

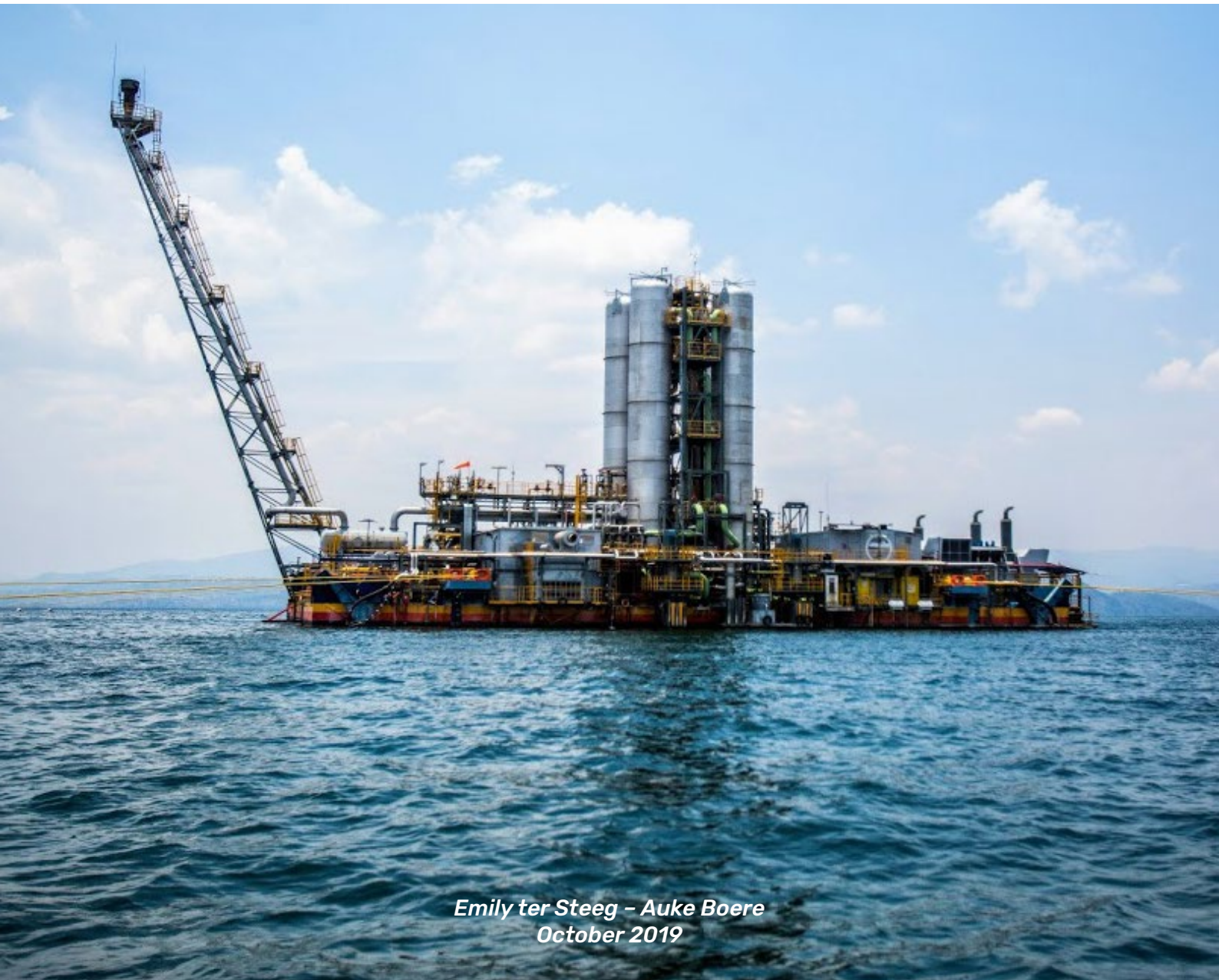


Kingdom of the Netherlands



INVESTING IN RWANDA – The Dutch Experience –

How to further strengthen the business climate in Rwanda



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based on interviews with Dutch Investors involved in various economic sectors in Rwanda April – September 2019*



This report seeks to celebrate the opportunities offered by the Rwandan business climate and government policies. Dutch businesses are generally positive about investing and doing business in Rwanda; in fact they are often eager to expand their operations. Nonetheless, this report will also offer some recommendations to mitigate challenges experienced by the Dutch business community in Rwanda. The identified issues are of a generic nature and hence, it seems likely that they are experienced by many foreign and local businesses.

