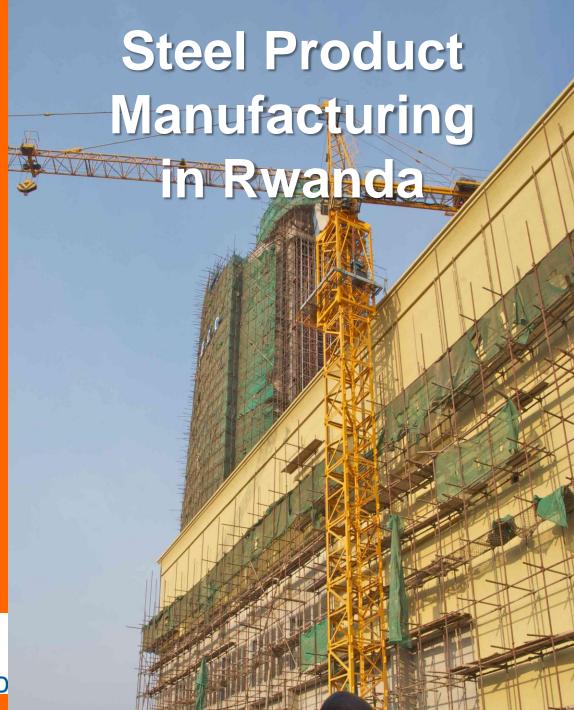
...a large opportunity within a growing sector supported by real incentives in a stable business context





# Construction in Rwanda is Big & Growing



### Trends in construction & materials:

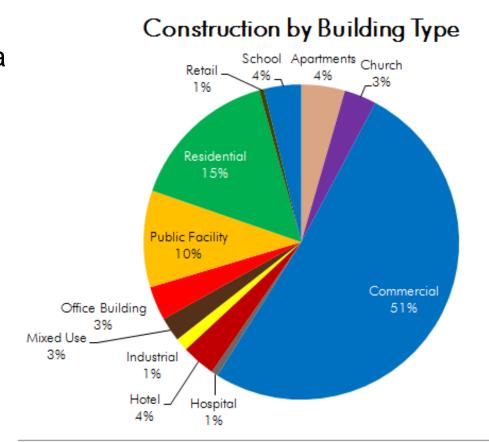
 Construction material is the largest and fastest growing component of Rwanda's manufacturing sector

51% of recent investments in the manufacturing sector have been in

the area of building materials

Construction spending in Rwanda grew 24% (to 500 million USD) between 2010 and 2011

- Construction permits issued: see adjacent chart □
- Commercial buildings and hotels have dominated recent building
- There are over \$204 million USD worth of building material investments expected in 3 years



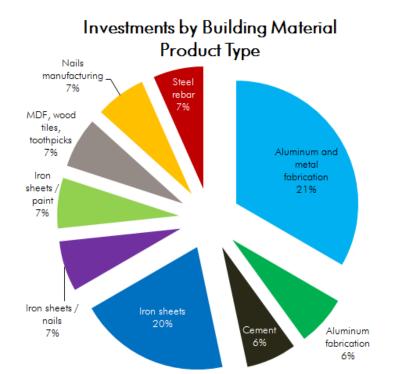
# Local Dynamics Attract Investment in Manufacturing

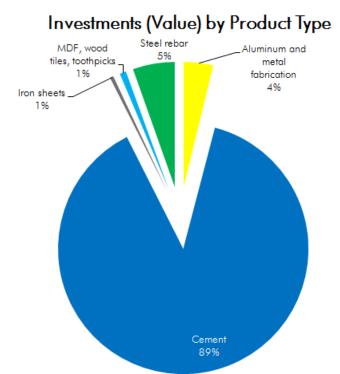


20 Rwandan manufacturers reveal key features and trends:

- 25% (5) have other production facilities in the region
- 70% (14) have expatriate management
- 50% (10) are exporting (Burundi and Eastern D.R.Congo)

Significant new investments committed in the sector...

