



NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

NATIONAL BANK OF RWANDA **FOREIGN PRIVATE CAPITAL** **IN RWANDA 2020**

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FOREWORD

The Rwanda Foreign Private Capital 2020 Census is the eleventh in a series of annual censuses, jointly conducted by National Bank of Rwanda, Rwanda Development Board, National Institute of Statistics of Rwanda, and Private Sector Federation. This census collects data on inflows and outflows of foreign investments with the private sector in Rwanda. This report presents 2019 findings on Foreign Private Capital inflows, and the data used was collected on 297 registered private companies from the Rwanda Development Board's registration of companies.

The Foreign Private Capital Census would not have been successful without the involvement and cooperation of key stakeholders. The National Bank of Rwanda wishes to extend appreciation to our valued respondents for their cooperation in providing information. We also acknowledge and appreciate the technical and financial support provided by partner institutions to make this exercise a success.

The Foreign Private Capital census is an important activity for the Government of Rwanda, given that it summarizes stocks and flows of foreign investments by sector and origin, and it is a base on setting policy measures that attract foreign investments and improve the business climate in Rwanda. In addition, the results from this census are used in the compilation of Rwanda's Balance of Payments, the International Investment Position, and the National Account Statistics.

RWANGOMBWA John

Governor, National Bank of Rwanda

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LIST OF ACRONYMS

NBR:	National Bank of Rwanda
BOP:	Balance of Payments
COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
FAL:	Foreign Assets and Liabilities
FDEI:	Foreign Direct Equity Investment
FDI:	Foreign Direct Investment
FPC:	Foreign Private Capital
GDP:	Gross Domestic Product
GF:	Grossing-up Factor
ICT:	Information Communication and Technology
LDCs:	Least Developed Countries
LLDCs:	Landlocked Developing Countries
MEFMI:	Macroeconomic and Financial Management Institute
NISR:	National Institute of Statistics of Rwanda
OC:	Other Changes
OECD:	Organization for Economic Co-operation and Development
PCMS:	Private Capital Monitoring System
PFA:	Private Foreign Asset
PSED:	Private Sector External Debt
PSF:	Private Sector Federation
PTA:	Preferential Trade Area
RDB:	Rwanda Development Board
RIEPA:	Rwanda Investment and Export Promotion Agency
FRW:	Rwandan Franc
RWG:	Rwanda Working Group (on Private Capital Monitoring)
SADC:	Southern African Development Community
SIDCS:	Small Islands Developing States
TNC:	Transnational Corporations
UNCTAD:	United Nations for Commerce Trade and Development
WEF:	World Economic Forum
WIR:	World Investment Report

EXECUTIVE SUMMARY

The Foreign Private Capital (FPC) Census 2020 is the eleventh in a series of annual censuses jointly conducted by the National Bank of Rwanda (NBR), National Institute of Statistics of Rwanda (NISR), Rwanda Development Board (RDB) and Private Sector Federation (PSF). The main objective of the census was to collect information required for the compilation of the Rwanda Balance of Payments (BOP), International Investment Position (IIP), and the National Account Statistics. This census provides actual flows and stocks of Foreign Investments in Rwanda for the year 2019.

The census covered 297 enterprises, of which 231 responded, representing a response rate of 77.8 percent. Findings revealed that FPC inflows increased by 9.1 percent, amounting to \$ 505.1 Million in 2019 from \$ 463.0 Million in 2018, mainly driven by Other Investment (+100.8 percent), retained earnings (+49.7 percent) and borrowings from affiliated investors (+11.1 percent).

In terms of FPC inflows composition, the financial sector led with 30.1 percent share, followed by ICT (24.1 percent), wholesale and retail trade (15.9 percent), electricity (11.4 percent) and manufacturing (10.6 percent).

The census showed an increase in the total FPC companies' turnovers of 13.2 percent, amounting to \$2,769.0 Million, from \$2,446.5 Million registered in 2018 and accounting for 30.4 percent of GDP in 2019. The net profit to the same companies increased by 16.0 percent, amounting to \$ 165.3 Million from \$ 142.5 Million recorded in 2018.

In addition, the last part of the report summarizes investors' perceptions about the business environment in Rwanda. These views help to inform policymakers about the need for improving the domestic investment climate to attract foreign investments into the country. The findings showed that Investor Perception Index (IPI) stood at 74.3 percent, with higher scores of government performance (82.0 percent), legal framework (79.5 percent), trading across borders (78.0) and support services (76.9). These scores highlight the improvement in the business environment registered by Rwanda.

