



Partnership Ready Rwanda: Transport

Sector Overview

→ SETTING THE STAGE

Transportation moves people or goods from one place to another. Many scholarly texts highlight the close relation between trade and transportation, underlining that trade is a determining factor, if not the engine of transportation and logistics. Transportation directly benefits from an increase in trade and conversely, high transport costs hamper trade. A study by the World Bank shows, that a 10-percentage-point increase in transport costs is typically reducing trade volumes by approximately 20 percent. The availability and state of infrastructure such as road, rail or air, and a country's geography are cited as the strongest determinants for the costs of transportation.

Being landlocked is a geographical disadvantage leading to transport costs 50% higher and trade volumes 60% lower than in a comparable coastal economy. Scholars estimate, that being landlocked and having scarce natural resources – which is the case for Rwanda – cost an economy 1% of growth.

→ GEOGRAPHY

According to UNCTAD, Africa is the continent with the most landlocked developing countries and Rwanda is one of them. Rwanda located in Central Africa shares borders with the Democratic Republic of the Congo (DRC) in the West, Burundi in the South, Uganda in the North and Tanzania in the East. As of 2019 Rwanda has a population of some 12.4 million and covers a land area of 26,338 km².

Known as the land of the 'Thousand Hills', the topography of Rwanda and the steep, winding roads are a challenge for transportation. While a 400 km-long cross-border standard gauge railway is planned to link Kigali via Isaka with the port of Dar Es Salaam in Tanzania, currently all goods – if not imported or exported by air – are transported by road, either on the 1660 km of the Northern Corridor via Uganda and Nairobi to the port of Mombasa in Kenya or on the 1420 km of the Central Corridor to Dar Es Salaam.

To mitigate and overcome the country's geographical disadvantage the Government of Rwanda focusses on three topics: First, on improving the transport infrastructure and services, second on facilitating trade by attracting investment and fostering exports, and third on pushing for regional and continental integration.

Northern and Central Transport Corridors





Policy and Legislation

In July 2000, Rwanda adopted Vision 2020, outlining a long-term development path for the country. The vision states Rwanda's ambitions to become a middle-income country by 2020 in an equitable way and underlines the country's determination to be a well-governed, modern, strong and united nation, without discrimination between its citizens.

Vision 2020 states that agriculture can never be the sole engine of growth, and calls – as a pre-condition for the country's economic growth – for the diversification and liberalisation of the economy.

Rwanda substantiated and updated Vision 2020 in several sector plans, policies and strategy documents, with the most recent, the 2017-2024 National Strategy for Transformation (NST), aiming to accelerate the transformation and economic growth with the private sector at the helm.

→ TRANSPORTATION INFRASTRUCTURE AND SERVICES

The Government of Rwanda recognizes the transportation sector as one of the key drivers of growth. It collaborated closely with the African Development Bank (AfDB) publishing the 'Rwanda Transport Sector Review and Action Plan in 2013'.

Starting with an assessment of the Country's transportation sector, this comprehensive plan outlines opportunities and ways to mitigate challenges. It distinguishes between short and longer-term measures covering both the expansion of physical infrastructure and the development of the sector's structure, regulation, and institutional capacity. The plan concludes by identifying options for attracting private sector investments to help meeting the estimated USD 11,388 Mio needed for the investment programme proposed for 2013 – 2030.

The plan guided Rwanda in the preparation of the 2013 Economic Development and Poverty Reduction Strategy (EDPRS 2). Key priorities such as improving the riding quality and maintenance of the road network, efficient air transport infrastructure and the transformation of Rwanda into a regional freight logistics hub were substantiated.

With the overall goal of developing a modern, cost effective transportation infrastructure offering quality services on multimodal transport systems for passenger and goods, the Rwandan Transportation Development Agency (RTDA) plays an important role in realising proposed projects such as the 'Kigali Ring Road' and other

high-capacity urban roads in Kigali, the rehabilitation and upgrading of National Roads linking Rwanda with neighbouring countries and the improvement of District Roads. To enhance access to transportation in rural areas, various feeder road projects were realised with the support of the World Bank and the European Union.

