

# Rwanda: macroeconomic and trade profile

## Opportunities and challenges towards implementation of AfCFTA

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### Key messages

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- The Covid-19 pandemic induced a contraction of the Rwandan economy by 3.4% in 2020, from 9.5% growth in 2019. The International Monetary Fund (IMF) forecasts 5.1% and 7% growth for Rwanda in 2021 and 2022, respectively, but there are risks around public debt and non-performing loans.
- Rwanda imports in greater value than it exports. In 2020, total trade in goods (imports + exports) expanded by 24% reaching an equivalent of 45% of GDP, driven by the substantial increase in gold exports and imports across all product categories.
- Two-thirds of Rwanda's total exports over 2015 to 2019 comprised of gold, tea, coffee, and ores and concentrates of niobium, tantalum, vanadium and tin. There is room to support exporting of wheat products, leguminous plants, food preparations, coffee substitutes, corn flour and mattress products in view of increasing world demand of and Rwandan efficiency on these products.
- Foreign direct investment (FDI) in Rwanda has increased steadily over the past two decades, with FDI stock reaching \$2.6 billion in 2019. The return on equity on FDI in Rwanda is at 13.2%, higher than the world average at 6%, as of 2018.
- Rwanda has been a net importer of goods from Africa, with total intra-African trade comprising about 30% of Rwanda's total goods trade as of 2019. Rwanda enjoys lower trading costs from most members of the Common Market for East and Southern Africa (COMESA) and the East African Community (EAC).
- Simulations suggest that Rwanda will have smaller trade and welfare gains compared to other African countries under the African Continental Free Trade Area (AfCFTA) scenario. Rwanda is yet to trade under the AfCFTA and would benefit from implementing an AfCFTA national strategy and preparing for the next phases of AfCFTA negotiations.



# Acknowledgements

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## About this publication

This paper aims to inform relevant stakeholders, including the private sector and non-AfCFTA experts, on Rwanda's current economic situation and implementation of AfCFTA. The paper is structured as follows. Section 1 discusses the recent socioeconomic development in Rwanda, followed by the country's trade landscape and business environment (Section 2). Section 3 presents Rwanda's intra-African trade performance and status of AfCFTA implementation. The final section summarises the paper's analysis through a SWOT (strengths, weaknesses, opportunities and threats) presentation.

This paper is part of the ODI-GIZ policy paper series under a larger project titled: 'GIZ Support Programme to the AfCFTA'. The Programme supports the GIZ's partners on the continental (AU Commission, AfCFTA Secretariat), regional (currently East African Community, EAC, Economic Community of West African States, ECOWAS; planned Southern African Development Community, SADC) and national levels on the negotiations and implementation of the AfCFTA.

Disclaimer: The content of this publication has been produced rapidly to provide early ideas and analysis on a given theme. It has been cross-read and edited but the usual rigorous processes have not necessarily been applied.

## About the author

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# 1 Recent socioeconomic developments

Rwanda has achieved significant economic and social development gains since the 1994 genocide and civil war (Table 1). The Covid-19 pandemic, however, gravely affected the Rwandan economy. For the first time in over two decades, Rwanda's GDP declined by 3.4% in 2020, driven by a halt in tourism, services and industrial activities (IMF, 2021b). Annual average inflation accelerated, the trade deficit widened and the Rwandan franc depreciated (NBR, 2021; IMF, 2021b).

Unemployment rate peaked at 22% in May 2020, with a disproportionate impact on women (World Bank, 2020; AfDB, 2021). Consequently, 600,000 Rwandans were estimated to have fallen into poverty in 2020 and 2021 (World Bank, 2021a).

Nevertheless, Rwanda's fiscal package targeting economic and social needs was assessed to have limited the impact of the crisis (IMF, 2021b). Rwanda's Covid-19-related spending in its Economic Recovery Plan amounted to 6.3% of GDP (ibid.) – relatively higher than rescue packages in sub-Saharan Africa countries (3.5% of GDP) but significantly lower than those announced in G20 countries (22%).<sup>1</sup>

**Table 1 Rwanda country facts and social indicators**

Capital: Kigali			
Geographical size: 26,338 km <sup>2</sup> ; shares border with Burundi, DR Congo, Tanzania and Uganda			
Languages: Kinyarwanda, English, French			
Religion: mostly Catholic, Protestant and Adventist			
Currency; exchange rate: Rwandan franc (FRw); FRw 1009.6 per USD as of 31 December 2021			
	2000	2010	2020/latest
Population (million)	7.9	10.0	13.0
Dependency ratio (%) <sup>1</sup>	85.4	74.3	68.8
Life expectancy (years)	48.6	63.4	69 <sup>2</sup>
Mean years of schooling	2.3	3.8	4.4 <sup>3</sup>
GNI per capita (constant 2017 PPP\$)	861.2	1,495.1	2,051.5
Poverty rate (% of population living at less \$1.9 a day, 2011 PPP)	78	63.2	56.5 <sup>4</sup>
Unemployment rate (%)	0.8	1.1	1.4
Gender inequality index <sup>5</sup>	0.554	0.445	0.402 <sup>2</sup>
Human development index <sup>6</sup>	0.341	0.492	0.543 <sup>2</sup>

Notes: 1 dependency ratio of the young (0–14 years old) to the working-age (15–64 years old) population; 2 as of 2019; 3 as of 2019 or latest; 4 as of 2016; 5 higher score = higher gender inequality; 6 higher score = better human development; GNI = gross national income; PPP = purchasing power parity.