Introduction

This report is based on the experiences of twenty-two Dutch businesses operating in Rwanda. Dutch entrepreneurs and investors were interviewed during the initiation phase of the TRAIDE Rwanda program running from April until September 2019. Rwanda is going through a phase of transition: the country is looking to develop equitable and sustainable economic relations with other countries. The trade-focused agenda of the Netherlands resonates the objectives of the Rwandan government. TRAIDE is the trade facilitation program of the Embassy of the Kingdom of the Netherlands in Kigali to support Rwanda's transition from aid to trade.

The key objectives of the TRAIDE program are to support Dutch companies in Rwanda and contribute to sustainable private sector development. Building on established ties, there is scope to further strengthen Rwandan–Dutch relations through a program that fuels economic cooperation. The mandate of TRAIDE is to support Dutch businesses currently operating in Rwanda. Moreover, the program seeks to attract new Dutch investors to Rwanda in various focus sectors such as horticulture, dairy, food processing, water and logistics. The Netherlands has strong expertise in these sectors, which can accelerate the development and modernization processes.



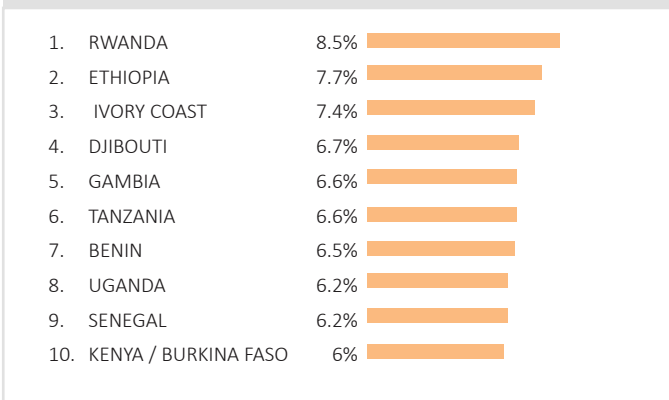
Context Rwanda

The growth rates of the Rwandan economy continue to be convincing. According to IMF estimates, the country’s economy experienced the highest GDP growth rate in Africa in 2018 (8.5%; Figure 1). The Rwandan government has strong vision and sets ambitious development objectives. Its economic drive has created an enabling environment for all types of businesses to flourish. Dutch businesses are content with strong, stable growth of the Rwandan economy. One interviewee reported that their revenue growth rates in Rwanda are equal to those in the larger neighbouring countries: *“Kigali is growing so fast, we cannot keep up.”*

The Rwandan government has assigned the private sector an important role in the realisation of the country’s development strategy. Many government policies and programmes are focused on private sector-led development to build a strong enabling business environment. The commitment to support the private sector is demonstrated by the 2015 Public-Private Partnership and Investment Promotion laws, Special Economic Zones and Export Facilities and the restructuring of the Rwanda Development Board (RDB). Recent changes in Rwanda’s educational policy are also clearly aimed at strengthening the private sector. President Kagame urged university graduates not to rely on the government to provide them with employment opportunities but rather on the private sector: *“Governments are only part of the equation. We cannot do it without the private sector.”*

The Netherlands Embassy fully supports these policies. The partnership between the Netherlands and Rwanda can be strengthened further through the shared objective of sustainable private sector development. TRAIDE was developed to enable the Embassy to also demonstrate its commitment as a partner of Rwanda. The Embassy will push to attract new Dutch investors and provide tailor-made support existing businesses. In the coming three years, the TRAIDE program team will seek to work closely with the Rwandan government to realise their shared objectives.

Figure 1. GDP GROWTH RATES IN SUB-SAHARAN AFRICA (%). Top 10 countries based on IMF World Economic Outlook 2018. Source: IMF World Economic Outlook



Dutch Businesses in Rwanda

Over the past years, Dutch investments in Rwanda have steadily increased. Nowadays, the Netherlands is one of the most prominent investors in the country. In terms of both invested capital and number of investments, the Netherlands is the fourth largest investor from the European Union (following the United Kingdom, Germany and Portugal). The large Dutch Multinationals such as Unilever, Heineken, DSM and KLM have been present in Rwanda for a longer period of time. Heineken (Bralirwa) already came to Rwanda in 1957. Market entries by Small and Medium-sized Enterprises (SMEs) from the Netherlands are a more recent phenomenon. Most interviewees started their business in Rwanda from the year 2010 and onwards. It seems like 2010 was a tipping point for Dutch investors to start seizing the opportunities offered by the favorable Rwandan conditions for foreign investments.

