

Prospects for Prosperity
RWANDA AND THE ENTREPRENEURIAL SOCIETY

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INTRODUCTION

Upon first examination, Rwanda does not seem an ideal place for business investment and development. It is a landlocked country, often described as the “land of a thousand hills,” surrounded by neighbors at varying stages of socioeconomic progress and stagnation. Because of the underdeveloped transportation infrastructure and a lack of access to ports, doing business in Rwanda carries a remarkable cost. Its tragic experiences of genocide and civil war have had devastating consequences. Despite these setbacks, it has emerged in the past several years as a beacon of investment opportunity. The reason American investors and businesses would want to take a chance on Rwanda is the subject of this paper.

Rwanda’s challenges are not small or easily surmountable. There is an automatic \$160 tax per ton on goods shipped via road in and out of the small nation as a result of the deficient state of transportation infrastructure.¹ In addition, there is a remarkably weak distribution of communications infrastructure. As recent as 2001, only 3 out of every 1,000 people in Rwanda had access to phone lines, and 8 out of every 1,000 people had mobile phone subscriptions.² Additionally, 90 percent of the population makes a living from farming, most of which is very small-scale – even subsistence level – and forms the basis of the high number of micro and small enterprises at the root of Rwanda’s fledgling economy. These disadvantages, of course, are only part of the story. Rwanda still suffers from the effects of the horrific genocide the country experienced only 15 years ago. In addition to the unfathomable psychological and emotional scars that such an event produces, it also significantly reduced the pool of talented workers and educators in the country as they were either killed or fled. The nation lost 10 percent of its total population during the conflict, equivalent to the United States losing 30 million people.

However, Rwanda has experienced 6.4 percent average growth in GDP between 1996 and 2006.³ It has seen an increase in foreign direct investment in the past several years, with \$467 million in registered, planned investment across several sectors of the society in 2005, up from \$232 million in 2004.⁴ Furthermore, in each of the interviews conducted for this report and according to accounts by additional thoughtful observers, Rwanda is heralded as a country where anti-corruption efforts, security and accountability are consistently at the forefront of the government’s attention.⁵ Why, given the barriers to investing or conducting business in

¹ United Nations and the International Chamber of Commerce, *An Investment Guide to Rwanda: Opportunities and Conditions*, October 2006, pg. 19.

² World Resource Institute, *Environmental Institutions and Governance Report- - Rwanda*, 2003, pg. 2, available at http://earthtrends.wri.org/pdf_library/country_profiles/env_cou_646.pdf.

³ World Bank, *Rwanda at a Glance*, September 28, 2007, pg. 2, available at http://devdata.worldbank.org/AAG/rwa_aag.pdf.

⁴ *An Investment Guide to Rwanda: Opportunities and Conditions*, pg. 15.

⁵ *An Investment Guide to Rwanda: Opportunities and Conditions*, pg. iii, 55.

Rwanda, is the country showing such clear signs of progress? What does that progress mean for its prospects of attracting business investment from the United States?

In an effort to answer that question, we conducted interviews with individuals both in Rwanda and the United States in both the private and public sectors, and we researched available literature and data related to the subject.

BACKGROUND

Rwanda, heralded as the “land of a thousand hills,” has a deep social history tied to its landscape. The hills led colonial powers to avoid the country and its lack of readily accessible natural resources for many years, but their eventual presence and the subsequent struggle after their departure has led to decades of turbulence for Rwandans. The indigenous population consists of three ethnic groups: the Hutus, Tutsis and Twa. Eighty-five percent of the population is Hutu, traditionally farmers; 14 percent of the population is Tutsi, traditionally pastoral people; and 1 percent is Twa, thought to be the earliest settlers.

History

Germany colonized and controlled Rwanda from 1894 to 1920, the end of World War I, when Belgium assumed control and ruled through Rwandan independence in 1961. Though the Tutsis had a long established monarchy prior to colonial influence, Belgian reforms led to a Hutu revolt, backed by the Belgian military, in 1959 to overthrow this monarchy and establish their own. As Rwanda gained independence and navigated post-colonial rule, Hutus remained in power. This tension led 160,000 Tutsis to flee the country in 1960, and though Rwanda held elections in the years to follow, the government was viewed as promoting a Hutu-supremacist ideology.

Ultimately, a new wave of ethnic tensions was unleashed in 1990. Causes included a weak economy and food shortages, pressure for democratic reform by France, and demands by exiled Tutsis to be recognized as Rwandans with the right to return their homeland. The Rwandan exiles banded together as the Rwandan Patriotic Front (RPF) and proved unwilling to wait for the Rwandan government, led by President Juvenal Habyarimana, to come through on its promises.

On October 1, 1990, the RPF invaded Rwanda from their base in neighboring Uganda. The rebel force, composed primarily of ethnic Tutsis, was reacting to the government’s inability to establish a democracy and to bring attention to the grievances some 500,000 Tutsi refugees living in diasporas around the world. Though the Tutsi objective was to pressure the Rwandan government into making concessions, the invasion was seen as an attempt to bring the Tutsi ethnic group back into power. This perception severely heightened ethnic tensions.

On April 6, 1994, an airplane carrying President Habyarimana and Cyprien Ntaryamira, the President of Burundi, was shot down as it prepared to land in Kigali. Both presidents were killed in the crash. Military and militia groups began rounding up and killing all Tutsis, as well as

politically moderate Hutus irrespective of their ethnic backgrounds. The killing quickly spread from Kigali to the countryside. Between April 6 and the beginning of July, an unprecedented genocide officially left 937,000 Tutsis and moderate Hutus dead. President Habyarimana's MRND Party was implicated in fomenting the genocide, including calling citizens to kill their neighbors. The RPF responded to the conflict with renewed focus on defeating the Hutu government. The RPF leader, Paul Kagame, ordered his forces from neighboring countries to invade the country and battle the Hutu forces and Interahamwe militias that were leading the genocide.

Tutsi rebels took Kigali on July 4, 1994 defeating the Hutu regime and ending the genocide, but approximately two million Hutu refugees - many who participated in the genocide and feared retribution - fled to neighboring countries, Burundi, Tanzania, Uganda, and Zaire. In the following years huge waves of refugees returning to Rwanda, leaving less than 100,000 Rwandans still thought to be outside of Rwanda. At the same time, the RPF established a coalition government called "The Broad Based Government of National Unity." By May 2003, Rwanda was poised to adopt a constitution and presidential elections followed in September. In that election, Paul Kagame was elected to a seven-year term as President.

Economy and Rebuilding

Rwanda is the densest country in sub-Saharan Africa, with nearly 350 people per square kilometer and a population growth rate of 2.3 percent. The Rwandan economy has traditionally rested on small, fragmented farms that rely on rain-fed agricultural products. The GDP in 2007 was \$2.6 billion, with agriculture representing 36 percent of that figure. GDP growth has been steadily upward in recent years, with particular focus being paid to improve the production and export of specialty coffee, tea, and a variety of crops. However, per capita income is \$260 in the small nation, and 60 percent of Rwandans live in poverty.

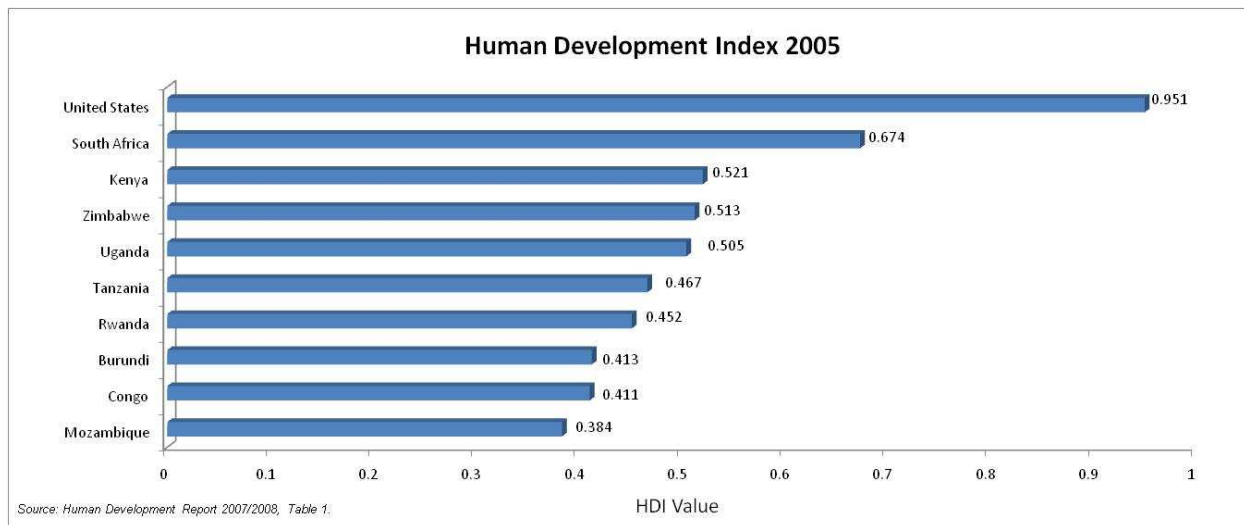
The genocide had an undeniably devastating effect on the economy with a steady GDP decline in the early 1990s, culminating in a 40 percent decline in 1994 alone. In addition, the atrocities of the genocide deeply hurt the nation's overall human capital supply by eliminating professionals and skilled workers in large numbers.⁶ Because the immediate response of the international community led to more than \$307 million in aid following the genocide, direct relief and later reconstruction efforts were significant. The international effort spurred steady recovery, and annual foreign aid continues at a level of approximately \$500 million. USAID has contributed approximately \$33 million annually for the past few years and is projected to raise its level of aid to \$41 million in fiscal year 2009 to promote economic opportunity, food assistance, and public health initiatives such as preventing and treating malaria. In addition, private investment is aided by an open trade policy and widely recognized focus of the government on safety and anti-corruption. President Kagame and his administration have been consistently focused upon free enterprise and ensuring they are focused on the reforms that will promote a safe country for investment and government oversight that is free from corruption.

⁶ International Chamber of Commerce and United Nations, *An Investment Guide to Rwanda – Opportunities and Conditions* (October 2006), pg. 2..

RWANDA IN PERSPECTIVE

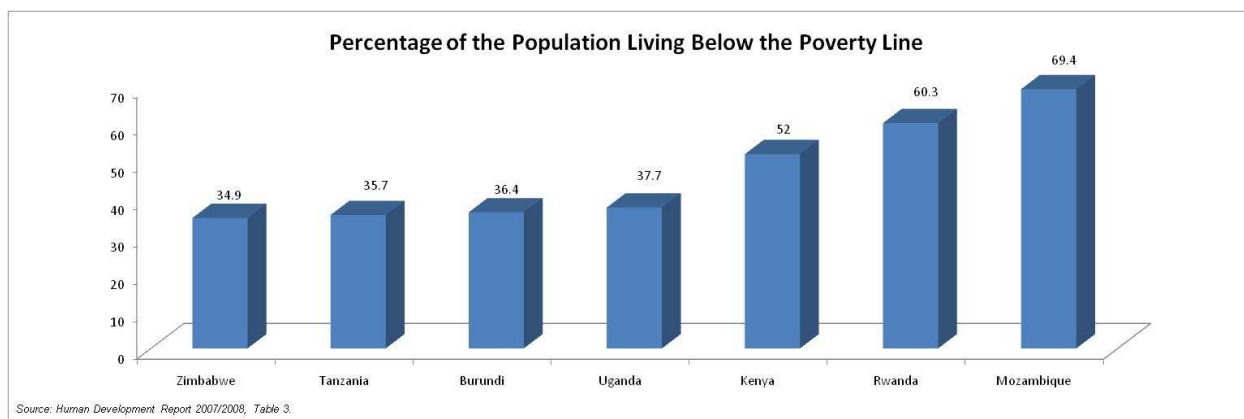
When viewing Rwanda in the context of its African peers, the small nation often falls midway between extremes on a range of indicators. It is still a poor and troubled nation, though other African nations fare worse. This, of course, must be put in the context of Africa, where that which constitutes success would be viewed much less favorably elsewhere in the world.

