	**Deposit**	**Loan**	**Deposit**	**Loan**	**Deposit**	**Loan**
BK	31.0	22.9	32.4	24.0	37.1	24.9	41.5	23.1	46.0	24.4
CBR	23.8	18.8	27.3	20.5	26.9	19.8	25.1	17.5	25.9	16.8
BCDI	13.8	11.2	14.0	16.3	18.8	17.0	23.0	18.1	26.5	21.0
BACAR	7.5	6.8	8.5	7.2	7.9	8.2	15.8	13.1	13.3	11.2
COGEBANQUE	0.6	0.02	1.9	1.3	3.8	3.7	5.6	5.1	5.9	7.6
BANCOR	1.1	0.3	1.5	0.7	4.3	2.5	11.5	9.0	14.0	11.2
Total	77.8	60.0	85.6	70.0	98.8	76.1	122.5	85.9	131.6	92.2

Source: Data provided by the Rwandan authorities.

Table IV.6
Spread of commercial bank loans¸ 1997-2001
(a) By sector
(Percentage)

Sector	**1997**	**1998**	**1999**	**2000**	**2001**
Agriculture	0.4	0.1	0.5	1.2	1.1
Mining	0.1	0.1	0.1	0.0	0.0
Manufacturing	20.1	16.7	14.6	17.3	17.3
Real estate	19.1	24.7	19.0	25.3	25.3
Distribution and tourism	47.0	41.9	46.2	41.4	42.8
Transport and communications	4.8	6.6	8.7	8.2	7.0

(b) By term
(Percentage)

Term	**1997**	**1998**	**1999**	**2000**	**2001**
Less than one year	70.6	64.2	69.4	56.0	53.3
1-5 years	21.3	28.4	21.9	19.2	18.2
More than 5 years	8.1	7.3	11.1	24.8	13.3

Source: Data provided by the Rwandan authorities.

82. The banking system has some problems: in 2002 several banks failed to maintain the minimum capital to risk-weighted assets ratio (8 per cent); the proportion of bad loans increased from 10.4 per cent of the total value of loans to the private sector in 1997 to 38.5 per cent in 2001. This is

[74] Ministry of Finance and Economic Planning, Privatization Secretariat (2002c).
[75] Another institution, the Savings Bank of Rwanda, (*Caisse d'épargne du Rwanda)*, has been liquidated.

partly due to an adjustment of accounts on the part of financial institutions to reflect loans affected by the 1994 crisis (death of some debtors, impoverishment of others, and the destruction of guarantees). It is also due to the failures of the commercial courts in enforcing the performance of contracts, and of the land tenure system with respect to the realization of land guarantees. Between 1995 and 1998, several banks invested in real estate and road transport without carefully assessing the risks. Exogenous shocks have contributed[76] since 1998 to a reversal in the economic climate which has increased the volume of bad debts.

83. Under the provisions of the 1999 law on banks and other financial institutions, the NBR is responsible for regulating and supervising the banking system. NBR approval is required for the establishment of any financial institution or branch office.[77] An application for such approval must be submitted to the NBR, stating the purpose of the institution to be established, with detailed information on the share ownership[78], and must include a feasibility study showing financial projections over a five-year period and explaining the assumptions on which those projections are based. A minimum capital endowment is required, together with a commission to be paid to the NBR; the amounts required vary depending on the nature and purpose of the institution. Since 2001, the minimum capital requirement has been RF 1.5 billion for commercial banks, RF 3 billion for investment or development banks, 500 million for merchant banks; 200 million for savings funds, 300 million for financial credit institutions, 10 million for financial associations or cooperatives, commission agents or brokers, and foreign currency exchange bureaux, and 100 million for portfolio management firms (Table IV.7).[79] This requirement extends equally to foreign and Rwandan establishments. In the event that a foreign institution has majority ownership, prior consent of the monitoring authority in the country of origin is essential. The NBR may request any additional information it deems necessary, *inter alia* to ascertain the lawful origin of funds, the effective management monitoring capacity of the institution based on the calculation rules for voting rights, and the integrity and competence of the intended administrators, directors and managers.[80]

84. Merger absorption operations are subject to approval by the NBR upon submission of the following: resolutions adopted by the general assembly; five-year financial projections; and an

[76] The withdrawal of several foreign aid organizations has contributed to a slump in the real estate market in Rwanda. The COMESA's decision to limit the total authorized weight for road transport in the region to 30 tonnes per axle has also limited prospects for growth in this subsector.