CHAPTER 1





INTRODUCTION

The Foreign Private Capital (FPC) refers to foreign liabilities (inward investments) owed to non-residents in terms of equity and non-equity, and foreign assets (outward investment) claimed to the rest of the world. The FPC is composed of; Foreign Direct Investment (FDI), Portfolio Investment (PI), Financial Derivatives and Employee Stock Options, and Other Investments (OI). The FPC 2020 captures information for the year 2019 from all resident companies that hold foreign liabilities and/or foreign assets.

The FPC 2020 census is designed based on the Sixth edition of the Balance of Payment and International Investment Position Manual, published in 2009. The census provides inputs for Balance of Payments (BOP), International Investment Position (IIP) and National Account Statistics compilation.

The questionnaire helps to capture information on industrial classification, equity, and non-equity instruments, income on investments, as well as investors' perceptions about the country's business investment climate.

This report presents the findings of the census conducted in 2020 covering 2019 data collected from 297 companies, distributed in 15 sectors. The rest of the report highlights FPC 2020 census' results, other findings of the census and investors' perceptions.

CHAPTER 2





FOREIGN PRIVATE CAPITAL IN RWANDA

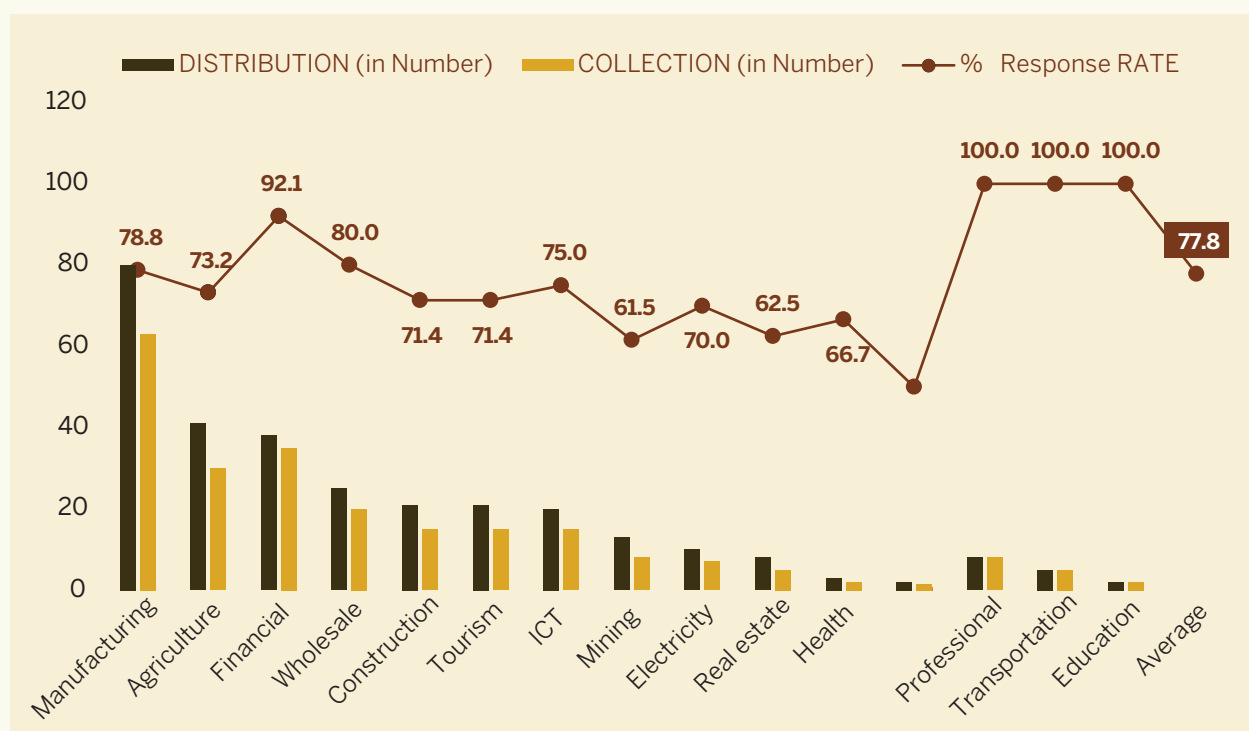
This chapter discusses FPC 2020 census results in Rwanda. It presents flows and end year stocks of FDI, PI, and OI for the year 2019. The analysis of the census' results is based on the following characteristics: types of capital by instruments, relationship between investors and recipients, sector and origin of investments, and the income from investment by sector.

2.1. Response Rate

The FPC 2020 census covered 297 private institutions that hold investments from abroad, of which 231 companies responded, representing a 77.8 percent response rate, as shown in the Figure 1 below.