The overall Human Development Index (HDI), which measures a variety of factors from per capita GDP to life expectancy to school enrollment, shows Rwanda as a nation with a long way to go, and yet not as a nation with the most need. Compared to its fellow East African Community countries – Kenya, Uganda, Tanzania, and Burundi – Rwanda fares similarly.⁷

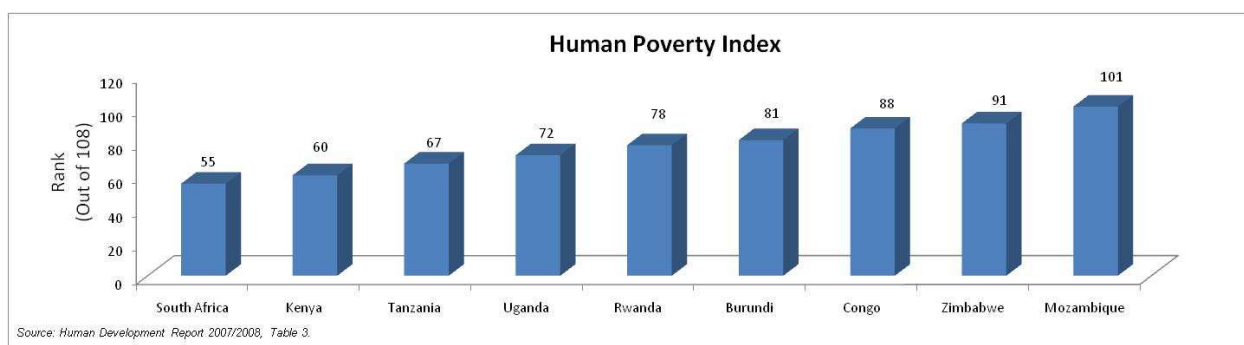


Nonetheless, Rwanda is still a very poor country with more than 60 percent of its population living in poverty.

⁷ Like most indices, the HDI has been criticized for its methodology and weighting framework. Nevertheless, it provides a useful lens for viewing Rwanda in context.



Viewed through the lens of the Human Poverty Index, Rwanda trails its fellow East African Community nations, except Burundi. Out of 108 countries listed in the index, Rwanda ranks 78.

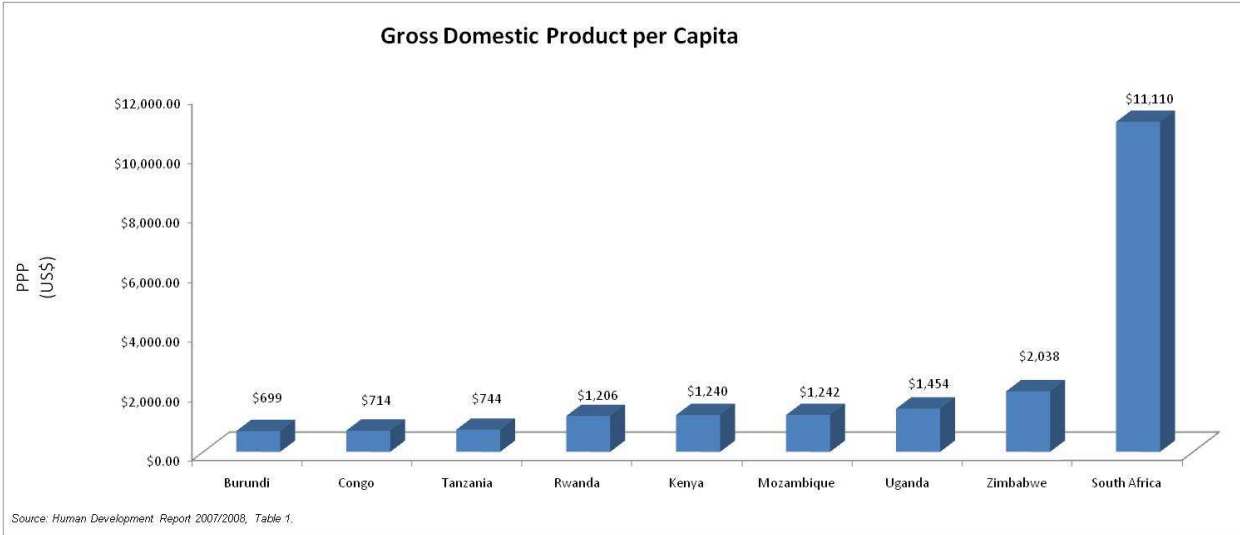


The most hopeful signs among the indicators for Rwanda is its rate of economic growth. The nation's leaders and investors have reason to be optimistic given how the nation fares compared to its peers. Viewed regionally, Rwanda's rates of growth and per capita GDP are highly competitive, which is made all the more remarkable given the setbacks it suffered in the early 1990s as a result of the conflict.

Country	GNI (Atlas method)		GDP											
	Per Capita (2006, US\$)	Total (2006, US\$ billions)	US\$ billions				Average Annual Growth				Per Capita			
			1986	1996	2005	2006	1986-1996	1996-2006	2005	2006	1986-1996	1996-2006	2005	2006
Burundi	100	0.78	1.2	0.87	0.8	0.9	-0.3	1.6	0.9	5.1	-2.3	-0.7	-2.7	1.3
Kenya	580	20.4	7.2	12	19.2	21.2	2.8	2.8	5.8	5.7	-0.4	0.6	3.4	3.1
Rwanda	250	2.3	1.9	1.4	2.1	2.5	-5.1	6.4	6	5.3	-2.9	1.5	4.2	2.9
Tanzania	340	13.4		6.5	12.6	12.8	2.6	5.6	6.8	5.9	-0.6	3	4.1	3.3
Uganda	300	9	3.9	6	8.7	9.3	6.7	5.7	6.6	5.3	3.1	2.3	2.9	1.5
Congo	130	7.7	8.1	5.8	7.1	8.5	-5.7	0.5	6.5	5.1	-8.8	-2	3.3	1.9

Source: World Bank "at-a-glance" reports for Burundi, Kenya, Rwanda, Tanzania, Uganda and the DRC.

Compared to other African nations, its purchasing power parity GDP per capita of \$1,206 shows a country in a great deal of need but relatively on par with its peers.



In Rwanda's case the large variety of indicators used to assess its overall condition are a proximate, but inadequate, measure of the nation's current status. A longer list of tables and charts can be found in Appendix A. They show a nation facing steep odds, and yet a nation that is also growing in the right direction. The overall picture of the nation becomes more intriguing, and more hopeful, the more one looks, first, at what is happening in individual sectors of the economy, and secondly, what interviews with individuals closely involved in the nation's investment arena reveal about the pace of change.

PRIVATE INVESTMENT AND FOREIGN BUSINESS INVOLVEMENT IN RWANDA

The current level of private foreign investment and business involvement in Rwanda indicates significant international interest in the small nation's economic potential. Much of that potential is at the heart of Kagame's Vision 2020, a strategic framework for Rwanda's progress as a society. The framework centers on government efficiency and development of human resources; infrastructure and the private sector; and entrepreneurship and modernization. Rwanda's aim with Vision 2020 is to reduce poverty and increase per capita GDP from \$250 to \$900 by the year 2020. To support these efforts, the Rwanda Investment and Export Promotion Agency (RIEPA) was created to promote and facilitate investment in Rwanda. RIEPA has enabled Rwanda to coordinate its trade and foreign direct investment activity more centrally and effectively. The most strategically important sectors currently attracting foreign investments are (1) agriculture, (2) tourism, (3) infrastructure and energy, (4) education, research and ICT, and (5) manufacturing.

While Rwanda has enjoyed a growing level of interest from international investors, the amount of investment by U.S. businesses is small. As a result, it is nearly impossible to assess American investment in Rwanda in any systematic way. Current U.S. investment interests are significant, however, in terms of the companies involved, which creates additional interesting opportunities for both business and social entrepreneurs.

Agriculture

Agriculture is the largest portion of Rwanda's economy. Although 90 percent of Rwanda's workforce engaged in agriculture, it accounts for nearly 40 percent of GDP. The largest segment of the sector is the coffee and tea industry, which account for approximately half of Rwanda's total export revenue (\$75 million). These crops flourish in the nation's mild climate. Coffee and tea growing and processing opportunities have attracted investments from private industry based in the United States, United Kingdom, and others. Starbucks, the U.S.-based coffee industry giant, has marketed and sold an exclusive whole bean coffee in the U.S. in 2007, and began selling it in Europe in the second quarter of 2008.⁸ Additionally, sugarcane and tobacco growing and processing have attracted investment from countries such as France and Belgium. Kibuye Sugar Works, a subsidiary of a company based in the U.K., has invested in sugar cultivation and manufacturing to satisfy Rwanda's growing demand for processed sugar, simultaneously fulfilling an internal need and reducing reliance on foreign imports.⁹ A Canadian business has even invested in corn, though this sector of the economy is small. Other agricultural products include bananas, sorghum, and potatoes. Despite the current prominent position of the agricultural sector in Rwanda's economy, the nation's leaders are taking steps to

⁸ Marcy Nicholson, *Starbucks to Sell Exclusive Rwanda Coffee in Europe*, Reuters (March 8, 2008), available at <http://in.reuters.com/article/asiaCompanyAndMarkets/idINN0733086020080307>.

⁹ Ethical-Sugar, citing *The New Times* (Kigali – March 18, 2008), available at <http://www.sucree-ethique.org/Rwanda-Madhvani-to-Make-Country>.

move beyond their agrarian past and placing a greater emphasis on the more progressive sectors detailed below.

Infrastructure and Energy

As a developing nation with no direct port access, it is imperative that Rwanda encourage private investment in infrastructure. Rwanda's 2008 budget indicates that "insufficient infrastructure including roads, electricity and water used as industrial inputs" are the biggest hurdles to Rwanda's economic prosperity and developmental advancement.¹⁰ The budget details an increasing commitment to development in this area, from 26 percent in 2003 to 38 percent in 2008.¹¹ The increase in funding to infrastructure-related works signifies an awareness among Rwanda's leadership of the importance of this area to the nation's future.

The European Union has been working closely with the Government of Rwanda to address the current infrastructure issues. On January 21, 2008, the Delegation of the European Commission in Kigali, Rwanda announced a contribution of 5.5 billion Rwanda francs (RWF) to provide water supply facilities for approximately 200,000 people and sanitation facilities for an additional 8,400.¹² The next day, the Delegation announced a joint project between the Government of Rwanda and the European Union to "provide electricity to rural institutions, such as health centers and school, and villages throughout the country."¹³ This 14 billion RWF project is being made possible by a 10 million Euro grant by the European Union.

There have been foreign investors from countries such as Belgium, Germany, and Uganda in general construction, and a Chinese firm engaged in road construction and cement production. In addition to construction, telecommunication opportunities have attracted investment from entities based in South Africa and the United States. Other investments include signage from Belgium along the country's roadways and surveying and pump services from Kenya.