[77] Instruction No. 04/99 on the classification of banks and other financial institutions distinguishes between various types of banks (commercial banks, development or investment banks, and merchant banks); a category entitled "other financial institutions" and including saving funds, financial credit institutions, financial associations and cooperatives, portfolio management, or securities firms, and brokerage companies; and a category for "approved intermediaries", including any financial institution that has obtained the approval of the NBR to conduct, alongside its main activities, foreign exchange or foreign trade transactions.

[78] Legal persons are required to provide reports certified by an external or independent auditor covering the last three business cycles; on the composition of their boards of directors and the rules governing the calculation of voting rights; their capital structure and reports certified by an external or independent auditor on their legal shareholders holding 5 per cent or more of their capital. Persons holding 5 per cent or more of the capital must provide their curriculum vitae and a copy of an extract from their police record.

[79] Annex to Instruction No. 05/99 of 14 October 1999 on the legal and financial conditions for access to the banking profession or setting up a financial establishment. Institutions had until April 2002 to increase their capital.

[80] No person who: has declared personal bankruptcy; has been involved as an executive or shareholder in the failure of a bank, financial establishment, or any other commercial entity; or has been convicted as the perpetrator or accessory to an offence (particularly counterfeiting or falsification of bank notes; forgery and use of forgeries; infringement of foreign trade and foreign exchange legislation or regulations; corruption; theft, extortion, embezzlement, breach of trust, fraud, possession of stolen goods, tax fraud; and crime) may administer, direct, manage, engage, or control a financial institution.

expert report certified by an independent expert selected from a list approved by the NBR. These measures apply regardless of whether the merger absorption operation involves Rwandan or foreign institutions. There have been no merger absorption operations approved by the NBR since 1999. In order to set up business abroad, a Rwandan financial institution must obtain authorization from the NBR and observe the relevant domestic regulations.[81]

Table IV.7
Legal and financial conditions governing banks and financial institutions

Categories	Legal status	Capital requirement[a] (in RF)	Fees payable to the NBR (in RF)	
			At the time of applying for approval	At the time of opening or transferring subsidiaries, branches or offices bureaux[b]
Banks				
Commercial banks	Public limited company	1,500,000,000	1,000,000	100,000
Investment or development banks	Public limited company	3,000,000,000	1,000,000	100,000
Merchant banks	Public limited company	500,000,000	500,000	50,000
Other financial institutions				
Savings funds	Public limited company	200,000,000	200,000	20,000
Financial credit institutions	Public limited company or private limited company	300,000,000	300,000	30,000
Associations or cooperatives	Cooperative	10,000,000	10,000	1,000
Portfolio management firms	All forms	100,000,000	100,000	10,000
Commission agents or brokers	All forms	10,000,000	10,000	5,000
Foreign exchange bureaux	All forms	10,000,000	20,000	[c]

a The entire amount of declared capital must be brought in.
b In the case of closure, there is no fee.
c Foreign exchange bureau approval is required.

Source: Data provided by the Rwandan authorities, Annex to Instruction No. 05/99 of 14 October 1999.

85. Managers of banks or financial institutions are required to have resident status, that is, in the case of a natural person, to be domiciled in Rwanda, or, in the case of a legal person, to be registered in, or operate from, Rwanda. Conditions for access to the banking profession in Rwanda are similar to those governing the exercise of management duties. Access to the banking profession is not restricted to residents, and no specific requirements are imposed on foreigners.

