

BENEFITS OF EBCR FOR THE EU AND RWANDA

1. Mapping of EU companies

A mapping of EU companies was conducted in 2019 at the request of the EU delegation to Rwanda:

- Number of EU businesses active in Rwanda is between **150 and 200**
- EU share of total foreign private capital flows in Rwanda has increased from 11,9% in 2015 to **20,6% in 2017**
- The largest EU investment stocks in Rwanda come from the Netherlands, UK, Luxembourg and Germany
- Companies receiving EU investment contributed to **11% of the GDP** in 2017
- EU is one of the major trade partners of Rwanda (**16% of exports go to Europe, 17% of imports come from Europe**)
- The total number of jobs generated by businesses recipient of EU capital is around 50,000 (out of a total 3,2 million people employed in Rwanda), accounting for **74,5% of jobs generated by all companies receiving foreign private capital in Rwanda**
- Foreign Direct Investment now represents 4% of GDP of Rwanda, with the majority originating from the EU

2. Diplomacy

EBCR is well suited to provide feedback and analysis from a practical entrepreneurial perspective on possible issues in the business environment. This input is crucial for the EU agenda in the dialogue with the local authorities and the Government in order to adopt policies adequate to secure private-sector led development.

Supporting EBCR is as well one of the main tools to promote the **EU Economic Diplomacy (EED)**, which refers to the use of political influence and policy measures to:

1. Support European economic interests in Rwanda and the world, advocating for the European interest and improving the visibility or image of the EU
2. Reduce barriers to trade and negotiating bilateral and multilateral trade agreements
3. Support European companies in internationalising to Rwanda and to the world

Only working together, both EU and EBCR can achieve **the principal goal of EED**, i.e. support EU businesses, especially SMEs, to tap into Rwandan market.

3. Facilitation of investment and trade

European Business Chamber of Rwanda (EBCR) serves as an entry point for new potential EU investors, helps to facilitate more trade from and to Rwanda, and improve the investment climate. EUDEL is contact with EBCR on a permanent basis to better tailor its interventions to the private sector (for instance in regard to TVET) and obtain first-hand information on how businesses operate in the country, and the constraints they are facing.

Areas of common interest to advance EU investment in Rwanda

- *Starter Kit*: target new potential investors interested to establish a business in Rwanda, and provide them with comprehensive information to start operating;
- *Investor after-care*: streamline and consolidate services together with the Rwanda Development Board
- *Trade fairs and trade delegations*: organise tailored meetings for investors coming to Rwanda with relevant authorities and potential business partners
- *Public-private dialogue*: re-energise PPD, which has been inactive from 2016
- *Chambers of commerce in the EU countries*: promote Rwanda as an investment destination
- *Capacity-building*: support relevant Government agencies on contract enforcement, investor (including minority) protection
- *Mapping EU businesses*: provide an in-depth analysis of European companies active in Rwanda, their investments, their impact on the economy, society (jobs, training, etc.) and on taxation and sectoral features
- *Dispute resolution*: ensure existence of alternative commercial dispute resolution mechanisms.

Areas of common interest to facilitate trade between the EU and Rwanda

Regarding trade, EBCR is well suited to support the implementation of international trade agreements, such as the EU – EAC comprehensive **Economic Partnership Agreement (EPA)**, which Rwanda and Kenya have signed with the EU in September 2016, with other EAC members yet to follow. The agreement covers trade in goods and development cooperation. It also contains an extensive chapter on fisheries – aiming mainly to reinforce cooperation on the sustainable use of resources - and foresees further negotiations on services and trade-related rules in future. Moreover, EPA contains building blocks that contribute to the **African Continental Free Trade Area (AfCFTA)**, which came into force on 1st January 2021. AfCFTA gives an opportunity for businesses based in Rwanda to cater for both continental and regional markets, including the growing urban centres of the neighbouring regions. To realise such potential, Rwanda will need to work with its EAC partners to revive and accelerate regional integration.