Among the most critical infrastructure issues for future investment is the development of a key railway. Because of its landlocked nature and the subsequent high cost of transporting goods, currently proposed routes that would link Kigali with ports in Tanzania and Kenya will be crucial to Rwanda's ability to attract for foreign direct investment. The American company, BNSF Railway company is leading an effort on this front. This year, Rwanda's President

¹⁰ Rwanda Ministry of Economics and Finance, *Commentary on the 2008 Budget*, pg. 2, available at http://www.minecofin.gov.rw/en/inno-download_file.php?fileId=146.

¹¹ *Id.*

¹² European Union, Delegation of the European Commission, *Press Release*, Kigali, January 21, 2008, available at http://www.minecofin.gov.rw/en/inno-download_file.php?fileId=103&PHPSESSID=eb3d98fd77cc80021e3db171de87d26c.

¹³ European Union, Delegation of the European Commission, *Press Release*, Kigali, January 21, 2008, available at http://www.minecofin.gov.rw/en/inno-download_file.php?fileId=104&PHPSESSID=eb3d98fd77cc80021e3db171de87d26c.

announced plans for Burlington Northern Santa Fe to build a railway that would link Kigali to Isaka, Tanzania. There has been speculation an extension of this railway would go to Burundi.¹⁴

Along with infrastructure, energy is a continually important issue – and problem – for Rwanda. In light of the past events and present growth, there is a shortage of energy, particularly electricity. This is a central focus for the country, as access to electricity has been cited by foreign investors as one of the major hurdles to investment in Rwanda. At present, there is significant investment from private companies in petroleum, with investors coming from France, Kenya, Netherlands, and United Kingdom.

Tourism

Tourism has been identified by the UN and ICC as one of the most promising investment opportunities in Rwanda.¹⁵ In 2005, tourism revenue reached an all time high of \$26 million USD, and the government set a goal of \$100 million annual tourism receipts by 2010.¹⁶ According to the Rwanda Office of Tourism and National Parks, tourism brought in \$42.3 million last year, and projected revenue for 2008 is \$68 million.¹⁷

In addition to the existing international investments, there are more foreign companies investing in the tourism industry in Rwanda. Dubai World Africa, subsidiary of the prominent hospitality corporation Dubai World, has planned investments of \$250 million dollars.¹⁸ Plans include developing five properties as part of a “tourism master plan” with the government of Rwanda.¹⁹ Furthermore, Industrial and General Insurance, a large Nigerian insurance agency with substantial investments in Rwanda and throughout the EAC, recently committed \$10 million to develop a 5 star hotel in Kigali.²⁰ Additionally, development organizations such as the Aga Khan Fund for Economic Development have invested in the tourism industry in Rwanda.

¹⁴ http://www.rmtbristol.org.uk/2006/01/tanzania_burundi_joins_kigalid.html

¹⁵ *An Investment Guide to Rwanda: Opportunities and Conditions*, pg. 27.

¹⁶ *Id.*

¹⁷ James Munyaneza, *Rwanda Tops Again*, March 6, 2008, available at http://www.rwandatourism.com/ITB_news2008.htm.

¹⁸ AME Info, *Dubai World sheds light on its hotel investment in Africa*, May 4, 2008, available at <http://www.ameinfo.com/155385.html>.

¹⁹ *Id.*

²⁰ The Afro-American Newspaper, *Nigerian Firm to Invest \$10 million in Rwandan Hotel*, May 29, 2008, available at <http://beta.afro.com/tabid/456/itemid/967/Nigerian-Firm-to-Invest-10-Million-in-Rwandan-Hot.aspx>.

Education, Research, and ICT

Rwanda is encouraging the international community to contribute to their effort to capitalize on their human resources. In the effort to progress from an agricultural society to a goods and services economy, Rwanda is soliciting professionals to participate in education, research, and ICT ventures. Currently, several large international auditing and consulting firms have invested in operations in Rwanda via Kenya. Also, they have attracted information and technology businesses from India and Sri Lanka. There has also been Kenyan investment in pharmaceuticals in Rwanda. In order to fully take advantage of its labor force, Rwanda has expressed a need for experienced professionals to train its people.

Manufacturing and Mining

The manufacturing sector has attracted a wide variety of foreign investors. Businesses involved with plastics and plastic goods have been invested in by organizations based in India, Oman, and Tanzania. Indian investors are also active in aluminum and steel fabrication and production of baby oil, toiletries, and sanitary and household products. A business based in the Netherlands has invested in a Rwandan brewery. Notably, a Burundi business has invested in motor vehicle assembly. Companies from the Netherlands and United Kingdom have invested in businesses manufacturing matchboxes and textiles, respectively. Similarly, businesses based in Germany and South Africa are engaged in mining operations in Rwanda.

The amount of foreign direct investment and related activity is an encouraging sign that the world is finding Rwanda a good place to do business. However, the activity currently looks like a good number of discrete projects rather than a “wave” of investment. Much of it is staked on potential, not upon the kinds of demonstrated returns in sectors that would give investors a high degree of confidence. The next 5 to 10 years are therefore critical for Rwanda, as they will show whether or not a “wave” can actually be generated from all of the current positive activity.

FINDINGS FROM THE INTERVIEWS

Rwanda is a paradox. On the one hand, it is a land of great promise and hope, which is expressed among those who are at work in one way or another in the country, and on the other hand, it is a land beset with numerous and weighty challenges. It suffers under widespread poverty and the effects of one of the twentieth century's most devastating mass killings.

While it is an unlikely candidate for progress, Rwanda is nonetheless showing signs of remarkable promise. That promise is grounded in its commitment to good governance and anti-corruption policies at the level of government. It is also rooted in a shared cultural mindset marked by a desire for independence and an ability to look forward, rather than backward, as a kind of therapeutic national commitment to the future.

Our interviews and related research revealed four main factors on which most people's hope for Rwanda is based. In addition, we identified three related factors that we believe are important to the engagement of American investors, businesses, and services in Rwanda at this stage of its development.

Factors Contributing to Rwanda's Promise

Despite very large persistent problems, Rwanda is a growing place of interest to outside investors for four main reasons.

Progress in East Africa

Paul Collier, in his breakthrough book, *The Bottom Billion*, identifies bad neighboring as one of the four "traps" in which poor countries get stuck. While Rwanda has been inhibited by tough neighbors, it has also benefited from the converse of Collier's thesis: some of its fellow East African nations have progress toward more market-based reforms and created an environment – however feeble – of possibility in the region. Kenya, Tanzania, and Uganda, as the founding East African Community (EAC) countries, have been creating an environment in eastern Africa that, arguably, has created a basic framework that helps Rwanda. They all began privatizing government industries between 1991-1993 and began experiencing significant GDP growth a half decade thereafter as they undertook additional reforms.

Prior to the genocide, Rwanda was enjoying a GDP that outpaced these neighbors. During and after the genocide, GDP shrunk but has bounded back robustly and consistently. Rwanda recently joined the EAC because of its demonstrated progress in the region. Although Kenya, Tanzania, and Uganda all suffer from the triad of corruption, poor infrastructure, and inadequate human capital, they have individually made gains against these barriers and represent significant markets Rwanda can gain from. The environment that the EAC has developed created a culture of reform, however limited, that Rwanda has been able to learn from and capitalize on.

Rwanda's Anti-Corruption Environment

Universally, foreign investors, business leaders, and policymakers cite Kagame's consistent track record on corruption and government accountability. From firing his own cousin (which has

“loss of face” implications for a family as a whole in Rwandan society) to getting the government out of the long-standing African practice of collusion with coffee cooperatives, Kagame has shown that he is a reformer at heart, in principle, and in practice. Evidence of his commitment to reform powerfully counteracts concerns among investors about whether he will allow free, fair, and open elections in the future, or whether his commitment to a civil society will continue beyond his tenure. One interviewee said that the anti-corruption environment is so palpable throughout the country that, at times, it slows down approvals and innovation as government officials scrutinize all processes under their respective jurisdictions for any questionable activity.

Kagame’s Pro-Trade Posture

Kagame possesses an unabashed openness to trade and foreign direct investment. He has spent a lot of time in the United States courting American businesses and individual businesspeople, as he has done in other nations as well. His disarming and sharp manner is reportedly very appealing and instills confidence, and if it has not yet led to large amounts of foreign direct investment from the U.S., it has certainly engaged American business leaders as partners and advisors. It is hard to underestimate the effect he has on potential investors, especially in the context of a growing interest in Africa as a destination of foreign direct investment.

Africa doubled its share of global foreign direct investment in two years (2004-2006) to \$39 billion.²¹ While Rwanda’s share of this total is small, the near-universal opinion of Kagame as perhaps the most innovative and pro-trade African leader bodes well for the small nation’s future among international investors. In addition, Kagame has developed a reputation for trying to transcend the model of donor-led development. In fact, the reputation is the result of a self-conscious decision on the part of Kagame and his advisors to move toward a trade-based model of development, not in an effort to please donors but as a way to move away from dependence on them.²² Interviewees repeatedly commented on how this mindset was not limited to Kagame but was shared by senior members of his administration alike. From large issues, such as the way in which foreign investors are courted or regulations changed, to small issues such as the work habits of the officials, those interviewed have cited the pro-entrepreneur, pro-trade, anti-dependence mindset as a remarkably different and refreshing disposition compared to other African nations.

These characteristics have been formally validated in the United States by the bilateral investment treaty that President Bush signed with Kagame on February 19, 2008. The office of the United States Trade Representative (USTR) noted that the agreement was completed in just 8 months, and that its precursor Trade and Investment Framework Agreement (TIFA) was completed in just 2 days in 2006. Normally, a TIFA, which is simpler than an actual bilateral treaty, can take months itself to complete. No other government has moved as quickly as Rwanda to establish its trade relationship with the United States. In 2007, the full calendar year

²¹ “Rwanda: Kagame Woos German Investors,” The New Times, April 25, 2008. <http://allafrica.com/stories/200804280271.html?page=2>

²² See “The Rwandan Paradox: Is Rwanda a Model for an Africa beyond Aid?,” Brenthurst Foundation, January 1, 2008. Available at http://www.aei.org/publications/pubID.27476/pub_detail.asp

between the TIFA and the investment treaty, U.S. imports from Rwanda rose 43 percent to \$13 million.²³ While this is a largely insignificant amount in global terms, the treaty will surely increase that amount. In addition, USTR has pointed out in its interview that while most treaties are established to protect existing investments, the treaty with Rwanda was created primarily to attract more investment into Rwanda from the United States. In other words, Rwanda's capability as a trading partner was recognized as legitimate, and the treaty was designed to make the legitimacy official in order, in effect, to declare that Rwanda is open for business.

Diverse Foreign Interest

Rwanda is becoming a destination of choice for businesses and investors from a number of nations around the world. International business interest in Rwanda is not limited to "bad actors," such as nations that violate human rights or sponsor terrorism, or to a nation or two with whom it shares a historical relationship, but rather includes a wide variety of countries from Europe, Asia, and North America. This broad interest is evidence that Rwanda's emerging attractiveness to investors and businesses is fairly well-grounded, despite – as was noted earlier – the fact that it is new and likely to diminish quickly if signs of unrest emerge in the small country.

Factors Underlying American Interests

The United States is farther away from Rwanda geographically than most of the other foreign nations with active investors, which is likely why American engagement is currently more limited. There is, however, a very significant interest among American businesses, even if it is small in terms of the number of companies or dollar flow. The reason is can be called significant is because the ability of the actors involved is consequential.

