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National Bank of Rwanda

FOREIGN PRIVATE INVESTMENT IN RWANDA 2011

RDB | RWANDA DEVELOPMENT BOARD

National Institute of Statistics of Rwanda

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FOREWORD

The Rwanda Working Group on Foreign Private Capital (FPC) composed by the staff from National Bank of Rwanda, Rwanda Development Board, National Institute of Statistics of Rwanda and Private Sector Federation presents the report on the third cycle of FPC Census results for the calendar year 2011.

All new companies registered as foreign direct investments by Rwanda Development Board in 2011 as well as those which declared Foreign Assets and Liability in the previous census were included in the current exercise. A total of 140 companies were surveyed. They were 122 for the year 2010 against 152 entities for 2008-2009 where 42 of respondents declared not engaged in transaction with foreign companies.

The information presented in this report was provided by senior management of companies visited during the census, including Managing Directors, Chief Executive Officers and Finance Managers. In addition to completed questionnaires, companies provided financial statements which assisted in data validation.

The FPC census shall be a continuous activity as it is important for the Government of Rwanda in its efforts to attract and retain foreign private capital in the country. Furthermore, the findings shall contribute to formulation of appropriate foreign private capital policies and will be used to improve Rwanda's Balance of Payments and International Investment Position statistics.

We take this opportunity to thank all companies that participated in the exercise by providing the requested information, and the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) for technical assistance through training on FPC concepts, analysis and the software for data processing. We also thank our partner institutions involved in conducting this census and the FPC working group for their commitment to make this census a success.

John RWANGOMBWA

Governor, National Bank of Rwanda

LIST OF ACRONYMS

BNR:	National Bank of Rwanda
BOP:	Balance of Payments
BOU:	Bank of Uganda
BV:	Book Value
COMESA:	Common Market for Eastern and Southern Africa
CSR:	Caisse Sociale du Rwanda
EAC:	East African Community
EDPRS:	Economic Development and Poverty Reduction Strategy
FAL:	Foreign Assets and Liabilities
FALIPS:	Foreign Assets and Liabilities & Investor Perception
FDEI:	Foreign Direct Equity Investment
FDI:	Foreign Direct Investment
FPC:	Foreign Private Capital
FPEI:	Foreign Portfolio Equity Investment
GDP:	Gross Domestic Product
IIP:	International Investment Position
IP:	Investor Perceptions
ISIC:	International Standards of Industrial Classification
MEFMI:	Macroeconomic and Financial Management Institute
MOU:	Memorandum of Understanding
NISR:	National Institute of Statistics of Rwanda
OECD:	Organization for Economic Co-operation and Development
PCMS:	Private Capital Monitoring System

PSED:	Private Sector External Debt
PSF:	Private Sector Federation
PSI:	Private Sector Investment
PSIC:	Private Sector Investment Census
RBS:	Rwanda Bureau of Standards
RDB:	Rwanda Development Board
RIEPA:	Rwanda Investment and Export Promotion Agency
RRA:	Rwanda Revenue Authority
RWF:	Rwandan Franc
RWG:	Rwanda Working Group (on Private Capital Monitoring)
SADC:	Southern African Development Community
TNC:	Transnational Corporations
WEF:	World Bank Economic Forum

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ACKNOWLEDGMENT

On behalf of partner institutions, Rwanda Development Board, National Institute of Statistics of Rwanda and Private Sector Federation, the National Bank of Rwanda wishes to express its sincere appreciation to the Rwanda Working Group on FPC for successfully carrying out the third round of foreign private capital census and producing this report.

Our sincere appreciation also goes to Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) for the technical assistance granted to Government of Rwanda from the launch of this project in 2009. Their assistance includes demand assessment on FPC monitoring, providing software for data entry, training of technical team on data upgrading methodology and analysis.

Special thanks are extended to the companies that responded to the questionnaire and provided complementary information such as financial statements. Without their input, it would not have been possible to make an assessment of the current magnitude of FPC. We will continue to efficiently cooperate in next censuses and/or surveys for the best of business organization. We kindly invite the companies which did not respond to our questionnaire to participate in the next FPC census planned to take place during the second half of 2013.

EXECUTIVE SUMMARY

The Government of Rwanda continues to promote a private sector-led free market economy, aiming at fostering both local and foreign investment by undertaking reforms with the objective of making the country a favorable place for investment.

In an effort to effectively monitor and manage foreign private capital, the National Bank of Rwanda in collaboration with Rwanda Development Board (RDB), National Institute of Statistics of Rwanda (NISR) and Private Sector Federation (PSF) conducted the Foreign Private Capital Census, collecting data for the year 2011. A total of 140 enterprises were enumerated, out of which 128 responded, representing a response rate of 91.0 percent.

The objectives of this census include setting up the Private Capital Flows (PCF) database in conformity with international standards, and determining the magnitude and trends of Foreign Private Capital (FPC) and providing actual foreign investment statistics in Rwanda for the year 2011.

Rwanda recorded an increase in foreign private investment inflows from $ 343.0 million declared in 2010 to $ 356.7 million declared in 2011, equivalent to 4.1 percent increment. In 2011, foreign private investment inflows were largely in form of other investments $ 187.9 million accounting 46.7 percent of total foreign private investment inflows. Foreign Direct Investments (FDI) were $ 119.1 million accounting for 30.2 percent, and portfolio investment totaled $ 87.3 million; 22.1 percent.

These flows were mainly driven by equity and non-equity liabilities from affiliates. Sectors which attracted highest flows were Finance and Insurance with 23.1 percent followed by ICT with 20.7 percent, Manufacturing with 19.5 percent and agriculture for 16.3 percent.

The findings of the census indicate that from $315.73 million in 2008, $ 446.28 million in 2009 and $ 590.5 million in 2010, total stock of foreign capital amounted to $ 832.3 million in 2011. The big part of this investment came from European Union ($ 266.3 million; 32.0 percent), followed by EAC ($ 121.6 million; 14.0 percent) , COMESA Non EAC ($ 117.1 million; 14.1 percent), SADC (Non EAC) ($ 110.8 million; 13.0 percent), OECD -Non-EU ($ 76.8 million; 9.2 percent), International and regional organizations ($ 61.3 million; 7.4 percent) , Asia ($ 41.6 million; 5.0 percent) and others countries ($37.0 million; 4.2 percent).

On country basis, South Africa, Kenya, United Kingdom and Germany were leading accounting for 34.6 percent of total stock end 2011. The largest proportion of foreign private liabilities/investment was in form of Foreign Direct Investment (FDI) accounting for 59.6 percent. Other investment and portfolio investment accounted for 29.9 percent and 10.4 percent respectively. It is important to note that the rise of portfolio investment was due to the development of the Rwanda stock exchange where equity securities are traded easily.

Sectors with the highest shares of foreign liabilities stock were ICT with 37.6 percent followed by finance and insurance sector with 23.4 percent and manufacturing with 15.7 percent of total liabilities.

The stock of Private Sector External Debt (PSED) as at end 2011 stood at $ 420.7 million increasing from $ 298.1 million in 2010, mainly driven by loans from unrelated sources with share of 57.9 percent.

Return on equity (ROE) in 2011 was 19.5 percent up from 13.4 percent in 2010. Administration and Support services, Construction, Agriculture and manufacturing sectors registered the highest return on equity of 170.3 percent, 50.3 percent, 46.7 percent and 20.9 percent respectively.

During the period under consideration, dividends paid to foreign shareholders slightly increased from $ 14.6 million in 2010 to $ 14.8 million in 2011. The ratio of dividends declared to net profit was 94.1 percent while the ratio of retained earnings to net profit was 5.9 percent. This is an indication that most of the profit was remitted rather than reinvested.

Other findings on foreign and joint owned companies indicate that compared to the year 2010, combining local investments and foreign investments in companies that declared foreign investments, actual investments increased by 30.4 percent, entity turnover by 51.8 percent, employment by 88.0 percent, and compensation of employees by 14.4 percent.

The increase of percent ratios of FDI inflows to gross fixed capital formation from 12.4 percent in 2009 to 25.9 percent in 2011 and of FDI inflows to GDP from 2.7 percent to 5.5 percent in 2011, suggest that foreign resources were becoming increasingly important in terms of investment as evidenced by the share of FDI in relation to gross fixed capital formation.

In conclusion, foreign private investments in Rwanda continued to grow and contribute to sustained economic growth. The increase in inflows (4.1 percent) of foreign liabilities from $ 343.0 million declared in 2010 to $ 356.7 million in 2011 indicates more attraction of foreign investment from abroad responding to continuously improving business environment and existence of investment opportunities. The Government needs to continue accurately and consistently capture, and monitor these flows to assess the impact of policies made in the area and their impact on the country's development and their capacity to complement local resources.

CHAPTER I. INTRODUCTION

Foreign direct investments are identified as an important source of financing for developing countries. The International Monetary Fund defines Foreign Direct Investments as investments brought in a country by non-resident unit being individuals or companies. Generally, foreign direct investment is a long-term undertaking.

The investor resident in a country foresees a durable interest in investing in another country to diversify the risks of his investments and generate more revenues from funds invested abroad. The country of destination of funds benefits a lot from direct investment in terms of reduction in unemployment, increase in financial resources, equipment and expertise.

1.1 Monitoring investment in Rwanda

In recent years, Rwanda has actively attracted foreign direct investment by creating and sustaining a high conducive investment climate through radical reforms which make it easier for businesses to get started, get loans, pay taxes, etc.