There is great diversity amongst the Dutch businesses operating in Rwanda in terms of size, sector and business models. Dutch businesses are active across a wide variety of sectors including agriculture (both crops and livestock), education, energy, finance, food & beverages, IT, textile & clothing and services (including tourism). The total number of Dutch businesses in Rwanda exceeds twenty. Most Dutch businesses in Rwanda are 'Small to Medium Enterprises' (SMEs) with less than 500 employees globally. Heineken (Bralirwa), DSM (Africa Improved Foods), KLM and Unilever are the large Dutch multinationals present in Rwanda. Bralirwa and Africa Improved Foods have a large number of local employees. Dutch SMEs in Rwanda support jobs for three up to fifty local employees.

Furthermore, the Dutch business community in Rwanda can be characterized by its social entrepreneurship. They have also contributed to import substitution and building the 'Made in Rwanda' brand. Some examples:



Afriek has been sourcing and making tailor-made kitenge fashion since 2013. The company exports clothes to the Netherlands, where they are sold in their boutique. Afriek clothes were worn by several Dutch celebrities on national television. Despite major setbacks, they have recently managed to open a new workshop in the Impact Hub. Their future plans are to increase local sourcing working with Rwandan raw materials. They want to start producing their own textiles.

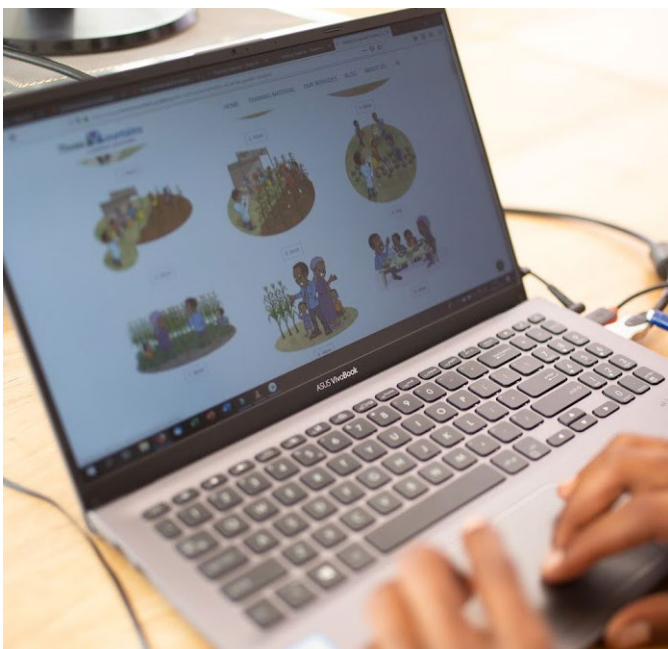




Holland Greentech offers an integrated approach of technology provision and skills generation for horticulture. The company was founded in 2012. Their work in the field through lead farmers has had a major positive impact on Rwandan agriculture and horticulture. Moreover, their office in Kigali has grown into a training centre and co-working space to realise knowledge transfers. The product portfolio covers all required inputs and technologies for emerging Rwanda farmers.



Pure Africa Coffee has been sourcing organic and fairtrade coffee from Rwanda since 2013. Since a few years they are directly sourcing the coffee from Rwandan cooperatives. They cut out all middlemen and traders to provide fair prices to coffee farmers. In addition to their coffee business, Pure Africa have set up a popular coffee roaster, restaurant and guest house in Kimihurura, Kigali.



Three Mountains has been active in Rwanda since 2015. The enterprise develops digital education and trainings for Rwandan schools and knowledge institutes. All materials are tailored to the Rwandan context. At the moment, they are mostly developing materials for donor programs. In the future, they very much hope to increasingly serve and work with the Rwandan education sector directly.



Holland Fair Foods is the company producing Winnaz potato crisps in its factory in Musanze since 2015. The local processing of potatoes was considered an opportunity to increase added value for all actors along the potato value chain. Holland Fair Foods is working with farmers to improve the processing quality of local potato production. Winnaz crisps are provided to passengers on all RwandAir flights.