Rwanda's Commitment

It is clear that American businesses expressing an interest in Rwanda are highly influenced by Kagame's demonstrated commitment to entrepreneurial activity, trade, and a zero tolerance policy on corruption. Their experience with Kagame has been highly personal, as he has made special trips to meet with them, often spending a generous amount of time. In his new book based upon extensive interviews with Kagame, Stephen Kinzer writes, "On visits to the United States [Kagame] is unlikely to meet a single member of Congress, but spends hours with executives from companies like Costco, Bechtel, and Google."²⁴ Jim Sinegal, the CEO of Costco, made clear in our interview with him that personal interaction with Kagame adds confidence to an already-impressive set of reforms. Costco began purchasing coffee from Rwanda after Sinegal got to know Kagame, and the two men have formed an ongoing relationship that has extended to their families as well. Beyond buying Rwandan coffee, Sinegal has plans to start a program in which Rwandan executives and managers will receive training at Costco that they can translate into entrepreneurial ventures back home. Kagame hopes that

²³ See White House fact sheet, "United States-Rwanda Bilateral Investment Treaty," February 19, 2008.

²⁴ Stephen Kinzer, *A Thousand Hills* (Hoboken: John Wiley & Sons, 2008), p. 309.

relationships with American business leaders blossom into an investment in Rwanda, which he views as more promising than traditional, donor-based assistance.

This point has not been lost on American public officials, who view Kagame's outreach to American business leaders as unique and evidence that his reform efforts are substantive. Rather than the more conventional practice of lobbying elected officials for more aid, Kagame approaches the private sector with an earnestness and discipline that has shown government officials he understands how to improve his nation's economy and standard of living. Administration officials responsible for trade policy with Africa in general and Rwanda in particular see Kagame's have generally been enthusiastic about Rwanda's prospects because the commitment to reform, change, and growth is real. While nearly everyone we talked to still has questions and concerns related to sustainability post-Kagame, everyone was also confident that the Kagame administration's commitment to the fundamentals of economic growth and its unabashed outreach to businesses and investors would pay dividends. There was also relatively uniform agreement that Rwanda is emerging as a model for African growth because of these factors.

Rwanda's Potential

All interviewees acknowledged that as promising as Rwanda's entrepreneurial reforms are right now, the country has a long way to go. While corruption is practically non-existent when compared to other neighboring countries, Rwanda is still beset by significant poverty, lack of infrastructure, and the effects of the genocide on human capital. Also, Rwanda does not yet have a proven track record of capitalizing on the enthusiasm that currently exists about its prospects for business and investment. It is simply too soon to tell whether the current excitement will truly convert itself into viable, productive investments that have noticeable impacts on the economy.

However, despite these limitations, there is a general agreement that Rwanda possesses significant potential – and that this potential is capable of being maximized. In other words, American businesses and policymakers do not regard the barriers to progress in Rwanda as insurmountable or a reason not to invest in the country. Because of the commitment to reform and results so evident among Kagame, his administration, and leaders throughout the private and public sectors, Rwanda strikes many people as an ideal place to make investments that carry a higher-than-average risk.

For example, in December 2007, Starbucks announced that it was opening a regional farmers support center in Rwanda. According to Dub Hay, senior vice president of coffee and global procurement for the coffee giant, locating their center in another country such as Kenya might have made more sense geographically, but Rwanda was chosen because of its firm stance on good governance and its commitment to socioeconomic progress. Starbucks was impressed that Kagame liberalized the coffee industry in Rwanda by removing the government from the coffee business. Typically, governments in the region are accustomed to controlling significant portions of the industry, but Kagame's market-oriented perspective led him to remove government's stake in the business and let growers deal directly with purchasers such as Starbucks and others. Before the genocide, Rwanda had no gourmet-quality coffee. Since then, and especially since Kagame's reforms, the industry is rapidly growing. Starbucks regards its

regional support center as part of an important company strategy to continue to find and develop new gourmet coffees to meet supply demands for the growing coffee giant. Rwanda has created the environment for them to have the confidence that they can meet their growth demands by helping East African farmers produce greater quantities of high-quality, gourmet-level coffee.

Because of Rwanda's potential as an exporter of premier goods, investors and BNSF Railway are currently undertaking a railroad project to establish a line that connects Rwanda to the coastline in Tanzania. While such infrastructure projects are difficult in regions of the country that lack the internal resources to make them successful, Rwandans are getting financing help from American investors who are currently establishing the partners necessary to complete the deal. While there are currently many contingencies and unknowns, it remains a real possibility that construction on the project could begin next year.

The "Peer Factor"

It would be impossible to fully appreciate current levels of American business interest in Rwanda without understanding the way in which an informal, yet significant, group of peers has facilitated that interest. Dan Cooper and Joe Ritchie of Fox River Financial Services in the Chicago area have created Friends of Rwanda, a loosely organized group of like-minded investors, business leaders, and civic leaders who have taken an interest in Rwanda. In some cases, such as that of Costco's Sinegal, they introduced business leaders directly to opportunity in Rwanda. In other cases, businesses have found their own way into the country but have crossed paths with this loose network and have coordinated with them to some degree. Rick Warren, best-selling author of *The Purpose-Driven Life*, has been centrally involved in coordinating activity with and through this network, as well. In addition to his direct involvement in public health-related initiatives, which the megachurch he pastors has undertaken in substantive and large-scale ways, Warren has several staff members who regularly coordinate activity on the ground in Rwanda in other sectors, as well.

Beyond the direct activities that Cooper, Ritchie and their network have fostered, such as working with BNSF railroads to establish the planned railway or with Contour Global on extracting methane from Lake Kivu, there has been a secondary phenomenon which may prove equally as important in the long-run: business leaders share a mutual confidence in Rwanda that stems from the fact that they are all engaged in a common project, albeit in different industries and with different partners. There seems to be an intangible, yet influential, sense of common purpose that derives from the various projects that they are all pursuing separately. They all generally seem to know that the others are there and what they are doing.

In addition, the effect of this peer factor is not lost on U.S. policymakers who openly acknowledge it as an important part of American involvement in Rwanda right now. In general, it has helped Rwanda in three main ways:

First, the peer group has established an important level of confidence amidst Rwanda's relatively high-risk atmosphere. Rwanda's shortcomings seem plainly obvious to most observers. However, the mutual enthusiasm that this network of individuals shares communicates a confidence to others that doing business in Rwanda will pay off. In actuality, there are not many

tangible results of American businesses' interest in Rwanda, and there are plenty of reasons why trying to do business there will fail, and yet the confidence that comes from significant actors jointly working on a project will surely benefit Rwanda by adding to their ranks future businesses and investors that otherwise would not have joined is.

Second, the network of peers has also helped identify opportunity for investment and business activity in ways that are strategic to Rwanda's socioeconomic progress overall. Arguably, without the formation of this network, BNSF would not be planning a railroad and Costco – and possibly Starbucks – would not be purchasing coffee from Rwanda at the levels or with the amount of upfront investment as they currently are. This observation should in no way be construed to minimize the effects of Kagame's direct outreach to American executives, which has surely been the most significant factor in outside investment interest in Rwanda, but there is no doubt that the network of American peers has helped launch some critically important investment in Rwanda the results of which will not be measurable for some time.

Third, the peer group has also been instrumental in creating a unique, informal, yet high-level advisory group to Kagame. He has formed a Presidential Advisory Council (PAC), which includes some of the group's most central and prominent members such as Joe Ritchie, Rick Warren, and Scott Ford, CEO of Alltel. It remains to be seen how effectively the council helps Kagame with core strategic initiatives, but at the very least, it serves as a deep well of social capital. The council is also a testimony to Kagame's willingness to open the affairs of his nation to the scrutiny of others. It is relatively unusual for any national leader, let alone an African leader, to involve private sector leaders from other nations in policy development in such a public, open manner.

OPPORTUNITIES FOR PHILANTHROPY AND CIVIL SOCIETY INVESTMENT

Strengthening Education

There is general agreement that the overall human capital situation in Rwanda is a serious problem. One interviewee working in Rwanda said that he could hire a Ugandan, for example, at the same wages as a Rwandan but with a higher skill level. The genocide and its aftereffects have hurt Rwanda's educational and training environment across the board. For this reason, Kagame is making investment in education a key priority.

Because of his government's emphasis on education and commitment to improvement, Rwanda was selected as the first pilot country under the Fast Track Initiative, a partnership between several international organizations.

Rwanda has also benefited from other social entrepreneurs who have made education reform and improvement a priority. For instance, Dale Dawson, following a varied and successful investment and business career in the U.S., has helped the renowned Sunrise School in Rwanda – a refuge of hope for many orphans after the genocide – build a high school and education center that now holds the largest computer center in the country. Dawson views the future success of the free enterprise and entrepreneurial spirit that he has witnessed in Rwanda as dependent on the quality of technical education and its cooperation with businesses. He is now

working on creating a university that focuses upon practical training for entrepreneurs. It will have two colleges – business and technical sciences -- that will rely heavily on working with businesses to engage students in critical fields such as infrastructure, healthcare and education. Kagame himself has helped Dawson secure property for the university, and the current plan has courses beginning in 2010.

Opening more schools and expanding those that exist are a couple of key opportunities for American philanthropy and civil society. Currently, only slightly more than half of Rwanda's school age children are enrolled in school. Dale Dawson's current network and expertise provide a great platform for extending the kind of training to more Rwandan children that will enable them to take advantage of the economic opportunities that will hopefully exist more plentifully when they reach working age.

Establishing Training in Key Professions

Related to education, Rwanda faces a shortage of adequately trained professionals for critical fields in the emerging economy that Kagame and investors hope to build. While it is natural for government leaders in a developing nation to focus upon expanding export industries to foster international trade, it is also important to develop domestic markets so that opportunity expands at home as well. Rwanda's problem is that it has a serious shortage of skilled workers in sectors of the economy necessary for Rwanda's continued overall growth.

One example that arose in interviews, and which Dan Cooper mentioned in the context of the railroad deal as especially serious, is the shortage of the legal expertise needed to manage the kinds of deals and contracts necessary for important emerging industries. The project aimed at methane extraction from under Lake Kivu, as well, could reportedly be moving more quickly if the legal incapacity were not such a big barrier. This is merely one – albeit important – example. Across the board, lagging human capital capacity is hurting Rwanda's ability to keep up with the goals it is setting for itself economically.

A tremendous opportunity exists for philanthropists to take on this problem in large but focused ways. For instance, in keeping with the example just cited, a new law school with visiting legal professors would go a long way to helping equip Rwandans with the ability to manage the complex web of growing new markets in ways that cohere with the new laws and regulations that Rwanda is creating to make that growth possible. The same could be said for developing the talent and requisite certifications in the ICT fields in keeping with Rwanda's goal of becoming an African center of new ICT services.

Exposing More Entrepreneurs to Opportunity in Rwanda

The influential peer group that has formed to bring investment into Rwanda and friendly counsel to Kagame can be grown. But the group should not have to grow entirely on its own. There exists an opportunity to build upon the critical mass of American interest and expertise flowing into Rwanda by adding actors to markets that already have outside interest and in new ones.

One way this could be done would be for American philanthropists to arrange "entrepreneur tours" in which groups of executives and leaders from a variety of industries important to

Rwanda would travel to the country, meet with Kagame's key advisors, and with local private sector partners. This would be relatively easy to coordinate given the existing networks established by Cooper and Ritchie as well as the receptivity to the Kagame administration officials to outside interest..

Another way philanthropy could help would be to provide staffing infrastructure to the Presidential Advisory Council. As the PAC meets and makes recommendations, there will continually arise opportunities to conduct assessments, consult experts, bring those experts in country, and explore opportunities with outside investors and partners. All of these activities require resources that the government does not have and that are not within the scope of the individual PAC members' roles and responsibilities. Philanthropic "backroom" support for PAC activities could give bolder force to the council's activity and would ultimately have the effect of bringing more investment into the country.

