

The extraordinary case of Rwanda – or how a small country can take giant steps

For the last few years, no Africa conference has taken place without a praising reference to Rwanda. I was asked by some African friends why this small country (which is smaller than the state of Massachusetts and not much bigger than the size of Wales) is having so much impact. Here are the ten key reasons why Rwanda is becoming a leading force on the international scene:

1. Zero tolerance to corruption

Corruption is a key hurdle in many countries. Since the start of the financial crisis, corruption has rippled across the world. The last report published by [Transparency International](#) indicates that 53% of the people surveyed found that corruption has worsened, including in western countries such as Germany, United Kingdom, France and United States. But Rwanda's trend is going the other way. Rwanda was ranked the least corrupt country in Africa in terms of bribes. This is only the result of strong political will with a zero tolerance to corruption which has been enacted in appropriate reforms, such as the establishment of the Ombudsman since 2003. Last year alone, the Ombudsman Office received over 6,600 corruption cases.

2. Legal revolution and the switch to common law

After the 1994 genocide, which cost the lives of 800,000 people, Rwanda switched from a civil legal system (inherited from Belgium) to a common law system which is [more suited to the business world](#). It is the first time a country voluntarily adopted common law. Rwanda also joined the East African Community in 2007 and became the second country not to have been colonised by England to join the Commonwealth of Nations in 2009. These changes were part of a deep reform to attract private investment.

3. Creation of a vibrant private sector

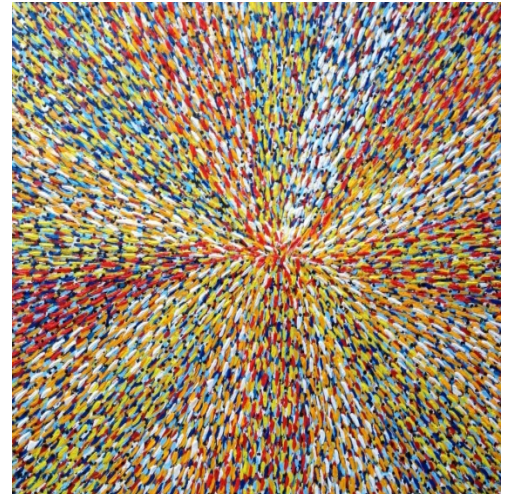
In the last six years, Rwanda has reduced many unnecessary regulations and administrative burdens to help better facilitate business. As a result it has become the second most improved business environment in the world over that period (according to the World Bank). For example, it now takes one day to start a business in Rwanda (compared to a 45-days average for Africa). According to the World Bank, [Rwanda is the 8th easiest country to start a business in the world](#) (United States occupies the 13th position and United Kingdom the 19th) and the 3rd easiest to do business in Africa after Mauritius and South Africa. And the reforms are continuing. At the start of September, Rwanda launched its electronic land title processing system, which will make land registration more efficient, cost effective and transparent. This reform is also crucial for investors who will be able to raise debt more easily by using their land as collateral.

4. Recognition of foreigners' rights: the creation of an arbitration centre

Rwanda introduced commercial courts in 2008 which reduced the backlog of pending litigation and improved the speed for the resolution of commercial disputes. The same year, Rwanda ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. To further improve its judiciary system, Rwanda developed alternative dispute resolution mechanics which led to [the creation of the Kigali International Arbitration Centre \("KIAC"\) last year](#). By using international rules and procedures and having a list of internationally recognised arbitrators, KIAC is on the right track to become a leading regional arbitration centre.

5. Solid growth and poverty eradication

Whereas most western countries see their sovereign rating being downgraded, Fitch has just revised Rwanda's credit outlook to positive from stable. With an average of 8.3% GDP growth since 2005 (according to the World Bank and the International Monetary Fund), Rwanda is one of the fastest growing economies in Africa, but that's not enough, the government is targeting a double digit growth of 11.5% to reduce poverty by 15% in the next five years. Poverty in Rwanda has already dropped by 11.8% since 2006, child



Key Contacts



Camille Astier

Co-ordinator of Africa Practice
Senior Associate, London
Hogan Lovells International LLP
camille.astier@hoganlovells.com
T +44 20 7296 2291

mortality has been slashed by two thirds in less than two decades and malaria deaths have declined by 75% between 2005 and 2011.