Sources: EAC (2021); NISR (2014); WDI (2021); UNDP (2021); National Bank of Rwanda (NBR) website.

<sup>1</sup> Author's computations based on data from IMF Fiscal Monitor April 2021 database. Aggregates for G20 and Sub-Saharan Africa are weighted by GDP.

The Rwandan economy is expected to rebound with 5.1% growth in 2021 and return to its pre-pandemic trend by 2023 (IMF, 2021b; Table 2). Downside risks to growth outlook may emerge from ‘moderate risk’ of debt distress and increasing non-performing loans, and if the Covid-19 outbreak is prolonged and/or access to vaccines is limited (IMF, 2021b). Rwanda’s National Treasury projects growth rates similar to those from the IMF in the next four years, backed by expected robust activity in agriculture, industry, mining and construction (Uwiringiyimana, 2021).

**Table 2 Selected macroeconomic and financial sector performance and forecast**

	2019	2020	2021f	2022f	2023f
Real GDP (% growth)	9.5	-3.4	5.1	7.0	8.1
Consumer prices (period average, % growth)	2.4	7.7	2.4	4.9	5.8
Total investment (% of GDP)	26.2	24.5	24.2	26.8	28.8
Government revenue and grants, FY (% of GDP)	23.6	23.3	25.0	24.2	24.4
Government expenditure, FY (% of GDP)	31.8	32.4	34.2	32.8	32.0
Overall fiscal balance, FY (% of GDP)	-8.1	-9.1	-9.2	-8.6	-7.5
Public debt including guarantees (% of GDP)	58.1	71.3	79.1	81.3	81.1
Credit to non-government sector (% growth)	12.6	21.8	10.0	12.7	14.6
Current account balance (% of GDP)	-12.1	-12.2	-13.4	-12.2	-11.2
Remittance inflows <sup>1</sup> (% of GDP)	2.4	2.7	2.8	3.0	3.0
Gross international reserves (months of prospective imports)	5.9	6.0	5.1	4.5	4.0

Notes: 1 authors’ computation using projected remittance inflows in IMF (2021b) and GDP in current prices in IMF (2021a); fiscal year runs from July to June; ‘f’ indicates forecast.

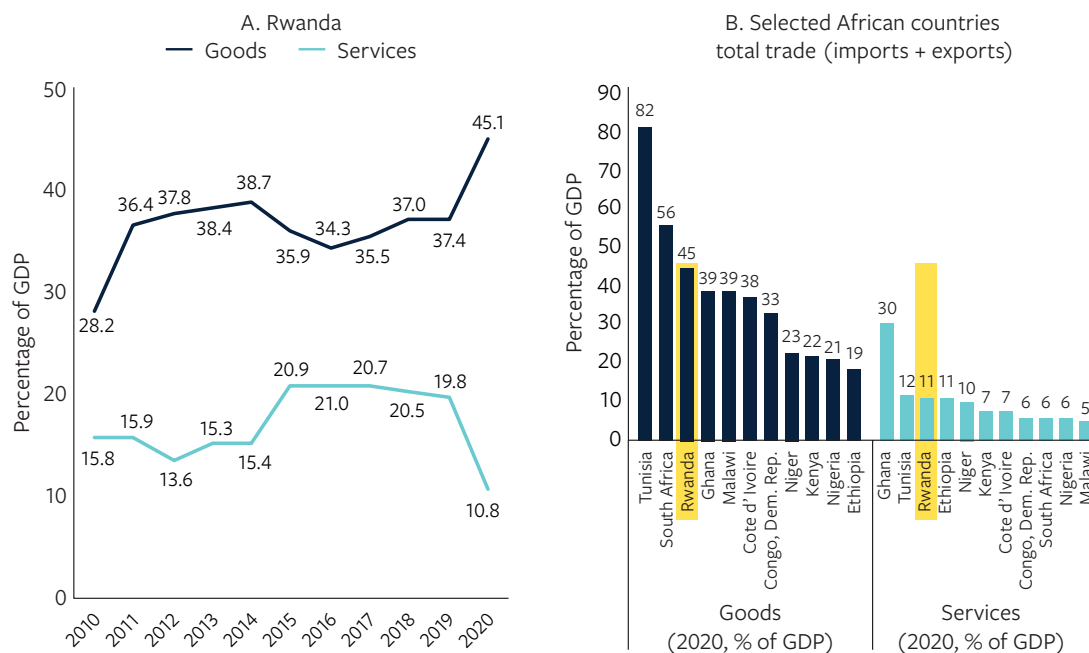
Sources: IMF (2021a); IMF (2021b). Largely based on IMF (2021b), supplemented by IMF (2021c) for 2019 data.

## 2 Trade landscape and business environment

### 2.1 Trade landscape

On average from 2011 to 2020, total trade (i.e., exports + imports) of goods and services was equivalent to 55% of GDP. Notably, Rwanda has been a net importer of goods and services in the past decade. As of 2020, exports of goods and services reached \$1.9 billion (18.4% of GDP) while imports of goods and services amounted to \$4 billion (37.6% of GDP). During the pandemic, total trade in goods expanded by 24%, reaching an equivalent of 45% of GDP, driven by the substantial increase in gold exports and imports across all product categories. Meanwhile, total trade in services contracted by 43%, reaching an equivalent of only 10.8% of GDP (Figure 1).