During the FPC 2020 census, the technical team observed that due to the pandemic era of Covid-19, the number of responded companies reduced, due to physical absence of many companies that were closed during the census period and other related issues. Therefore, for non-responded institutions, the technical team collected financial statements from other public institutions such as the Office of Registrar General, as well as estimations based on trend of last three year's information.

Figure 1: Census's Distribution and Response Rate (in %) per Sector

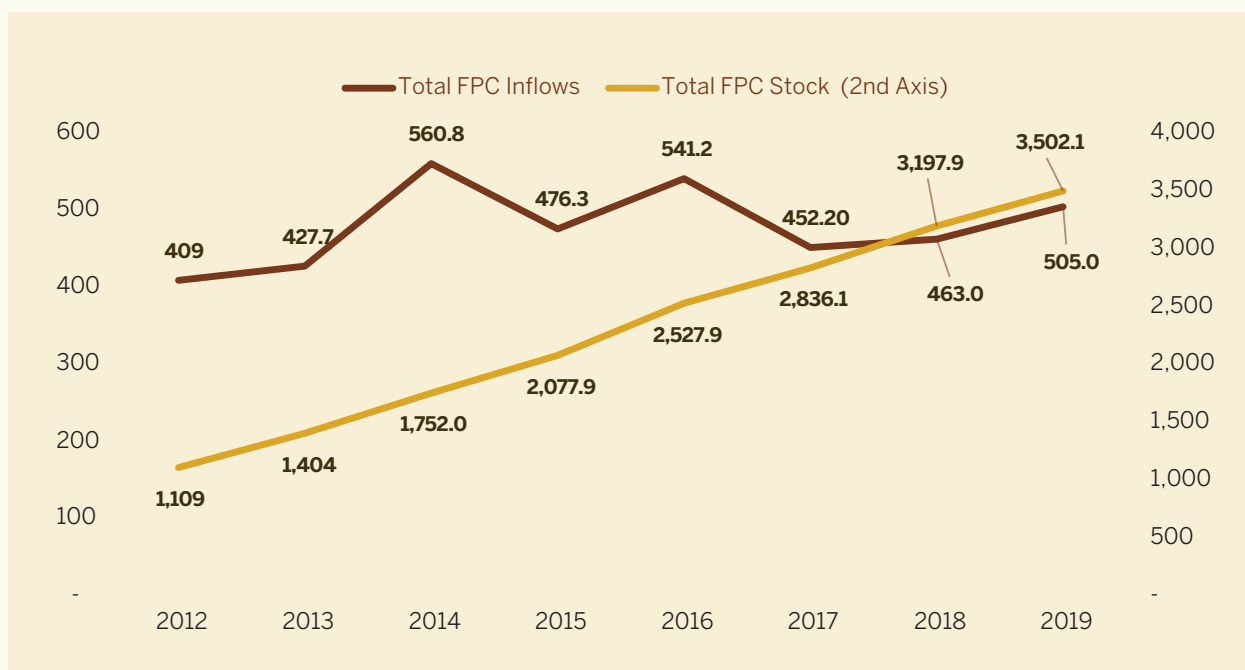


Source: FPC 2020 Census

2.2. Foreign Private Capital in Rwanda

The FPC 2020 results indicated an increase of 9.1 percent in capital inflows in Rwanda, amounting to \$505.1 Million in 2019 from \$463.0 Million in 2018, while the capital stock stood at \$3,502.1 Million in 2019 from \$3,197.9 Million in 2018, representing an increase of 9.5 percent. The increase in FPC inflows in 2019 was mainly driven by investments wholesale retail trade sector with an increase of +196.6%, followed by financial sector (+87.0%) and information, communication and technology sector (+47.4%).

Figure 2: FPC Inflows and Stocks (\$ Millions)



Source: FPC 2020 Census

In 2019, FPC inflows were mainly composed of; FDI with a share of 70.1 percent, followed by OI (29.8 percent), and PI (0.1 percent).

By definition, FDI is composed: of equity investments from non-resident investors with a shareholding of at least 10 percent of the company's total capital; reinvested earnings, and debts from affiliated investors. In 2019, the FDI inflows decreased by 7.3 percent, to \$ 353.8 Million from \$ 381.9 Million in 2018, mainly due to a decrease in equity investment (-66.8 percent) outweighing the increase in retained earnings (+49.7 percent) and debt from affiliated investors (+11.1 percent).

