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Rwanda's Regional Rise: Implications for Kenya's Strategic Influence in Eastern Africa

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Executive Summary

Rwanda's rising geopolitical and economic influence in Eastern Africa presents a timely challenge to Kenya's historical leadership in the region. Guided by long-term frameworks such as Vision 2050 and the National Strategy for Transformation (NST2), Rwanda has embraced efficient governance, streamlined business operations, and technology-driven growth. Its appeal to investors is bolstered by a stable political environment, digital-first public services, and assertive multilateral diplomacy. Kenya, while still economically stronger and globally recognized for its innovation legacy, faces rising constraints from slow policy execution, bureaucratic

inefficiencies, and restrictive digital regulations. Rwanda's momentum, evident in its hosting of major global forums, proactive pursuit of UN institutional relocations, and reputation as a soft power player, has reshaped regional power dynamics. This brief outlines Rwanda's key strengths and proposes targeted actions for Kenya to retain its strategic edge. These include accelerating the digitization of business systems, reforming restrictive digital policies, expanding tax incentives in priority sectors, rationalizing regulatory frameworks, and leveraging diplomatic capital to secure Nairobi's role in the evolving UN80 reform process.





Context

Rwanda's transformation into a competitive Eastern African economy has been underpinned by clear national strategies and institutional discipline. The Vision 2050 framework targets upper-middle-income status by 2035 and high-income classification by 2050. The framework is anchored in pillars such as Human Development, Competitiveness and Integration, Agriculture for Wealth Creation, Urbanization and Agglomeration, and Accountable and Capable State Institutions.

Anchored in both the African Union's Agenda 2063 and the UN Sustainable Development Goals (SDGs), Rwanda's approach integrates domestic ambitions with global priorities. The NST2 operationalizes this long-term vision by directing resources toward tech-enabled development, value-added agriculture, and effective public service delivery. Rwanda's political stability, as well as strategic business reforms, have made it a more attractive destination for foreign investors. As a result, Rwanda is making an impressive recovery after the 1994 genocide, emerging as one of the fastest-growing economies in Eastern Africa.

In contrast, Kenya's policy frameworks, while well-articulated, such as Vision 2030, Bottom-Up Economic Transformation Agenda (BETA), and the Digital Economy Blueprint, have suffered from inconsistent implementation, poor inter-agency

coordination, regulatory uncertainty, politicization of flagship projects, and governance setbacks. As a consequence, service delivery and long-term investments are hindered. Ultimately, Kenya's development narrative reflects the tension between ambitious planning and weak institutional discipline, whereas Rwanda's trajectory underscores the dividends of centralized planning, policy coherence, and executional rigor.

Key issues

Strategic Economic Reforms

Rwanda's business environment reflects pragmatic reform and policy follow-through, making it easy for businesses to flourish. Rwanda has reduced entry barriers for foreign investors, making it regionally and globally competitive. For instance, Rwanda offers great incentives for foreign investors, such as tax holidays for large projects in strategic sectors such as agriculture and ICT. Entrepreneurs can also register their companies online, free of charge, with approvals granted in under 6 hours. Equally, Small and Medium Enterprises (SMEs) enjoy initial tax relief as they are exempted from the trading license tax for two years.

Kenya, although home to Africa's most developed tech ecosystem, is losing its competitive edge. Innovations like M-Pesa and platforms such as Twiga Foods demonstrate the country's innovation potential. However, over-regulation, inconsistent



tax regimes, corruption, and cumbersome licensing processes hamper growth and deter foreign investment. The recent wave of political unrest, most notably the 2024–2025 Gen Z-led protests against government policies and governance failures, has further undermined investor confidence, highlighting the urgent need for institutional reform and renewed public trust.

While Kenya has the comparative advantage in terms of market size, human capital, and infrastructural networks, Rwanda's effective governance and efficient policy execution provide a more predictable and reliable alternative for international investors. The recent adoption of visa-free entry for African countries except Libya and Somalia, and most Caribbean nations by Kenya is a bold step towards enhancing regional integration. Previously, Kenya had imposed an Electronic Travel Authorization (ETA) requirement and associated fees on African nationals, a move that saw its ranking in the 2024 Africa Visa Openness Index fall from 29th to 46th out of 54 countries. The removal of this barrier aligns with the goals of the African Union's Single African Air Transport Market (SAATM) and the broader Agenda 2063. By eliminating non-tariff barriers such as visa fees, Kenya not only enhances the free movement of people and goods but also strengthens its potential to boost intra-African trade, attract tourism, and position itself as a regional economic hub.

Digital Governance

Rwanda has rapidly embraced digital governance as a strategic pillar for national development. Its integrated approach to harnessing digital tools in government services demonstrates how strategic digitization can improve state effectiveness. Policy and regulatory frameworks have attracted high-value tech investments through targeted tax incentives. For instance, in collaboration



with the World Economic Forum, Rwanda is hosting the Centre for the Fourth Industrial Revolution (C4IR), supporting AI regulation, drone policy testing, and digital public infrastructure pilots. Companies such as Google and Carnegie Mellon University Africa have set up innovation partnerships in Kigali, reinforcing Rwanda's global reputation as a tech-forward and low-risk destination.