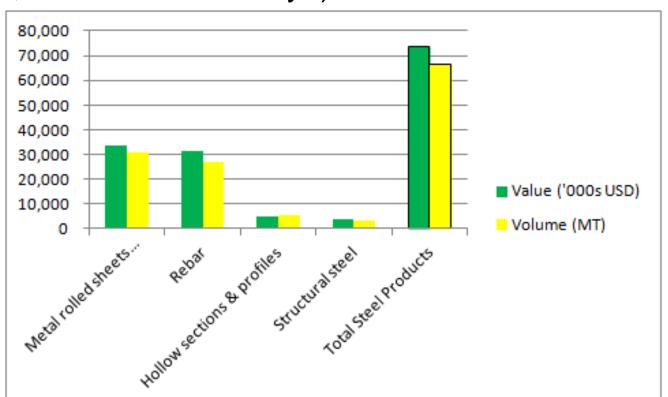




### Steel Products in Demand are Dominating Material Imports



- Steel products represent 4 of the 11 largest building material imports coming into Rwanda (TradeMap data, 2011)
- Together steel products represent 74 million USD/yr. in imports (surpassing cement, Rwanda's biggest imported material, at 50 million USD/yr.)

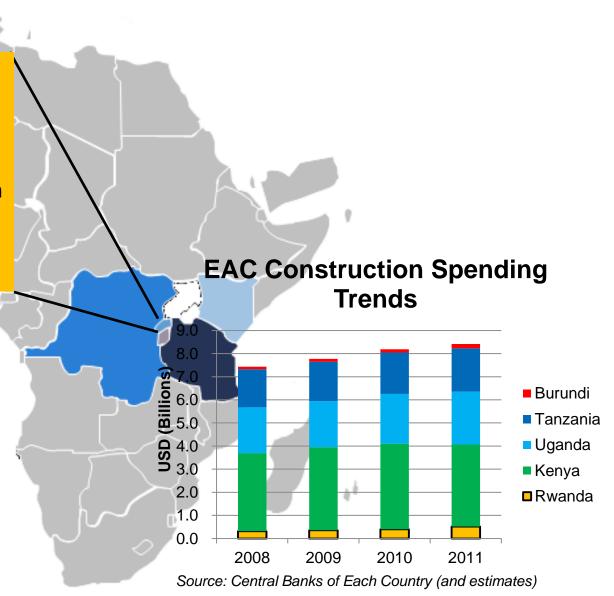


# Rwanda is Well Positioned Within a Growing Region



#### Rwanda:

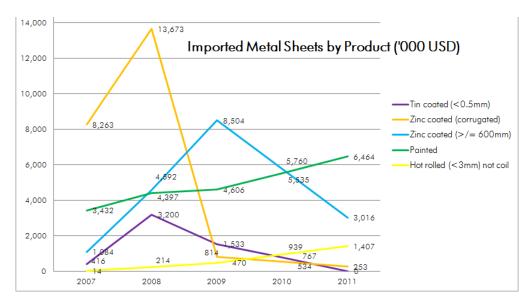
- Effective government; stable political context
- Strong business environment; low corruption
- Local insight; access to Eastern D.R.C. & Burundi
- Adequate labor pool

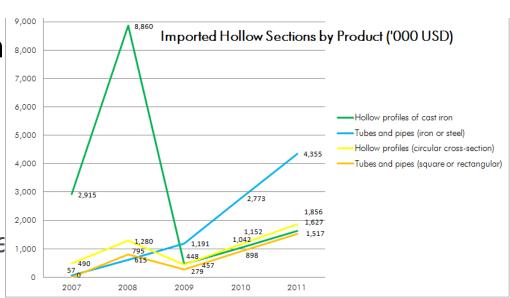


# Steel Products Demand is Variable but Growing Overall



- Local manufacturers
   currently sell steel products
   to: contractors and small
   hardware stores
   (quincaillerie)
- Large building projects
   generally import goods
   using tax exemption status
- Adjacent charts include both raw material (sheets) and finished goods (hollow sections) imported into Rwanda in 2011
  - Additional details are available upon request



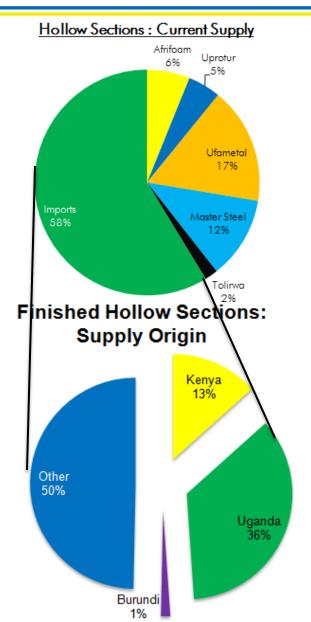


# Hollow Section Supply is Still Dominated by Imports



### Hollow Section Supply:

- Nearly 60% of all hollow sections and tubes are imported from China, Uganda, etc.
- There are currently 5 local manufacturers supplying significant volumes (~2 generally known to consistently meet quality standards)
- Exports from Rwanda have just begun, as 8 Metric Tons (18,000 USD) were sent to D.R. Congo and 5 Metric Tons (2,000 USD) were sent to Burundi in 2011