86. The prudential regulations are similar to the international standards of the Basel Committee (Bank for International Settlements) drawn up in 1988 and amended in 1991.[82] Since December 2003, banks and financial institutions are required to maintain a minimum 10-per cent ratio of net equity to total assets on and off the balance sheet. However, Rwandan law does not distinguish between the various types of equity ("Tier1"/"Tier2")[83]; for example, provisions on reserves are classified in the same manner as capital endowments. The Rwandan asset-weighting system for calculating the above ratio divides assets into six broad categories.[84] It differs from the provisions of

[81] NBR approval is required for other transactions which imply substantial amendments to the initial terms of approval, *inter alia*: any change resulting in a reduction of the equity or capitalization provided (in full or in part) other than through a fresh supply of liquid assets; any significant change to the capital structure, particularly when one or several shareholders acquire 5 per cent or more of the capital; any change in activities that would imply a change in the category under which the financial institution is registered; any transfer of assets equal to, or higher than, 10 per cent; and any change in the composition of the board of directors or senior management, or any appointment of heads of departments (NBR Instruction No. 10/2000).

[82] Bank for International Settlements (1988).

[83] NBR Instruction No. 01/2000 regarding the solvency ratio of banks and other financial institutions.

[84] The weight of balance-sheet commitments (*inter alia*, short and long-term loans) and off-balance sheet commitments on behalf of clients, is 100 per cent; signed commitments on their behalf (for example, tax or customs surety bonds, or surety bonds in favour of procuring entities) 25 per cent; claims on banks abroad

the Basel Committee in that it gives (*inter alia*) a 20- rather than the 100-per cent weighting assigned by the Committee to bank claims exceeding one year on banks incorporated outside the OECD. Such weighting underestimates the level of risk and undermines prudential rules. Since September 2001, all financial institutions are required to maintain a minimum liquidity ratio of 100 per cent. In other words, the value of assets that are available and/or may be realized at short notice must be at least equal to short-term liabilities.[85] Fixed capital and valueless assets net of amortization, and equity stakes (net of provision for depreciation) should not exceed 75 per cent of the gross capital base.[86]

87. Measures have also been provided for risk sharing.[87] Equity investment by a bank or financial institution in the capital of an enterprise must not exceed 15 per cent of its net equity and 20 per cent of the capital of the enterprise (25 per cent in the case of an investment or development bank or merchant bank). Total holdings may not exceed 60 per cent of the financial institution's net own funds; the limit may be raised to 75 per cent for investment or development banks and merchant banks.[88]

88. Financial institutions based in Rwanda are required to establish systems to control internal operations and procedures; accounting and data processing systems; risk assessment and performance evaluation procedures; risk monitoring and management, and documentation and information systems, among others. All banks have implemented internal control mechanisms, but problems persist in practice. A deposit guarantee fund, managed by the NBR, is envisaged. It will be financed by contributions from financial institutions; loans; dividends, and other potential resources. The fund will be run by a management board comprised of representatives of the NBR, the banks and an official from the Ministry responsible for finance.

89. The law on foreign exchange regulations, adopted in 2003, authorizes Rwandans living abroad to open and manage accounts abroad. However, they are required to close them and to repatriate their foreign currency when they return to Rwanda. Approved banks may open accounts and maintain credit balances abroad, and they may also open foreign currency accounts for residents and non-residents alike. Approval by the NBR is required for Rwandans residing in Rwanda to open accounts abroad.

90. Specific rules apply to micro-financing institutions.[89] These institutions must receive NBR approval before starting operations. A capital endowment of RF 5 million (RF 4 million if the request for approval involves only the granting of credit) must be deposited in a blocked account with the NBR, as well as a commission of RF 50,000. The NBR should also be provided with the information necessary to verify, *inter alia*, the professional experience and good reputation of the executives involved, and the developers' aptitude to successfully achieve their development objectives according

25 per cent; claims on banks located in Rwanda 20 per cent; commitments in respect of the State and international non-financial institutions receive a weighting of 0.