Filling the Gap on Key Infrastructure

While not glamorous, infrastructure may well determine whether Rwanda is able to realize its dreams. And one thing that is clear to most informed observers is that sorting out the overall legal and regulatory environment in a nation trying to reform its governmental operations in the wake of a historic conflict is complicated. This means that early in the process of any large infrastructure initiative, there are delays that result from the inability to secure the best legal or technical expertise. There exists an opportunity for those who seek progress without seeking financial returns – namely, philanthropists and other social entrepreneurs – to provide the kind of gap financing (through grants) that is needed for individual projects, or to pay for the expertise that will be needed in advance so that projects can move along quickly. There exists within this general opportunity a chance to create the conditions for economic success in Rwanda that otherwise simply will not exist.

Strengthening Civil Society

Related to all of the promising investment activity in Rwanda is the way in which American civil society is partnering with Rwandan civil society. In particular Rick Warren's Saddleback Church has developed an extensive relationship with hundreds of congregations in Rwanda on public health initiatives. Because churches in Rwanda's villages are often the only stable institution in the rural areas where the majority of the population lives, Saddleback has created a relationship with more than 1000 churches in an effort to provide health education and training to people in villages throughout the nation.

Aside from the immediate benefits to the local populations who gain new tools and resources to combat diseases such as malaria and HIV/AIDS, these relationships have a secondary benefit of tying together the institutions of civil society in a common cause that is helping the nation as a whole. As these efforts mature, models will emerge and may already be emerging in villages that are particularly successful. There exists an opportunity for philanthropists and social entrepreneurs to assemble the teams that have created the success to share that knowledge with others and "train the trainers." In addition, there will be a need for resources to support the work of scaling up the overall network that will likely exceed Saddleback's capacity.

CONCLUSION

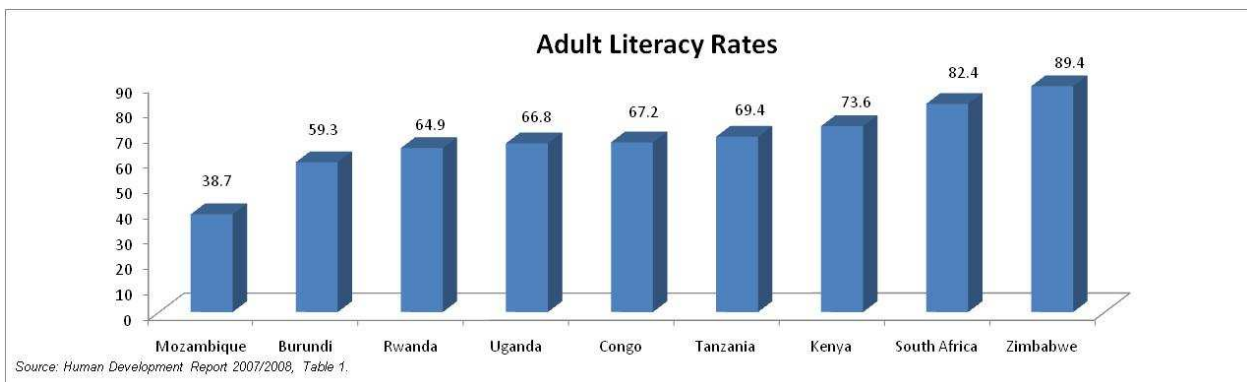
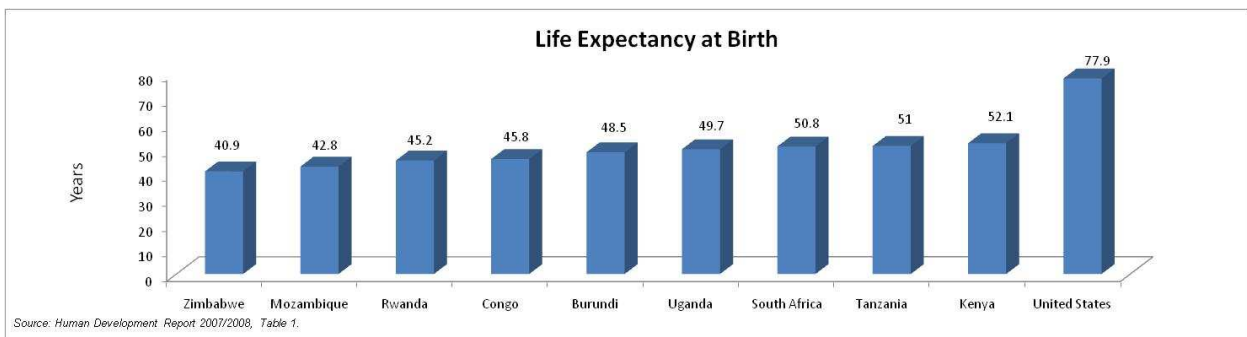
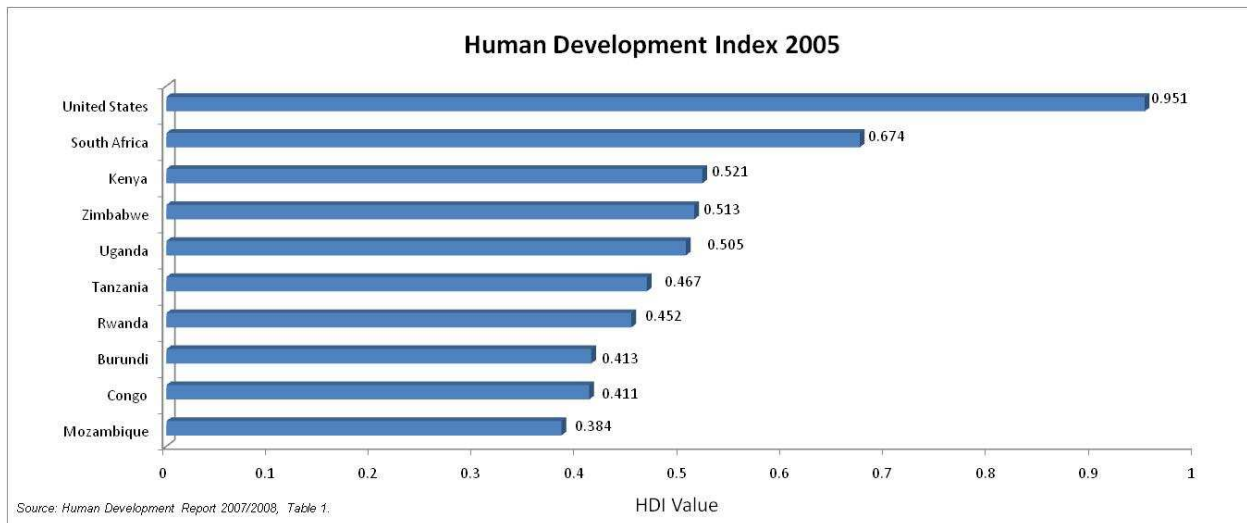
Out of the wreckage of the genocide, Rwanda is rapidly emerging as a model of post-conflict recovery and progress. The reasons that many people are calling it a model are fairly straightforward:

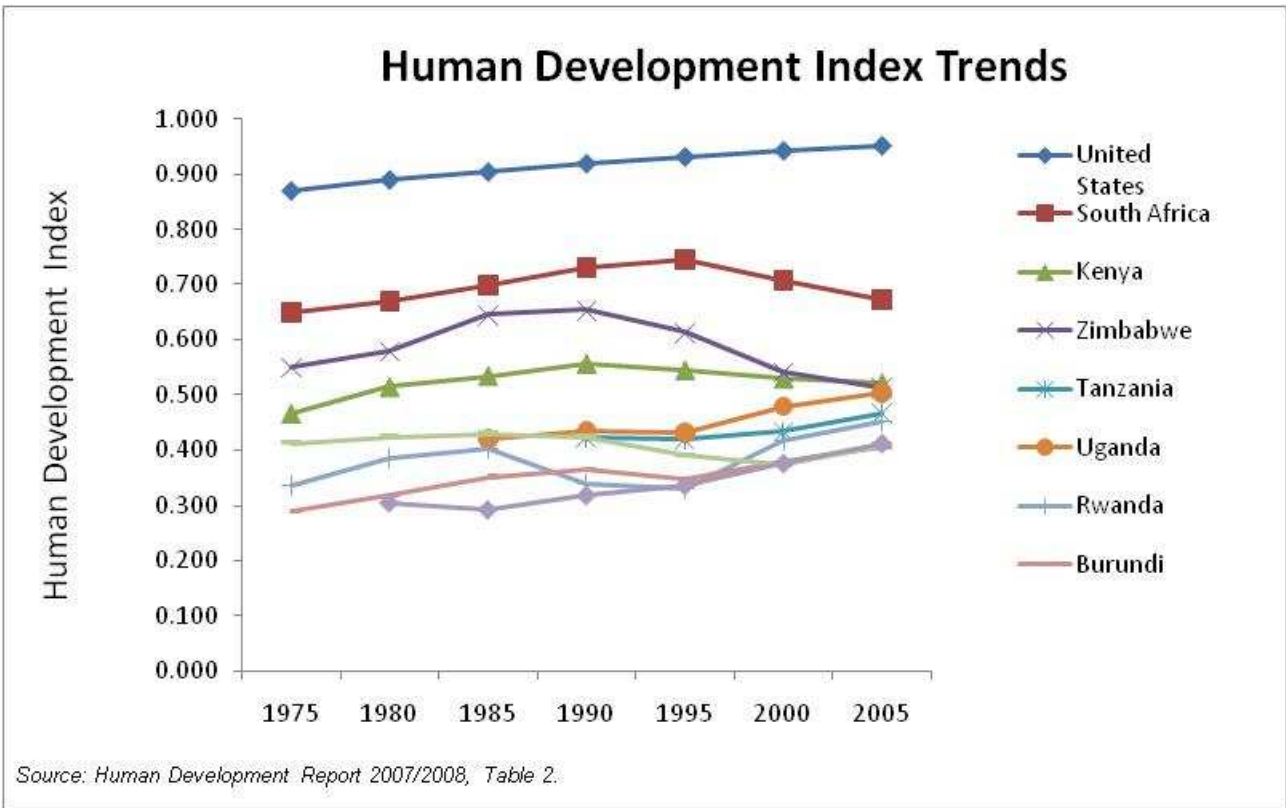
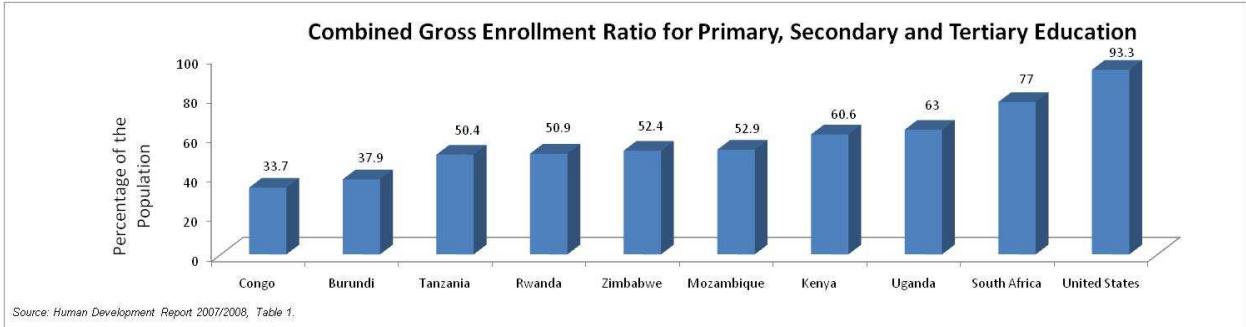
- The Kagame administration has a demonstrated commitment to cleaning up corruption and removing the usual barriers to private business investment in post-conflict and developing nations.
- The country is intentionally promoting itself as an investment destination as a way to defy the typical donor-recipient relationship. Rwanda is clear that their own sustainable development depends not on foreign aid but on the private investment of companies in developed economies.
- The foregoing two factors are generating an enthusiasm among investors and businesses in developed countries that has sustained itself just long enough to signal that, if other developing nations behave similarly, investment is likely to follow.