In the past, data on foreign capital flows relied on information provided by banks. However, it was noted that there were a number of challenges experienced in sourcing BOP data using information from banks for FPC purposes, particularly in respect of coverage and classification. It was not possible to capture non-cash types of investment such as investment in form of equipment, expertize and reinvested earnings. In addition, it was also observed that bank reporting was not always accurate and that there was no enforcement mechanism to ensure accuracy in the reporting of all bank transactions.

As a consequence, there was misclassification of current, capital and financial accounts transactions in some instances. This is mainly why efforts to use a census based approach of compiling statistics on FPC had been undertaken in 2007 by BNR jointly with the Rwanda Investment and Export Promotion Agency (RIEPA), now RDB, with a reasonable response rate of 58 percent from a sample of about 65 companies.

In the meantime, Rwanda continues to work strongly on investment climate to attract foreign investments to complement internal resources. Currently, a whole package for investment promotion in general can be found within Rwanda Development Board.

The package includes among others: regulatory framework, registration facilities and requirements, change of registered businesses, closing businesses, disclosure requirements, and other facilities such as working permit, government's protection of investments, settlement of disputes, transfer of funds special economic zone facilitations, public private partnership (PPP) where RDB is chief negotiator between public and private.

In order to track the FPC impact on economic growth in Rwanda and maintain conducive investment environment in pursuit of more investment, there is a need for a sound and consistent monitoring system to guide the formulation of national investment policies on one hand and to assess the effects and results of all efforts made in facilitating and attracting foreign investments. To this end, an Inter-Institutional Agreement for monitoring and analyzing the situation of foreign assets and liabilities, investor perception, corporate social responsibility, and related data in Rwanda was made. This agreement led to the establishment of Rwanda Working Group (RWG) under the memorandum of understanding signed between the partner institutions: the National Bank of Rwanda (BNR), the National Institute of Statistics of Rwanda (NISR), the Rwanda Development Board (RDB) and the Private Sector Federation (PSF).

The responsibility of this working group includes among others, production of good quality statistics, compliant with international data reporting standards and meeting the needs of the various policy makers, and users. BNR and NISR collect this information for Balance of Payments and National Account compilation while RDB and PSF need it for monitoring purposes. The establishment of this joint working group avoids the duplication of Census on foreign private investment, reducing thus the burden on companies and the waste of country's resources.

Beside the inter-institutional commitment, the FPC data collection activity requires an important contribution of the respondents. An awareness campaign is therefore organized before the starting of each round, aiming at sensitizing companies on reporting of required information. The managers of companies are given explanations on the relevance of the exercise related to data collection so that an impact analysis of capital flow on economic development is assessed. They are also informed about results of the round that comes to the end.

1.2 Investment promotion efforts

The Government of Rwanda resolves to improve the investment climate and attain desired levels of both local and foreign investment as a priority. The World Economic Forum's Global Competitiveness Report 2012- 2013 ranked Rwanda the 3rd easiest place to do business in Africa and 2nd five years Top Global Reformer after Georgia and the first in EAC.

Rwanda was ranked number eight globally in starting a business with only 2 procedures in span of 6 hours. Rwanda is considered as the most competitive place to do business in East Africa and 3rd in Sub-Saharan Region. Rwanda moved from 43rd last two years to 25th easiest place to pay taxes in the world. For Rwanda's development, the emergence of a viable private sector that can take over as the principle growth engine of the economy is crucial.

Although foreign direct investment will be encouraged, local-based businesses remains a crucial component of economic development in Rwanda. The public sector will not be involved in providing services and products that can be delivered more efficiently by the private sector. The government is therefore committed towards a comprehensive privatization policy that will help reduce costs and prices and widen consumer choice.

The State will only act as a catalyst; ensuring that infrastructure, human resources and legal frameworks are geared towards stimulating economic activity and private investment. Recently, RDB launched a powerful web base electronic link that potential investors can visit and get important information on Rwanda.

1.3 Reasons for investing in Rwanda

There are reasons why investors can have confidence in Rwanda and direct their investments to potential economic sectors with promising returns.

I. **Good macroeconomic environment:** Rwanda enjoyed a year-on-year average real GDP growth rate of 8.16 percent between 2007 – 2011, among the highest in major African economies and neighboring countries, a moderate inflation of one digit and stable exchange rate.

II. **Good governance:** Politically stable with well-functioning institutions, rule of law and zero tolerance for corruption, clear vision for growth through private investment.

III. **Investor friendly climate:** World Bank Doing Business Report 2012 ranked Rwanda the 2nd top global reformer for five years consecutively and 3rd easiest place to do business in Africa. It is among the best competitive place to do business in Africa and 1st in East African Community. On credit ranking by Fitch in 2011-2012, Rwanda was upgraded to B. Rwanda is among top 4 African countries in terms of internet connectivity according to Oracle in 2012. New special economic zone was developed and is operational. More zones are planned for all the districts in the country.

IV. **Access to markets:** Rwanda is a Market of over 10.5 million people with a rapidly growing middle class. It is located centrally bordering with 3 countries in East Africa and Democratic Republic of Congo. The country adhered to EAC Common Market and Customs Union with market potential of over 125 million people.

V. **Untapped investments opportunities:** Potential investment opportunities abound, particularly in the following sectors:

- **Infrastructure:** Opportunities in rail, air , water transportation to further develop Rwanda as an EAC hub;
- **Agriculture:** Potential for agriculture productivity growth and value addition;
- **Energy:** Power generation, off grid generation and significant methane gas opportunities;
- **Tourism:** Unique assets creating booming sector, growth potential in birding & business/conference tourism
- **Information and Communication Technology:** Priority sector for Vision 2020;
- **Other attractive sectors include real estate and construction, financial services and mining.**

VI. **Rwanda is Highly Competitive**. Rwanda is now the third most competitive country in Sub-Saharan Africa after Mauritius and the huge economy of South Africa and this is at a time when the competitiveness of Africa is increasing overall. Globally, Rwanda is in the upper half of the WEF's Global Competitiveness Index, ahead of many historically stronger countries in Europe and the Americas, including Greece and Argentina. And Rwanda's competitiveness is growing fast this year Rwanda jumped 10 places in the WEF's world competitiveness rankings.

VII. **Excellent Business Environment**. Rwanda has the third strongest regulatory framework in Sub-Saharan Africa, only slightly behind South Africa. The inflation rate in Rwanda is regarded as the most stable in the world and Rwanda is among the strongest financial markets in Africa. Rwanda is also ranked 8th globally by the World Bank doing business report in starting a business.

Table 1: Top Ten Countries in Doing Business in Sub-Saharan Africa

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Mauritius	19	2	8	4	9	2	1	1	8	3
South Africa	39	6	1	10	1	1	4	10	13	9
Rwanda	52	1	15	5	4	3	3	32	3	37
Botswana	59	11	27	3	9	5	5	24	11	1
Ghana	64	14	40	2	4	5	11	7	5	18
Seychelles	74	16	6	7	39	9	2	2	14	4
Namibia	87	25	5	40	7	13	18	20	4	2
Zambia	94	7	36	14	2	13	7	30	15	13
Uganda	120	28	22	21	7	24	12	33	19	5
Kenya	121	23	3	37	2	16	33	25	30	14

Source: World Bank Doing Business Report 2012

During the period under review, Rwanda eased access to construction permits by passing new building regulations and implementing new time limits for the issuance of various permits. Access to credit was enhanced by allowing banks the right to inspect borrowers, credit situation and mandating that loans of all sizes be reported to the central bank's public credit registry. In addition, Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics. Starting business in Rwanda was eased to 6 hours.

Table 2: Rwanda's Doing Business Performance by Category 2012and 2013

Doing Business 2013 Rank	Doing Business 2012 Rank	Change in Rank	
52	48	-4	
Topic Rankings	**DB 2013 Rank**	**DB 2012 Rank**	**Change in Rank**
Starting a Business	8	8	0
Dealing with Construction Permits	98	90	-8
Registering Property	63	62	-1
Getting Credit	23	23	0
Protecting Investors	32	29	-3
Paying Taxes	25	29	4
Trading Across Borders	158	159	1
Enforcing Contracts	39	40	1
Closing a Business	167	168	+1

Source: World Bank Doing Business Report 2013

1.4 Methodology

1.4.1 Objective of the census

After the assessment made by World Bank on Rwanda business environment, participating institutions to Foreign Private Capital flows decided to collect data every year to assist Government assess the impact of efforts made in attracting and facilitating foreign investments. This requires creation, maintenance and reinforcement of national capacity in collecting information, analyzing the situation and making recommendations.

Information on investment plans has been systematically collected during the last decade but the actual level of investments was not monitored. Most of information available was related to inward investment (foreign liabilities). No data was provided on Rwandan investments abroad (foreign assets).

The census on foreign capital flows deals with these issues. Besides, it helps to establish a strong and performing framework of regular and complete system of FPC flows to improve the balance of payment compilation in line with international standards following the IMF Balance of Payments manual. Gathering information on private capital flows improve also the situation of the country's International Investment Position.

The results of the Census are used to create a friendly working environment between public and private sector that enhances the sharing of information leading to improvements of business conditions. The output is also used to create an exhaustive database on investments for strong policy analysis and recommendations aiming at reconsidering and improving the foreign investment climate.

The Census of foreign investment is an important source of information that can be useful for the country of investment and the investor himself. It helps to capture information on how the investors assess the country's investment environment and thus assist the country taking appropriate decisions. On the investors' side, the foreign private capital Census is also a source of information especially for green field options available for new investments. Therefore, the Census results facilitate adequate decision making for both public and private sector.