**Figure 1 Rwanda and selected African countries' total trade (exports + imports) in goods and services (as % of GDP)**



Source: author's computations based on UNCTAD data.

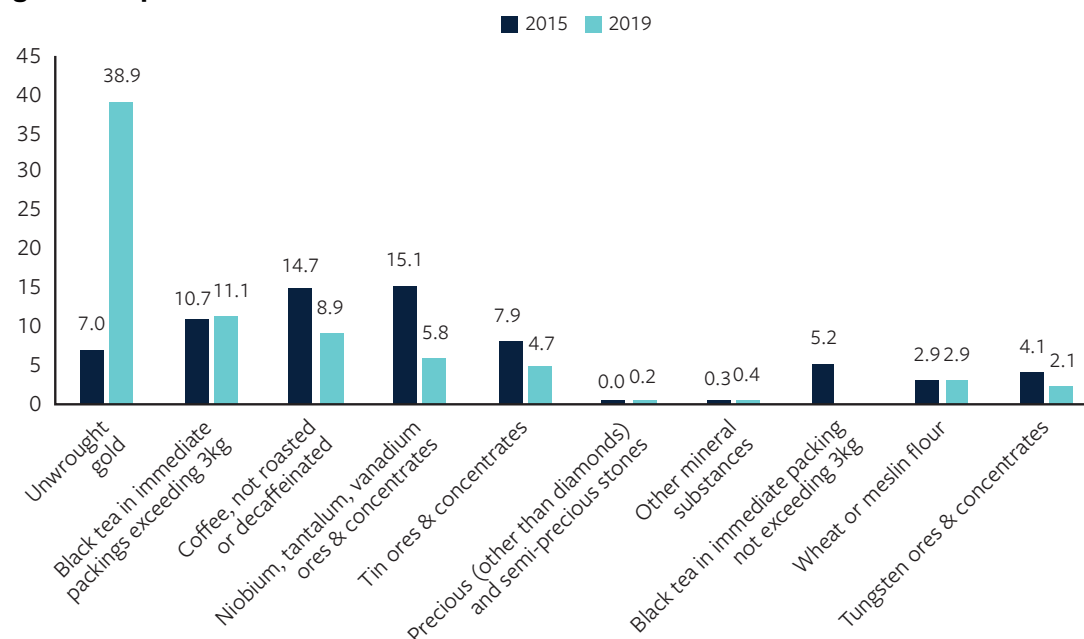
Ten products have made up two-thirds of Rwanda's total exports over the last five years, comprising mainly unwrought gold, black tea, not roasted or decaffeinated coffee, and ores and concentrates of niobium, tantalum, vanadium and tin.<sup>2</sup> Notably in 2019, the share of gold in total Rwandan goods exports substantially increased to 38.9% compared to 2015 (Figure 2). This is driven by the increase in value of Rwanda's unwrought gold exports by 313% to \$303.4 million in 2019, as Rwanda established its first gold refinery company and global gold prices increased.<sup>3</sup> Amid increasing global gold prices in 2020, the National Bank of Rwanda (NBR, 2020; 2021) suggests that receipts from Rwandan gold exports increased by 755% and 16.6% in FY2019/2020 and FY2020/21.

Major destinations of Rwandan exports aligned with the changes in the composition of top export products. As of 2019, major goods exports went to the United Arab Emirates (UAE), the Democratic Republic of Congo (DRC), Switzerland, Pakistan and the United Kingdom (UK).<sup>4</sup> Rwanda exported mostly gold to UAE, wheat or meslin flour to DRC; coffee to Switzerland and UK; and tea to Pakistan.

<sup>2</sup> Computed using UNCTAD data. Annual average share (%) of total Rwandan exports from 2015 to 2019.

<sup>3</sup> Computed using UNCTAD data for Rwandan gold exports, and World Bank ('Pink Sheet') for global gold prices which increased by 9.7% in 2019 and 27% in 2020.

<sup>4</sup> Authors' computations/analysis based on UNCTAD data.

**Figure 2 Rwanda's top 10 export products, 2015 and 2019, share (%) of total goods exports**

Source: author's computations based on UNCTAD data (6-digit product category).

Rwanda's top imported products are oil products (16.8%), unwrought gold (7.6%), medicaments (3.8%), sugar (2.4%) and mobile phones (2.2%), on average from 2015 to 2019. The surge in imported unwrought gold in 2019 may largely be explained by Rwanda's imported gold for processing (World Bank, 2021c). Half of Rwanda's total imports are sourced from five main countries: China, India, UAE, Uganda and Kenya.<sup>5</sup> Top Rwandan imports from these countries are mobile phones (China); oil products (India and UAE), cement (Uganda) and unwrought gold (Kenya).<sup>6</sup>

We investigate the efficiency (in terms of revealed comparative advantage or RCA) of and world demand (from all countries) for Rwanda's top 25 exported products (accounting for 90% of Rwanda's total exports) in the last five years (i.e., 2015 to 2019, or latest available data). Table 3 presents Rwandan products that can be supported through export promotion or intervention to increase competitiveness.

<sup>5</sup> Authors' computations/analysis based on UNCTAD data.