The OI comprises of loan, trade credit and advances, currency and deposit, other equity and other account receivables and payables. It increased by 100.8 percent, amounting to \$ 151.0 million from \$ 75.2 million in 2018 mainly due to the increase in loans, other account payables and trade credit and advance from non-affiliated investors.

The PI consists of tradable instruments with shareholding structure of less than 10 percent, its inflows decreased to \$0.2 Million in 2019 from \$5.9 Million in 2018.

Table 1: FPC Inflows by Category (\$ Millions)

Year	2014	2015	2016	2017	2018	2019	% Change	% Share
FDI	458.9	379.8	342.3	356.4	381.9	353.8	-7.3%	70.1%
PI	5.6	2.5	3.0	0.3	5.9	0.2	-96.7%	0.1%
OI	96.3	93.9	195.9	95.4	75.2	151.0	100.8%	29.8%
Total FPC Inflows	560.8	476.3	541.2	452.2	463.0	505.1	9.1%	

Source: FPC 2020 Census

In terms of stocks, FDI remained the main component of total FPC stocks with a share of 72.7 percent at the end of 2019, followed by OI accounting for 24.2 percent and PI representing 3.1 percent. In value terms, over the total FPC stock of \$ 3,502.1 Million, FDI counted for \$ 2,546.9 Million, OI totaled to \$845.8 Million, and PI amounted to \$ 109.5 Million.

Table 2: FPC Stocks by Category (\$ Millions)

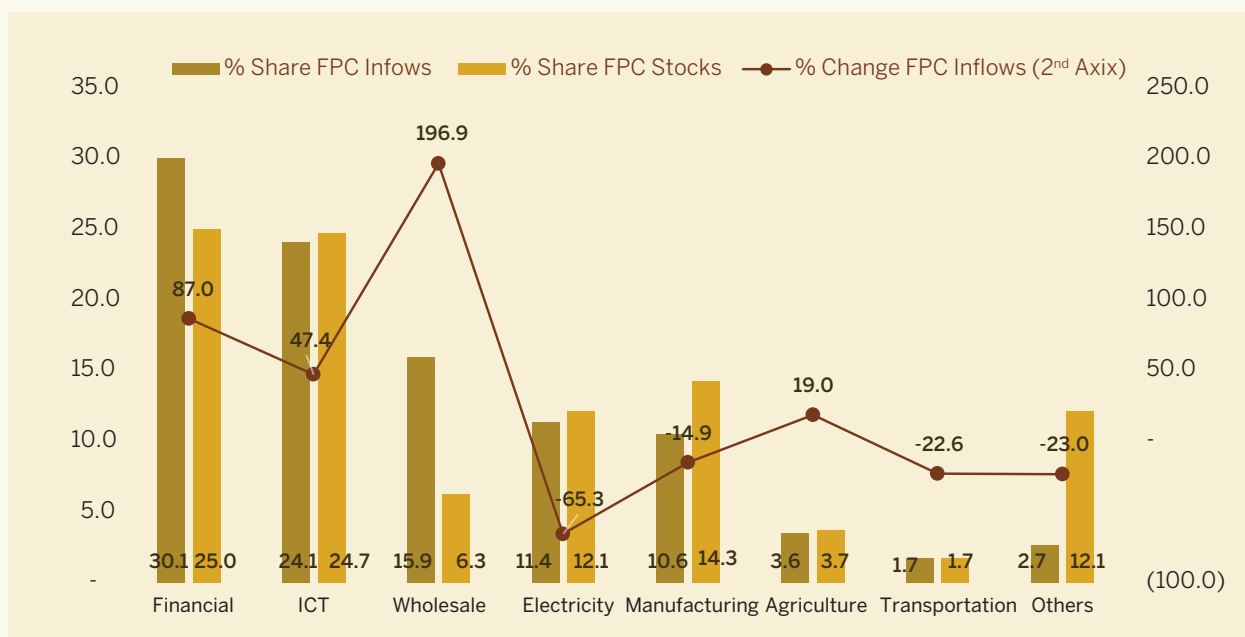
Year	2014	2015	2016	2017	2018	2019	% Change	% Share
FDI	1,152.4	1,401.8	1,680.3	1,959.3	2,283.7	2,546.9	11.5%	72.7%
PI	95.0	97.5	100.5	103.9	109.3	109.5	0.2%	3.1%
OI	504.7	578.6	747.1	772.8	804.9	845.8	5.1%	24.2%
Total FPC Stocks	1,752.0	2,077.9	2,527.9	2,836.1	3,197.9	3,502.1	9.5%	

Source: FPC 2020 Census

2.2.1. FPC by sector of economic activity

In 2019, FPC inflows by recipient sectors were led by financial sector, with a share of 30.1 percent, followed by ICT (24.1 percent), wholesale and retail trade (15.9 percent), electricity (11.4 percent), manufacturing (10.6 percent), agriculture (3.6 percent), transport (1.7) and others (2.7 percent).