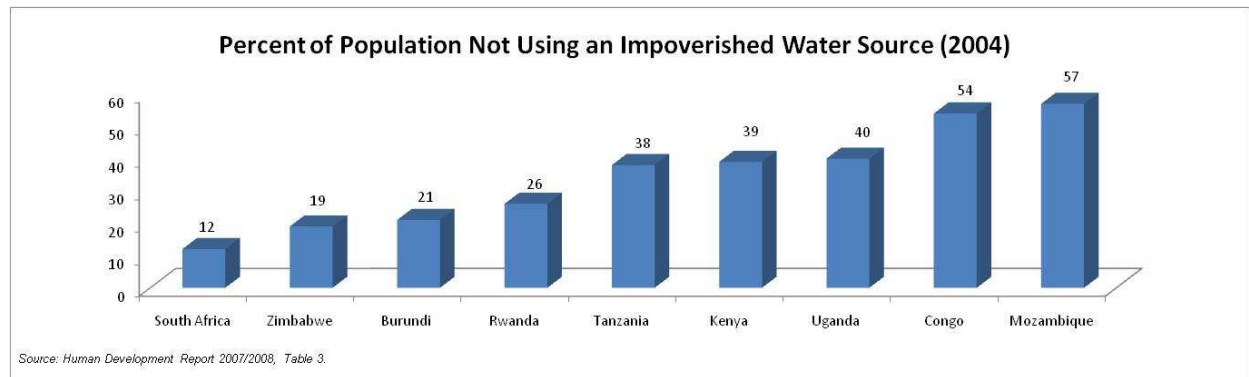
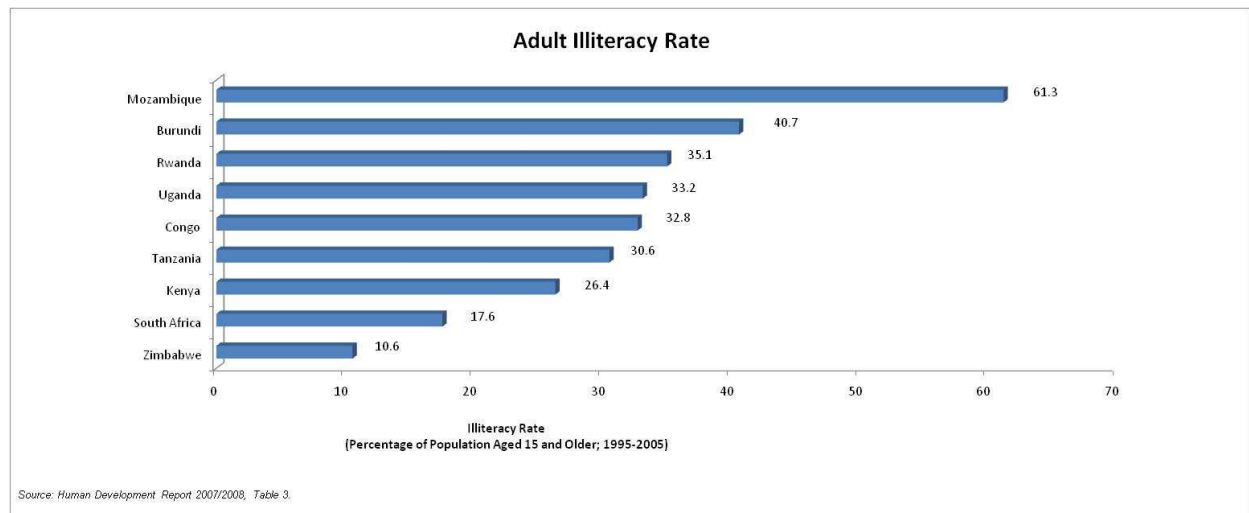
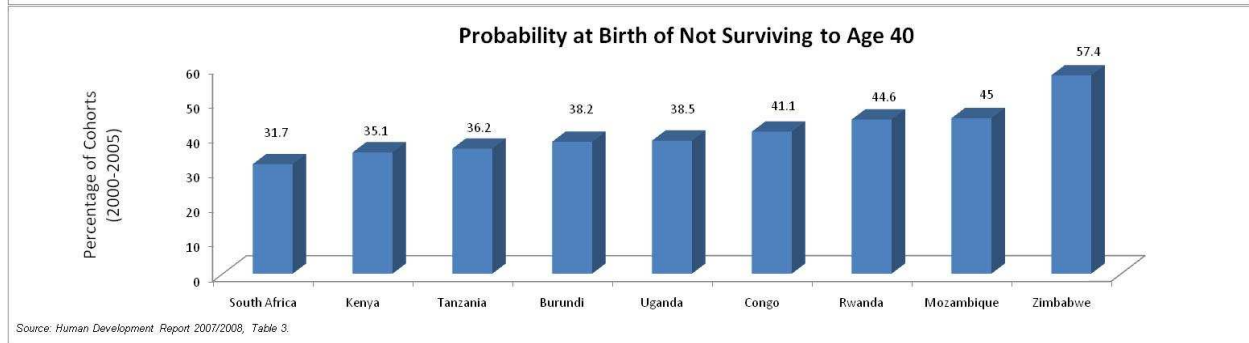
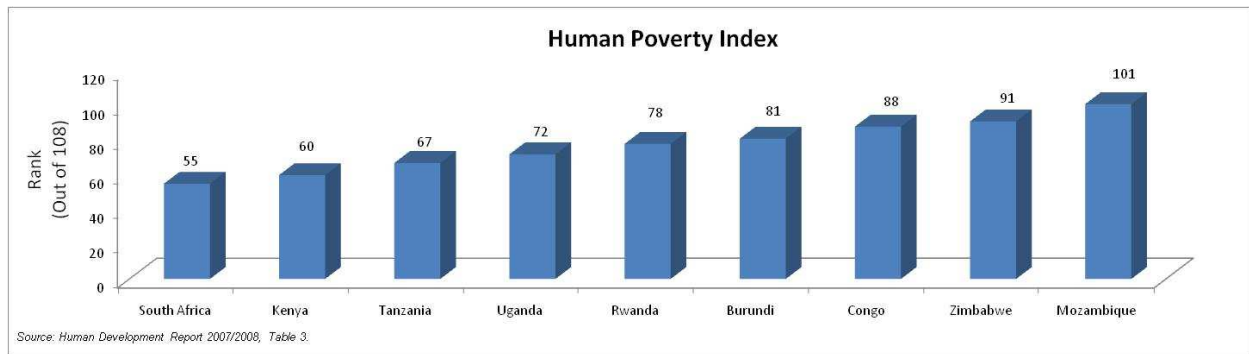
It is clear from the interviews that there is an additional factor unique to Rwanda that is difficult to quantify but no less real: the international community's unresponsiveness to the genocide is a moral motivation for some who are currently engaged in business activities in the country. There is a sense, according to those interviewed, that is shared by others whom we did not interview that those living in nations that stood by as the genocide unfolded bear a moral obligation to help the nation recover. This factor makes Rwanda unique and is therefore not the stuff of models, but it cannot be separated from the rationale that at least some American business leaders offer as an important part of their interest in the country.

Much of the future history that will be written about Rwanda will depend on how successfully Kagame's reforms attract additional investment, and how much additional activity the current dedicated group of businesses generates. The good news is that those with the resources and interest have a significant ability to affect that future.

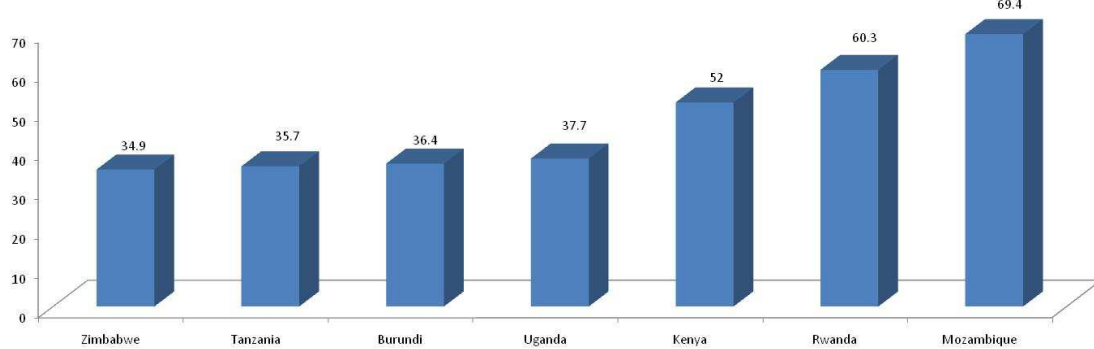
APPENDIX A





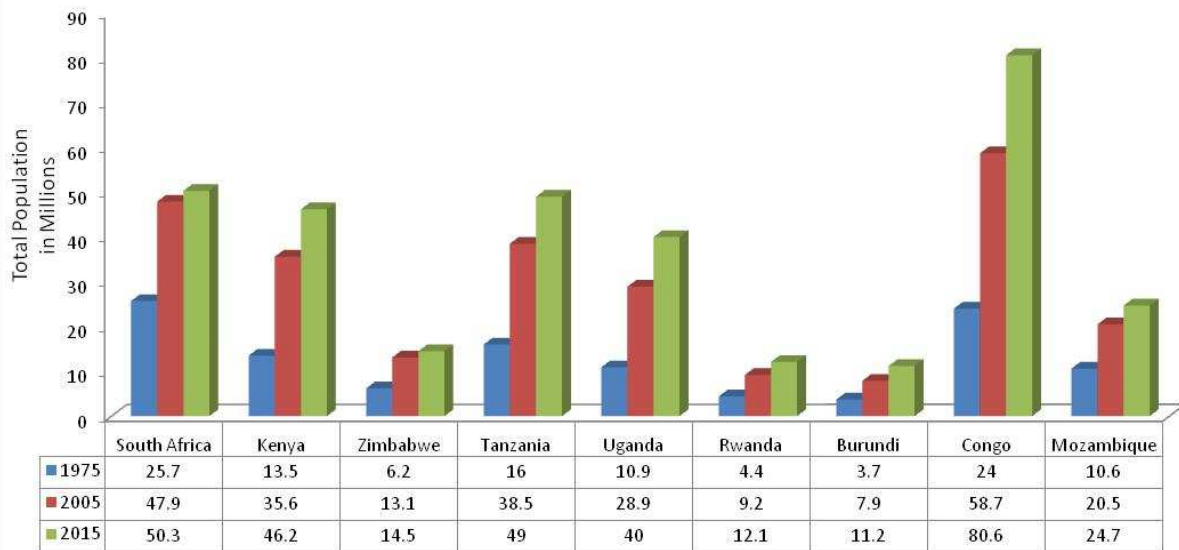


Percentage of the Population Living Below the Poverty Line



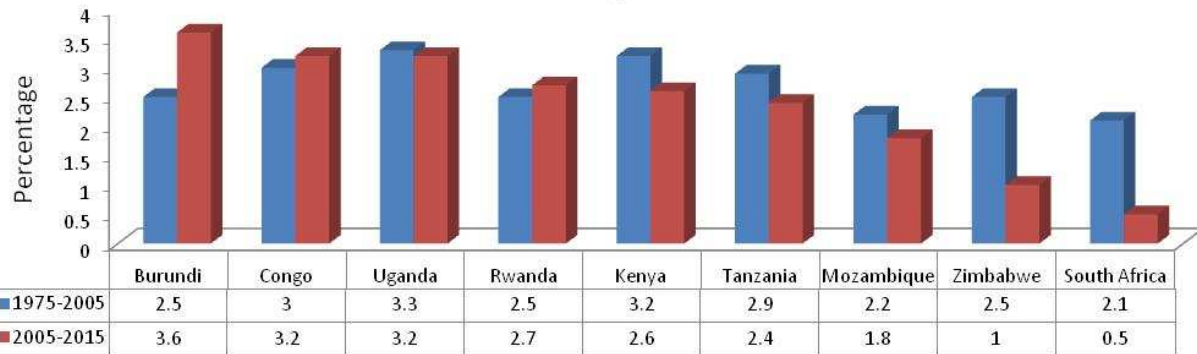
Source: Human Development Report 2007/2008, Table 3.