Business-related Challenges

There is always room for improvement and hence, the sub-title of this report is “*how to further strengthen the business climate in Rwanda?*”. The Dutch business community was asked to share challenges they have faced running a business in Rwanda. Subsequently, commonalities were identified and discussed with the relevant government institutes, namely: Rwanda Development Board (RDB), Rwanda Revenue Authority (RRA), Rwanda Environmental Management Authority (REMA) and Rwanda Directorate General of immigration and Emigration (Immigration). Recommendations for the Rwandan government to further strengthen the business climate were formulated. Moreover, recommendations were also formulated for Dutch businesses to help them overcome challenges on their own. Hopefully, this report can help better prepare new businesses upon arrival in Rwanda. The examples provide insight into general obstacles affecting individual, foreign businesses. Moreover, it can serve as a starting point for future discussions and stimulate debate between stakeholders. These conversations can lead towards the fulfilment of a shared goal: foreign investors, with support from the Rwandan government, will be enabled to contribute to sustainable economic growth and prosperity in Rwanda.

1. RAISE AWARENESS REGARDING AFTERCARE PROVIDED BY RDB

All Dutch investors have expressed their praise for the RDB, which provides new entrants in the Rwandan business community with a soft landing. RDB is one of the main reasons why Rwanda obtained an excellent score in the Ease of Doing Business ranking of the World Bank: the highest score in continental Africa. Other African governments have witnessed the success of RDB, which has grown into an exemplary organisation. Nonetheless, the question should be asked: how can RDB, being an exemplary organisation, become even better at what it is doing?

The main point of improvement is raising awareness regarding services offered by the RDB aftercare department. A major finding is the difference between the experience of Dutch SMEs and larger companies. On the one hand, larger companies were very positive about the support provided. On the other hand, SMEs reported that, after successfully registering their business, they were more or less let go by RDB. In response, RDB reports that similar services are provided to small and large businesses alike. However, SMEs are sometimes unaware of support which can be provided at RDB.

The expansion of investments made by existing businesses in Rwanda can be equally beneficial in terms of economic growth as bringing in new investors. Therefore, strong aftercare by RDB is crucial. Business registration is a very basic procedure aimed to shrink the informal sector. By contrast, investment registration is a more elaborate process aimed to support entrepreneurs in realising their business plans. Businesses that ‘add-value’ (investors rather than traders or wholesalers) can apply for an Investor Certificate at the cost of 500 USD. The certificate will unlock services of the RDB One-Stop-Centre and results in the assignment of an account manager. When facing adversity, businesses can go back to RDB.

Recommendations for Government of Rwanda

The service experience of foreign investors at RDB can be improved through better access to online and offline information. RDB is working on a Frequently Asked Questions (F.A.Q.) document to better inform new businesses. The TRAIDE team is also working on RDB and RRA checklists for Dutch investors. RDB and the TRAIDE team could collaborate to evaluate and improve information provided on the RDB website. Businesses should especially be aware of the application procedure and benefits of an Investor Certificate. SMEs tend to think that the application process is complex, and that the certificate is intended for large businesses. On the contrary, RDB strongly believes all foreign investors can benefit from the certificate when facing challenges. Hence, it is important to clarify the purpose of the Investor Certificate.

Recommendations for Dutch businesses

After completion of business registration, businesses that ‘add-value’ (investors rather than traders) can apply for an Investor Certificate. Foreign investors will be operating in a foreign environment and hence, they will benefit particularly from services and support offered by RDB. Businesses are required to submit a business plan and pay an application fee of 500 USD. Prior to submitting an application, businesses are strongly advised to consult the RDB aftercare department on eligibility of their business as well as their business proposal. In this way, the number of ‘rejected’ applications can be minimised. Please note that the Investor Certificate will not result in ‘legal obligations’, but there may be consequences. For example, businesses have reported it was difficult to get an extension of one’s resident permit when certain objectives listed in the submitted business plan were not realised.

2. REDUCE FINANCIAL RISKS POSED BY RRA

Dutch businesses are very much willing to pay fair taxation in Rwanda supporting the government structures from which they derive many benefits. Some are top contributors for Rwandan tax revenues. Dutch businesses consider taxation rates in Rwanda to be relatively high and enforcement is strict in comparison to neighbouring countries. Simultaneously, businesses acknowledge that they save costs because they can run their business in a corruption-free environment with good infrastructure and stable water and electricity supply.