As proposed in the action plan, the new Kigali Logistics Platform (see Box 1) and the Bugesera Airport – currently under construction – are rolled out as Private Public Partnerships (PPP).

End of November 2019 Tanzania and Rwanda completed the planning of the standard gauge railway from Isaka to Kigali via Rusumo and agreed on the financial split of the USD 3.6 billion investment needed. Currently the countries are looking for funding. No date for its implementation has been published yet.

→ TRADE

In line with Vision 2020 and the EDPRS, the Ministry of Trade and Industry published in 2010 the 'Rwanda Trade Policy' to harmonise and consolidate trade policy interventions. The document outlines the key objectives, the strategic initiatives and actions as well as the necessary investments into productive capacities.

The trade policy recommends the mobilization of investment for the establishment of selected export-oriented industries, actions to improve the climate for attracting investment into productive activities, building up capacities to meeting product standards as well as environmental norms. It also includes the objective of strengthening participation in international trade through seeking greater market access and entry opportunities, in Africa, the EU (under Economic Partnership Agreements), in Asia and in transition economies. It aims at building up and disseminating data and information on tariff and non-tariff measures affecting exports of Rwanda.





DP World Kigali – Kigali Logistics Platform

Lowering the costs of doing business is one of the main goals of the Rwandan Government. In 2016 DP World was granted a 25-year concession for their first inland dry port in East Africa located 20 km outside the Kigali City limits. Within two years and costs of USD 35 million DP World and the Government of Rwanda realised a state-of-the-art logistics hub called DP World Kigali or Kigali Logistics Platform (KLP). It was inaugurated in October 2019 by H.E. President Kagame and Sultan Ahmed Bin Sulayem, DP World Chairman and CEO.

The KLP is a secure, bonded facility spreading over 13.5 hectares and featuring an inland container terminal with modern warehousing capacity of 20,000 m², a container yard, break-bulk/bulk handling and storage facilities, space for stakeholders dealing with freight transport, truck parking areas and accompanying services such as customs inspections, tax payment, maintenance and repair, banking and information communication technology connections.

Customs officers at the seaports of Mombasa and Dar es Salaam seal incoming containers and label them with active RFID tags to allow real-time tracking of cargoes en route to Kigali for complete transparency and added security.

A dedicated customs team inside DP World Kigali handles final customs clearances. Imports from overseas can easily be routed through the KLP for onward distribution to the surrounding countries of Uganda, Tanzania, Burundi and the DRC, a growing region of over 40 million people.

DP World already expands the platform adding new cold storage warehouses and wants to offer packing and re-packing facilities in the future.

The logistics hub provides the following benefits to Rwanda's economy: Consolidation of import volumes, truck-turnaround times reduced from 10-14 days to just three days, a boost in the Rwandan trucking industry, efficient storage and distribution of products, improved services for manufacturers, and local employment for some 200 staff.

The single-window cargo management system and other investments in IT and automation will further increase efficiency and reduce costs. These savings may be passed down along the supply chain to further drive growth in the region.

The KLP has an annual capacity of 50,000 TEUs. When operating at full capacity, it has the potential to save Rwandan businesses up to USD 50 million a year in logistics costs.

Three years after the 'Rwanda Trade Policy', the Ministry of Trade and Industry published a study on the 'Development of Trade Logistics and Distribution Services' focussing on Rwanda's central location in the region. The study outlines strategies for four pillars: Consolidation of horticultural production for exports, regional logistics centres (see Box 1), land-bridge improvements and building the air cargo services market.

→ MADE IN RWANDA

Made in Rwanda was introduced as a campaign in 2015 promoting domestic consumption, increasing exports, and substituting imports to reduce the large trade deficit then standing at 1,236 Mio USD or 14 % of the GDP as a result of Rwanda importing three times as much as it was exporting.