Note also that the foreign private capital data capturing is becoming an important requirement from international organizations that are compiling comparable investment data. The same output is used to enrich and update the national database with actual information on private entities to guide planning and policy making by disseminating high quality data on time for easy access to users.

1.4.2 Scope of the Census

This third private capital census in Rwanda aimed at capturing information on FPC for the year 2011. All new companies registered as foreign direct investments by Rwanda Development Board in 2011 and the ones which declared Foreign Assets and Liability in the previous census were included in the current census.

One hundred and thirty companies (140) were surveyed. One hundred and twenty (128) responded; a response rate of 91percent. Among the respondents, 6 companies have no foreign assets and liabilities (FAL). The Census was designed to capture mainly general information of the company, shareholding structure, capital flows and stocks especially for the year 2011.

1.4.3 Sensitization

The sensitization was made via an awareness campaign directed to Managing Directors, Chief Executive Officers and Finance managers of companies. It was done together with the dissemination of the second round results covering the year 2010. The objective was to maximize the chance of reporting reliable data.

1.4.4 Census frame

The census frame was made of new companies registered as foreign direct investments by Rwanda Development Board in 2011 and the ones which declared Foreign Assets and Liability (FAL) in the previous census covering the year 2010. The identified companies operate in Agriculture, Construction, Energy, Financial services, Food processing, Fuel, Hotel, ICT, Insurance, Manufacturing, Mining, Real Estates, Restaurant, Retail and Wholesale trade, Tourism, Transport sectors etc.

1.4.5 Questionnaire

The data collection was done using a questionnaire composed with 5 parts:

- Part 1 captures general information on the company: Name, shareholding structure, relationship with fellow enterprises abroad, company turnover, company's industrial classification and main activity, employment structure and compensation of employees, imports from and/ or exports to abroad, actual investments and corporate social responsibilities.
- Part 2 captures information on foreign equity investments (equity, retained earnings and reserves) by country of origin and by percentage of shareholding.
- Part 3 captures information on non-equity such as long term or short term borrowing, as well as other liabilities as specified in the questionnaire.
- Part 4 captures information on investment abroad such as the company's shareholding abroad and other assets held abroad.
- Part 5 captures information on other investments abroad such as the company's loans (Long term and Short term), trade credits to foreign companies, and other kind of non-equity held abroad.

Every company's response to the questionnaire was backed by the company's financial statements and related notes that companies were also strongly requested to provide.

1.4.6 Training and field work activities

Before the census started, a 4 days pre-census training was organized in June 2012. The training involved representatives from National Bank of Rwanda and Rwanda Development Board. The main objective of the training was to ease the understanding of foreign private capital (FPC) concepts, learning fieldwork techniques, introduction to using a PCMS II-software developed by MEFMI and strategizing on how to obtain high response rate.

1.4.7 Questionnaire Administration

The census targeted 140 private entities of which 128 have responded representing 91percent. The table below gives more details about the rate of responses.

Table 3: **Response rate per sector in 2011.**

Sector	Collection	Distribution	Response rate
Tourism	6	6	100
Administrative and support service activities	5	5	100
Agriculture, forestry and fishing	5	5	100
Construction of buildings	2	2	100
Electricity, gas, steam and air conditioning supply	3	3	100
Financial and insurance activities	22	24	92
Information and communication	13	15	87
Manufacturing	21	25	84
Mining and quarrying	11	11	100
Postal and courier activities	1	1	100
Professional, scientific and technical activities	6	6	100
Real estate activities	3	3	100
Transportation and storage	9	9	100
Water supply; sewerage, waste management and remediation activities	1	1	100
Wholesale and retail trade; repair of motor vehicles and motorcycles	20	24	83
Total	**128**	**140**	**91**

Source: Foreign Private investment 2011

Most of the companies are located in Kigali city and those out of Kigali city generally have their head offices or representation offices in Kigali city.

1.4.8 Data processing

Data entry and processing were performed using a PCMS II –software developed by MEFMI for its member countries. The system has many facilities including analysis and reporting.

CHAPTER II. RECENT MACRO ECONOMIC DEVELOPMENT AND GLOBAL TRENDS IN FOREIGN PRIVATE INVESTMENTS

As other economic activities, foreign private capital evolves in an international and national macro-economic environment.

2.1 Global and Regional Perspective

The global economy expanded successively for four years up to 2007 as Gross Domestic Product (GDP) rose to an average of 5.0 percent, owing to a broad-based surge in the emerging and developing economies as mentioned in World Economic Reports. However, the global economy slowed down markedly to 0.2 percent in 2008 following shocks in the mature financial markets. In 2009, the global economy entered into a severe recession owing to massive financial crisis and acute loss of confidence. After an increase of 5.2 percent in 2010, global economic growth decelerated to 3.8 percent in 2011 due to mixed adverse developments across countries including Tsunami and earthquake in Japan, renewed concerns about debt crisis in Europe and unrest in Arab countries which effect dampened oil supply.

According to the IMF, real GDP growth in developed countries was 1.6 percent in 2011 after 3.2 percent in 2010. In USA, it reduced to 1.8 percent on the lessening of policy stimulus effect after 3.0 percent in 2010. In the Euro Area, real GDP dropped back to 1.6 percent against 1.9 percent in 2010 as some countries took rigorous fiscal consolidation and austerity measures.

In Japan, due to a sharp appreciation of the yen and following the earthquake, the economy declined by 0.9 percent in 2011 after an increase of 4.4 percent in 2010.

In the emerging and developing economies, real GDP growth dropped to 6.2 percent in 2011 after 7.3 percent recorded in 2010.

This slowdown was due to capacity constraints, policy tightening and slowing foreign demand. In developing Asia, economic activity remained solid, boosted by strong growth in China and India. China's real GDP growth decelerated to 9.2 percent in 2011 after 10.4 percent in 2010 due to the tightening monetary policy and lower contribution from net exports.

For African continent, economic growth was 5 percent in 2011 up from 4.7 percent recorded in 2010. In line with this trend, economic growth in Sub-Saharan Africa was 4.9 percent in 2011 from 5.3 percent in 2010.

Table 4: **Global macro-economic developments (real GDP growth percent)**

	2007	2008	2009	2010	2011
World	**5.4**	**2.8**	**-0.7**	**5.2**	**3.8**
Advanced Economies	**2.8**	**0.1**	**-3.7**	**3.2**	**1.6**
- United-States	1.9	-0.3	-3.5	3.0	1.8
- Japan	2.4	-1.2	-6.3	4.4	-0.9
- Euro Zone	3.0	0.4	-4.3	1.9	1.6
- Newly Industrialized Asian Economies	5.9	1.8	-0.7	8.4	4.2
Other Emerging and Developing Countries	**8.9**	**6.0**	**2.8**	**7.3**	**6.2**
- Sub-Saharan Africa	7.1	5.6	2.8	5.3	4.9
- Asia	11.5	7.7	7.2	9.5	7.9
- Western Hemisphere	6.7	4.6	2.6	4.3	3.1

Source: IMF, World Economic Outlook. January 2012

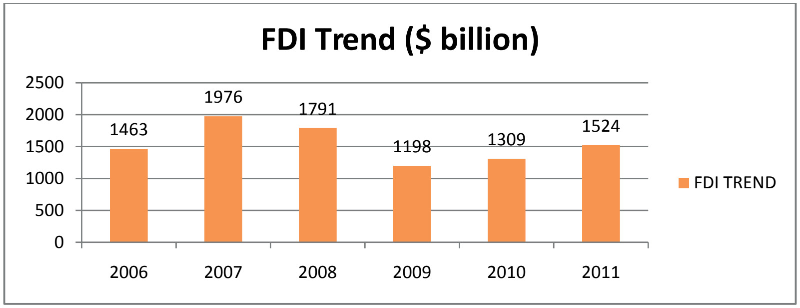
2.2 Global Trends in Foreign Direct Investment (FDI)

On international level, according to the World Investment Report 2011, global FDI inflows in 2011 reached an estimated amount of $1,524 billion (figure I.1); an increase of 16 percent from $ 1,309 billion in 2010 despite turmoil in the global economy. However, they still remained below their 2007 peak by 23 percent.

FDI inflows increased across all major economic groupings in 2011. Flows to developed countries increased by 21 per cent, to $748 billion. In developing countries FDI increased by 11 percent, reaching a record of $684 billion.

FDI increased by 25 percent to $ 92 billion in transition economies. Developing and transition economies respectively accounted for 45 percent and 6 percent of global FDI in 2011. UNCTAD projections for the medium term based on macroeconomic fundamentals continue to show FDI flows increasing at a moderate but steady pace, reaching $1.8 trillion and $1.9 trillion in 2013 and 2014, respectively, barring any macroeconomic shocks.

Figure 1: **Recent global trend in foreign direct investment, 2006-2011**



Source: World Investment Report 2012

FDI flows to developed countries significantly grew by 21 percent in 2011; reaching $748 billion. Nevertheless, the level of their inflows was still a quarter below the level of the pre-crisis three-year average.

FDI from developed countries rose sharply in 2011, by 25 per cent, to reach $1.24 trillion. While all three major developed-economy investor blocs: the European Union (EU), North America and Japan contributed to this increase and the types of investment differed. FDI from the USA were mainly reinvested earnings (82 percent of total FDI outflows), in part driven by transnational corporations (TNCs) building up their foreign cash holdings.

The rise of FDI outflows from the EU was mainly through cross-border Mergers and Acquisitions (M&A). An appreciating yen improved the purchasing power of Japanese TNCs, resulting in a doubling of their FDI outflows, with net M&A purchases in North America and Europe rising to 132 percent.