[85] NBR Instruction No. 04/2000 regarding the liquidity ratio of banks and other financial institutions.

[86] NBR Instruction No. 05/2000 of the NBR regarding the ratio of coverage of fixed assets and other medium- and long-term liabilities by the permanent resources of banks and other financial institutions.

[87] In compliance with Instruction No. 02/200 of the NBR regarding rules on risk sharing and coverage applicable to banks, risks on a single debtor or several debtors belonging to a single group must not exceed 25 per cent of net equity; risks on an administrator or manager of a bank or financial institution must not exceed 5 per cent of net equity; the total amount of risk on managers, administrators, and shareholders whose equity ownership is higher than 10 per cent must not exceed net equity.

[88] NBR Instruction No. 06/2000 on equity investment by banks and other financial institutions.

[89] NBR Instruction No. 06/2000 on the regulation of micro-finance activities. In this context, micro-finance is taken to mean granting loans to, and/or borrowing by a clientele that is "not usually serviced by the traditional banking and financial system and/or does not have sufficient collateral as a guarantee of reimbursement of the credit granted."

to terms conducive to the proper functioning of the banking and financial system. These conditions also apply to micro-finance institutions which belong to, or are affiliated with, foreign institutions or institutions whose headquarters are located outside Rwanda. Management of a micro-credit institution may be exercised by foreign nationals who have lived in Rwanda for a minimum of one year. Only one such institution has been approved since 1997.

91. Minimum liquidity requirements are the same as for traditional financial institutions. Micro-finance institutions are required to maintain equity corresponding to at least 10 per cent of their risk-weighted assets. The same weighting system is the same as that applied by traditional financial institutions. A micro-finance institution may not grant guarantees or loans to a single person or group for an amount exceeding 2.5 per cent of the total deposits. The total amount of risk incurred by a micro-finance institution may not exceed 80 per cent of the deposit base of its customers or members (or 60 per cent of net equity for institutions that do not handle savings). Micro-finance institutions are required to implement an internal control system to assess *inter alia* their financial policies and practices, the quality and reliability of their accounting, and conformity of their operations with the pertinent regulations. There is a network of micro-finance banks, consisting of UBPR and 148 people's banks.[90] Inspections of micro-finance institutions by the NBR should begin as of 15 March 2004.

(b) Insurance

92. The insurance subsector includes three commercial entities, SONARWA, COGEAR and SORAS, which offer a conventional range of insurance products (life, health, property). To these should be added the Rwandan Insurance and Re-insurance Company (CORAR), whose shareholders consist exclusively of institutions belonging to the Rwandan Catholic church, and the *Caisse sociale du Rwanda*, a State-owned institution with responsibility for social security (health, old age and disability insurance) mainly for civil servants. SONARWA holds a leading position in the insurance market, accounting for 75 per cent of total premiums. The Government owns 60 per cent of SONARWA shares (10 per cent directly, and 50 per cent through the *Caisse sociale du Rwanda*) and, therefore, has broad influence over the subsector.

93. Under the 1982 law establishing conditions on the insurance industry, the provision of insurance coverage is exclusively reserved for legal persons incorporated under Rwandan law. The 1982 law also sets a minimum threshold of 30 per cent for Rwandan ownership in the equity of any insurance company. The establishment of an insurance company is subject to prior authorization by the President of the Republic. The National Insurance Control Commission, under the Ministry responsible for finance, was created in 2002 to review compliance with the terms of approval. The Commission is also responsible for supervision of the subsector, mainly in issues relating to solvency and rates. Insurance premiums are currently set by the companies themselves, but in future they will be determined by the Commission.

(ii) Telecommunications

94. Rwanda had 17,568 fixed telephone lines in 2000, i.e. a teledensity of 0.2, one of the lowest in the world (Table IV.8). The total demand for fixed-line telephony is estimated at 70,000, but the saturation of cable networks and a lack of resources necessary for funding an expansion of the network system are obstacles to raising teledensity.[91] This contrasts greatly with the dramatic increase in mobile telephony. Since the first licence was granted for mobile phone services in 1998,

[90] As at 31 March 2003, the value of their deposits was RF 18.9 billion and the value of loans was RF 11.9 billion.