In line with Rwanda's aspiration to become an upper middle-income country by 2035 and higher income one by 2050, the campaign evolved into the 'Made in Rwanda Policy' promoting Rwanda's local brands and products through concerted, sustained and well-focused efforts.

With the Made in Rwanda Policy the Government complemented the National Export Strategy by tackling fundamental supply-side constraints negatively impacting the ability of Rwandan firms to compete in domestic and international markets.

In 2009 the Government of Rwanda decided to establish the Kigali Special Economic Zone (KSEZ). Phase I of the KSEZ was inaugurated in 2013 some 10 km East of the city. Today it hosts some 75 companies on 98 hectares. One of them is Volkswagen who opened a factory mid-2018 to assemble cars for the local market (Polo, Tiguan, Teramont and others).

Phase II expands the KSEZ by 178 hectares. An additional 60 hectares of land have been earmarked for the Kigali Innovation City bringing together ICT firms with leading universities, such as the 'Carnegie Mellon University Africa' who just opened their new Campus adjacent to the KSEZ II.

The KSEZ and Made in Rwanda strategy are hailed to have contributed to lowering the trade deficit by the end of 2018 to 906 Mio USD or 9.5 % of the GDP.



To promote the Made in Rwanda Campaign, the Ministry of Trade and Industry and the Private Sector Federation (PSF) also launched the first Made in Rwanda Expo at the Gikondo Expo Grounds in Kigali in 2015. The annual Expo enables local businesses to showcase and to sell their products reaching from agriculture goods, processed food, clothing to hardware.

'As Rwandans, we need to consume what we produce and produce what we consume, and even go beyond that to export', the Chairman of the Private Sector Federation Rwanda stated when opening the first Expo.

The exhibition builds confidence in Rwandan products among buyers and helps to increase their market share. The number of exhibitors grew from an initial 251 in 2015 to some 450 in the Expo's fifth edition in 2019.

→ REGIONAL AND CONTINENTAL INTEGRATION

To foster trade and development, the Government of Rwanda is also very active in advocating and pushing for regional and continental integration (see box 2). Sufficiently familiar with the vision, policies and legislation relevant to the transportation sector, anyone ready to invest in Rwanda will appreciate the ease of setting up a business at the offices of Rwanda Development Board (RDB): This is possible in less than one day upon submitting all required documents.

Given Rwanda's business friendly environment, impressive rankings and warm welcome for investors, it is easy to forget, that like any other country, Rwanda needs to collect taxes and that the Rwanda Revenue Authority (RRA) is effective in doing so.

Actors

A wide range of actors are active in Rwanda's transportation and logistics sector: Development partners finance infrastructure projects, support research and the implementation of policies while training institutions offer courses, certificates and degrees. The Government's strategic investments increasingly attract investments by the private sector and set the stage for Public Private Partnerships.

→ DEVELOPMENT PARTNERS

Development partners complement Rwanda's ongoing efforts and investments in upgrading the road network and improving feeder roads connecting farmers to markets. Less obvious but at least equally important is the partners' role in authoring studies and compiling information to support trade and the export sector.

From Regional to Continental Integration

After a long, sometimes tumultuous history, the East African Community (EAC) today is a well-established intergovernmental organisation with six member states in the African Great Lakes Region. In Summer 2009, Rwanda and Burundi joined the incumbent members Kenya, Tanzania and Uganda, while South Sudan joined in 2016.

In 2010, the EAC launched a common market for goods, labour, and capital, applying a common external tariff (CET) for goods imported from third-party countries.

The current Chairman of the EAC is H.E. Paul Kagame, the President of the Republic of Rwanda, who also tirelessly rallied support for the Africa Continental Free Trade Area (AfCFTA).

Leveraging his position as the 2018 chairperson of the African Union, he invited the heads of states to Kigali: 44 of the 55 AU Members heeded his call and signed in March 2018 the AfCFTA agreement. By Summer 2019 the critical quorum of countries had ratified the agreement making it enter its operational phase.