By region, FDI inflows to Africa as a whole declined for the third successive year, to $42.7 billion caused largely by reduced investments in North Africa countries; in particular, inflows to Egypt and Libya, which had been major recipients of FDI, came to a halt owing to their protracted political instability. In contrast, inflows to Sub-Saharan Africa recovered from $29 billion in 2010 to $37 billion in 2011, a level comparable with the peak recorded in 2008.

The continuing rise in commodity prices and a relatively positive economic outlook for Sub-Saharan Africa are among the factors contributing to the turnaround. In addition to traditional patterns of FDI to the extractive industries, the emergence of a middle class is fostering the growth of FDI in services such as banking, retail trade and telecommunications, as witnessed by an increase in the share of FDI in services in 2011.

The overall fall in FDI to Africa was due principally to a reduction in flows from developed countries, leaving space to developing countries to increase their investment share within the continent (from 45 per cent in 2010 to 53 per cent in 2011 in Greenfield investment projects). Cross-border mergers and acquisitions (M&As) rose by 53 percent in 2011 to $526 billion, spurred by a rise in the number of mega deals with more than $3 billion. This reflects both the growing value of assets on stock markets and the increased financial capacity of buyers to carry out such operations.

Greenfield investment projects, which had declined in value terms for two previous years, held steady in 2011 at $904 billion. Developing and transition economies continued to host more than two thirds of the total value of Greenfield investments in 2011.

Although the growth in global FDI flows in 2011 was mainly driven by cross-border M&As, the total project value of greenfield investments remains significantly higher than the cross-border M&As, as it has been the case since the financial crisis.

The UNCTAD FDI Attraction Index, which measures the success of economies in attracting FDI (combining total FDI inflows and inflows relative to GDP), features 8 developing and transition economies in the top 10, compared with only 4 a decade ago. A 2011 newcomer in the top ranks is Mongolia. Just outside the top 10, a number of other countries saw significant improvements in their ranking, including Ghana (16), Mozambique (21) and Nigeria (23).

Comparing the FDI Attraction Index with another UNCTAD index, the FDI Potential Index, shows that a number of developing and transition economies have managed to attract more FDI than expected, including Albania, Cambodia, Madagascar and Mongolia. Others have received less FDI than could be expected based on economic determinants, including Argentina, the Philippines, Slovenia and South Africa.

The UNCTAD FDI Contribution Index – introduced in World Index Report (WIR) 12 ranks economies on the basis of the significance of FDI and foreign affiliates in their economy, in terms of value added, employment, wages, tax receipts, exports, research and development (R&D) expenditures, and capital formation (e.g. the share of employment in foreign affiliates in total formal employment in each country, and so forth). These variables are among the most important indicators of the economic impact of FDI.

According to the index, in 2011 the host economy with the largest contribution by FDI was Hungary followed by Belgium and the Czech Republic. The UNCTAD FDI Contribution Index shows relatively higher contributions of foreign affiliates to local economies in developing countries, especially Africa, in value added, employment, export generation and Research and Development expenditures.

2.3 Macro-economic environment of Rwanda

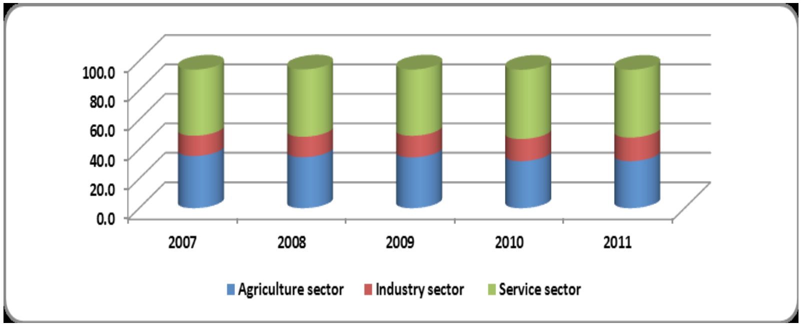
Rwanda is a very proactive and forward looking country and has a vision to elevate the country to a middle income economy as well as service and knowledge based economy by 2020. Rwanda has a steady GDP growth rate 8.6percent average year-on-year from 2005 - 2011. The country is characterized by a stable inflation and exchange rate, friendly business climate and qualified as high reformer by World Bank Doing Business rankings 2012.

In 2011, Rwanda's economy grew by 8.6 percent from 7.2 percent achieved in 2010. Agriculture production growth was 4.7 percent led by food crops production (+5 percent), and this reflects the ongoing investments under the crop intensification program (CIP) through the provision of fertilizers and improved seeds, land consolidation and increased irrigated areas. The industry sector grew by 17.6 percent led by mining and quarrying (+49.5 percent), construction (+23.6 percent) and manufacturing industries (+8.0 percent). Construction activities have begun to recover through the resumption of credit facilities benefited from the ongoing and new public and private projects.

The growth in services sector was 8.9 percent led by wholesale & retail trade (+9.3 percent) as well as finance and insurance activities (+20 percent) reflecting the increasing monetization of the economy and profitability of banking and insurance activities.

GDP per capita in nominal terms reached 357.8 thousand francs from 315.0 thousand francs in 2010 improving by 13.6 percent while in USD, GDP per capita was USD 594.8 from USD 540.1 in 2010 registering an increase of 10.4 percent in 2011. Services sector maintained its first position in the contribution to GDP with 45.7 percent of GDP at constant prices of 2006, followed by agriculture sector with 33.6 percent and the industry sector with 15.1 percent.

Figure 2: **Resources Structure (in percentage of GDP, at 2006 constant prices)**



Source: BNR annual report 2011

Table 5: Selected macroeconomic performance indicators 2005-2011

Indicator	2005	2006	2007	2008	2009	2010	2011
Real GDP growth (percent)	9.4	9.2	7.7	11.5	6.2	7.2	8.6
Nominal GDP per Capita (US$)	288.6	332.6	391.4	479.6	520.5	540.1	594.8
Average Exchange Rates (RFW/US$)	557.8	548	547.0	546.8	568.3	583.1	600.3
Current Account Deficit (percent of GDP Excluding Transfers)	14.6	12.3	11.9	15.2	19.6	18	19.4
Gross Reserves (In Months of goods im-ports)	7.6	6.8	7	5.1	6.2	6.0	5.8
Annual average inflation (percent)	9.1	8.9	9.1	15.4	10.3	2.4	5.7
Gross Domestic Investment (percent of GDP)	16	16	18	23	22	21	22

Source: BNR annual report 2011

In 2011, inflation in Rwanda was maintained at moderate levels despite global and regional high inflationary pressures. This relatively better performance is explained by the improved food production, efficient management of the monetary policy, a stable exchange rate which limited the pass-through of imported inflation to domestic market and a good coordination of fiscal and monetary policies. Annual headline inflation stood at 8.3 percent in December 2011 from 0.2 percent in December 2010. The annual average inflation increased to 5.6 percent in 2011 after 2.4 percent in 2010.

The key drivers of inflation were food and non-alcoholic beverages (+3.96 percent), housing, water, electricity, gas and other fuels (+1.50 percent), transport (+1.09 percent) and education (+0.69 percent), representing about 87 percent of annual headline inflation in December 2011. Out of 8.3 percent of headline inflation in December 2011, above mentioned products and services contributed 7.24 percent.

Concerning the global external sector, Rwanda ended the Year 2011 with a positive balance of payments leading to a buildup of official reserves of $ 234.5 million. The situation resulted mainly from a significant increase of official and private capital inflows which have been offsetting the structural current account deficit.

The current account deficit worsened from USD 421.4 to USD 461.5 million, due especially to trade balance and Services & income deficits. Nevertheless, net current transfers reached USD 880.5 million from 657.3 million in 2010, driven especially by official current transfers and remittances.

The Capital and Financial account balance increased by 37 percent in 2011 compared to 2010 with decline in Capital transfers but big increase of financial account. Capital account balance decreased by 31percent while financial transactions account balance increased by 127percent due especially to high public external debt disbursement and high FDI flows in 2011 compared to 2010. End December 2011, Official reserves are estimated at 5.8 months of goods imports from 6 months end 2010.

In the year 2011, Government was faced with the objective of maintaining a prudent fiscal policy and financing of capacity building and infrastructure for economic development. Although total grants increased by 10.9 percent from Rwf 397.4 billion to 440.8 billion in 2011, overall fiscal deficit including grants decreased from Rwf 51.1 billion to Rwf 4.7 billion. Government spending increased from Rwf 879.4 billion in 2010 to Rwf 987.2 billion in 2011.

The Government's overall macroeconomic strategy continued to concentrate on reinforcing economic growth by stimulating domestic sources of growth, promoting higher productivity and helping to stabilize the economy. The proportion of tax revenues to GDP slightly increased from 13percent to 14percent implying a more tax concentration on GDP in 2011 compared to 2010. Direct tax collection amounted to Rwf 198.6 billion against Rwf 162 billion achieved in 2010; an increase of 22.5 percent.

To complement its own resources, Government has been also borrowing. Domestic debt was complemented by external debt dominated by concessional borrowing from multilateral creditors.

During the year 2011, development in key M3 aggregates was in line with the dynamics in economic activities. The broad money increased by 26.7 percent against 17.0 percent achieved in 2010, driven especially by the acceleration of Net Foreign Assets by 29.4 percent and Net Domestic Asset which increased by 12.8 percent.