Kenya's complex regulatory environment continues to deter early-stage investments and innovation in the technology sector. For many years, the country has been second after South Africa in countries with the most number of tech hubs, but has been overtaken by Nigeria and is at risk of being surpassed by Rwanda. This is attributed to stricter regulations barring the growth of young innovators and a reduction in the value of ICT exports by the country. Agencies such as the Communications Authority of Kenya (CAK) impose high compliance costs and licensing hurdles. These deter start-ups, leading investors to seek more predictable markets like Rwanda or Nigeria. Although tech giants such as Google, Microsoft, and Facebook have made significant investments in Kenya, it is crucial to reform tech policies to maintain these investors and support youth innovation and creativity. Failure to reform risks undermining Nairobi's status as Africa's Silicon Savannah.





Multilateral Positioning

As global governance realigns under the UN80 reform agenda, which aims to relocate key UN agencies to the Global South, Rwanda has emerged as a serious competitor to Kenya. The UN has indicated that agencies such as the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), and UN Women may be relocated to Nairobi to enhance coordination of humanitarian operations and position them closer to regions most affected by crises. This would also reduce administrative costs and logistical burdens within the UN system. While Kenya hosts UNEP and UN-Habitat, making it the only Global South country with a UN headquarters, Rwanda has expressed interest in hosting these relocating agencies.

Rwanda's efficient bureaucracy, strategic branding, political stability, and ultra-modern facilities have enhanced its appeal as a host for new international and regional agencies. The country's proactive conference diplomacy strategy is also gaining traction. Events such as the 2025 International Security Conference on Africa (ISCA), 2025 Global AI Summit in Africa, 2022 Commonwealth Heads of Government Meeting (CHOGM), and the Kigali Global Dialogue have significantly elevated Rwanda's soft power profile. By positioning itself as a neutral, modern, and well-governed venue for international discourses, Rwanda is slowly displacing Kenya's

longstanding advantage as Eastern Africa's preferred host for global summits and international institutional presence.

Kenya risks losing its advantage as the region's diplomatic and conferencing hub, due to domestic governance issues, politicized diplomacy, and administrative inefficiency. As multilateral institutions prioritize agility and local alignment, Kenya needs to reform how it manages foreign relations by prioritizing delivery over symbolism and investing in its diplomatic service to retain regional leadership.

Security Diplomacy and Soft Power

Rwanda's growing regional presence extends to peace and security leadership. Despite its small size, Rwanda is one of Africa's top contributors to UN peacekeeping operations, gaining respect for deploying well-trained troops in fragile environments such as the Central African Republic and Mozambique. This military diplomacy bolsters Rwanda's credibility in multilateral forums and builds leverage for future bids, including hosting global institutions. Rwanda's narrative of post-genocide recovery, combined with disciplined statecraft, has cultivated trust among international actors.

Kenya, while recognized for its geopolitical importance and long-standing role in regional peace processes, has in recent years faced growing



concerns about its diplomatic coherence and neutrality. Though it has played critical roles in mediating conflicts in Somalia, South Sudan, and the DRC, Kenya's positions are sometimes perceived as inconsistent or influenced by domestic or economic interests, which undermines its legitimacy as a neutral arbiter. Furthermore, the absence of a clearly articulated and consistently implemented foreign policy strategy weakens Kenya's ability to project soft power. As a result, its influence in regional peacebuilding is substantial but increasingly contested.

Conclusion

Rwanda's strategic ascent reflects deliberate reforms, forward-looking leadership, and proactive diplomacy. The country demonstrates how a focused national vision, executed with discipline, can yield significant geopolitical returns. Kenya, while more economically diverse and historically influential, risks losing its competitive advantage due to policy incoherence, overregulation, and inconsistent diplomatic engagement. These challenges are particularly consequential given

Africa's emerging status as a strategic frontier for multilateral governance, digital transformation, and transnational security cooperation. Rwanda's rise offers lessons not a threat for Kenya to renew its institutions and unlock its full potential. By learning from Rwanda's strategic policies and execution strength, Kenya can reassert itself as Eastern Africa's political, economic, and diplomatic anchor. Without coherent and proactive policy execution frameworks, Kenya may struggle to sustain its influence in shaping continental norms and attracting high-value global partnerships.



Recommendations

1. The Ministry of Investments, Trade & Industry should;
 - a) in collaboration with the Ministry of Information, Communications, and the Digital Economy, fast-track the digitization of business registration and licensing systems to reduce entry barriers for local and foreign investors;
 - b) institutionalize quarterly innovation-policy forums with public and private actors to ensure agile responses to emerging challenges; and
 - c) amend tech-related policies to eliminate overregulation, lower compliance costs, and foster youth-led entrepreneurship and AI innovation.
2. The National Treasury and Economic Planning should;
 - a) conduct a regulatory audit to identify overlapping mandates and eliminate duplication across ministries;



- b) implement a performance-based monitoring system to ensure that policy timelines and targets are met; and
 - c) revise tax incentives to align with Rwanda's competitive offerings in key growth sectors such as agriculture, clean energy, ICT, and manufacturing.
3. Ministry of Foreign and Diaspora Affairs should;
- a) heighten strategic lobbying for the UN80 reform agenda, showcasing Nairobi's legacy as Africa's premier multilateral hub;
 - b) in collaboration with the Ministry of Tourism and Wildlife, intensify investments in world-class conferencing logistics, including infrastructure upgrades and integrated visa/e-visa systems;
 - c) launch an annual international summit series in Nairobi tied to tech, peacebuilding, and green development sectors;
 - d) launch a diplomatic branding campaign to position Nairobi as Africa's diplomatic capital, leveraging social media, media partnerships, and cultural diplomacy; and
 - e) in collaboration with the Ministry of Defence, project Kenya as a responsible regional security provider through regional peacekeeping participation, increased regional joint trainings, and strategic defense agreements.



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