Predictability and stability are the most important. Businesses want to know what they have to pay and when they have to pay. Interviewees indicated to have trouble to fully understand the tax rules and logic of certain policies. For example, the Rwanda Revenue Authority (RRA) policy states audits are fixed by the law and cannot extend a period of 6 months. However, Dutch businesses claim they have experienced more lengthy audit procedures. Moreover, interviewees reported that these audits are initially conducted on the basis of randomised checks, but auditors can also proceed by checking

individual transactions. Moreover, interest paid on fines depends on the operational management of the RRA because rates accumulate from the moment of making a mistake/being negligent rather than the moment when the RRA fines a company. Consequently, the eventual interest rate paid by a company depends on the speed of working of the RRA staff. Risks are considerable as some audits can take a long time. The reduction of interest rates in September 2019 was greatly appreciated by the private sector.

Furthermore, some interviewed investors reported difficulties in the relationship or dealings with the RRA. Some disputes are the result of individual mistakes made by RRA service providers or entrepreneurs. Nonetheless, the number of incidents is considerable. Businesses also struggled to find competent accountants, who can assist them. Overall, it has led to a perception that the taxation is one of the highest risk factors of doing business in Rwanda.

Recommendations for Government of Rwanda

All businesses need to take responsibility when it comes to tax policies and reforms. Nonetheless, a solution can be sought to strengthen awareness regarding tax policies and, especially, reforms. If tax policies and reforms are clearly communicated and upheld, businesses know what to expect. Especially, unclarity with regard to tax auditing procedures needs to be addressed. For example, businesses should know the legally determined duration of an audit procedure and the RRA should stick to the procedural limit. Otherwise, businesses are unable to plan their time and resources accordingly to facilitate the auditors. Communication channels between RRA and businesses should be strengthened to reach this objective.

Furthermore, foreign businesses need to be aware of services offered by RRA. The new tax handbook on the RRA website is useful. Also, the RRA has a tax education centre where advice is offered. Moreover, RRA organises sessions to enable taxpayers to ask questions and provide feedback to improve its services. There are monthly meetings with the Private Sector Federation and American Chamber of Commerce. Perhaps such meetings can be organised for the European Business Chamber Rwanda. These private sector platforms can also be consulted by the Ministry of Finance and Economic Planning during discussions on policy reforms and how to realise smooth implementation.

Currently, one RRA staff member is present at RDB but this person is only able to provide information. It would be appreciated if the RRA staff at RDB can move beyond advisory services. Potentially, it would be also be useful to increase the number of RRA staff. For example, businesses would be able to get assistance from RRA staff to register online for Corporate Income Tax or PAYE (Pay As You Earn). They would be able to do this immediately after completion of business registration. Ideally, there would be a main RRA-branch at RDB.

Recommendations for Dutch businesses

Once a business is successfully registered at RDB, the owner will receive a Business Registration Certificate (BRC) with a Tax Identification Number (TIN). The TIN indicates that you have become a taxpayer with all relevant taxpayer obligations and rights. Some foreigners fail to realise their obligations vis-à-vis RRA, which arise automatically after business registration at RDB. Hence, prior to registration at RDB it is advisable to start educating oneself regarding tax policies in Rwanda.

The RRA explains that it has an automated system to select companies to be audited on the basis of risk assessment. High-risk companies are usually audited whilst low-risk companies are usually not audited. The assessment is carried out every year. Companies usually end up in the high-risk category because there are inconsistencies in their tax filings. Moreover, companies can also be selected on the basis of the sector in which they operate. Hospitality, construction and “independent professionals” such as individual lawyers and accountants are considered high-risk sectors. These companies will be subjected to auditing procedures more frequently.

Dutch businesses are very much encouraged to provide each other with recommendations with regard to qualified accountants. Moreover, they can visit the tax education centre located in the RRA headquarters. Also, they can read the tax handbook of RRA to educate themselves on tax policies in Rwanda. All foreign businesses are advised to consult an accountant early on to check whether they are paying the right type of taxes (Corporate Income Tax, VAT, PAYE, cleaning fees and trading license) and the right amount. Moreover, the accountant can assist them throughout the year to ensure they meet auditing requirements.

3. IMPLEMENT AMBITIOUS AND CONSIDERATE ENVIRONMENTAL POLICIES

In general, Dutch investors adhere to high environmental standards and pursue high-tech solutions. Guaranteed quality and standard compliance are two of the primary reasons why foreign countries want to work with Dutch companies. Contextualised examples of the Dutch quality standards can be provided by the strict security policies implemented at the plants of Africa Improved Foods and Bralirwa. Moreover, both companies recently switched from diesel to an LPG installation to power their plant in the absence of a legal obligation to do so. Most Dutch businesses do not face problems with strict environmental regulations because minimising environmental impact is an inherent part of the Dutch pursuit of quality.