Figure 3: FPC Inflows and Stocks by Sector of Activities (Percent Shares)



Source: FPC 2020 Census

2.2.2. FPC by Country of Origin

In 2019, the FPC inflows from Mauritius represented the largest share with 33.6 percent, mostly invested in ICT, financial, manufacturing and electricity sectors. The United Kingdom came second with a share of 15.1 percent, mainly directed to manufacturing and agriculture sectors. In third place comes Kenya with a share of 14.6 percent mostly invested in the financial and education sectors.

In terms of FPC stocks, investments from Mauritius takes the lion's share of 25.2 percent, followed by Kenya (8.8 percent) and Netherlands (5.9 percent).

Table 3: FPC Inflows and Stocks by Origin (\$ Millions)

FPC INFLOWS				FPC STOCKS			
Country	2018	2019	% Share	Country	2018	2019	% Share
Mauritius	200.3	169.5	33.6%	Mauritius	779.5	883.3	25.2%
UK	14.4	76.0	15.0%	Kenya	239.2	308.9	8.8%
Kenya	33.5	73.6	14.6%	Netherlands	211.5	207.1	5.9%
Belgium	17.8	29.7	5.9%	US	182.7	184.5	5.3%
Nigeria	1.3	23.3	4.6%	South Africa	183.8	184.1	5.3%
EIB	6.2	16.5	3.3%	United Kingdom	111.6	127.4	3.6%
France	1.1	15.7	3.1%	PTA	117.2	127.2	3.6%
South Korea	6.8	15.3	3.0%	Luxembourg	74.7	76.2	2.2%
UAE	17.4	14.5	2.9%	Nigeria	47.4	70.6	2.0%
PTA	1.3	12.4	2.5%	Zambia	68.4	69.4	2.0%
Others	162.9	58.6	11.6%	Others	1,181.9	1,263.4	36.1%
Total	463.0	505.1		Total	3,197.9	3,502.1	

Source: FPC 2020 Census

Regarding the sources of FPC inflows by regions, the results showed that COMESA and SADC had the largest share, constituting 49.2 and 35.3 percent, respectively, mainly due to high investments from Mauritius. In second place, we found inflows from OECD and EAC, with shares of 25.0 percent and 15.3 percent, respectively.

Table 4: FPC Stocks by Category (\$ Millions)

Region	FPC INFLOWS			STOCKS		
	2018	2019	% Share	2018	2019	% Share
COMESA	234.8	248.7	49.2%	1,163.3	1,405.3	40.1%
SADC	207.5	178.2	35.3%	1,000.2	1,173.5	33.5%
OECD	147.2	126.3	25.0%	788.9	815.2	23.3%
EAC	35.8	77.2	15.3%	293.3	320.5	9.2%
ASIA	23.1	48.1	9.5%	284.6	302.7	8.6%
EU	97.1	45.6	9.0%	575.0	590.6	16.9%
INT. ORG& BANKS	18.5	28.9	5.7%	289.3	308.2	8.8%
TOTAL FPC	463.0	505.1		3,197.9	3,502.1	

Source: FPC 2020 Census

2.3. Foreign Direct Investment in Rwanda

In 2019, the total FDI inflows in Rwanda declined by 7.3 percent to \$ 353.8 Million from \$ 381.9 Million registered in 2018. The decline in FDI was mainly driven by a decline in equity capital inflows that outweighed increase in retained earnings and borrowings from affiliated investor inflows, as shown in the table below.

New equity capital recorded in 2019 stood at \$ 45.6 Million, lower than 137.3 Million in 2018. The retained earnings rose by 49.7 percent to \$ 141.8 Million from \$ 94.7 Million registered in 2018, while the borrowings from affiliated investors increased by 11.1 percent, standing at \$ 166.5 Million from \$ 149.9 Million recorded in 2018.

The new FDI inflows led to an increase in FDI stocks by 11.5 percent to \$ 2,546.9 Million in 2019, of which borrowings from affiliated companies account for the largest share of 44.2 percent, followed by equity capital (36.7 percent) and retained earnings (19.0 percent).