<sup>6</sup> Authors' computations/analysis based on UNCTAD data.

**Table 3 Export products for promotion and targeted intervention**

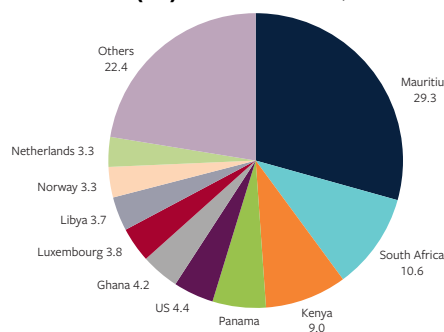
	<b>Increasing RCA</b> (e.g., for export promotion, facilitation)	<b>Declining RCA</b> (e.g., intervention to increase competitiveness)
<b>Increasing world demand</b>	<ul style="list-style-type: none"> <li>• wheat</li> <li>• bran, sharps and other residues of wheat and leguminous plants</li> <li>• food preparations</li> <li>• coffee substitutes</li> <li>• lead</li> <li>• beans</li> <li>• precious (except diamonds) and semi-precious stones</li> </ul>	<ul style="list-style-type: none"> <li>• ores and concentrates of niobium, tantalum, vanadium and tin</li> <li>• mineral substances</li> <li>• corn flour</li> <li>• mattress products</li> </ul>
<b>Declining world demand</b>	<ul style="list-style-type: none"> <li>• unwrought gold</li> <li>• black tea, packings exceeding 3kg</li> <li>• Portland cement other than white</li> <li>• bovine animals other than cattle and buffalo</li> <li>• rubies, sapphires and emeralds</li> <li>• bars and rods of free-cutting steel</li> <li>• beans of the species <i>Vigna mungo</i></li> </ul>	<ul style="list-style-type: none"> <li>• coffee, not roasted or decaffeinated</li> <li>• black tea, packing not exceeding 3kg</li> <li>• tungsten ores and concentrates</li> <li>• oil-cake and other solid residues</li> <li>• unsplit whole hides and skins</li> </ul>

Source: author's compilation based on data from World Integrated Trade Solutions (WITS) database.

## 2.2 Foreign direct investment

Foreign direct investment (FDI) in Rwanda has increased steadily over the last two decades, with FDI flows and stock reaching \$420 million and \$2.6 billion, respectively, as of 2019.<sup>7</sup> In 2020 amid Covid-19, however, UNCTAD (2021) estimates that FDI inflows to Rwanda declined to \$135 million while FDI stock remained at its 2019 level. Data as of 2018 indicate that the highest FDI flows worth \$144.8 million (37.9% of total) went to the electricity, gas, steam sector, while most FDI stock worth \$663.7 million (29.1% of total) went to the ICT sector (NBR, 2019). FDI from Mauritius grew by 240% (to \$796 million) from 2014 to 2018, contributing to a third of FDI inflows and stock in Rwanda (Figure 3).

**Figure 3 FDI (stock) sources (average annual share (%) of total FDI, 2014–2018**



Source: author's computations based on NBR (2019) data.

As of 2018, the average return on equity<sup>8</sup> on FDI in Rwanda is at 13.2% (higher than the world average at 6%) and can be as high as 47.5% in transport, 20.7% in the agriculture sector and 15% in financial activities (NBR, 2019). Foreign private entities are estimated to generate 73,695 jobs (ibid.).

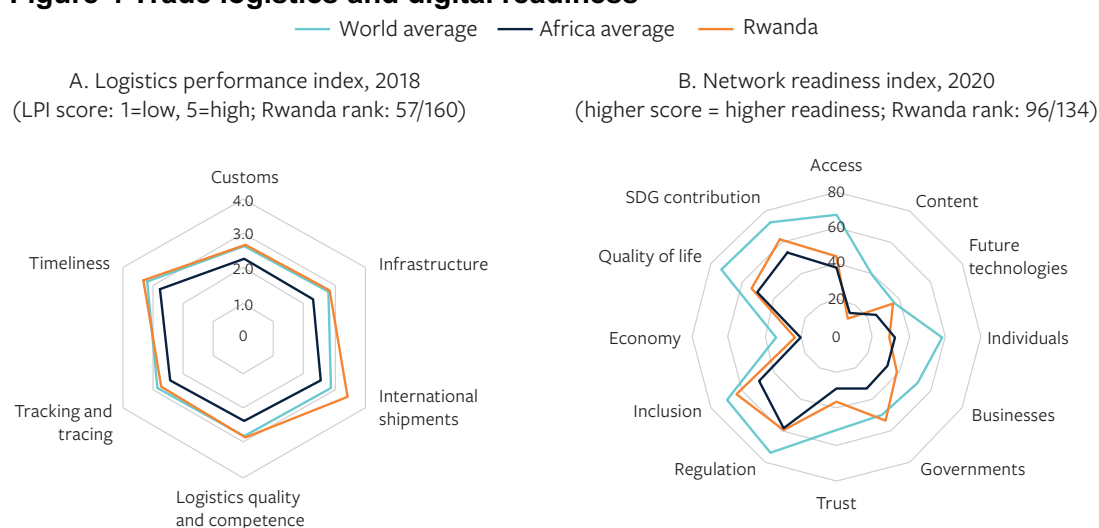
<sup>7</sup> Authors' computations based on UNCTAD data.