The EU supports Rwanda with respect to trade facilitation, reducing non-tariff barriers, harmonising standards, liberalising investment and services and increasing freedom of movement for professionals. In parallel, the EU seeks to support the development of a skilled labour force, matching requirements for trade and services-based higher-productivity jobs. The EU also seeks to enhance the regional dimension of digitalization in terms of the cross-border data flows framework and e-commerce.

4. Promotion of Business Networks

EU businesses are stronger together, and EBCR provides an effective platform enabling members to strengthen EU businesses solidarity (problem solving between members) and find potential technical/commercial/financial partners to grow their companies. The EU supports EBCR in the following domains:

1) Liaising with international associations, *inter alia* with:

- The European Business Organisation Worldwide Network
- The American Chamber of Commerce
- European Business Chambers in Africa (such as EUCham in Côte d’Ivoire)
- EUCAM in Belgium
- The European Business Council for Africa

2) Facilitating EBCR involvement in partnerships and exchanges with national organisations, *inter alia* with:

- Private Sector Federation
- Rwanda Development Board

- Rwanda Revenue Authority
- Line Ministries (MINICOM, etc.)

3) **Establishing a structured and permanent dialogue between company members and the GoR authorities** on thematic and sectoral issues pertaining to the improvement of the business climate, *including inter alia:*

- Tax (including VAT)
- Import/export
- Employment law / TVET

I. EU SUPPORT FOR PRIVATE SECTOR IN RWANDA

1. EU projects

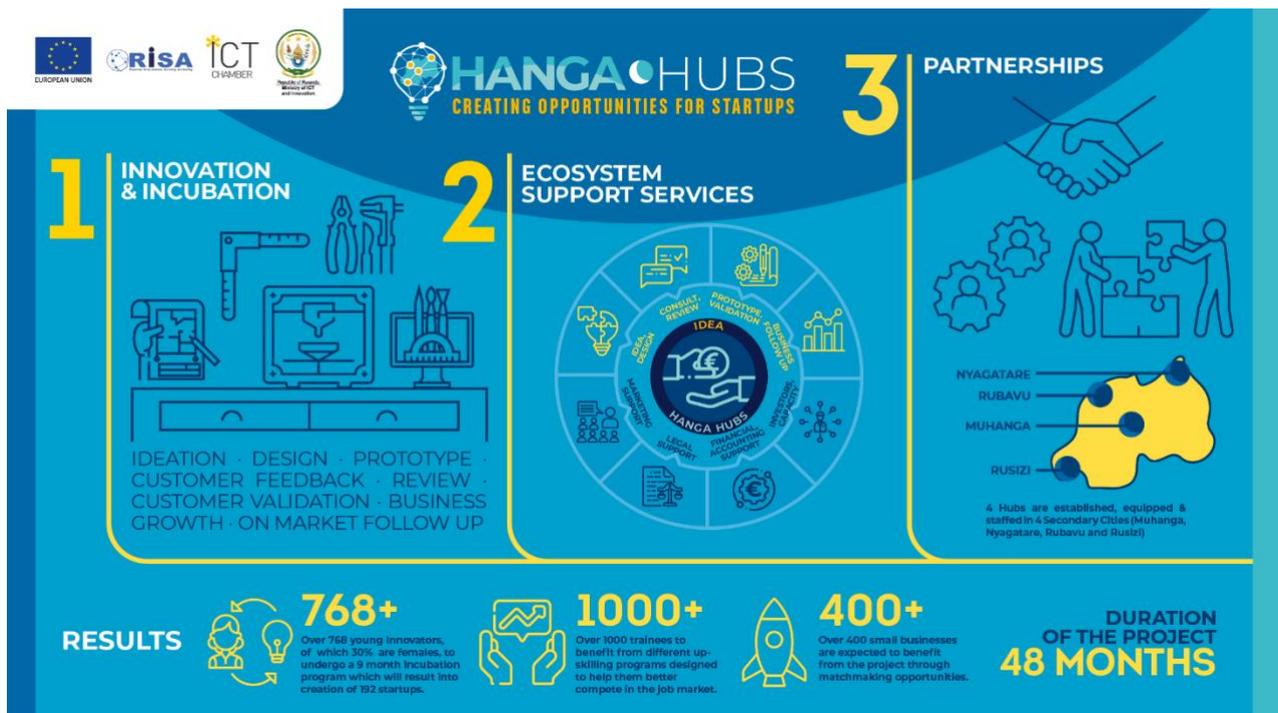
Area No 1: *Support to Private Sector Development and Job creation in Rwanda*