Efforts of the Rwandan government to implement ambitious environmental policies are admirable. Nevertheless, a strict environmental policy can defeat its purpose when it leads to increased imports from neighbouring countries. One example is provided by the ban on plastic packaging material. International trade agreements do not allow for a barrier against all products with plastic packaging. Foreign producers who can use plastic will be at an advantage considering the high price of biodegradable plastic and improved shelf-life of food products wrapped in plastic. Some Dutch businesses were affected by competition of foreign producers importing products or sudden implementation of a strict environmental policy. REMA mentioned they are currently exploring options to levy tariffs on imported goods with plastic packaging.

Dutch companies were able to discuss their challenges with REMA. Constructive dialogues have resulted in exemptions from environmental measures. In the case of plastic packaging, REMA has granted exemptions because, at this point in time, there is no biodegradable substitute, which also guarantees food safety. Dutch businesses can apply for an exemption via the REMA website. REMA states exemptions are granted when no alternatives exist. Simultaneously, REMA is eager to work together with foreign and local innovative companies to introduce new green technologies.

Recommendations for Government of Rwanda

The Rwandan government is encouraged to implement ambitiously green policies. Additionally, policymakers are encouraged to discuss these policies proposals with local and foreign private sector actors prior to implementation. In this way, any negative impact can be minimised through constructive compromises. Also, policymakers should announce regulatory changes in a timely manner to enable the private sector to anticipate. It would be very much appreciated if the Rwandan government can continuously keep the business community in the loop when it comes to new proposals for environmental policies, and also about other plans or regulations that are planned.

Certain companies have been approached by REMA for individual consultation when new regulations would have a significant impact on their business. This approach is appreciated and recommended. Furthermore, REMA explained that it always consults the Private Sector Federation prior to implementation of new environmental policies. Some Dutch business reported they are not involved in nor invited by the Private Sector Federation to contribute. Perhaps REMA can aim for more extensive policy dialogue through the involvement of other private sector organisations. One example is the recently founded European Business Chamber Rwanda. Dutch businesses are familiar with environmental policies implemented in the European Union. Moreover, they are known to create high-tech and high-quality products providing potential innovative solutions, which they would be glad to contribute to in Rwandan context.

Recommendations for Dutch businesses

Dutch businesses are advised to consult REMA regarding the new policies and possible exemptions. REMA has shown to be very willing to discuss challenges faced by private sector actors. Through constructive dialogues, REMA and companies aim to reach compromises between green policies and commercial viability. For example, in the case of packaging, biodegradable plastics can sometimes not guarantee quality and/or food safety. In this case, businesses can make a strong case for an exemption and such exemptions have been granted to Dutch companies operating in Rwanda.

With regard to lobbying and advocacy, REMA encourages business to organise themselves through the Private Sector Federation. The Private Sector Federation is always consulted prior to the implementation of new environmental policies. Additionally, REMA strongly encourages sectoral collaboration. All businesses using the same type of plastic packaging are advised to organise themselves applying for exemptions together. Meanwhile, they should also demonstrate collaborative efforts taking responsibility for the waste streams they produce.

4. ALLOW FOREIGN BUSINESSES TO WORK IN CO-WORKING SPACES

Some Dutch entrepreneurs faced difficulties applying for a residence permit working from home or a co-working space. In the Netherlands, it is normal for independent entrepreneurs to work from home. Moreover, co-working spaces have become very popular thanks to the low costs. Hence, some were surprised to find out that acquiring a 'traditional office' is a requirement to apply for a resident permit providing a rental contract as proof. The immigration office will undertake a field visit to assess the office space. Co-working spaces (such as Westerwelle Startup Haus) are no longer considered legitimate 'office spaces' because too many businesses share the same space.

There are two main reasons why this requirement poses an obstacle for foreign SMEs, start-ups and individual entrepreneurs in particular. Firstly, foreign businesses can struggle to find an (affordable) office space. It always takes time to get to know a new city and find a suitable spot. Secondly, the requirement creates a financial risk for those businesses who do not have the stable income flows (yet) required to pay rent. New co-working spaces created around Kigali offered an affordable option. Unfortunately, these spaces have now been excluded.