Table 5: FDI Inflows and Stocks by Category (\$ Millions)

	2014	2015	2016	2017	2018	2019	% Change	% Share
FDI INFLOWS								
Equity	129.6	110.0	83.6	78.2	137.3	45.6	-66.8%	12.9%
R .Earnings	17.5	58.9	126.6	153.5	94.7	141.8	49.7%	40.1%
Loans	311.8	210.9	132.2	124.8	149.9	166.5	11.1%	47.1%
Total inflows	458.9	379.8	342.3	356.4	381.9	353.8	-7.3%	
FDI STOCKS								
Equity	503.2	619.7	701.8	786.3	890.9	935.6	5.0%	36.7%
R. Earnings	144.2	74.9	170.8	282.2	378.8	485.1	28.1%	19.0%
Loans	504.9	707.2	807.7	890.7	1,014.1	1,126.2	11.1%	44.2%
Total stocks	1,152.2	1,401.8	1,680.3	1,959.3	2,283.7	2,546.9	11.5%	

Source: FPC 2020 Census

2.3.1. FDI inflows and Stock by Sector

The census findings showed that the ICT sector dominated the total FDI inflows with a share of 34.0 percent in 2019 and mainly originated from Mauritius, South Korea and Belgium. The FDI in financial sector followed with a share of 30.6 percent, mainly originated from Mauritius and Kenya.

The FDI stock remain concentrated in the ICT sector with a lion's share of 29.5 percent, followed by the financial sector (21.3 percent) and the manufacturing sector (12.2 percent).

Table 6: FDI Inflows and Stocks by Sector of Activities (\$ Millions)

FDI INFLOWS				FDI INFLOWS			
Sectors	2018	2019	% Share	Sectors	2018	2019	% Share
ICT	81.4	120.4	34.0%	ICT	663.7	750.2	29.5%
Financial	72.0	108.3	30.6%	Financial	441.3	542.6	21.3%
Electricity	144.8	46.7	13.2%	Manufacturing	307.0	310.4	12.2%
Wholesale	15.9	27.7	7.8%	Electricity	250.9	277.1	10.9%
Agriculture	15.2	17.9	5.1%	Wholesale	182.7	206.6	8.1%
Manufacturing	28.4	13.0	3.7%	Tourism	197.8	198.7	7.8%
Transportation	8.7	8.6	2.4%	Mining	85.1	86.5	3.4%
Others	15.4	11.2	3.2%	Others	155.2	174.7	6.9%
Total	381.9	353.8		TOTAL	2,283.7	2,546.9	

Source: FPC 2020 Census

2.3.2. FDI inflows and Stock by Origin

Regarding the origin of FDI inflows, Mauritius leads with a share of 47.7 percent, mainly invested in ICT, financial and wholesale and retail trade, followed by Kenya (17.8 percent share), Nigeria (6.6 percent), Belgium (6.2 percent) and others (21.8 percent).

In terms of FDI stocks by origin, Mauritius, Kenya, South Africa, USA, and Netherlands, remain the major sources, with a combined share of 65.1 percent of the total FDI stock.

Table 7: FDI Inflows and Stocks by Origin (\$ Millions)