<sup>8</sup> The return on equity (ROE) is the amount of net income returned as a percentage of a shareholder's equity (NBR, 2019).

## 2.3 Business environment

Overall, Rwanda ranks better than other African counterparts on several indicators of trade logistics and regulatory environment, with better than world average scores on specific indicators. Rwanda scored higher than other African countries in the World Bank’s measure of trade logistics performance – ranking 57th among 160 countries in 2018. Rwanda scored highest in international shipments with 3.4 (with 5 being best, which is on par with South Korea), and performed better than world average for the rest of trade logistics indicators except for tracking and tracing (Figure 4A). Rwanda also performs well compared to 87 International Development Association countries in the World Bank’s 2019 country policy and institutional assessment across all indicators,<sup>9</sup> scoring highest on business regulatory environment, gender equality, environmental sustainability and trade.

**Figure 4 Trade logistics and digital readiness**



Sources: Figure 4A data based on World Bank database; Figure 4B based on NRI data in networkreadiness.org by Portulans Institute. Aggregate scores (world and AU) are based on simple average.

An International Finance Corporation survey (2018) of Rwanda-based investors highlights the country’s stability and regulatory environment as their primary reason for investing in Rwanda. The survey also highlights that the majority of investors find Rwanda ‘attractive’ or ‘very attractive’, more than Kenya, Tanzania or Uganda (ibid.). However, they flagged major challenges around the country’s small market size, difficulties in accessing quality local labour, and high production costs related to airfreight, financing and electricity (ibid.). This is consistent with an investor perception survey (NBR, 2019), in which the highest score was given for the country’s governance and lowest for domestic resources (e.g., local supplies and labour costs). There are also remaining challenges around digital technological content that can be deployed locally and individual usage of technology (Figure 4B). Based on the World Trade Organization’s (2019) trade policy review for Rwanda, legislation approved between 2011 and 2018 to improve the business environment covered taxation, duties and charges on imports, investment regimes (e.g., promotion, facilitation, public–private partnerships, economic zones, land tenure),

<sup>9</sup> Authors’ calculations based on CPIA data from World Bank database accessed in August 2021.



government procurement and sanitary and phytosanitary measures. UNCTAD (2021) highlights Rwanda's efforts to attract FDI, including providing preferential tax rates to investors that would undertake investment consistent with Sustainable Development Goals, such as in the generation, transmission and distribution of energy, whether peat, solar, geothermal, hydro, biomass, methane or wind. Rwanda also recently adopted a law providing incentives for reducing operational costs, attracting talent and promoting innovation and diversification in firms (ibid.). In February 2021, Rwanda also revised the Investment Code to introduce new priority sectors and activities and adopt several new tax incentives for philanthropic investors, angel investors or strategic investment projects (ibid.).

## 3 Intra-African trade performance and AfCFTA

### 3.1 Background: Rwanda's goods trade with Africa

Rwanda has been a net importer of goods from other African countries<sup>10</sup> – with imports and exports reaching \$916.5 million and \$165.9 million, respectively, as of 2019 (Figure 5). A third of Rwanda's total goods imports are from Africa, while the share of goods exports going to Africa hovered around 14% from 2017 to 2019 (Figure 5). The share of total intra-African goods trade (exports + imports) to Rwanda's total goods trade increased from 24.6% in 2017 to 28.2% in 2019, driven by the increase in Rwanda's imports from the continent.

On average from 2017 to 2019, Rwanda's top exports to African countries included wheat or meslin flour (13.1%), bran, sharps and residues of leguminous plants (11.2%), black tea (5.4%), Portland cement (5.4%), unwrought gold (4.5%), bovine animals (4%) and corn flour (3.9%).<sup>11</sup> Meanwhile, a quarter of Rwanda's imports from Africa comprised of unwrought gold, followed by Portland cement (6.1%), chemically pure sucrose (6%), corn and corn seed (3.6%) and soap products (2.2%).<sup>9</sup> During the same period, Rwanda's top five export African destinations are DRC (38.5%), Uganda (19.9%), Kenya (10%), Tanzania (7.7%) and Burundi

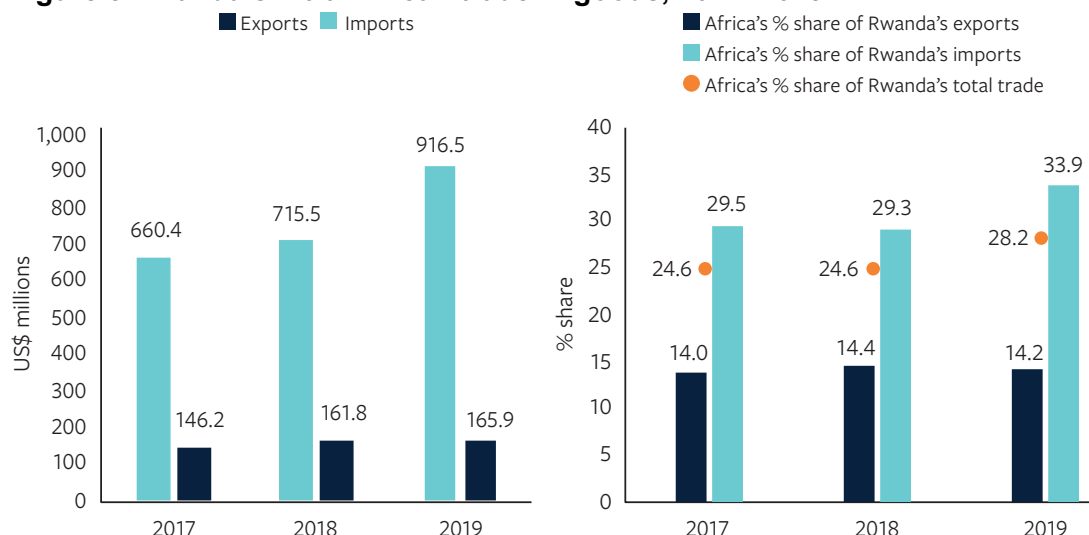
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<sup>10</sup> For consistency, 'intra-African' in this figure refers to Rwanda's trading with 34 African countries with complete goods exports and imports data from 2017 to 2019.