Recommendations for Government of Rwanda

If Rwanda aims to attract 'modern' (tech or social) enterprises, it is important to take note of the global cultural shift toward new ways of working. Co-working spaces are a popular concept around the world. These spaces tend to grow into innovation hubs thanks to the presence of many different businesses. Hence, it is recommended to allow foreign businesses to work from co-working spaces. It is understandable that the assessment of a newly founded business is required. However, conditions of this assessment should not harm the enabling environment for businesses.

Recommendations for Dutch businesses

Dutch businesses are advised to apply for an Investor Certificate in which case RDB will provide support with the resident permit application procedure. The certificate demonstrates the legitimacy of their business, reducing the need of immigration officers to investigate the office space. RDB states that a strong case can be made for start-ups and in particular IT developers to operate from co-working spaces. Moreover, Dutch businesses should be aware that they might be able to request an initial resident permit for 3 months instead of 1–2 years allowing them to find an office space.

5. INTRODUCE A SIMPLIFIED PROCEDURE TO CLOSE A COMPANY

Whereas business registration procedures are easy and fast in Rwanda, it seems rather difficult to close a business. There are separate deregistration procedures for centralised taxes at RRA, decentralised taxes at RRA, social security at Rwanda Social Security Board (RSSB) and business registry at RDB. The procedure follows a strict sequence as tax clearance certificates as well as approval of deregistration of the decentralised and centralised RRA departments are required before RDB may unregister a business.

The procedure turns out to be rather difficult in practice. Some steps can be completed online but others require multiple visits to different offices. For example, deregistration approval for decentralised taxes requires two visits to the decentralised tax department to collect and file a form (not available online) plus one visit to the sector (Umurenge), a local government office. Efforts required to finalise deregistration can discourage businesses to close their company.

It is understood that the Rwandan government rather sees companies come than leave and the Dutch government shares this preference. Nonetheless, it would be beneficial for the Rwandan business climate to simplify the procedure to close a business. Simplification will encourage businesses to come to Rwanda, because it decreases their perceived risk of doing business. It can improve the quality of data regarding businesses in Rwanda and the quality of the business climate in general. A more straightforward procedure would likely reduce the number of 'ghost companies' (inactive businesses) that seem to be part of the RDB's registers.

Recommendations for Government of Rwanda

The RRA has informed us that the procedure to close (/deregister) a business is currently under review. RRA started the review after it had received feedback from several stakeholders that the procedure should be simplified to reduce time and effort required for businesses.

In about one month's time, the new procedure will be presented and, subsequently, implemented. The recommendations listed below might be taken into consideration during the review process.

The way forward would be to maximise centralisation of the deregistration process as well as online facilities to support deregistration. Ideally, once a business owner has obtained a tax clearance certificate, the entire procedure for closing a business can be completed at RDB; filing one application form which includes deregistration for centralised taxes, decentralised taxes and social security contributions. This recommendation is somewhat linked to the previous suggestion to open a main RRA branch at RDB requiring closer cooperation between RDB and RRA. Possibly, this deregistration application could be filed through the online system of RDB.

Furthermore, perhaps the requirement to visit the sector (Umurenge) for a signature of the sector executive can be lifted. Moreover, application for a tax clearance certificate is done simultaneously for centralised and decentralised taxes. Hence, it might also be possible to merge deregistration procedures for decentralised and centralised taxes. Separate deregistration at RSSB for social security is an offline process requiring two visits for filing the form and collecting the approval. This process could be supported by online facilities. There are several ways in which closing a business in Rwanda can become easier.

Recommendations for Dutch businesses

Deregistration of a business requires zero balance of all tax accounts and taxpayers need to be up to date with filing of tax returns. Dutch businesses are advised to visit (or have their accountant visit) the RRA headquarters where the centralised and decentralised tax departments are present. At the RRA office it is possible to check the status of a company's tax account and whether there are any tax arrears. If not, business deregistration can be completed relatively easily and partially through an online procedure. Please note that a business is strictly considered as deregistered after written confirmation of RRA as well as RDB to avoid penalties.



6. STIMULATE KNOWLEDGE TRANSFERS

Government policy determines that, in order to maximise local employment opportunities, all vacancies that can be filled by Rwandan nationals, should be. Consequently, businesses seeking to hire a foreign national need to prove that no Rwandan citizen is qualified to take on the position. Businesses need to do this on the basis of the so-called ‘Occupations in Demand List’ (ODL), updated on an annual basis. This list includes professions for which current supply of qualified candidates on the Rwandan labour market cannot meet demand. There is a special focus on senior positions trying to elevate the percentage of top-level positions filled by Rwandans.