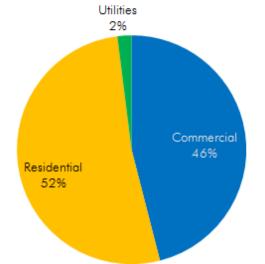


# Hollow Section Demand is for Roofing & Trim Applications

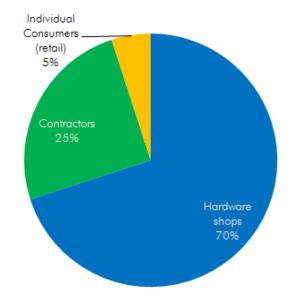


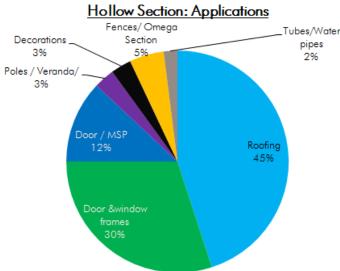
- Hollow Sections & Tubes
- Primary customers include: hardware stores, contractors and walk-in/retail (1 price)
- Regional Imports:
  - D.R. Congo imported 70 Million USD, mainly from S. Africa, China and Belgium (8.4 Million USD from Uganda)
  - Burundi imported 10 Million USD from Mauritius, China and other EAC members (3 Million+ from Kenya, 600K from Uganda)





#### Hollow Sections: Customer Types

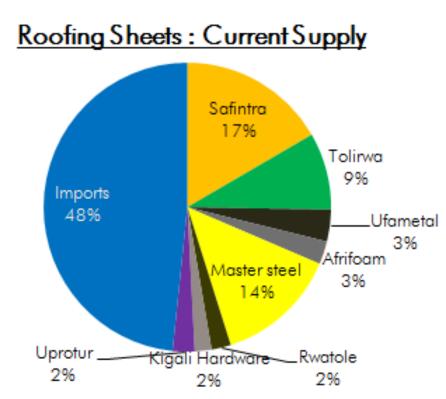




### Roofing Sheet Supply is Split Between Imports & Domestic Mfg



- Roofing Sheets & Profiles
- Nearly 50% of all roofing sheets and tubes are imported from China, Uganda and other countries
- There are currently 8 local manufacturers supplying significant volumes and meeting quality standards



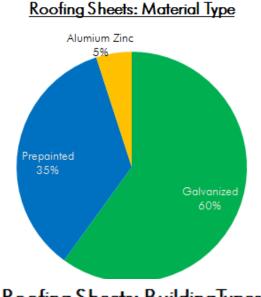
A significant market for imports remains, but is being challenged by domestic production

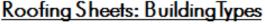
# Residential Demand is Led by Galvanized, then Painted, Sheets

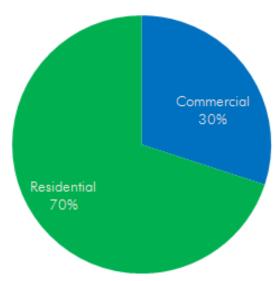


### Roofing Sheets

- Galvanized sheets are the most popular roofing material; Safintra owns the local rights to Aluminum Zinc roofing, and charges ~3% more than galvanized
- Primary customers use roofing sheets for residential homes (70%) instead of commercial structures (30%)
- Regional Exports (~32 Million USD/year potential?)
  - D.R. Congo imported over 62 Million USD in 2011, mainly from S. Africa, China, Kenya (21M), Uganda (11M)
  - Burundi imported 20 Million USD in 2011, mainly from Kenya and Uganda
  - Over the last 5 years, Rwanda has exported just \$560,000 USD worth of sheets to D.R. Congo and \$36,000 USD worth of sheets to Burundi



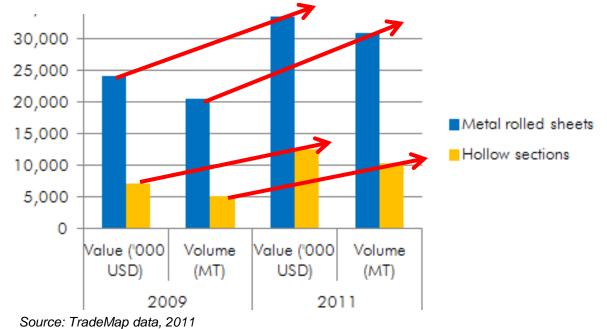




## In Recent Years, Steel Product Trends Indicate Growth



- Demand is Significant and Growing...
  - Large building projects result in volatile trend line, but import growth is clear