Once fully implemented, the AfCFTA is expected to have combined consumer and business spending of USD 6.7 trillion and to literally boost the intra-African trade – from only 16% of Africa's total trade in 2016 – by some 15 to 25%, or USD 50 billion to USD 70 billion by 2040.



One case in point is the 'Export Handbook' commissioned by TradeMark East Africa (TMEA) – an organisation funded by a range of development agencies with the aim of growing prosperity in East Africa through trade.

Initially compiled by Laterite in 2014, information, requirements and procedures for exporting goods are in the meantime accessible online in the Rwanda Trade Portal which is also part of the EAC Regional Trade Information Portal.

→ TRAINING INSTITUTIONS

Recruiting and retaining skilled staff in Rwanda – not only in the field of transport and logistics – is not obvious. Companies are known to entice away the best from their competitors and then struggle to retain them: Investments in staff and on-the-job trainings to increase practical skills are paramount.

There are many international training and development providers offering classes and degrees in Logistics and Supply Chain Management 'in Kigali', which upon closer inspection are just online courses.

A few institutions however have a local presence too: One of them is Kepler, who offers 'blended learning and competency-based education' with a degree from the Southern New Hampshire University (USA), and the East African Freight Forwarders Association who offers through their national members the EACFFPC, a 'mandatory training program for Customs Agents in East Africa'.

→ GOVERNMENT

In 1969 – at a time when country had a population of 3.6 Mio and Kigali counted a mere 69,000 inhabitants – the Government of Rwanda created by Presidential decree the Magasins Généraux du Rwanda S.A. (MAGERWA) to facilitate customs controls, maximize receipts and offer warehousing services.

As MAGERWA gradually developed from the heavy handed and slow public enterprise handling the quasi total of all imports and exports, the government sold its shares in MAGERWA to an investor from Singapore who pledged to further revamp and modernize operations. With warehouses across the country, MAGERWA is a far cry from what is must have been throughout much of its history, but for many it is still the synonym for delays and inefficiencies experienced when importing or exporting goods.

In 2002 the Rwandan Government took over the former national carrier Air Rwanda run by the Uganda-based SA Alliance Air re-branding it first to Rwandair Express and after expanding to EAC destinations to RwandAir.

Currently RwandAir operates from Kigali International Airport flights to 29 destinations in East, Central, West and Southern Africa, Europe, the Middle East and Asia. RwandAir ordered several new long-distance aircrafts for the further expansion of its network, while the Government renovated and expanded Kigali International Airport. The construction of the new Bugesera International Airport 40 km south of Kigali has begun.

According to the International Air Traffic Transport Association (IATTA), Rwanda is amongst the 10 fastest growing world markets for air travel in Africa over the next 20 years.

RwandAir Cargo started operations in 2009 transporting goods between Rwanda and Europe. Under a recently started cooperation, Magma, a global air freight company will ship up to 25 metric tons every Friday to Liège (BEL) or Hahn (GER). The freight consists of horticulture products like French beans and avocado as well as flowers. Even though Rwandan exports have been efficiently transported by RwandAir, there was a need to increase the transport volumes as well as open new market destinations according to the National Agricultural Export Board (NAEB).

→ PRIVATE

The public transport of passengers is – according to the Summer 2019 statistics of the Rwanda Utility Regulation Authority (RURA) – ensured by 47 bus companies, 43 Taxi cooperatives, 71 Moto Taxi cooperatives (motorcycles used as taxi) and individual motorcyclists operating licensed fleets of almost 3,000 buses and minibuses, 1,050 Taxis and some 34,000 motorcycles.

Included in these numbers are the new, Made in Rwanda cars by Volkswagen, who entered the already highly competitive market for transporting passengers in late 2018, offering modern mobility solutions and planning to expand from the initial few to 250 cars.