It is in the presented Rwanda economic environment that investment in general evolved in 2011. The conducted survey is related to foreign investment covering the year 2011. The findings are presented in the following chapter focusing mainly on quantitative findings of the survey.

CHAPTER III. QUANTITATIVE SURVEY FINDINGS

3.0 Introduction

The findings of this census present the results of stocks and flows of foreign investments for the year 2011. They are in form of assets and liabilities, classified into 3 categories: foreign direct investments, portfolio investments and other investments. This chapter presents the results in these categories by country of origin and sector of investment.

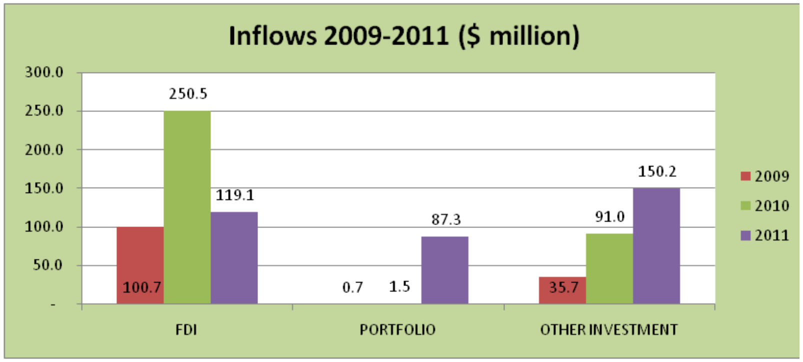
3.1 Foreign Liabilities

A foreign liability is an outstanding claim that a country, an institutions or a company owes to another country or institution or company located in another country. Foreign liability also includes due payments to international organizations such as the International Monetary Fund (IMF, 2008).

3.1.1 Composition of Foreign Private Investment Flows and Stocks

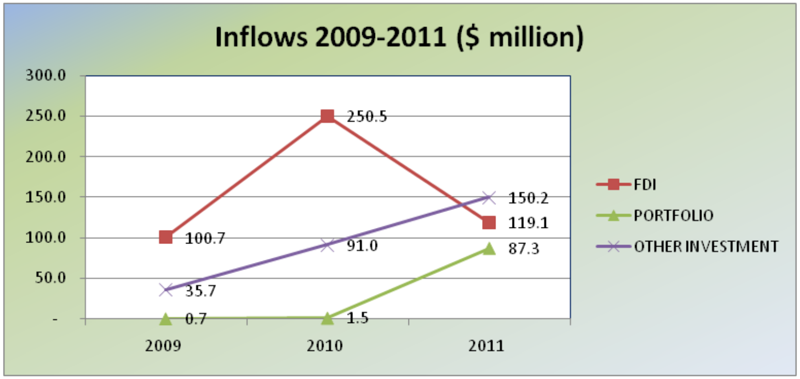
Rwanda recorded an increase in foreign private investment inflows from $ 343.0 million declared in 2010 to $ 356.7 million declared in 2011, equivalent to 4.1 percent increment. In 2011, foreign private investment inflows were largely in form of other investments $ 187.9 million accounting 46.7 percent of total foreign private investment inflows. Foreign Direct Investments (FDI) were $ 119.1 million accounting for 30.2 percent, and portfolio investment totaled $ 87.3 million; 22.1 percent, as reflected in Figure 3.

Figure 3 : **Foreign Private Investment Inflows from 2009-2011**



Source: Foreign Private investment 2011

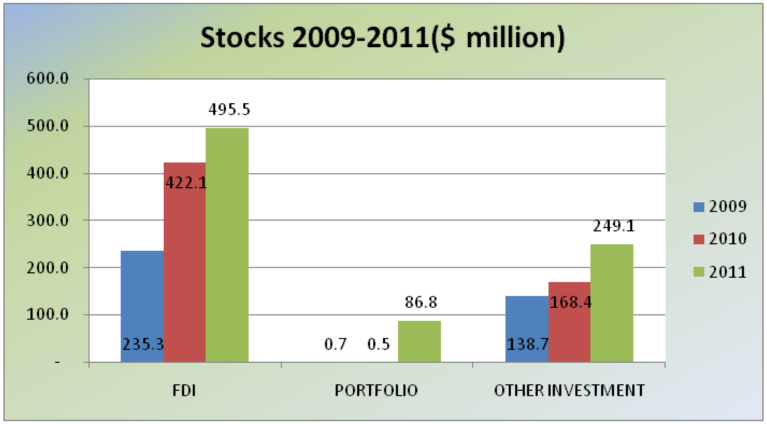
Figure 4: **Trend in Foreign Private Investment inflows**



Source: Foreign Private investment 2011

In terms of stocks, total foreign private investment increased by 39.7 percent to close at $ 832.3 million in 2011 from $ 590.8 million recorded in 2010. In 2011, foreign private investment stocks were in form of FDI for $ 495.5 million followed by other investments of $ 249.1 million and portfolio Investment of $ 86.8 million (see figure 5). Note that the effect of reclassification and exchange rate changes was considered for the valuation of the stocks.

Figure 5: Foreign Private Investments Stocks 2009-2011



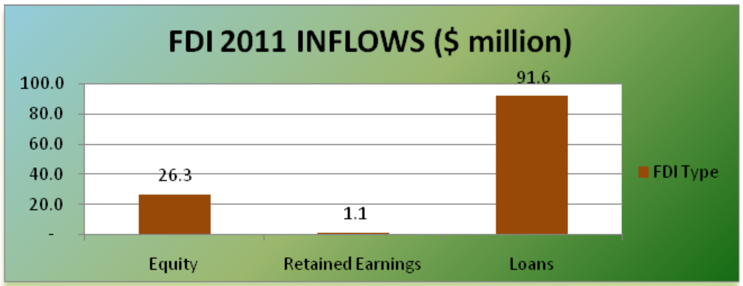
Source: Foreign Private investment 2011

3.1.2 Foreign Direct Investment

An Investment is considered to be a Foreign Direct Investment (FDI) if non-resident entities or individuals hold 10 percent or more of the equity share in a resident entity, including all levels of Fellow Enterprises and Direct Investments of even less than 10 percent of shareholding (IMF, 2008). In 2011, the FDI inflows were $ 119.1 million, dominated by loans from shareholders contributing to 77.0 percent and equity capital accounting for 22.1 percent and retained earnings of 0.9 percent.

Compared to 2010, FDI inflows in 2011 decreased, from $ 250.5 million in 2010 to $ 119.1 million in 2011 due to decrease in new share capital by 52.4 percent. FDI stock which is composed of equity capital, share-premium, accumulated retained earnings, capital reserves and loans from related companies increased from $ 422.1 million in 2010 to $ 495.5 million recorded in 2011 mainly due to loans from affiliates. In 2011, FDI accounted for over 59.6 percent of total stock liabilities.

Figure 6 : Composition of FDI by type, 2011

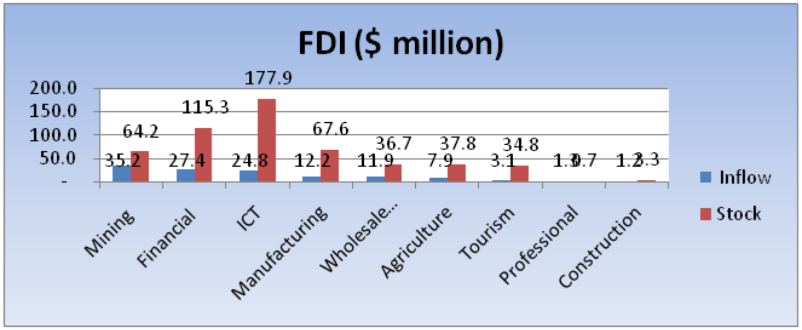


Source: Foreign Private investment 2011

3.1.2.1. FDI Inflows and Stock by sector

In 2011, most of the Foreign Direct inflows were directed to mining ($ 35.2 million). Finance and insurance sector follows with $ 27.4 million and ICT with $ 24.8 million. The following figure provides the foreign direct investment inflows and stocks by sector of investment in 2011.

Figure 7: Foreign Direct Investment Inflows and Stock by Sector in 2011



Source: Foreign Private investment 2011

During the same year of 2011, a sectorial breakdown of stocks of other investments shows that the ICT ($ 177.9 million) and Finance and Insurance ($ 115.3 million) sectors dominated the stock of FDI.

3.1.3 Foreign Portfolio Investment

Foreign Portfolio Investment (FPI) comprises ownership of investment of less than 10 percent excluding transactions with fellow companies and direct investment enterprises (IMF, 2008). FPI stock increased from $ 1.5 million in 2010 to $ 86.8 million in 2011, mainly due to the start of the Rwandan Stock Exchange where shares of listed companies are transacted. FPI accounted for 10.4 percent of the total liabilities in 2011. In terms of inflows, FPI was $ 82.3 million.

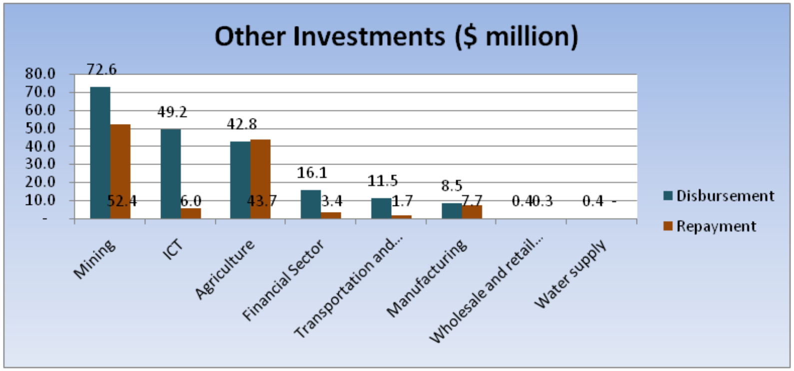
3.1.4 Other investments

Other investments cover mainly long term and short term loans from unrelated sources. In 2011, a total of $ 150.2 million of loans inflows were reported, of which $ 136.7 million (91.6 percent) were long term and $ 8.3 million (5.5 percent) in form of trade credits and accounts payables with $ 5.0 million (3.4 percent). Other investments accounted for 29.9 percent of the overall liability inflows.