### Steel Building Product Market Size: 2011

Local Rwandan production is decreasing import dependency

			Local	Market size
	Material	Imports	Production	('000's USD)
1	Metal rolled sheets (iron/steel-roofing, fencing, etc.)	33,494	35,775	69,269
2	Hollow sections & profiles	12,433	8,751	21,184
3	Nails	3	1,510	1,513

# Steel Product Demand Anticipates Housing Development



- Urban Housing Growth in Kigali
- Kigali is expected to double the number of houses available
- An additional 344,000 dwelling units will be required by 2022
  - ~30,000 homes/yr. instead of current 1,000 homes/yr.
  - Expected to require 200,000 tons of cement, 13,000 tons of steel bars and 1.7 Million m<sup>2</sup> of roofing sheets

Rwanda's housing plans require immense roofing substructure and sheets in coming years

### Steel Product Demand Anticipates Growth in Energy



- Based upon the draft Sector Strategic Plan
  - By 2018, the following will be spent on energy in Rwanda:
    - Electricity access roll-out program: 1.2 Billion USD
    - Electricity generation programs: 3.2 Billion USD
    - ▶ Transmission & distribution programs: 400 Million USD
    - Total Costs for Strategic Plan: \$4.8 Billion USD

Rwanda's energy sector plans will require significant steel product material to be realized

# Steel Product Manufacturing: Government Support on Offer



- Barriers already addressed & incentives available:
  - Rwanda Bureau of Standards (RBS) standards and policies for material thicknesses (for quality and safety) have been created
  - Certificate of Origin (COE) process is improving, granting local producers tax waiver, and process for winning approvals
  - Housing Market Study, just completed, indicates growth (by type & place)
     to justify new investment in building materials
  - Government of Rwanda agencies (and others) have a local procurement preference clause to adhere to in their supply contracts
  - RDB facilitation is designed to introduce incentives and streamline the implementation process for foreign investment

# Steel Product Manufacturing: Investment Opportunity



### The case for investment:

- Rwanda: ideal business & investment climate
- Construction Boom: significant & growing
- Building Materials in Rwanda: too import dependent & expensive at present
- Steel Products: a strong opportunity in the sector
  - Large & growing demand
    - Housing demands of 344,000 dwellings by 2020 in Kigali alone
    - Energy demands require #4 Billion + investment
  - Limited competition: only 5 local hollow section mfrs; 48%+ imports
  - Local customization and rapid delivery advantages
  - Transport cost and tax advantages
- Urgency: domestic production is capturing a larger part of this growing market; more competition is expected; large project import privileges

Growing domestic market = regional opportunity

## Rwanda Offers an Ideal Climate for Investment



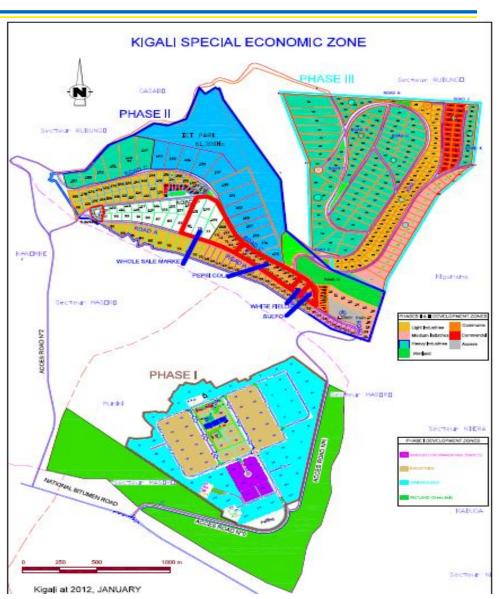
- Why is Rwanda a compelling business context?
  - 1) Political stability; sound rule of law; no tolerance for corruption
  - 2) Vision 2020: impressive growth to middle-income country status
  - 3) 8% average year-on-year GDP growth from 2007-2011 (one of the highest in Africa (and world)
  - 4) Global Reformer: ranked #4 out of 181 countries by World Bank Doing Business Report 2013, improving the context for starting and operating a business by making 26 different reforms since 2005 #1 in East Africa and #3 in Africa: as ranked by WEF Global Competitiveness Report 2011-2012
  - 5) 6-Hour Business Registration: ranked #8 easiest in the world
  - 6) **New Special Economic Zone** opened; 4 others planned; 30 district industrial areas ready for development

# Serviced Sites are Ready for Investors in Special Economic Zone



## Kigali's serviced Special Economic Zone (SEZ):

- Phase I: 98 hectares (ha.) -Fully serviced and fully occupied
- **Phase II**: 178 ha.
  - 12 companies have already booked space
  - ▶ Land price: \$32 \$40 per M²
- Phase III: 134 ha.
- Additional sites outside SEZ include:
  - ▶ Bugesera zone (serviced): \$15 M²
  - Rwamagana zone (un-serviced): \$4,750/ha.