On the freight side, Rwanda entertains a burgeoning scene of more than 200 clearing agents, forwarders and transporters, some of them local with a staff of just one or two – often women – and a few of them operating internationally with up to 100 employees in Rwanda. Organized in the Rwanda Freight Forwarders Association (RWAFFA), they met and exchanged with their international peers in Kigali where the Global Logistics Convention 2019 took place.



→ COSTS AND TAXATION

The cost of shipping a 20-foot container (TEU) of goods from Shanghai to Mombasa is somewhere between USD 500 and USD 1,000. To bring this container from Mombasa to Kigali the costs vary between USD 3,000 and USD 4,000. The same prices apply for shipments to and from Europe via Mombasa or Dar es Salaam.

Transport costs for air freight vary between USD 2 – USD 5 per kilo, depending on the season, the airline and the direction, with transports to Europe generally being cheaper. These numbers were confirmed by several logistics companies interviewed. According to them, the main cost factors are the long-distance road transport, waiting times at ports and borders, malfunctioning infrastructure as well as the clearing processes in Rwanda. Mainly the port of Dar es Salaam is seen as a big bottleneck, pushing some companies to use Mombasa despite it being further away. All the companies interviewed would greatly welcome a reduction of bureaucracy at customs to speed up procedures for exporting and importing of goods.

Rather than trying to be a tax-haven, Rwanda underlines the importance of taxation for development and is making good progress towards self-reliance, with the Ministry of Finance and Economic Development proudly reporting that 84% of the national budget 2018/19 is financed by domestic resources.

While tax-incentives are proposed to investors in some sectors Rwanda wants to see develop faster, it is not necessarily easy to have them explicitly and precisely confirmed in writing by the Rwanda Revenue Authority.

Most scholars understand Rwanda to be sufficiently attractive when it comes to the taxation of profits or income, but to have room for reducing business costs other than by lowering taxes for the ‘marginal investor’ seeking tax-holidays – room the Government does leverage:

- The Made in Rwanda policy uses the reduced EAC tariffs for raw and intermediate goods which were introduced to lower the costs for manufacturing and assembling goods in the member states.
- Strategic investments by the Government in key sectors and more recently Private Public Partnerships have attracted investments and competition from the private sector, bringing down prices and reducing turnaround times in transportation.
- Finally, investors profit from the Government’s sustained efforts in fighting corruption: Rwanda constantly ranks amongst the least corrupt countries in Sub-Saharan Africa, doing better than many European Countries.

Murakaza Neza – Welcome to Rwanda

The recent official opening of the Kigali Logistics Platform and the 5th edition of the Made in Rwanda Expo is testimony to the Government’s policies bearing fruit and the growing role the private sector plays in the country.

Rwanda reported for 2018 an economic growth of 6.1% at constant market prices and the volume of goods transported reached in the financial year 2017/18 a record of close to 3 Million tons: 2.3 Mio tons were imported at a value of 1,978 Mio USD, 0.34 Mio tons (829 Mio USD) were exported and 0.36 Mio tons (323 USD) were re-exported.

The five most important destinations for exports by value were Kenya, Switzerland, United Arab Emirates, Democratic Republic of the Congo (receiving 80% of Rwanda’s re-exports) and Singapore. The imports were coming from China, United Arab Emirates, India, Uganda and Kenya. The main products exported were Tea, Coffee, Coltan and Cassiterite. The tanker trucks slowing down traffic on Rwanda’s main roads are statistics made tangible: In 2017 Rwanda imported some 300,000 tonnes of fuel and lubricants, half of which was re-exported to neighbouring countries.

With the EU member states ranking in Rwanda’s export statistics between 8 (Belgium) and 18 (Italy), and for Rwandan imports between rank 8 (Germany) and 18 (Italy), one can’t fail to see that there must be untapped potential for European Businesses.





While Rwanda's growth rates are impressive, the economy as well as the transportation and logistics sector are still small in absolute terms with opportunities to go for, especially for those ready to invest the time it takes to build a sustainable business and develop one's own market.