3.1.3.1 Other investment inflows and stock by Sector

The sectorial findings of other foreign investment inflows show that these were mainly concentrated in the mining sector at $ 72.6 million. Other sectors such as ICT, Finance and insurance and others recorded net foreign inflows except for agriculture which recorded a negative net foreign flow largely explained by higher repayments of short term debts (mainly trade credits and advances) compared to disbursements (see Figure 8).

Figure 8: Other investments inflows and stock by sector



Source: Foreign Private investment 2011

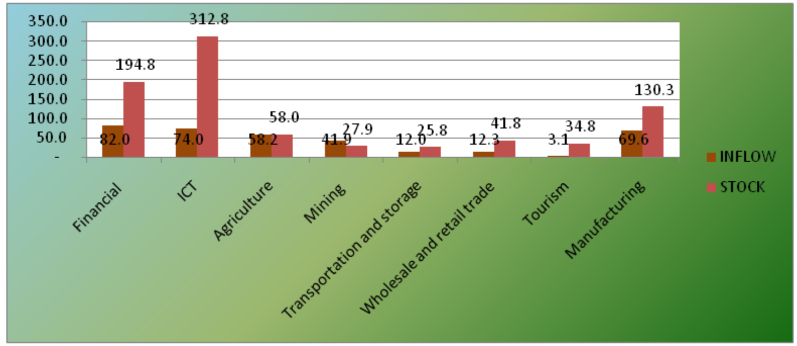
3.2 Foreign liabilities by sectors

This section provides information on the stocks and flows of Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and other investments by sector.

3.2.1 Inflows and stocks by sectors in 2011

In 2011, Finance and insurance sector was the largest attracting 23.1 percent of total liability inflows. It was followed by Information and Communication (ICT) with 20.7 percent, manufacturing with 19.5 percent and agriculture with 16.3 percent. Finance and insurance occupied the first place in 2010. Stock of foreign investment in ICT amounted to $ 312.8 million followed by finance and insurance with $ 194.8 million and manufacturing with 130.3 million.

Figure 9 : Foreign Private Investment Inflows and Stocks by sectors ($ million), in 2011.



Source: Foreign Private investment 2011

3.2.2 Inflows and stocks by source in 2011

Total inflows of foreign liabilities originated mainly from Kenya ($ 66.7 million), Switzerland ($ 47.1 million), South Africa ($ 46.4 million) and Mauritius ($ 36.7 million) accounting for 55.6 percent in 2011. For stock, South Africa, Kenya, United Kingdom and Germany were leading accounting for 34.6 percent. Mauritius is among the large investor countries due to the fact it hosts most of holding companies even though the ultimate controlling companies are not based in Mauritius. The census took into consideration only the investing company.

Table 6 : Inflows and stocks by source in 2011 in $ million

2011				
COUNTRY	Inflow		Stock	
	Amount ($ m)	percent Share	Amount ($ m)	percent Share
Kenya	66.7	18.7	100.5	12.1
Switzerland	47.1	13.2	17.5	2.1
South Africa	46.4	13.0	110.8	13.3
Mauritius	37.6	10.5	58.8	7.1
Sweden	24.8	6.9	24.7	3.0
Cyprus	23.1	6.5	23.0	2.8
Netherlands	19.0	5.3	50.5	6.1
United Kingdom	18.9	5.3	66.1	7.9
Germany	18.5	5.2	63.7	7.7
Others	54.6	15.3	316.7	38.0
Total	356.65	100	832.3	100

Source: Foreign Private investment 2011

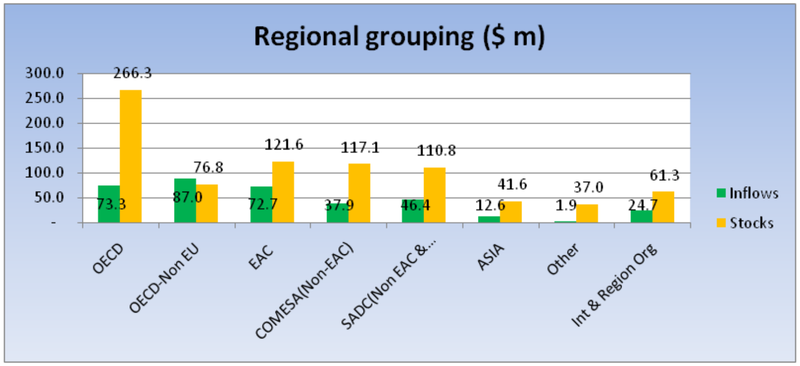
3.2.3 Foreign private investment inflows and stock by regional grouping, 2011

With regard to foreign private capital stocks by regional economic grouping, the census findings show that stocks of foreign private investment from almost all regions increased in 2011. For the total stock of $ 832.3 million in 2011, European Union (EU) countries held the highest stock amounting to $ 266.3 million (32.0 percent) up from $ 174.4 million recorded in 2010, followed by EAC accounted for $ 121.6 million (14.6 percent) increasing from $ 74.7 million in 2010; COMESA Non EAC had $ 117.1 million (14.1 percent) down from $ 210.7 million in 2010; due to reallocation of investments previously reported as Mauritius based.

SADC (Non EAC) had $ 110.8 million (13.0 percent) up from $ 5.6 million in 2010, OECD -Non-EU had $ 76.8 million (9.2 percent) up from $ 35.4 million in 2010. Stock of investment from international and regional organizations was $ 61.3 million (7.4percent). Asia accounted for $ 41.6 million (5.0 percent) declining from $ 68.5 million in 2010; this was due to loss declared by Asian originated companies. Others countries had $37.0 million from $ 69.8 million.

The inflows of foreign private investment from all regions recorded an increase in 2011. In 2011 total inflows was $ 356.7 million, OECD (Non-EU) countries held the highest inflows accounting for 24.4 percent, European Union (EU) follows with 20.5 percent, followed by EAC with 20.4 percent, SADC (Non EAC & COMESA) with 13.0 percent and COMESA (Non EAC) with 10.0 percent.

Figure 10: Foreign Private Investment stocks and inflows by Regional Grouping, in 2011



Source: Foreign Private Investment, 2012

3.3 Income on Equity

During the period under consideration, dividends paid to foreign shareholders slightly increased from $ 14.6 million in 2010 to $ 14.8 million in 2011. The ratio of dividends declared to net profit was 94.1 percent while the ratio of retained earnings to net profit was only 5.9 percent; an indication that most of the profit is remitted rather than reinvested.

Table 7: Income on equity in $ million

Item	Amount ($ m)	
	2011	2010
Net Profit/Loss	21.80	-34
Dividends Declared	20.95	15.1
Dividends Paid	14.78	14.2
Retained Earnings/Loss	1.29	-49.1

Source: Foreign Private investment 2011

Comparing the year 2011 to the year 2010, the overall net profit increased to $ 21.8 million in 2011 from net loss of $ 34.0 million in 2010. The general increase in income on equity reflects the fact that new investments are starting making profits.

3.4. Return on equity by sectors in 2011

Return on Equity (ROE) is the percentage of net income returned to total shareholders' equity. Sector ROE measures profitability by revealing how much profit a sector generates with the money shareholders have invested. The ROE is expressed as a percentage and calculated as follows:

In the period under review, the overall return on equity attributable to foreign direct investments was 19.5 percent (see table 8). This low level was largely attributed to green field investments increase in mining, ICT and financial sectors which had not yet reached the phase of realizing returns on investment, but yet requiring huge investments.

Table 8: Profitability of sectors

SECTOR	Net profit/ Loss $ m	FDI EQUITY $ m	ROE (%)
Administrative and support service activities	0.21	0.12	170.7
Construction	1.67	3.33	50.26
Manufacturing	23.59	50.23	46.97
Agriculture	5.65	27.04	20.91
Wholesale and retail trade	4.03	26.42	15.26
Transportation and storage	0.24	1.69	14.23
Real estate activities	0.13	0.94	14.21
Financial Sector	3.70	107.64	3.43
Tourism	-0.20	19.25	-1.02
Education	0.00	0.08	-6.29
ICT	-13.30	83.21	-15.99
Mining and quarrying	-3.29	4.19	-78.49
Grand Total	21.67	322.60	19.515

Source: Foreign Private investment 2011

On a sectorial basis, Administrative and support service activities had the highest return on equity of 170.7 percent in 2011, followed by construction (50.3 percent), Manufacturing (47.0 percent), Agriculture (20.9 percent), wholesale and retail (15.3 percent). Compared to 2010, except for manufacturing, other sectors that recorded a high return on equity were not among the important ones. With regard to ICT and Mining sectors, the huge negative return on equity is explained by green field investments in these sectors which at the early stages of investment make big losses.

3.5 Private Sector External Debt (PSED) 2011

Private Sector External Debt is the gross outstanding amount of those current and not contingent liabilities that require payment(s) of interest and/or principal by the debtor at some point(s) in the future and that are owed to non-residents by private residents of an economy (IMF Debt Guide, 2009). Private sector external debt flows and stocks include borrowings from affiliates and non-affiliates and debt securities.