Total Population



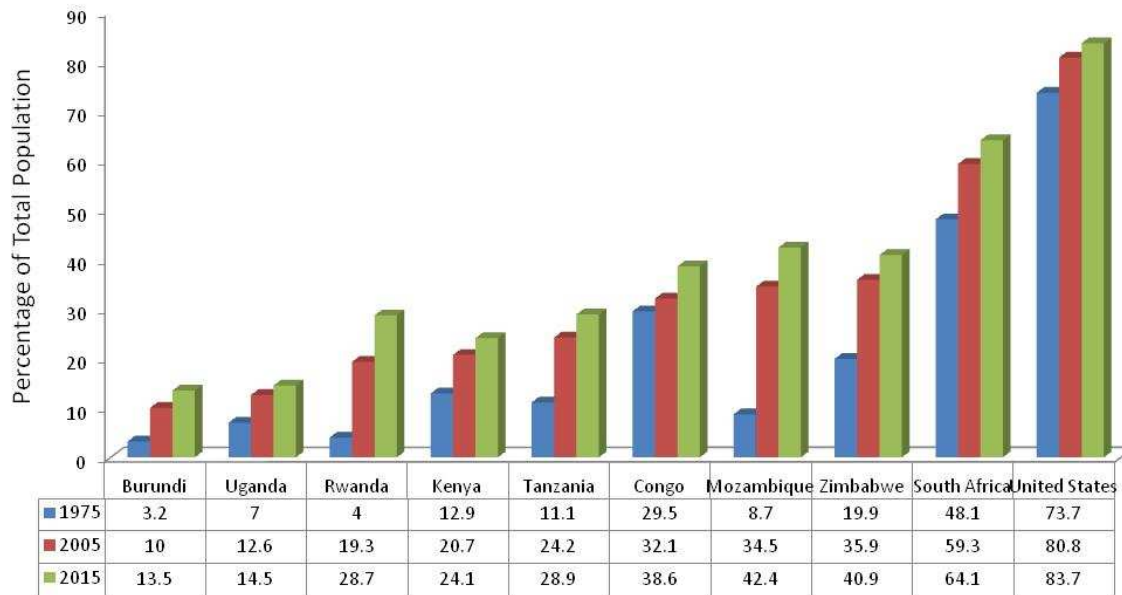
Source: Human Development Report 2007/2008, Table 5.

Annual Population Growth Rate



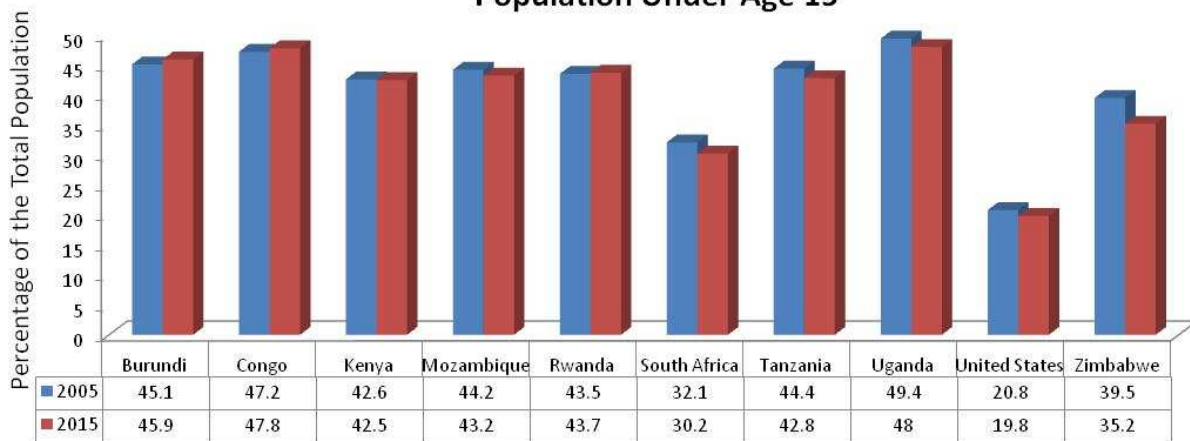
Source: Human Development Report 2007/2008, Table 5.

Urban Population



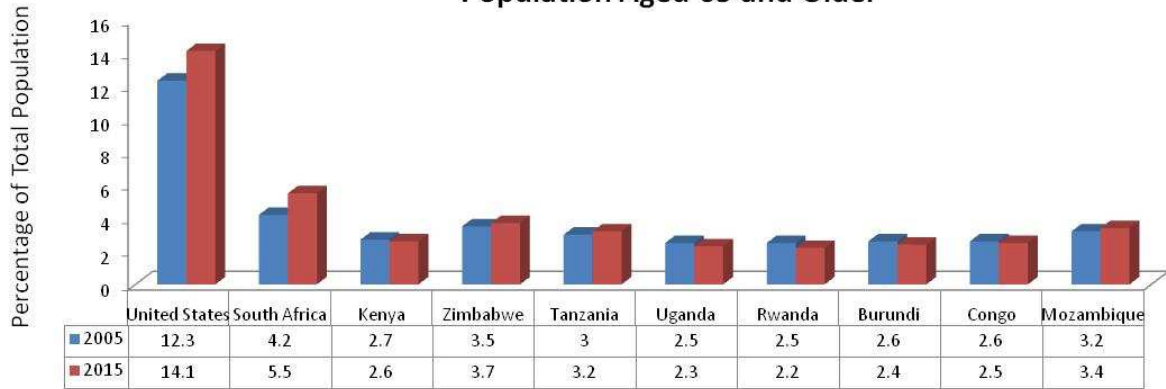
Source: Human Development Report 2007/2008, Table 5.

Population Under Age 15



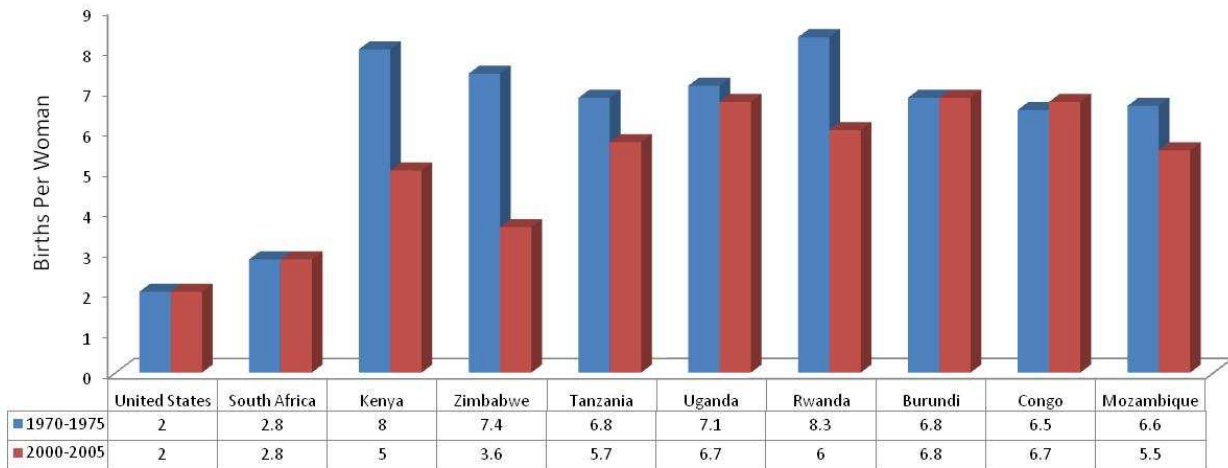
Source: Human Development Report 2007/2008, Table 5.

Population Aged 65 and Older



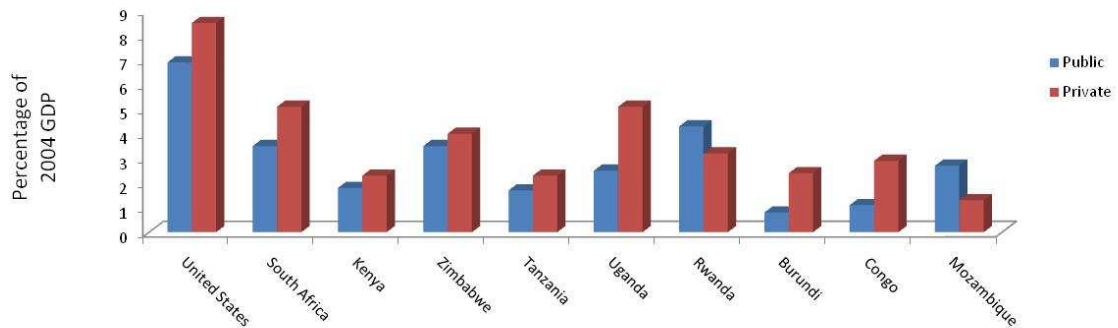
Source: Human Development Report 2007/2008, Table 5.

Total Fertility Rate



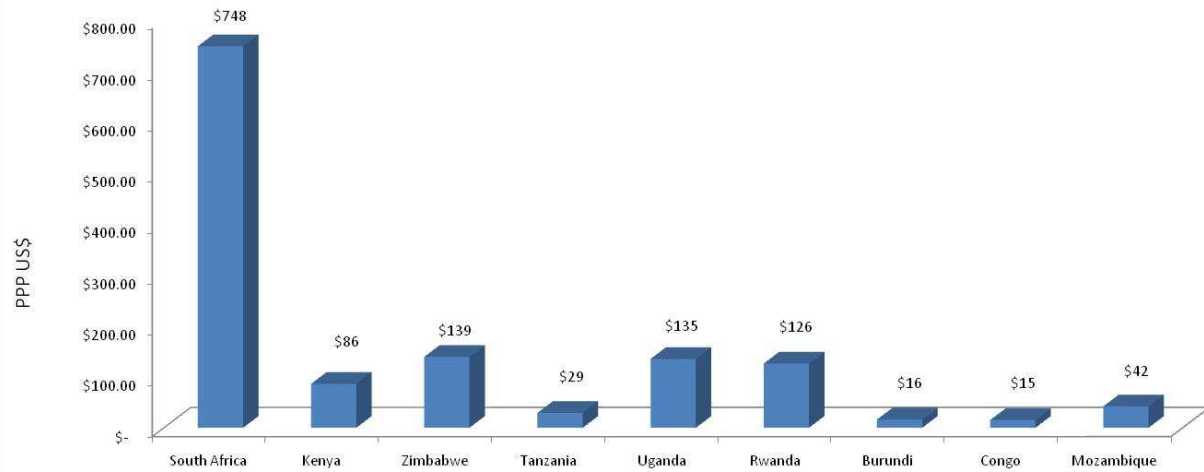
Source: Human Development Report 2007/2008, Table 5.