Investors coming to Rwanda will find the brand-new Kigali Logistics Platform ready to do business with them, and well established national and international companies moving the bulk of goods or transporting passengers. Nobody however seems to have found an inclusive logistics solution for connecting to the world markets the larger part of the population living at locations with neither well known street addresses nor postal codes – be it for importing or exporting goods.

Though Rwanda became the first country to join Alibaba's eWTP initiative aiming to lower barriers for small and medium-sized enterprises to e-commerce and the International Trade Center pledging its support too, not all challenges are yet overcome: Rwandan businesses are still looking for commercially viable ways to export their products, and consumers wish for shorter delivery periods, lower costs and a larger choice of international e-commerce companies serving Rwanda.

Undoubtedly Rwanda's environment for business and trade is conducive. Regional and continental integration are well underway but to cite the theme of the 2019 Africa CEO Forum taking place in Kigali: We still have some way to go from continental treaties to business realities.

Protectionist trends and their possible impact on free-trade, the limited size of the land-locked Rwandan market, the absence of natural resources exploitable at scale and a workforce still growing skills-wise should remind investors not to throw all caution to the winds.

Never daunted by challenges, RDB markets the country as the natural hub between English and French-speaking Africa, between the East and the West, thus turning Rwanda's geographical disadvantage into an advantage. Investors buy into this understanding of Rwanda as is reflected in the statement of the CEO of DP World when launching the Kigali Logistics Platform: 'We see Rwanda as a gateway to the heart of Africa'.



Practical information and Sources:

- RDB (Rwanda Development Board: Starting a Business in Rwanda: www.businessprocedures.rdb.rw/
- RDB (Rwanda Development Board): Official Rwanda Export Website: www.rdb.rw/export/
- East African Community: Regional Trade Information Portal (including Rwanda): www.tradehelpdesk.eac.int/; (for Rwanda only: www.rwandatrade.rw)
- RWAFFA: Rwanda Freight Forwarders Association www.adrwanda.com
List of Members with emails and phone numbers → membership, or see: www.adrwanda.com
- East Africa Community: www.eac.int
- Rwanda Vision 2020, Republic of Rwanda, Ministry of Finance and Economic Development: www.repositories.lib.utexas.edu/bitstream/handle/2152/5071/4164.pdf?sequence=1
- National Strategy for Transformation (2017-2024), www.minecofin.gov.rw
- African Development Bank AfDB: Rwanda Transport Sector Review and Action Plan: www.afdb.org
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- Ministry of Trade and Industry www.minicom.gov.rw
- Tanzanian and Rwanda Governments: In Igehe www.en.igihe.com



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Economic growth creates jobs, improves people’s incomes, and promotes innovation. That is why the United Nations 2030 Agenda provides for the active involvement of the private sector in the implementation of the Sustainable Development Goals (SDGs). The Global Business Network (GBN) Programme encourages local and German companies to get involved in sustainable economic development in selected countries in Africa and Asia. Via Business & Cooperation Desks the GBN-Coordinators provide information, advice and guidance for businesses on existing support, financing and cooperation instruments of German development cooperation. The GBN-Coordinators work closely with the German Chamber of Commerce Abroad (AHK) regional offices. The GBN is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

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NEW MARKETS – NEW OPPORTUNITIES: RWANDA

In order to support the sustainable engagement of German companies in emerging and developing countries, Germany Trade & Invest (GTAI), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the German Chambers of Commerce Abroad (AHKs) as well as other partners combined their expertise in the publication series “New Markets – New Opportunities “.

The booklet shows companies the economic potential of future markets as well as the funding and consulting opportunities offered by the German development cooperation. “New Markets - New Opportunities: A Guide for German Companies” is supported by the Federal Ministry for Economic Cooperation and Development (BMZ). All issues are published on the websites of GTAI and GIZ. You can find selected issues, for example on Rwanda also at

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