[91] *Marchés tropicaux et méditerranéens* (2001), "Spécial Rwanda", November.

the number of subscribers has surged, from 5,000 to almost 140,000 in 2003 (equivalent to 1.64 subscribers per 100 inhabitants). Fixed-line telephony services are mainly provided by RwandaTel SA, a State company.[92] This enterprise also owns 28 per cent of the shares in MTN Rwandacell, the only mobile phone operator; the remaining shares of MTN Rwandacell are owned by two private foreign investors. RwandaTel SA has contacted a private operator, Artel, to establish and operate a network of public telephones by relay satellite, mainly in rural areas.

Table IV.8
Telecommunications: basic indicators, 1997-2002

	1997	1998	1999	2000	2001	2002
Teledensity	0.19	0.2	0.16	0.17	0.23	..
Percentage of lines connected to digital exchanges	100	100	100	100	100	100
Public telephones	300	350	360	400	..	..
Cellular subscribers	-	5,000	11,000	39,000	..	..
Cellular density	-	0.08	0.15	0.5	..	..
Outgoing international traffic (thousands of minutes)	..	3,000	5,000	5,000	..	..
Incoming international traffic (thousands of minutes)	..	..	..	..	..	..
Revenue (US$ million)	17	19	18	18	..	..
Annual investments (US$ million)	..	..	17	..	..	..
Investments (as a percentage of gross capital formation)	..	..	4.9	..	..	..
Number of Internet users	100	800	5,000	5,000	..	..

.. Not available.

Source: ITU(2001), *African Telecommunications Indicators*; and data provided by the Rwandan authorities.

95. The subsector is governed by Law No. 44/2001 of 30 November 2001 regulating telecommunications. The Ministry responsible for transport and telecommunications is the supervisory body of RwandaTel SA and formulates domestic telecommunications policy. A public utilities regulatory agency and its supreme body, the Regulatory Board, were established in 2001.[93] Standard licences are delivered in four weeks by the Board and individual licences in three months by the competent authority, on the Board's recommendation.[94] The Law makes it mandatory for networks to be interconnected, where requested by one of the public telecommunications operators.

96. The Law requires public telecommunications operators to offer individuals and organizations connection to a public telephone service in the region of Rwanda for which their individual licences have been issued. It also establishes a "universal access fund", made up of contributions by the public telecommunications operators. These contributions are set by the Regulatory Board (maximum of 4 per cent of turnover).[95] The aim of the fund is to facilitate the broadest possible access to public telephony throughout Rwanda. Public network operators and providers of public telephone services themselves set and submit the tariffs to the Regulatory Board, which may ask them to reduce their rates to a level that reflects the cost of providing the service. The rates of interconnection negotiated between operators must also observe the principle of approximating real costs.

[92] RwandaTel SA was formed in January 1993, succeeding the Rwandan PTT. The company earned profits of US$3.8 and 4.6 million in 1999 and 2000 respectively.

[93] The Agency was created by virtue of Law No. 39/2001 of 13 September 2001 establishing the Agency for the Regulation of Public Utility Services. It is in charge of providing these services, guaranteeing fair competition, facilitating and encouraging private investment, and implementing sectoral legislation. It is partially funded by annual levies based on a percentage of turnover from each public utility service. This percentage has been set at 2 per cent.

[94] A standard licence enables its holder to provide a specific type of network and/or telecommunications services. Individual licences are issued by Ministerial decision for the provision of public network and/or public telecommunications services, subject to specific rights or obligations.

[95] The annual rate of contribution of each operator is set by 31 January at the latest.

97. There are currently two operators providing fixed-line telephony - RwandaTel and Artel (rural telephone services). RwandaTel is the owner of the network system; interconnection is governed by agreements between operators. According to the authorities, two licences were awarded in 2003 – one to Rwandacell for fixed telephony and the other to RwandaTel for mobile telephony; in practice, the two operators specialize in their respective original areas of competence for the time being.