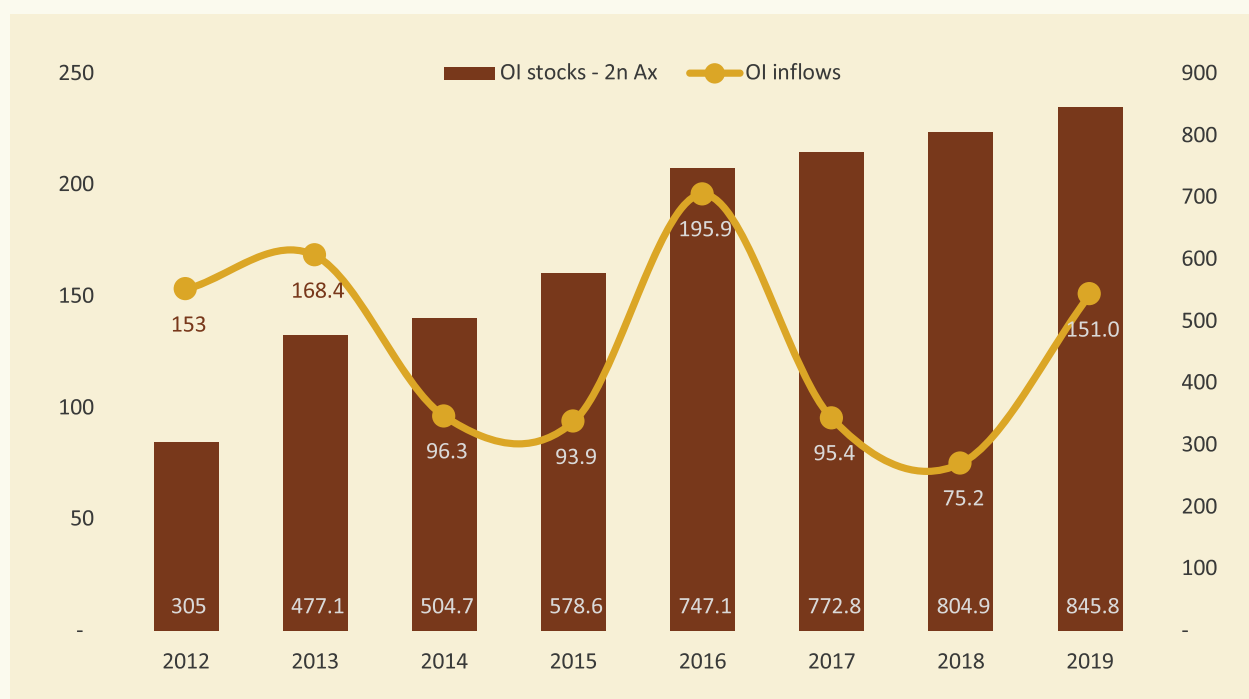
FDI INFLOWS				FDI STOCKS			
Origin	2018	2019	% Share	Origin	2018	2019	% Share
Mauritius	197.4	168.8	47.7%	Mauritius	796.0	1,018.2	40.0%
Kenya	26.5	62.9	17.8%	Kenya	182.2	242.1	9.5%
Nigeria	1.2	23.3	6.6%	South Africa	179.4	180.1	7.1%
Belgium	12.3	21.8	6.2%	USA	108.5	110.5	4.3%
South Korea	5.8	15.3	4.3%	Netherlands	105.8	106.8	4.2%
UAE	3.9	10.6	3.0%	Ghana	67.3	67.3	2.6%
India	4.5	6.5	1.8%	Togo	63.1	63.1	2.5%
Others	130.3	44.7	12.6%	Others	781.6	758.8	29.8%
Total	381.9	353.8		Total	2,283.7	2,546.9	

Source: FPC 2020 Census

2.4. Other Investments

OI is comprised of; loans, trade credit and advances, currency and deposits, and other accounts receivables/payables. They account for 29.8 percent share of the total FPC inflows in 2019, equivalent to \$151.0 Million. Hence an increase in stocks of OI by 5.1 percent, amounting to \$845.8 Million in 2019 from \$ 804.9 Million in 2018.

Figure 4: OI Inflows and Stocks (\$ Millions)



Source: FPC 2020 Census

2.4.1. Other Investment Inflows and Stocks by Sector

The debt inflows in wholesale and retail trade sector led with a share of 33.9 percent, mostly originating from the United Kingdom and Mauritius. The financial sector ranked second with a share of 28.7 percent of which the majority was from Kenya, Mauritius, the European Investment Bank and France.

In terms of OI stock, the financial sector had the highest share (32.6 percent), followed by manufacturing (18.5 percent), ICT (18.0 percent) and agriculture (7.9 percent).

Table 8: OI Inflows and Stocks by Sector of Activities (\$ Millions)

OI SECTOR INFLOW				OI SECTOR STOCK			
	2018	2019	% Share		2018	2019	% Share
Wholesale	11.2	51.1	33.9%	Financial	278.0	275.7	32.6%
Financial	5.9	43.3	28.7%	Manufacturing	125.4	156.5	18.5%
Manufacturing	34.2	42.1	27.9%	ICT	151.2	152.6	18.0%
Mining	-	10.7	7.1%	Agriculture	67.8	67.2	7.9%
OTHER sectors	23.9	3.8	2.5%	Other sectors	182.5	193.9	22.9%
Total	75.2	151.0		Total	804.9	845.8	

Source: FPC 2020 Census

2.4.2. OI Inflows and Stock by origin

In terms of the origin of OI, investments from United Kingdom with a share of 47.4 percent mostly invested in the manufacturing, wholesale and retail trade sectors.

OI inflows from the European Investment Bank followed with a share of 10.9 percent, invested in the financial sector. The OI from the France, PTA, Kenya Belgium, UAE, other Europe countries, Tanzania and Hong Kong followed with a combined share of 41.7 percent, mainly invested in ICT, financial and manufacturing sectors.

Regarding OI stocks, PTA remained the major lender with a share of 14.0 percent, followed by IFC (10.9 percent), United Kingdom (10.2 percent), Germany (7.7 percent) and European Investment Bank (6.7 percent).