<sup>11</sup> Authors' computations based on WITS data (6-digit product categories).

(7.1%).<sup>12</sup> The top five African sources of Rwandan imports are Kenya (26.2%), Uganda (23.1%), Tanzania (21.2%), South Africa (10.3%) and Zambia (4.5%).

**Figure 5 Rwanda’s intra-African trade in goods, 2017–2019**



Note: for consistency, 'intra-African' in this figure refers to Rwanda's trading with 34 African countries with complete goods exports and imports data from 2017 to 2019.

Source: author's computations based on data from World Integrated Trade Solutions (WITS) database.

The trade-weighted most-favoured nation (MFN) tariff rates imposed by Rwanda on its imports from African countries ranged from zero for Equatorial Guinea to 40.4% for Angola as of 2019.<sup>13</sup> Rwanda extends preferential tariffs to 14 African countries,<sup>14</sup> which like Rwanda, are members of at least one or all regional communities – the EAC, the Economic Community of Central African States (ECCAS) and COMESA. As part of the AfCFTA, tariffs will be progressively liberalised in stages, and apart from 'sensitive' and 'exclusion list' products. Tariffs will be liberalised (to zero) for 90% of tariff lines over a period of ten years for least developed countries (LDCs) and five years for non-LDCs (AfCFTA Secretariat, 2021). Sensitive products shall not exceed 7% of total tariff lines, while the exclusion list shall not exceed 3% of total tariff lines with an intra-Africa import value limit of not more than 10% (ibid.).

Figure 6 shows the top 10 imports by Rwanda from African countries, which accounts for half of Rwanda's imports from the continent. AHS is defined by the WITS database as the lowest existing preferential tariff rates or applied MFN tariffs. Figure 6 also shows that the AHS imposed by Rwanda on imports from Africa are lower than the AHS imposed on imports from the rest of the world by 17 to 50

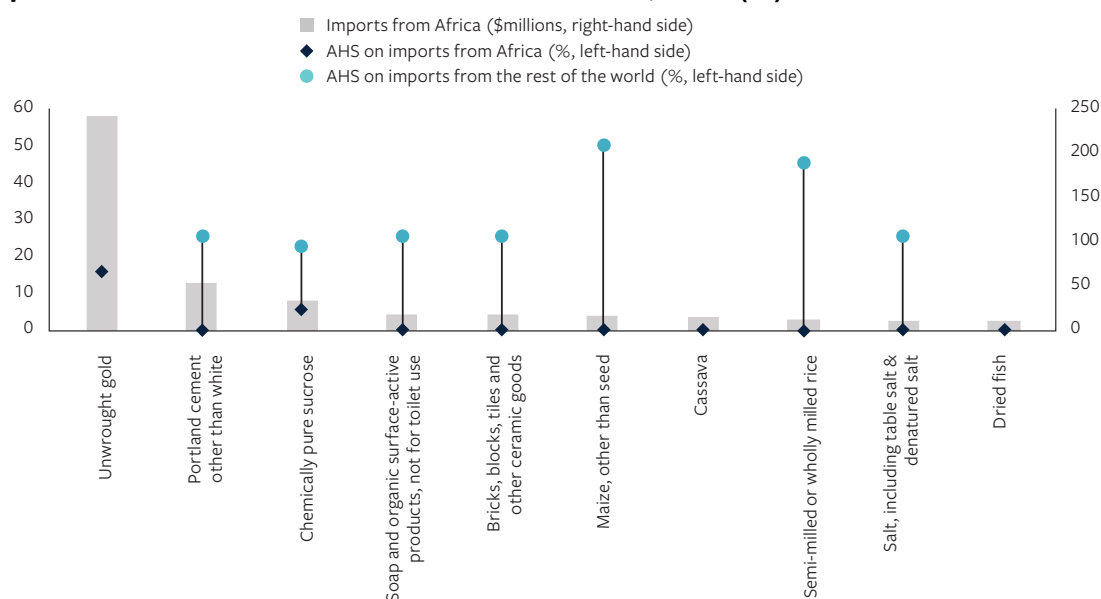
<sup>12</sup> Authors' computations based on WITS data covering 34 AU members with complete goods trade (export and import) data with Rwanda from 2017 to 2019.

<sup>13</sup> Based on World Trade Integrated Solutions database.