3.5.1 Private Sector External Debt inflows 2011

Disbursements of the PSED in 2011 amounted to $ 241.9 million from $ 257.9 million in the previous year. Debt from related companies totaled $ 91.6 million and is included in foreign direct investments .

Debt from unrelated companies was $ 150.3 million in 2011. The debt from non-affiliates accounts for 62.1 percent of total debt from abroad. The repayment of principal was 78.7 million in 2011. The outstanding stock of 2011 was $ 420 million.

Table 9: Private Sector External Debt inflows 2010 & 2011 ($ million)

Type	Matu-rity	Disbursement		Repayment	
		2011	2010	2011	2010
AFFILIATES		**91.59**	**166.21**	**11.54**	**55.18**
Loans	**LT**	81.07	124.32	3.88	14.30
	ST	10.52	41.89	7.66	40.88
NON AFFILIATES		**150.27**	**91.68**	**67.19**	**64.93**
Loans	**LT**	**137.28**	48.62	55.22	13.12
	ST	**0.18**	-	0.02	-
Trade Credits	**ST**	**12.40**	41.21	11.94	39.70
Other	**LT**	**0.39**	1.85		12.11
TOTAL		**241.86**	**257.89**	**78.73**	**120.11**
Of which:	**LT**	218.75	174.79	59.11	39.53
	ST	23.11	83.10	19.62	80.58

Source: Foreign Private investment 201

3.5.2 Private Sector External Debt stocks 2011

Table 10 indicates that the stock of private sector external debt was mainly concessional loans from related companies or shareholders for the share of 57.9 percent. Table 10 :

Table 10 : Private Sector External Debt stocks 2011 ($ million)

Type		Opening	Closing
AFFILIATES		136.03	176.96
Loans	LT	121.01	160.03
	ST	15.01	16.94
NON AFFILIATES		162.11	243.73
Loans	LT	146.57	228.57
	ST	0.08	0.24
Trade Credits	LT	15.34	14.40
Other	LT	0.13	0.51
TOTAL		298.14	420.70
Of which:	LT	283.05	403.52
	ST	15.09	17.18

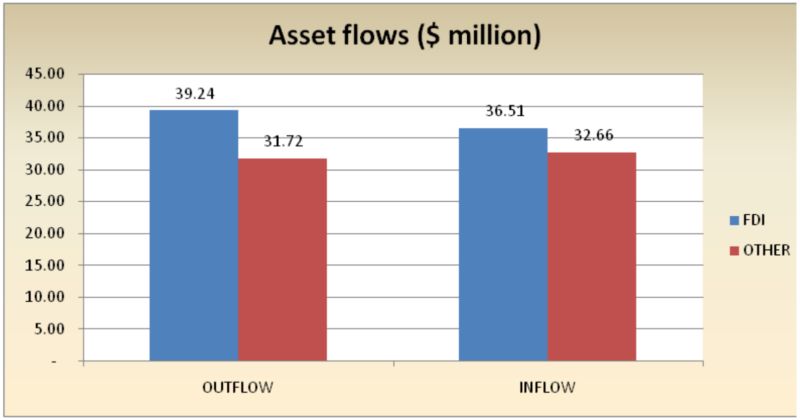
Source: Foreign Private investment 2011

3.6 Private Foreign Assets (PFA)

This section provides analysis of the survey findings on the stock of Private Sector Investments abroad (Foreign Assets). Foreign assets refer to holding of equity shares or lending to non-residents in form of loans, debt securities and trade credits or any other acquired assets by a resident entity in non-resident entities.

The results showed that PFA were in form of foreign direct equity, foreign portfolio equity and other investments. Foreign investments assets amounted to $ 71.7 million in 2011. The big share was in form of loans and trade credits to affiliates for 53.0 percent, other loans and trade credits to unrelated companies accounted for 45.7 percent and other types of equity counted for 1.3 percent of all foreign assets in 2011. Sectors with foreign assets were mining (90.0 percent) as well as wholesale and retail trade (8. percent). The reported data for the year 2011 is a big improvement in asset situation reporting. During previous rounds, the size of foreign asset was quite unknown, only the stock of equity was known due to few companies reported having any other kind of transactions with the Rest of the World.

Figure 11 : Private foreign assets flow in $ million



Source: Foreign Private investment 2011

3.7 Macro-economic analysis of survey findings

Table 11 shows some key analytical ratios of FAL flows and stocks. In terms of flows, FDI became increasingly important as a source of investment funds rising from 12.4 percent of Gross Fixed Capital Formation (GFCF) in 2009 to 25.9 percent in 2011. The importance of FDI to the economy is also shown by the increase in the share of FDI stocks to GDP during the three years, which went up from 7.1 percent in 2009 to 12.7 percent in 2011.

Table 11: Some analytical ratios of FAL flows and stocks (percent)

	2009	2010	2011
FDI Inflows/GFCF	12.4	29.6	25.9
FDI Inflows/GDP	2.7	6.2	5.5
FDI stock/GDP	7.1	11.1	12.7
Debt stock/GDP	3.6	5.8	6.5
Debt service / Debt stock	11.1	9.5	8.8
Return on equity of non-residents	9.1	13.4	19.5

Source: Foreign Private investment 2011

The share of debt stock to GDP shows a similar trend to that shown by the share of FDI stock to GDP. Debt stock as a share of GDP increased from 3.6 percent in 2009 to 6.5 percent in 2011. However, despite the rise in the share of debt stock to GDP, the ratio of debt service to debt stock fell from 11.1 percent in 2009 to 8.8 percent in 2011. This implies that borrowers have over the period succeeded in securing cheaper loans.

It is worth noting that investment has taken mainly the form of FDI as shown by the higher share of FDI to GDP compared to the ratio of Debt to GDP. This suggests that investors have opted more for equity investments in the country than debt. A possible explanation, for this development is suggested by the profitability of investments set up by non-residents. The high profitability is also confirmed by the ratio of return on equity which is increasing from 9.0 percent in 2009 to 19.5 percent in 2011.

3.8. Other findings

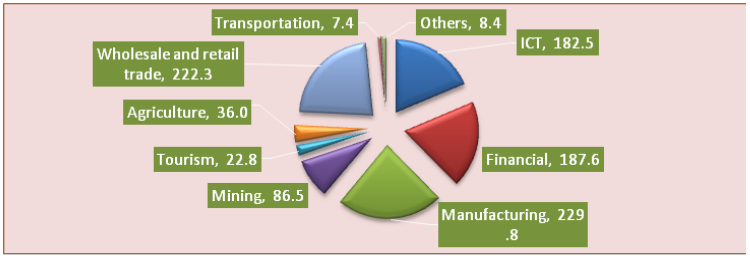
This chapter presents the aggregate findings on companies' turnover, levels of employment, compensation of employees and contribution to corporate social responsibility.

3.8.1 Entity turnover

The total turnover for the entities increased from $ 655.2 million in 2010 to $ 995.0 million in 2011, an increase of 51.8 percent. The bulk of registered turnover were financial and insurance and ICT sectors accounting for 66.3 percent of all sectors' turnover. The findings corroborate to the fact that those sectors are the growing ones with huge foreign investments.

The country's declared total turnover increased by 23.5 percent in 2011 compare to the level of 2010 from $ 2580.1 million to $ 3,187.1 million. Thus the surveyed companies contributed to total declared turnovers for 25.2percent in 2010 and for 31.4 in 2011.

Figure 12 : Entity turnovers by sectors in 2011 (in millions USD)



Source: Foreign Private investment 2011

3.8.2 Employment

As shown in the Table 12, the total employment in foreign owned investments grew from 16,302 in 2010 to 30,717 in 2011, equivalent to an increase of 88.0 percent. Rwandans accounted for 98.0 percent of the total employment and the remaining 2.0 percent were foreigners. Foreign workers are concentrated in managerial positions with a share of 54.0 percent of total foreign workers.

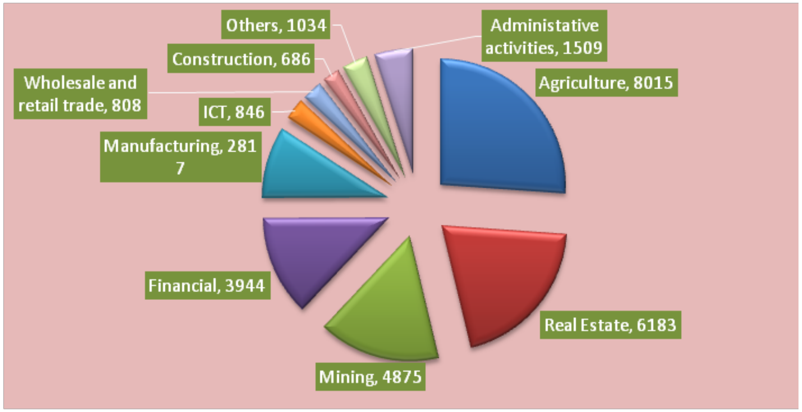
Table 12 : Distribution of employment in 2011

CATEGORY	NATIONALITY		Employment 2010	Employment 2011
Managerial	Local		616	657
	Foreign	LT	129	198
		ST	44	47
Administrative	Local		3018	1981
	Foreign	LT	43	45
		ST	12	33
Technicians	Local		3214	5293
	Foreign	LT	119	81
		ST	54	49
Casual	Local		9053	22329
TOTAL	Local		15,901	30,260
	Foreign	LT	291	131
		ST	110	326
TOTAL			16,302	30,717

Source: Foreign Private investment 2011

In terms of sector distribution of employment, Agriculture sector has the highest number of staff with 26.0 percent of total recorded number of employees. The share of employment in real estate was 20.1 percent, mining 19.8 percent against 15.4 percent in finance and insurance activities.