This support is expected to harness the growth and decent job creation potential of the sustainable Tourism and Digital Economy, as well as ensure equal access to opportunities in these sectors for all. The programme will make a meaningful contribution to the Government's objective to create 214,000 new jobs per year up to 2024, whilst also being a first effort by the EU in terms of supporting private sector development as a crucial driver of economic development in Rwanda.

The programme focuses on two projects:

- 1) *Deployment of innovation hubs and start-up incubators in 4 secondary cities (Rubavu, Rusizi, Nyagatare and Ruhanga)*





The project has been launched on 2nd March 2021.

2) Job creation in the tourism sector via improvement of TVET

The project to be launched in spring/summer 2021.

Area No 2: Support to the production of reliable and policy oriented statistics and investment promotion in Rwanda

The overall objective is to improve the availability, accessibility and integration of reliable statistics and business-oriented data into policies promoting investment and trade across potential economic sectors. Activities will focus on supporting the implementation of two projects supporting the Rwanda Development Board and the National Institute of Statistics of Rwanda.

The first objective of the Action is to enhance the production of reliable policy-oriented statistics. The production of national statistics in Rwanda has been supported by the European Union since 2007, through capacity building as well as funding surveys produced by the National Institute for Statistics of Rwanda, which has gradually developed into a well-established national institute that produces a broad range of reliable statistics. But a lot still remains to be done to enhance the capacity of the institute and make it a self-sustaining institution. There is also increasing demand for variety of data to track Sustainable Development Goals (SDGs), hence the production and dissemination of surveys in specific sectors such as health, agriculture and living conditions needs to be enhanced in order to support other sectoral development priorities and to ensure that the benefits of economic expansion are well spread around the country. The programme will also support the preparation of the 2022 census as the population is changing rapidly.

The second objective of the Action is to promote trade and investment across sectors, which would provide support to households and boost employment and growth towards recovery of COVID-19 impact to

Rwanda. This action will further crowd in private investment in key economic sectors such services, infrastructure, agriculture, energy, information and communication technologies.

Projects will be launched in spring/summer 2021.

2. Rwanda MIP 2021-2027

The 2021-27 Multiannual indicative programme (MIP) for Rwanda aims to stimulate pro-poor, sustainable and inclusive growth. Progress in the proposed sectors will reduce poverty and unlock critical bottlenecks in Rwanda's ambitious objective of reaching upper-middle income status by 2035 and high-income status by 2050. The MIP is in line with the Government's Vision 2050 and the National Strategy for Transformation (NST1), whilst also contributing to progress toward the Sustainable Development Goals. In the field of private sector, the EU will engage in the following activities:

In terms of **economic governance**, the EU supports Rwanda's NST1 commitment of developing the private sector as the main engine of economic growth. As Rwanda's economy matures, and given the debt increase triggered by the COVID crisis, the country needs to accelerate the shift from the current public investment-led growth model to a stronger role for private sector as the main driver of investment and employment creation.

The EU will support transforming **agriculture** from a public sector-led growth model into a more private and market-driven sector, with better linkages to urban market areas.