Public and Private Health Expenditure as Percentages of GDP



Source: Human Development Report 2007/2008, Table 6.

Per Capita Health Expenditure



Source: Human Development Report 2007/2008, Table 6.

COUNTRY	One-Year-Olds Fully Immunized		Children with Diarrhea Receiving Oral Rehydration and Continued Feeding	Contraceptive Prevalence Rate	Births Attended by Skilled Health Personnel	Physicians
	Against Tuberculosis	Against Measles	(% under age 5)	(% of married women aged 15-49)	(%)	(per 100,000 people)
	(%) 2005	(%) 2005	2005	1997-2005	1997-2005	2000-2004
United States		93		76	99	256
South Africa	97	82	37	60	92	77
Kenya	85	69	33	39	42	14
Zimbabwe	98	85	80	54	73	16
Tanzania	91	91	53	26	43	2

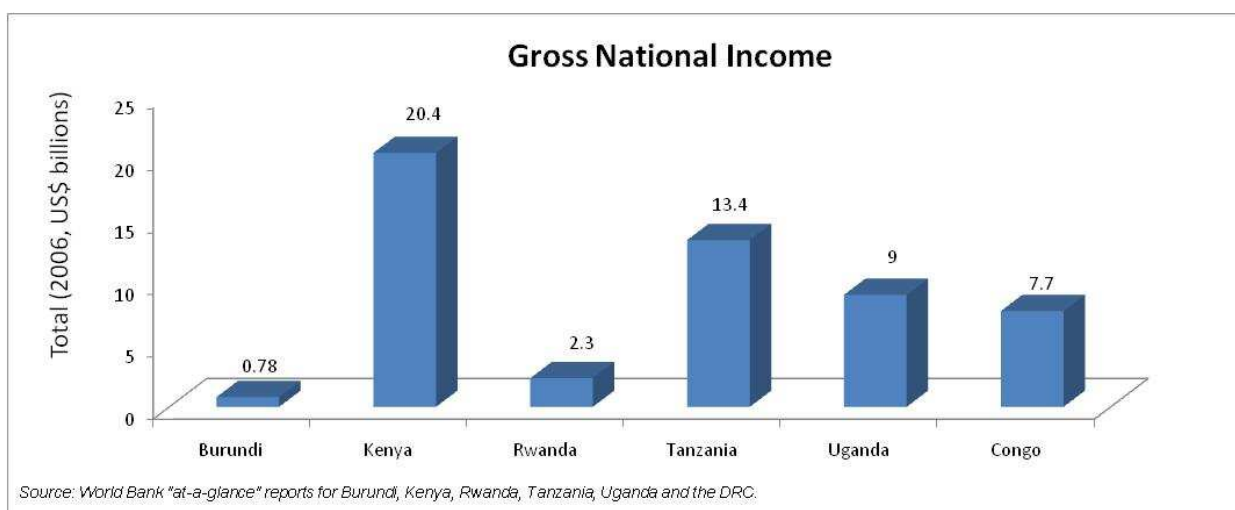
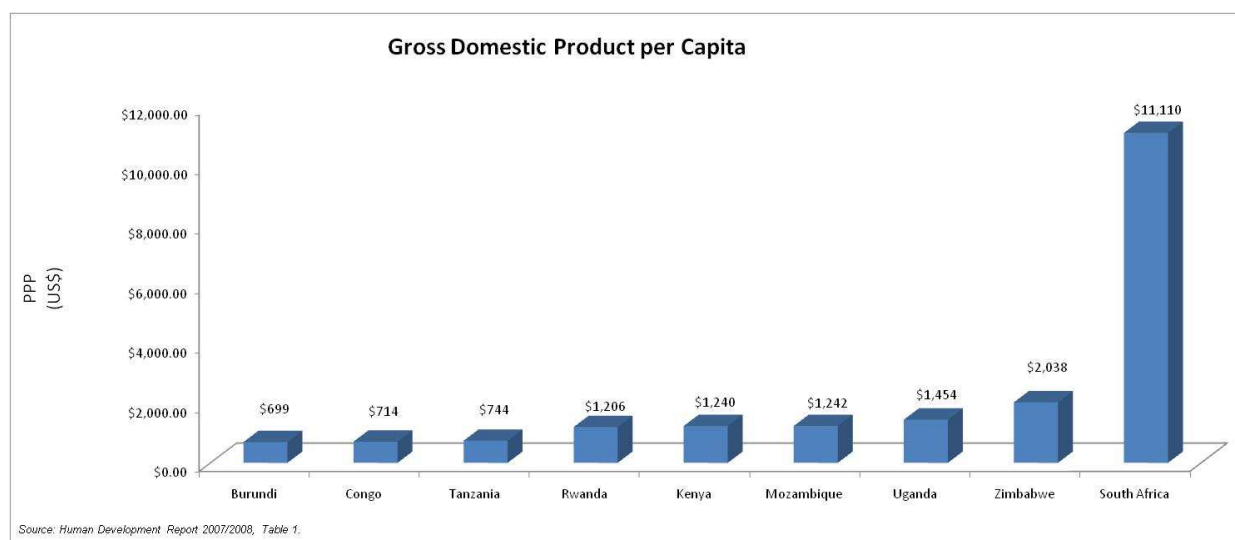
Uganda	92	86	29	20	39	8
Rwanda	91	89	16	17	39	5
Burundi	84	75	16	16	25	3
Congo	84	70	17	31	61	11
Mozambique	87	77	47	17	48	3

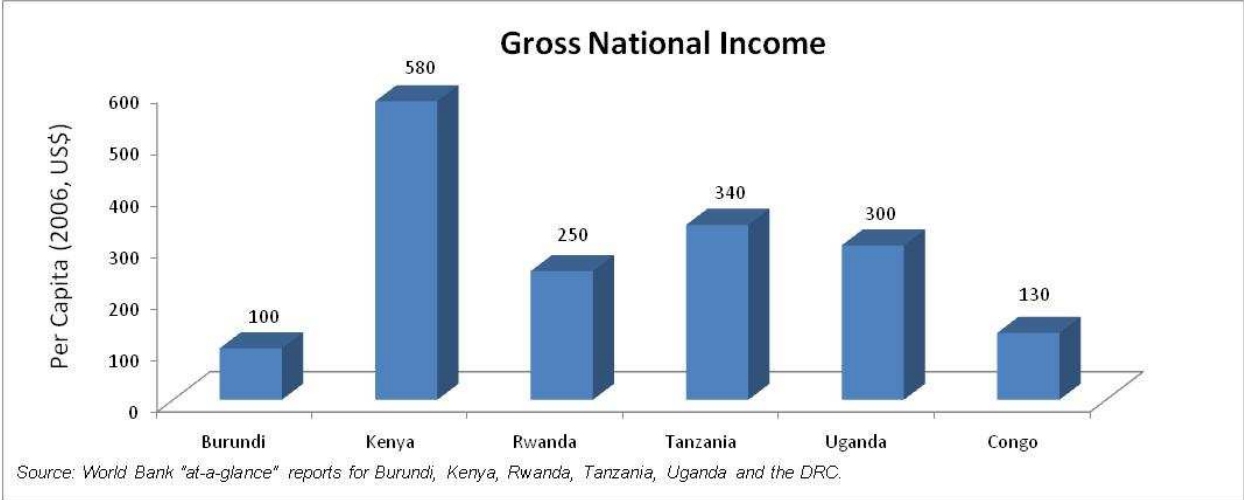
Source: Human Development Report 2007/2008, Table 6.

APPENDIX B – Economic Indicators and Data

Country	GNI (Atlas method)		GDP											
	Per Capita (2006, US\$)	Total (2006, US\$ billions)	US\$ billions				Average Annual Growth				Per Capita			
			1986	1996	2005	2006	1986-1996	1996-2006	2005	2006	1986-1996	1996-2006	2005	2006
Burundi	100	0.78	1.2	0.87	0.8	0.9	-0.3	1.6	0.9	5.1	-2.3	-0.7	-2.7	1.3
Kenya	580	20.4	7.2	12	19.2	21.2	2.8	2.8	5.8	5.7	-0.4	0.6	3.4	3.1
Rwanda	250	2.3	1.9	1.4	2.1	2.5	-5.1	6.4	6	5.3	-2.9	1.5	4.2	2.9
Tanzania	340	13.4		6.5	12.6	12.8	2.6	5.6	6.8	5.9	-0.6	3	4.1	3.3
Uganda	300	9	3.9	6	8.7	9.3	6.7	5.7	6.6	5.3	3.1	2.3	2.9	1.5
Congo	130	7.7	8.1	5.8	7.1	8.5	-5.7	0.5	6.5	5.1	-8.8	-2	3.3	1.9

Source: World Bank "at-a-glance" reports for Burundi, Kenya, Rwanda, Tanzania, Uganda and the DRC.





APPENDIX C – Energy Consumption

PETROLEUM					
Petroleum (Thousand Barrels per Day)	2006				2007
	Rwanda	Africa	World	Rank	Rwanda
Total Oil Production	0	10,405	84,598	112	0
Crude Oil Production	0	99,697	73,539	90	0
Consumption	5.32	3,028	84,622	167	5
Net Exports/Imports	-5.32	7,377		124	-5
Refinery Capacity	0	3,230	85,345	114	0
Proved Reserves (Billion Barrels)	0	103	1,293		0

Source: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=RW

NATURAL GAS					
Natural Gas (Billion Cubic Feet)	2006				2007
	Rwanda	Africa	World	Rank	Rwanda
Production	0	6,103	101,528	83	0
Consumption	0	2,951	103,700	101	0
Net Exports/Imports	0	3,153			NA
Proved Reserves	2,000	476,509	6,046,062	62	2,000

Source: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=RW

COAL					
Coal (Million Short Tons)	2006				2007
	Rwanda	Africa	World	Rank	Rwanda
Production	0	276	6,490	67	NA
Consumption	0	211	6,483	111	NA
Net Exports/Imports	0	1,668			0

Source: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=RW

ELECTRICITY					
Electricity (Billion Kilowatthours)	2006				2007
	Rwanda	Africa	World	Rank	Rwanda
Net Generation	0.1	533	17,351	188	NA
Net Consumption	0.2	575	15,747	175	NA
Installed Capacity (GWe)	0.031	107	3,872	184	NA

Source: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=RW

TOTAL PRIMARY ENERGY					
Total Primary Energy (Quadrillion BTU)	2006				2007
	Rwanda	Africa	World	Rank	Rwanda
Production	0.1	533	17,351	188	NA
Consumption	0.2	575	15,747	175	NA
Energy Intensity (Btu per 2000 U.S. Dollars)	0.031	107	3,872	184	NA

Source: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=RW

APPENDIX D

Rwanda Interview Schedule

Dan Cooper, Fox River Financial
December 10, 2007; June 11, 2008

Peb Jackson, Saddleback Church
Multiple discussions, Dec. 2007 through April 2008

Rick Warren, Pastor Saddleback Church
February 1, 2008

Faustin Zihiga, Managing Director of Urwego, VP Marketing and Rural Operations
February 22, 2008

Jim Sinegal, CEO, COSTCO
March 3, 2008

Dale Dawson, Bridge to Rwanda Founder
March 24, 2008

Todd Brogdon, URWEGO Bank
March 24, 2008

Ben Leo, National Security Council, Director for African Affairs
March 25, 2008

John Simon, Overseas Private Investment Corporation, Executive Vice President
April 2, 2008

Dub Hay, Executive VP of Coffee and Global Procurement, Starbucks
April 17, 2008

Rosemary Mbabazi, RIEPA
April 24, 2008

Bill Jackson, USTR, Director for African Affairs
June 9, 2008