Figure 13: Distribution of employment by sectors 2011



Source: Foreign Private investment 2011

3.8. 3 Compensations of employees.

Annual value of total compensation of employees was $ 95 million. In terms of type of compensation, salaries and wages contributed to the highest share of 82.0 percent. Locals had relatively bigger share of 85.4 percent due to their high proportion in the total employment.

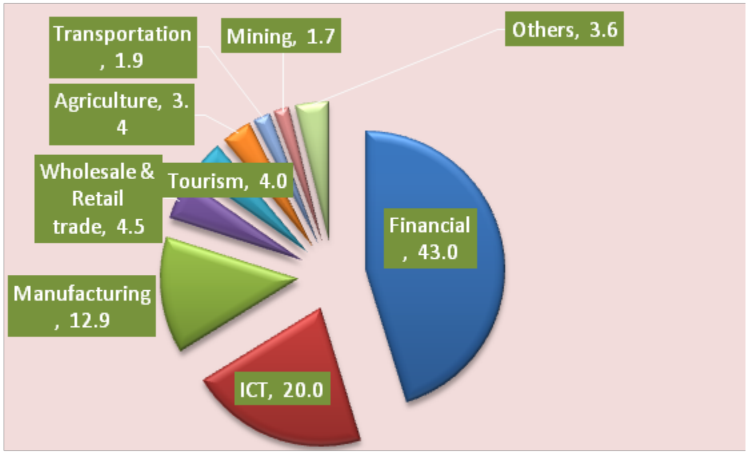
Table 13: Total compensation of employees for 2011 in $ million

TYPE	RESIDENCY	STATUS	AMOUNT
Salaries and wages	Local		67.9
	Foreign	LT	1.6
		ST	9.7
Fringe benefits	Local		3.8
	Foreign	LT	0.0
		ST	1.2
NSSF/Pension	Local		4.7
	Foreign	LT	0.1
		ST	1.0
Directors fees	Local		0.8
	Foreign	LT	0.0
		ST	0.5
Others	Local		5.5
	Foreign	LT	-
		ST	-
TOTAL	Local		82.8
	Foreign	LT	1.7
		ST	12.4
TOTAL			96.9

Source: Foreign Private investment 2011

In 2011, compensation of employees in finance and insurance activities accounted for 45.2 percent, followed by ICT 21.2 percent and manufacturing for 13.6 percent.

Figure 14 : Compensation of employees by sectors in 2011 ($ million)



Source: Foreign Private investment 2011

3.8.4 Type of investment

Actual investment is in land, buildings, machinery, vehicles, equipment and working capital. During the census period, total actual investment was $ 1.083.9 million. Plant and machinery accounted for 30.3 percent, followed by building and civil works with 10.3 percent of the actual investment. This pattern is due to growing construction activities in different sectors and new green field investment in mining and manufacturing.

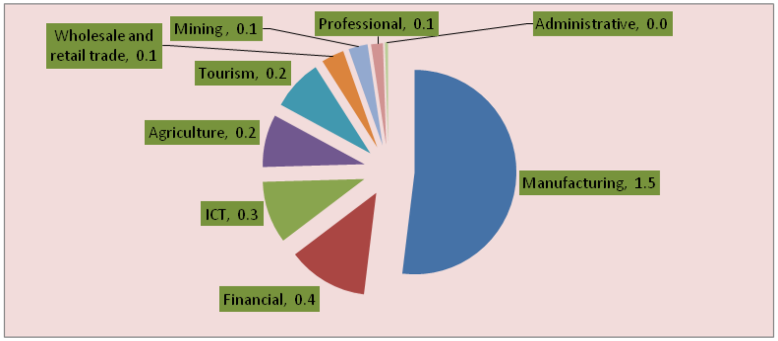
Table 14: Type of investment with foreign liability 2011 in $ million

	AMOUNT ($ million)		
TYPE	2010	2011	% SHARE(2011)
OTHER	40	363.79	33.6
PLANT AND MACHINERY	447	328.20	30.3
BUILDING AND CIVIL WORKS	136	111.96	10.3
WORKING CAPITAL	50	111.14	10.3
WORK IN PROGRESS	104	87.74	8.1
VEHICLES	13.5	21.06	1.9
FURNITURE AND FITTINGS	11.8	19.44	1.8
LAND	13	18.13	1.7
COMPUTERS AND ACCES-SORIES	12.8	16.19	1.5
PRE-START UP EXPENSES	3.4	6.26	0.6
Total	831.5	1,083.91	100

Source: Foreign Private investment 2011

In terms of sectorial distribution, ICT accounted for 67.0 percent, followed by financial and insurance with 13.4 percent and manufacturing with 10.1 percent. The higher actual investment in terms of assets from the ICT sector is in line with the foreign liabilities findings where it is ranked number one in terms of foreign equity and debt.

Figure 15: Actual Investment by sectors in 2011

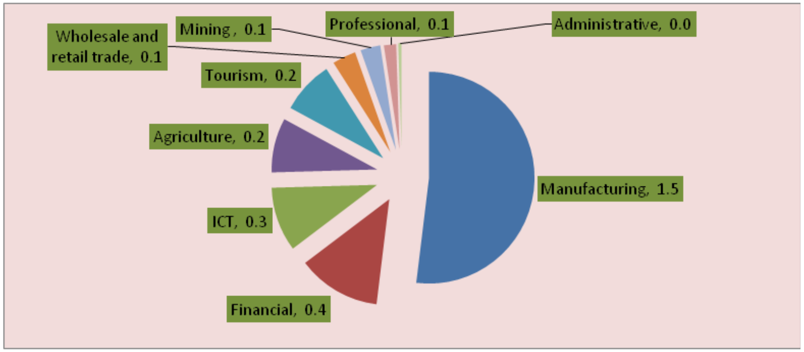


Source: Foreign Private investment 2011

3.8.5 Corporate social responsibility

Corporate social responsibility includes donations, financing of environmental, infrastructure, educational programs, health and other social, cultural or community services that benefit to the population. The contributions of corporate social responsibility stood at $ 3.0.million in 2011 against $ 2.0 million in 2010. On average, most of the corporate social responsibility expenditures were on donations to vulnerable groups (14.4 percent), education (10.9 percent), health and welfare (7.2 percent) and others. Manufacturing was the main contributing sector.

Figure 16 : Corporate social responsibility by type in 2011 ($ million)



Source: Foreign Private investment 2011

CONCLUSION

The foreign private capital results revealed that, foreign private investments in Rwanda have continued to grow and provide a drive for sustained economic growth. The increase in foreign liabilities inflows was of 4.1 percent from $ 343 million in 2010 to $ 356.6 million in 2011 indicating increased attraction of foreign investment from abroad.

In addition, foreign resources were becoming increasingly important in terms of investment and economic performance as evidenced by the growth of FDI in relation to gross fixed capital formation and gross domestic product.

During the period under review, findings of the census indicated that, actual investments increased by 30.4 percent, entity turnover by 51.8 percent, employment by 88.0 percent and compensation of employees by 14.4 percent implying positive trends.

This is an indication that Rwanda is a competitive investment destination and the private sector continues to contribute to economic growth. There is need to sustain the achievements registered in the attraction and retention of private investments.

The results of this study should be used as an indication of foreign private investment sectorial performance and as an evaluation tool of current interventions as well as the design of new policies and programs focusing at priority issues.

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ANNEXES

Annex 1: Foreign Private capital inflows and stock by country in 2011 ($ million)

Countries	2011	
	Inflows	Stock
Kenya	66.7	100.5
Switzerland	47.1	17.5
South Africa	46.4	110.8
Mauritius	37.6	58.8
Sweden	24.8	24.7
Cyprus	23.1	23.0
Netherlands	19.0	50.5
United Kingdom	18.9	66.1
Germany	18.5	63.7
US	16.2	28.9
Preferential Trade Area (PTA)	15.6	27.5
Hong Kong	7.3	7.8
African Development Bank	5.0	9.7
Tanzania	3.7	15.1
China (mainland only) People`s Republic of	2.8	3.0
Bermuda	2.2	2.2
Nigeria	2.2	19.3
Export Import Bank (EXIM)	2.1	12.9
Uganda	2.0	4.8
International Free phone (UIFN)	2.0	11.2
India	1.8	9.9
Others	(8.3)	164.5
Grand Total	356.7	832.3

Annex 2: Rwanda Working Group on Foreign Private Investment Monitoring and Analysis

Coordinators:

KAYITESI Vivian, Director Investment Promotion and Implementation, RDB

MANZI Sebastien, Director of Economic Statistics Unit, NISR.

MWITIREHE Viviane, Director Statistics department, BNR.

Team members:

BAJIJI Innocent, RDB

HABIMFURA BADAGA Tite, BNR

KAVUTSE Emmanuel, RDB

MPAYIMANA Fabien, NISR

MUHORAKEYE Josephine, RDB

MUHOZA Modeste, RDB

MUYUMBU Innocent, RDB

NDWANIYE Desire, BNR

NKEJUWIMYE Clet, BNR

NTIRUSHWAMABOKO Dominique, BNR

SHYAKA Chris Picton, RDB

TUGEZAHIMANA Michel, BNR