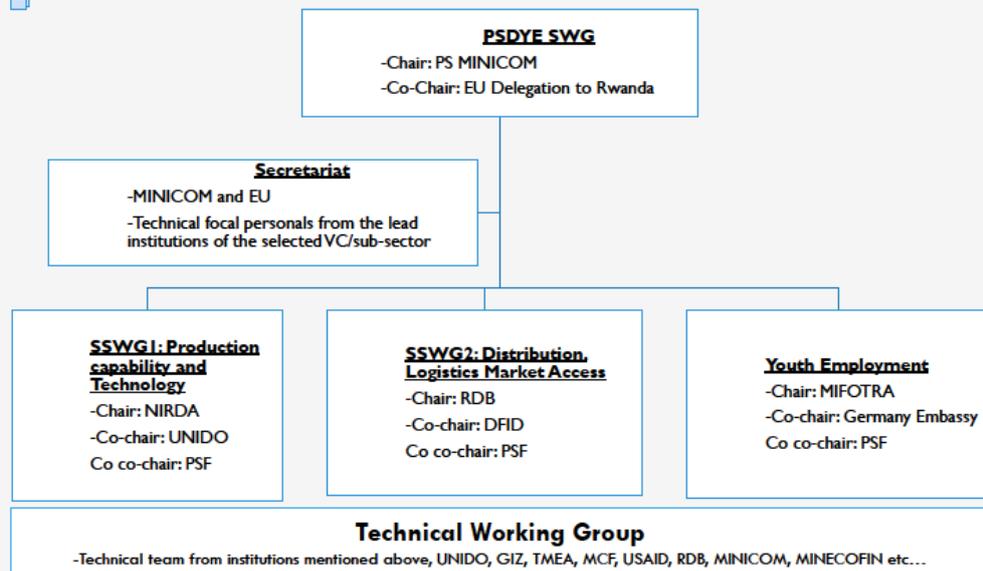
With regard to **TVET sector**, the EU will support the improvement of the quality of learning outcomes and their alignment with the needs of private sector. The creation of more effective linkages with private sector will increase the involvement of private sector in both policy-making and actual training, including through workplace learning schemes, within public or private sector, (see also specific objective on *Inclusive entrepreneurship*).

Concerning **access to finance**, the EU will support investments in climate-resilient municipal infrastructure and green financial instruments for private sector investments. The focus will mainly be on secondary and satellite cities, to foster a more balanced system of cities within the country.

3. The private sector development and youth employment sector-working group

Since 2020, the EU acts as co-chair of the Private Sector Development and Youth Employment (PSDYE) Sector Working Group, creating an opportunity to instil a new dynamic in public-private dialogue. The creation of the EBCR in 2020 has already opened avenues for further engagement between Government and the European private sector.

PROPOSED STRUCTURE OF THE NEW SSWG_s



4. European Investment Bank in Rwanda

The European Investment Bank (EIB) has been providing around RWF 80 billion to the local banking sector in the form of credit lines to boost credit to the private sector.

The EIB has also been providing direct credit and funding to the private sector for the last years, notably a EUR 9 million loan to Skoll Breweries to support a new packaging line and a EUR 15 million loan to Master Steel to increase the production of quality bars for infrastructure.

The EIB also provided a EUR 45 million sovereign loan to finance the Kigali Central Sewerage project (total cost EUR 96 million, co-funded by African Development Bank), a public sector project undertaken by the Government of Rwanda and the Water and Sanitation Corporation of Rwanda (WASAC).

Year	Amount	Support type
2019	RWF 30 billion	The EIB and Bank of Kigali announced a joint RWF 60 billion for the Rwandan private sector. EIB provided 30M euros credit line to Bank of Kigali, while the latter committed to add 30M euros from its own funds to increase this fund. In the framework of that cooperation, the two banks will co-fund agriculture, transport, education, health, manufacturing and tourism sectors.
2018	EUR 14 million	EIB provided a EUR 14 million credit line with the Development Bank of Rwanda and a USD 10 million lending programme managed locally by I&M Bank and accompanying technical assistance.
2016	EUR 28 million	EIB supported a new lending initiative by Bank of Kigali to back private sector investment across Rwanda. EIB provided EUR 28 million, alongside EUR 28 million being provided by Bank of Kigali.