<sup>14</sup> The 14 countries where Rwanda has preferential tariffs: Burundi, Democratic Republic of the Congo, Egypt, Ethiopia, Djibouti, Kenya, Madagascar, Malawi, Mauritius, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe.

percentage points, making it sensible for Rwanda to import these products from African neighbours. Although this raises further investigation on the issue of trade diversion – whether Rwanda may have diverted away from a more efficient supplier (but without preferential treatment, being outside a trade agreement) towards a less efficient supplier (but with preferential treatment within a trade agreement). The 15.8% AHS on Rwanda’s imported unwrought gold reflects the 25% AHS imposed on three main sources – Burkina Faso, Cameroon and South Africa – which together provided 63% of all Rwanda’s import of this product in 2019.

**Figure 6 Effectively applied tariff rates (AHS) on Rwanda’s top imported products from Africa and the rest of the world, 2019 (%)**



Note: unwrought gold, cassava and dried fish are all imported from African countries as of 2019.  
 Source: World Trade Integrated Solutions database

Non-tariff measures (NTMs), including sanitary and phytosanitary, technical barriers to trade, pre-shipment inspection, and price and quality control, – ranging in number from 60 to 768 NTMs imposed by Niger and Mauritius, respectively<sup>15</sup> – also affect Rwanda’s imports from other AU members. However, the number of NTMs does not indicate the magnitude of restrictiveness on trade. Figure 7 shows ad valorem equivalent<sup>16</sup> trade costs that incorporate not only international transport costs and tariffs but also other trade costs, including direct and indirect costs associated with differences in languages, currencies and cumbersome import or export procedures.<sup>17</sup>

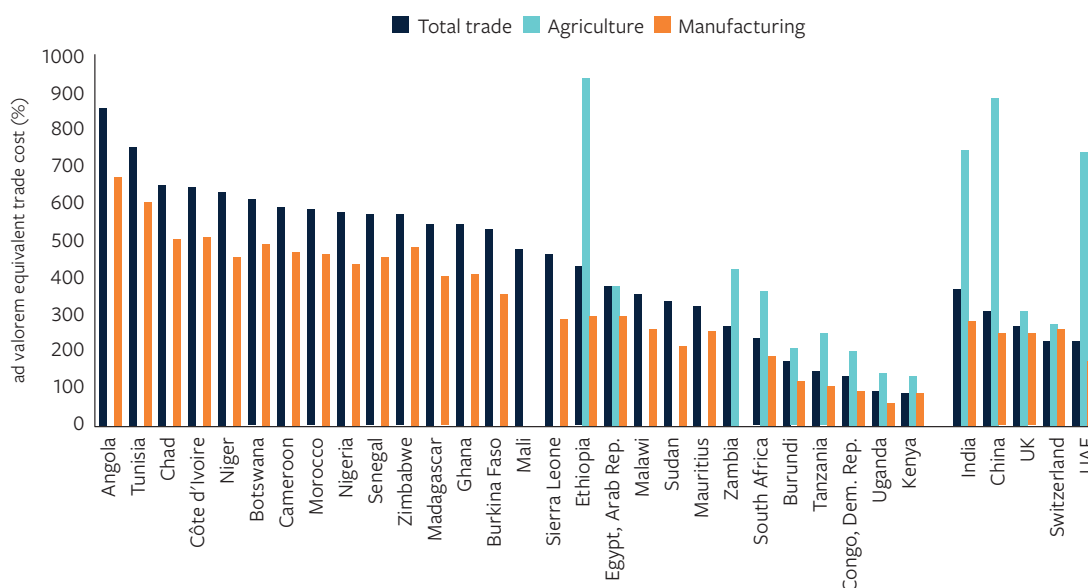
<sup>15</sup> Author’s computations based on TRAINS database, accessed in September 2021.

<sup>16</sup> Or as proportion of the estimated value of the goods.

<sup>17</sup> It should be noted that the measure is an average for all traded goods, some of which may not be traded (or very little) in practice due to prohibitively high trade costs. This measure, developed by ESCAP–World Bank (2017), includes all costs involved in trading goods internationally with another partner (i.e. bilaterally) relative to those involved in trading goods domestically.

Based on this measure, trade between Rwanda and Angola involves additional costs amounting to about 866% of the value of the goods, compared to when these two countries trade goods within their borders. In other words, trading with Angola is about nine times more expensive than trading within Rwanda’s borders (and vice versa).<sup>18</sup> The figure also suggests that, except for a few COMESA and/or EAC members, Rwanda’s bilateral trading costs are higher with most partners from Africa than with those outside the region (e.g., UAE, Switzerland, UK, China, India) especially on non-agricultural products, presenting both a challenge and an opportunity to increase Rwanda’s intra-continental trade.

**Figure 7 Bilateral ad valorem trade costs between Rwanda and respective partners (% , average 2012–2016)**



Source: World Bank database

### 3.2 Status of Rwanda’s AfCFTA implementation

The Rwandan government deposited its instrument of ratification to the AU Commission on 26 May 2018 (AU, 2020). As of 4 October 2021, 41 countries have complied with their domestic requirements for ratification of the AfCFTA, 38 of which have deposited their instruments of ratification to the AU Commission (tralac, 2021). As of March 2021, the AfCFTA secured 90% of tariff offers and 34% of services offers (AU, 2021). Countries ratifying the agreement can trade with each other based on their tariff concessions and rules of origin. As of January 2022, there is little information on the level of AfCFTA implementation at the national level.