Dutch businesses support the policy of the government of Rwanda, which seeks to maximise employment opportunities for Rwandan citizens. It is logical that employment creation in the formal sector, especially of high-skill jobs, is a key priority. At the same time, various businesses have struggled to find Rwandan nationals for specialist jobs. Nonetheless, these businesses also found it challenging to meet the ODL-linked burden of proof implemented by the immigration office when hiring a Dutch or foreign national. They struggled to prove that the respective position in this stage can be most effectively filled in by a Dutch or foreign professional.

In certain cases, the ODL might not recognise the highly complex nature of a specialist position and qualifications required. The categorisation of occupations oversimplifies matters. Valuable specialists can have valuable expertise thanks to diverse experiences across categories. Furthermore, the ODL might not capture the importance of company-specific experience. Multi-national Companies often wish to benefit from an international workforce sending employees to different countries. These employees have received extensive internal training and are familiar with the company culture.

Recommendations for Government of Rwanda

A degree of flexibility is recommended to allow for the recruitment of specialists. There are still instances in which the Rwandan labour market is not able to provide the right candidate for a specialised and/or senior position. It can hamper business results when extensive on-the-job training is needed. RDB could perhaps take on its usual role as mediator whenever immigration officers are inclined to block the recruitment of a foreign professional, which according to the investor is needed to complement their business.

Foreign expertise should lead to knowledge transfers and improved results in Rwanda, both for import substitution and export businesses. The added value of a foreign specialist can result in more employment opportunities as businesses grow. It should be noted that in the Netherlands, foreign nationals are also frequently hired when there is a lack of Dutch specialists and expertise. In these cases, companies in the Netherland happily tap into the comparative advantages of foreign labour markets.

Recommendations for Dutch businesses

The Directorate of Immigration reports that Dutch businesses with an Investor Certificate are eligible to apply for three resident permits for foreign employees. However, a successful application for the Investor Certificate itself does not guarantee one will be able to obtain the permits. Immigration will likely check whether (part of) the promised investment has actually been made before approving the desired resident permits. Therefore, difficulties can remain as long as companies are still setting up shop.

In case Dutch investors wish to hire more than three foreign employees, they face the usual ODL-linked burden of proof showing a qualified candidate cannot be found in Rwanda. Businesses are recommended to check the ODL and formulate vacancies very precisely outlining required qualifications and experience. Generic vacancies will make it very difficult to prove there are no eligible Rwandan candidates. Moreover, they can discuss their prospective candidate with the RDB aftercare department to build their argument vis-à-vis the immigration department.



Conclusion

The general perspective of the Dutch private sector on the Rwandan investment climate is positive. The Dutch investment portfolio has diversified in recent years from agriculture, food and beverage processing towards a diversified portfolio including energy, services, tourism, clothing and IT. The expansion and widening of the Dutch investment portfolio is likely to continue in the years to come. All interviewees would recommend other Dutch entrepreneurs or investors to come to Rwanda. Many interviewees are considering expanding their businesses or starting a new enterprise. The confident attitude is based on the ambitious economic policies of the Rwandan government and positive economic outlooks.

Six recommendations were formulated on the basis of the Dutch investment experience:

- 1. Raise awareness regarding aftercare provided by RDB** and improve access to information of foreign investors increasing the number of registered investments;
- 2. Reduce the risks of tax disputes** by providing clarity and predictability, improving operational management at RRA;
- 3. Continue to implement ambitious green policies** and include local and foreign private sector actors in the policy debates early on to minimise negative impact on their businesses;
- 4. Promote co-working spaces as innovation hubs** and show how Rwanda is embracing new ways of working;
- 5. Introduce a simplified procedure to close a company at RDB** to further improve the ease of doing business and quality of data regarding the Rwandan business climate;
- 6. Stimulate knowledge transfers** and prevent local employment promotion from hampering growth by welcoming foreign expertise and specialists.

The Dutch business community wants to express its appreciation for the support provided by the Rwandan authorities. The authors of this report want to thank the Dutch business community for being willing to share their experiences, opinions and concerns. The TRAIDE program team is highly motivated to try to further strengthen the business climate in Rwanda. Also, it is grateful for the collaborative relationship they are continuing to build with the Rwandan authorities.



TRAIDE