### **Investor Incentives are Available**



- Investment Benefits:
- Free initial work permit & visa for investor and foreign workers
- Assistance with land acquisition and concessions
- Waiver of import duties, withholding and VAT for imported machinery and raw materials
- Waiver of duties for 1 personal vehicle; personal property import
- Waiver of duties for special vehicles, trucks & heavy machines
- Optional:
  - Construction projects greater than 1.8 Million USD: 10% flat fee for imported materials
  - Income tax "investment allowance" of 40% inside; 50% outside Kigali
  - Tax deductible training and research expenses
  - Tax discounts based on the number of jobs created (900+ jobs = 7% discount)
  - Export earnings may secure tax discounts (5 Million USD exported = 5% discount)

Join the growing group of investors that are seizing the opportunity to be part of the Rwandan growth story Let us know how we can help you take the next step

## Contact us today

Please contact:

RDB employee: Robert Muhizi

Manufacturing Development Division Manager

robert muhizi@rdb.rw; + 2560785342567; ; Skype: muhizir

Investment Promotion Office, RDB
Employee
Title/Position
E-mail, phone, Skype



# Housing Study: 10 year Projections



### Planned Growth in Kigali Housing:

- Kigali is expected to double the number of houses available
- An additional 344,000 dwelling units will be required by 2022:
  - Population is expected to approach nearly 2 million (~4.5/hh)
  - An additional 30,000 homes be built each year
  - Nearly 80% of these for people in the lowest income category (household income of \$670/month or less)
  - 70% are expected to be detached, low-rise row houses
  - 28% are expected to be apartments
  - Expected to require 200,000 tons of cement, 13,000 tons of steel bars and 1.7 Million m<sup>2</sup> of roofing sheets

Rwanda's construction boom will include very large residential developments in the coming years

# **Steel Product Demand: Growth Potential in Exports**



### Export Potential

- Based upon imports currently sent to countries from Uganda and Kenya (EAC neighbors with higher transport costs)...
  - Eastern D.R. Congo offers an incremental market for hollow sections and profiles of 40%;
     Burundi offers an incremental market of 17% of the current Rwandan market (import + domestic mfg.)
  - Eastern D.R. Congo offers an incremental market for roofing sheets of 46%; Burundi offers an incremental market of 29% of the current Rwandan market (import + domestic mfg.)



# The Rwandan Context for Manufacturing Support

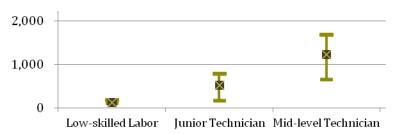


Comparative Analysis by African Country*	Rwanda	Burundi	D.R. Congo	Uganda	Tanzania	Kenya
GDP Real Growth Rate (year-over-year)	8.8	4.2	6.9	6.7	6.7	5
"Doing Business" Ranking - 2013	52	159	181	120	134	121
Population (millions, 2011)	11.7	10.5	73.6	33.6	46.9	43
Literacy rate (% of all 15 yrs +)***	71.1%	67.2%	66.8%	66.8%	69.4%	87.4%

In the region, Rwanda compares well on many of the factors important to manufacturers (e.g. GDP growth, literacy, labor)

### Rwanda Manufacturing Labor Costs

(USD monthly gross salary)

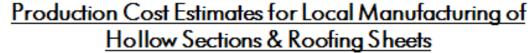


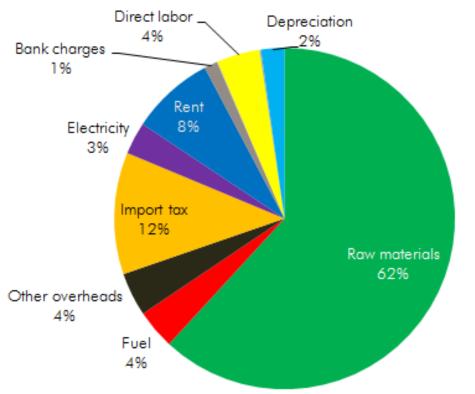
Source: Karisimbi Business Partners Survey