6. Successful Eurobond issue

Rwanda is one of the few African countries to have tapped the international bond market, with tremendous success: \$400m was issued on the Irish Stock Exchange with an issuance coupon rate of 6.625%. To meet its target to become a middle income country by 2018, Rwanda is using all its available tools. Investors gave it the thumbs up as the 10-year bond was eight times oversubscribed. Indeed, Rwanda offers a good investment alternative to the other - oil-producing - African issuers who are more likely to be affected by a drop in commodity prices.

7. Infrastructure development: the heart of the success

A good infrastructure is key to developing private investment and efforts have doubled to develop it in all sectors (energy, transport, water, healthcare and education). The KivuWatt project which simultaneously produced a 25 MW power plant and extracted harmful gases from the lake won the Euromoney energy project of the year in 2011. The development of the \$300m convention centre and the \$635m Bugesera airport are at the heart of making Rwanda a hub for East Africa (which makes sense as Kigali is one of the safest capitals in Africa). Rwanda is also one of the leading forces with East Africa and the \$4.7bn Isaka-Kigali railway between Tanzania and Rwanda is a good example of infrastructure projects making Rwanda a key East Africa player.

8. At the forefront of innovation

Rwanda is landlocked with few natural resources and is the most densely populated country in Africa. To succeed, it decided to innovate. Its investment and commitment to new technologies is impressive. In 2009 it started a \$95m project to construct 2,300 km of fibre optic telecommunication network across the country to link undersea cables running along the East African coast. It was revolutionary but not enough for a country determined not to be left behind. A few months ago a deal with KT Corp, one of the South Korean telecom companies, will lead to high speed 4G internet being provided to 95% of the population. According to the International Telecommunication Union, Rwanda is already amongst the top 10 broadband countries in Africa and it estimates that a 95% internet penetration will translate into a 10-13% GDP growth.

9. Women empowerment

The recognition and empowerment of women in Rwanda should make every western nation blush. Unlike many countries, equality between men and women is visible not just in the constitution. With women holding over 56% of the seats in the last parliament (which is far above the required 30% quota), Rwanda has by far the highest percentage of female MPs anywhere in the world (by comparison, women hold just over 22% of the seats in the United Kingdom and about 18% of the seats in the United States). This makes it the only country in the world with a majority of women at parliament. Women do not only legislate, they also hold senior executive positions by occupying 35% of the cabinet (vs 15% in the United Kingdom and 20% in the United States). Senior positions are occupied by women such as the minister of Foreign Affairs and Cooperation, the head of the Rwandan Development Board and the head of the Ombudsman Office.

10. Education: number one priority to empower a nation

The statistics in the last UNICEF report are clear: with 96.5% enrolment rate last year, Rwanda has the highest primary school rate in the whole of Africa. Gender parity for education has also been achieved for primary and secondary education. Such success led Rwanda to win the Commonwealth Education Good Practice Awards 2012. In addition, English was introduced as one of the official languages (instead of French): with 1.8bn people speaking English (vs 180m speaking French) it made sense. The president of Gabon pledged to follow suit after visiting Rwanda.

Conclusion

Rwanda has a clear ambitious vision and in the last decade, every step has been taken towards its concretisation. Although some may still doubt Rwanda's nickname of "Singapore of Africa", the proof is in the pudding and today Rwanda has already become one of the safest and most sophisticated countries in Africa and a leading example on how a focused government can empower its citizens.

www.hoganlovells.com

"Hogan Lovells" or the "firm" is an international legal practice that includes Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses.

The word "partner" is used to describe a partner or member of Hogan Lovells International LLP, Hogan Lovells US LLP or any of their affiliated entities or any employee or consultant with equivalent standing. Certain individuals, who are designated as partners, but who are not members of Hogan Lovells International LLP, do not hold qualifications equivalent to members.

For more information about Hogan Lovells, the partners and their qualifications, see www.hoganlovells.com.

Where case studies are included, results achieved do not guarantee similar outcomes for other clients. Attorney Advertising.

© Hogan Lovells 2013. All rights reserved.