98. The Government envisages the privatization of RwandaTel (except the "Telecom House" building) in 2004; 80 per cent of the shares will be sold to a strategic foreign investor, 18 per cent will be reserved for Rwandan investors and 2 per cent for RwandaTel personnel.

(iii) Transport

(a) Road transport

99. Rwanda's road network covers approximately 14,000 kilometres, 7.3 per cent of which is asphalted. Despite a road density of 0.52 km per square kilometre, one of the highest in Africa, the poor road conditions (particularly the unasphalted roads) and interconnection network make it difficult to reach markets in the interior: it is estimated that close to 50 per cent of the mostly rural population live more than an hour away from the nearest market. Because of the great distance separating Rwanda from shipping ports (over 1,500 km), and the state of road transport infrastructure in the subregion, there is an implicit tax (on international trade) of over US$160 per tonne.

100. Road policy falls within the ambit of the Ministry dealing with public works and transport; the network of minor roads is managed by the local authorities. The main priorities are to continue the rehabilitation of roads damaged by the 1994 conflict, raise the proportion of asphalted roads and ensure the maintenance of existing road infrastructure. The purpose of the road maintenance fund has been altered in order to provide funding for the road projects presented by the Ministry. It is partially funded by income from a fuel tax, earmarked in part for the maintenance of local roads. The Government has opened the market for road works to private enterprises.

101. Public transport services are open to private competition. However, the national public transport agency (ONATRACOM), a State enterprise, provides 30 per cent of passenger transport, mainly serving rural areas. ONATRACOM does not receive State subsidies. Foreign transport providers are free to operate in Rwanda. Cabotage is prohibited, except upon request and only pursuant to an agreement between Rwanda and the country of which the applicant is a national. In practice, road transport rates are set jointly by the operators and the Government.[96]

(b) Air transport

102. Rwanda has three airports, the main one being Kigali-Kanombe. Airport operations are managed at the moment by the Ministry in charge of infrastructure.[97] The airports are the responsibility of the *Régie des aéroports du Rwanda*[98], an agency under the authority of the Ministry in charge of public works, transport and communications. The number of passengers using the airport (departures, arrivals, transit) ranges between 120,000 and 130,000 depending on the year. Some ground services – fuel supply, freight handling – are provided by private companies; maintenance is

[96] There is a ministerial order pertaining to price-setting, but it is old and obsolete.
[97] The establishment of a Rwandan civil aviation authority is envisaged (the enabling law has already been adopted by Parliament).
[98] Established in 1986.

carried out by Rwandair Express. Departure taxes, included in the price of tickets, are US$20 per passenger travelling outside COMESA and US$10 within COMESA.

103. Rwanda signed the Yamoussoukro agreements in 2000, but it has not yet implemented the measures provided. It has also concluded an open skies agreement with the United States. There is also an agreement within the COMESA framework aimed at replacing bilateral agreements between member States and at liberalizing the subsector; Fifth Freedom rights are currently granted only by Uganda.

104. Foreign companies allowed to service Rwanda are determined by prior bilateral agreement between countries. At present the companies flying to Rwanda are, *inter alia*: Air Burundi, Ethiopian Airlines, Kenya Airways, SN Brussels Airlines, South African Airways and Rwandair Express, a public company created in 2002 to replace Alliance Express. Rwandair Express serves domestic and regional destinations. Cabotage is prohibited.