# Local Manufacturing Costs: A Representative Sample



 The following depicts the average of actual production costs reported by two relevant manufacturers in Rwanda:





## Relevant Information on Import Taxes, Duties & Tariffs



#### Import Taxes, Duties and Tariffs

- The common external tariff (CET) is a set standard for all imported construction materials that are not being imported from within the EAC or from a COMESA country.
- When materials are being imported from the EAC, buyers must furnish: 2a EAC certificate of origin for the imported product
- For a list of approved industries and companies, see previous worksheet (list of approved companies is not exhaustive)
- In order for a company to qualify for an exemption, the company must comply to the following rules:
  - **a.** The product must be wholly produced in the partner state
  - **b.** Imported materials used to manufacture the product must not exceed 60% of the total cost of materials used in production
  - c. Value addition accounts for at least 35% of the ex-factory cost of the finished products
  - d. Goods must become classifiable under a tariff heading other than the tariff heading of imported materials
- If the EAC or COMESA partner state is looking to import items not approved, or does not comply with the above rules and regulations, the imported item will be taxed according the set standard CET.

<b>Description</b>	CET	<b>EAC</b>	COMESA	Pref. Tariff*
Imported Material Duty	35%	0%	5%	
VAT	18%	18%	18%	
Withholding Tax	5%	5%	5%	
Total	58%	23%	28%	10%

### **Rwanda: Facts & Figures**



Population	II million	
Average age	18	
Workforce	4.4 million	
Literacy	71.1%	
GDP/capita (PPP)	\$1,400	
GDP growth	8,8%	
Inflation	3.9%	
Prime lending rate	16%	
Industrial production growth	7.5%	
Export growth (ytd 11/12)	33%	



# Rwanda is the #1 in EAC and Top Business Reformer Worldwide



Category	Rwanda*
Starting a Business	8
Construction Permits	84
Getting Electricity	50
Registering Property	61
Getting Credit	8
Protecting Investors	29
Paying Taxes	19
Trading Across Borders	155
Enforcing Contracts	31
Overall Ranking – Ease of Doing Business	45

<sup>\*</sup>All scores are comparative ranking out of 181 countries featured Source: WorldBank *Doing Business Report*, 2012

# Rwanda Compares Well in University Enrolment for Region



	Burundi	Kenya	Rwanda	Tanzania	Uganda
Land to labour ratio (square kilometres of land per IOO adults)	0.6	2.7	0.45	4.27	I.55
Adult literacy (% for over I5 years)	59	74	65	72	74
Secondary school gross enrolment ratio	18	58	36	-	25
School life expectancy (school end year 2007)	8.2	10.5	8.6	5.3	10
Number of students enrolled in tertiary education (per I00,000 inhabitants)	301	433	730	137	352
Universities in sub-Saharan African (SSA) top ten (excluding South African universities)	None	University of Nairobi (6 in SSA, 3190 in world)  Strathmore University Nairobi (10 in SSA, 3556 in world)	National University of Rwanda (7 in SSA, 3330 in world)	University of Dar es Salaam (4 in SSA, 3II8 in world)	Makerere University (I in SSA, 2158 in world)
Emigration rate for tertiary educated (%)	8.5	38.4	26	I2.4	35.6

# **Electricity Supplies are Growing with Energy Demands**



- The Government has clear plans to increase energy availability for industry.
- By the mid 2013, we expect that methane gas, extracted from lake Kivu will increase supply by 25 MW and double the national supply (100MW+) by the end of 2014
- Additional investments are being made in hydro-electricity which will produce a further 45 MW by 2014
- DSI Energy Ltd. has plans for \$73 million USD investment for a 30MW solar power project
- Recent investments in peat energy generation is expected to produce as much as 100 MW additional energy by 2015.
- The above initiatives will enable the government to increase access to electricity to meet the growing demand of industrial users while expanding domestic supplies.
- Current industrial rates per KWH are shown in the table below:

Time	RWF	USD
07.00 - 17.00	126	0.20
17.00 - 23.00	168	0.27
23.00 - 07.00	96	0.15

## **Next Steps**



Contact an RDB representative to register your interest and gain added detail

Work with Government of Rwanda stakeholders and agencies to improve conditions for your pending success

Craft detailed business plan

Seize the benefits of being Rwanda's first manufacturer of wire and cable products