At the regional level, the EAC (of which Rwanda is a member) has agreed on 87% of the products and has yet to agree on the remaining 3% of the products to be traded under the AfCFTA as of 6 January 2022 (Kagina, 2022). To help operationalise the AfCFTA, Rwanda has also initiated a process to adopt the

<sup>18</sup> See Arvis et al. (2012) for full discussion of methodology.

proposed preferential tariffs and the elimination of non-tariff barriers within the ECCAS (Kagina, 2021).

A World Bank (2020) simulation suggests that Rwanda's gains from AfCFTA (relative to non-AfCFTA scenario) in terms of income, exports and imports will be at the lower end compared to other African countries. For instance, the value of intra-African exports by Egypt is expected to increase by \$11 billion, while Rwandan exports to Africa are expected to increase by less than \$1 billion. Rwanda is also one of the 10 (of 24) countries expected to experience declines in tax revenues from imports under the AfCFTA scenario compared to baseline (ibid.). Employment in Rwanda's recreational and services sector – which tends to be labour intensive and employ women – is expected to decline under the AfCFTA scenario (ibid.). Another study by Shinyekwa et al. (2020) suggests that, under AfCFTA, Rwanda is likely to incur tariff revenue losses, and experience trade diversion and negative welfare effects.

Rwandan government and the private sector have been taking steps to increase AfCFTA awareness. The Rwandan Ministry of Trade and Industry (MINICOM) announced the country's readiness to trade under AfCFTA in January 2021 (Mxo, 2021). MINICOM, in consultation with the private sector, identified the following export-ready products for AfCFTA: tea, coffee, cereals, dairy, animal and vegetable oil products, mining products, construction materials, hides and skins, and textiles (Mwai, 2021). In terms of services, MINICOM is also looking at Rwanda's competitive advantage in finance, transport, communication and architecture (Kagina, 2022). The Rwanda Revenue Authority also made necessary AfCFTA-related documents available in an online trade portal ([rwandatrade.rw](http://rwandatrade.rw)) to help facilitate exports under the AfCFTA regime (ibid.).

Meanwhile, the Rwandan private sector has taken steps in preparation for AfCFTA (Mwai, 2021; EABC, 2021):

- working with the Rwanda Standards Bureau and Food and Drug Authority to ensure meeting of necessary compliance standards for businesses
- engagements with peer organisations to ensure mutual recognition of standards
- identifying key barriers (e.g., high air transport taxes) and charting policy priorities (e.g., single point for taxation, harmonisation of standards) at the regional level to tap the AfCFTA market.

Compared to other countries in Africa, Rwanda is relatively well prepared for the next phases of AfCFTA negotiations by having relevant legislations in place. Rwanda has a competition law (Dawar and Lipimile, 2020), has enacted an investment code since 2015, and protection of intellectual property law since 2009 (WTO, 2019). Rwanda has also its Data Revolution Policy, since 2017, and has been gaining momentum in transforming itself into a digital hub (Banga et al., 2021). To enable smooth implementation of the AfCFTA, Rwanda would benefit from implementing a national strategy for AfCFTA as well as undertaking a gap analysis comparing commitments to AfCFTA provisions and domestic legislation and regulations.

## 4 Opportunities and challenges for Rwanda's trade and investment

Based on the analysis on Rwanda's macroeconomic performance, trade and investment landscape and AfCFTA implementation in previous sections, we summarise the following SWOT considerations for Rwanda's trade and investment prospects.

Strengths	<ul style="list-style-type: none"> <li>• Built up years of strong political, social and human capital.</li> <li>• Strong and fast growth before the Covid-19 pandemic, with expected quick (V-shaped) recovery in 2021 to 2023.</li> <li>• Above African average performance in terms of trade logistics, business environment and conduciveness of institutional and regulatory framework for sustainable growth.</li> <li>• Existing legislations and policies on competition, investment and digital data, which are relevant for the next phase of AfCFTA negotiations.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Country's small market size.</li> <li>• Difficulties in accessing quality local labour.</li> <li>• High production costs related to airfreight, financing and electricity.</li> <li>• Increasingly less diversified export products (e.g., substantial increase in gold exports) that exposes the economy to global price shocks.</li> <li>• Relatively poor performance compared to other countries in terms of digital content and usage.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Strategic geographical location, and membership of several regional communities in East, Central and Southern Africa which can be leveraged to capture continental market base.</li> <li>• Higher than world average return on FDI in Rwanda, especially in transport, agriculture and financial sectors.</li> <li>• Intervention to boost further exports of the following major Rwandan export products with increasing world demand: wheat; leguminous plants; food preparations; coffee substitutes; lead; beans; precious (other than diamonds) and semi-precious stones; ores and concentrates of niobium, tantalum, vanadium and tin; mineral substances; corn flour; and mattress products.</li> </ul>
Threats (risks)	<ul style="list-style-type: none"> <li>• Subdued demand in the event of a protracted Covid-19 pandemic and/or limited access or constrained deployment of Covid-19 vaccines.</li> <li>• Moderate risk of public debt distress and increasing non-performing loans.</li> <li>• Global prices volatility and adverse weather conditions.</li> <li>• Oil price shocks which would increase import bills and widen trade deficit.</li> <li>• Delays in AfCFTA implementation or higher preference to trade outside the AU due to relatively higher costs of intra-African trade and/or due to domestic legislative constraints.</li> </ul>

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