(iv) Tourism

105. The finest tourist attractions in Rwanda are its natural sites: the Volcanoes National Park (in the northwest), which is the most popular and is a habitat for mountain gorillas; the Akagera National Park (in the east); the Nyungwe National Park (in the southwest); and Lake Kivu. During the 1990s, tourism was gravely undermined by the country's instability, and the number of visitors, measured by the visitor count in the national parks, fluctuated between 61 and 5,384 per year in the period 1990-1999, compared to 19,084 - 23,698 between 1985 and 1990. Although there was some increase from 2000 to 2003, (the threshold of 10,000 visitors was crossed in 2002, reaching 16,478 in 2003)[99], the development of tourism is still marred by competition from other countries of the sub-region, particularly Uganda, Tanzania and Kenya, which have similar attractions, greater stability, more reliable infrastructure, and enjoy a greater international reputation. In the 1980s, tourism represented 1 per cent of real GDP, and was the third largest source of export income. Its current share of GDP is unknown but, by all appearances, it will be lower than the previous 1980s level. Tourism-related activities are reported to generate employment for 5,000 people. According to the authorities, tourism revenue has yet to regain its pre-genocide level. In 2001, Rwanda's hotel capacity was 2,502 beds.

106. Tourism policy is mainly formulated by the Ministry with responsibility for tourism. Sectoral policy for the 2003-2010 period aims to increase annual tourism earnings to US$100 million, and to raise the number of visitors per year to 70,000. The promotion of eco-tourism, cultural tourism and domestic tourism are special areas of priority. The achievement of these objectives would require a total investment of US$103 million spread over the eight-year period up to 2010.[100] Almost 40 per cent of that amount would be allocated to building or improving hotels.[101] The privatization of hotels should attract foreign investment into the subsector. Five hotels were privatized by the end of 2003, and another is to be privatized in 2004. Two State-owned hotels – the Intercontinental and the Kivusun – are run by private entities. Under the GATS, Rwanda has undertaken not to maintain any market access or national treatment restrictions for modes of supply 1 to 3 of hotel and restaurant services.

107. All tour operators wishing to set up a business in Rwanda must register with the Rwanda Investment Promotion Agency (RIPA). The occupation of tour guide is governed by local provisions. Licences and permits required to establish and manage hotels are issued free of charge. At the

[99] In 2003, one-third of total visitors were local.

[100] Government of Rwanda (2002).

[101] This sum of US$103 million will be raised from various sources, as follows: 36 million will be provided by the private sector, 43 million by the Government, and 24 million by donors.

moment, room rates are set by the hotels, but in future they will be regulated by a new law. The Government does not own any travel agencies. At present, there are no standards of control applicable to hotels and restaurants. The Government is in the process of preparing a framework law on tourism, which will be supported by decrees governing the activities of travel agencies, and establishing standards and ratings for restaurants and hotels. Restaurants are expected to be rated according to a system of scores, from 1 to 4 forks, and hotels would be rated from 1 to 5 stars. MINICOM, the Ministry responsible for the rating process and for monitoring the implementation of the rules, will be assisted in these tasks by a commission. The Rwandan Office of Tourism and National Parks (ORTPN) has been restructured, under a law adopted on 1 November 2003, to create a genuine office of tourism in charge of implementing all policy affecting the sector, park conservation, management of protected areas and the promotion of tourism in Rwanda.[102] Consideration is also being given to the establishment of a Rwandan tourism development fund.

[102] The ORTPN is mainly involved in the sale of admission tickets to the Volcanoes National Park.

REFERENCES

Bank for International Settlements, BIS (1988), *International Convergence of Capital Measurement and Capital Standards*, Basel.

National Bank of Rwanda, NBR (2003), *Réglementation des changes* (Exchange regulations), March, available on line at: www.bnr.rw/bnrnet/change/reglementation/reg_change_new.pdf.

United Nations Conference on Trade and Development, UNCTAD (2002), *FDI in Least Developed Countries at a Glance*, Geneva.

Inter-African Phytosanitary Council of the African Union, IAPSC/AU (2003), *Rapport sur la situation phytosanitaire au Rwanda* (Report on the phytosanitary situation in Rwanda), Yaoundé.

Dun & Bradstreet (2001), *Exporters' Encyclopedia 2001/2002*, Baltimore.

Food and Agriculture Organization, FAO (2002a), *Fishery Country Profile, Republic of Rwanda*, available on line at: http://www.fao.org/fi/fcp/fr/RWA/profile.htm, December.

Food and Agriculture Organization, FAO (2002b), *Informations sur l'aménagement des pêches dans la République rwandaise* (Information on fisheries management in the Republic of Rwanda), available on line at: http://www.fao.org/fi/fcp/fr/RWA/body.htm, December.

International Monetary Fund, IMF (2002), *International Financial Statistics Yearbook*, Washington.

Government of Rwanda (2002), *Plan de relance du tourisme au Rwanda* (Plan to reactivate tourism in Rwanda), Kigali.

Fofoack H., Obidegwu C. and Ngong R. (2003), "Public Expenditure Performance in Rwanda: Evidence from a Public Expenditure Tracking Study in the Health and Education Sectors", *Africa Region Working Paper Series No. 45*, World Bank, March, Washington.

Mihigo, Augustin (2001), *Forestry Outlook Study for Africa (FOSA), Rwanda*, Ministry of Water and Forests, available on line at: http://www.fao.org/DOCREP/004/AC430F/AC430F00.HTM.

French Ministry of the Economy, Finance and Industry - Directorate of Foreign Economic Relations, MINEFI–DREE (2002), *Développement rural et transformation agricole au Rwanda* (Rural development and agro-processing in Rwanda), April, available on line at: http://www.dree.org/ [1 May 2003].

Ministry of Agriculture, Livestock, the Environment and Rural Development, Department of the Environment (1998), *Rapport national sur la convention de la diversité biologique* (National Report on the Convention on Biological Diversity), available on line at: http://www.biodivd.org/doc/world/rw/rw-nr-01-fr.pdf.

Ministry of Finance and Economic Planning (2003), *Poverty Reduction Strategy - Progress Report*, June, Kigali.

Ministry of Finance and Economic Planning, Privatization Secretariat (2001), *Sopyrwa: une entreprise florissante* (Sopyrwa: a thriving concern), Privatization Secretariat Bulletin No. 9, September/October, available on line at: http://www.privatisation.gov.rw/documents/magazine09_f.pdf.

Ministry of Finance and Economic Planning, Privatization Secretariat (2002a), *L'or vert du Rwanda* (Rwanda's green gold), Privatization Secretariat Bulletin No. 11, January/February, available on line at: http://www.privatisation.gov.rw/documents/magazine11_f.pdf.

Ministry of Finance and Economic Planning, Privatization Secretariat (2002b), *Dossier café* (Coffee file), Privatization Secretariat Bulletin No. 13, May/June, available on line at: http://www.privatisation.gov.rw/documents/magazine13_f.pdf.

Ministry of Finance and Economic Planning, Privatization Secretariat (2002c), *Rwanda Privatisation*, Privatization Secretariat Bulletin No. 14, July/October special issue, available on line at: http://www.privatisation.gov.rw/documents/magazine14_f.pdf.

Ministry of Finance and Economic Planning, Privatization Secretariat (undated (a)), *Énergie & eau* (Energy and water), available on line at: http://www.privatisation.gov.rw/documents/energie_eau_f.pdf.

Ministry of Finance and Economic Planning, Privatization Secretariat (undated (b)), *Les usines et plantations à thé* (Tea plantations and factories), available on line at: http://www.privatisation.gov.rw/documents/the_brochure.doc.

Ministry of Finance and Economic Planning, Privatization Secretariat (undated (c)), *Le secteur minier* (The mining sector), available on line at: www.privatisation.gov.rw/documents/secteur_minier_f.pdf.

Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (2002), *Politique industrielle* (Industrial policy), Kigali.

Rwanda Investment Promotion Agency (2002), *The Rwandan Economy: A Strategy for Investment*, Volume 1, Kigali.

Rwanda Revenue Authority (2003), *Rwandan Tax System, Fiscal Reform for Opportunities in Vision 2020*, January, Kigali.

OMC (2001), Examen des politiques commerciales de l'Ouganda, Genève. World Trade Organization, WTO (2001), Trade Policy Review, Uganda, Geneva.