Table 9: OI Inflows and Stocks by Origin (\$ Millions)

OI INFLOWS				OI STOCKS			
Country	2018	2019	% Share	Countries	2018	2019	% Share
UK	8.0	71.6	47.4%	PTA	108.3	118.3	14.0%
EIB	-	16.5	10.9%	IFC	96.5	92.1	10.9%
France	-	15.7	10.4%	UK	67.3	86.6	10.2%
PTA	1.3	12.4	8.2%	Germany	70.2	65.1	7.7%
Kenya	7.0	10.5	7.0%	EIB	47.1	56.5	6.7%
Belgium	2.1	7.9	5.3%	Zambia	43.5	44.5	5.3%

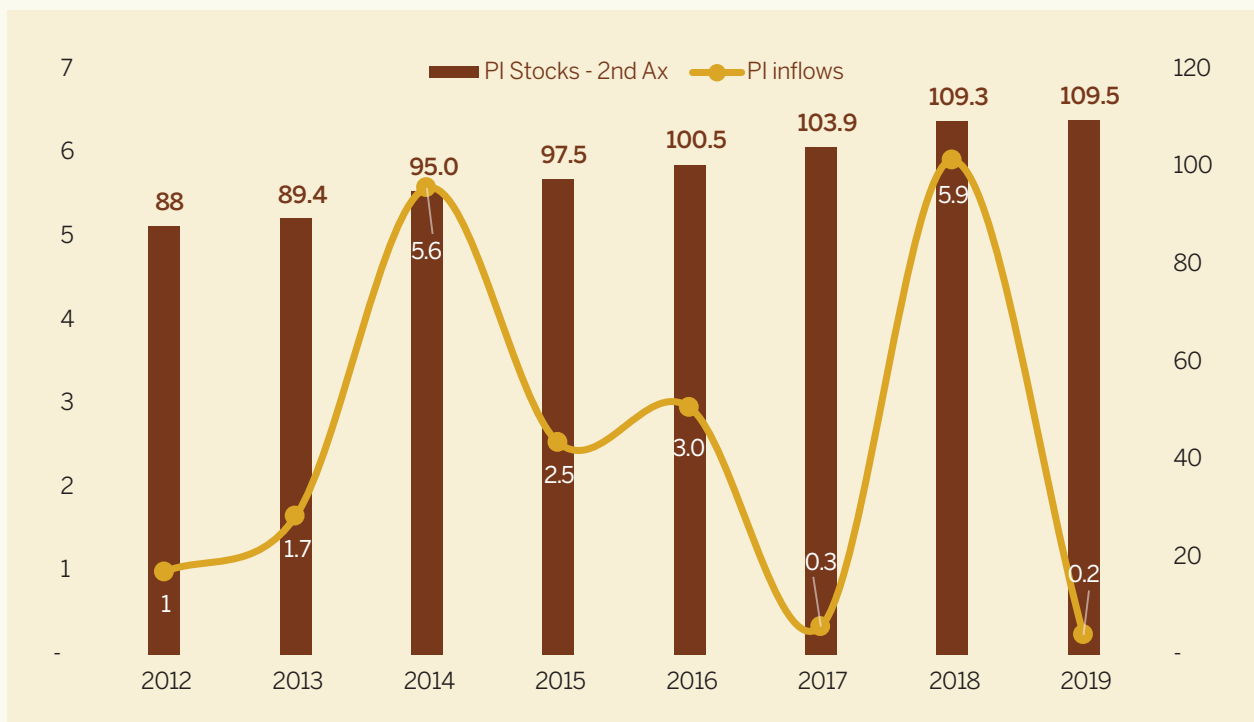
UAE	13.5	3.9	2.6%	Kenya	30.3	39.9	4.7%
EU	2.3	3.9	2.6%	France	14.4	27.6	3.3%
Tanzania	0.6	2.1	1.4%	Belgium	18.1	26.1	3.1%
Hong Kong	-	1.4	0.9%	Sweden	24.0	24.0	2.8%
Luxembourg	2.3	1.4	0.9%	EXIM	23.5	23.5	2.8%
Others	38.2	3.6	2.4%	Others	261.6	241.6	28.6%
Total	75.2	151.0		Total	804.9	845.8	

Source: FPC 2020 Census

2.5. Portfolio Investment

In the case of Rwanda, the PI is composed of; tradable equity investments with a shareholding of less than 10 percent of the company's equity. The PI recorded inflows of \$ 0.2 Million in 2019 that led to an increase in total stock \$ 109.5 Million. In the last three years, the PI recorded an average of \$ 2.1 Million per year, reflecting an improvement in the capital market development.

Figure 5: PI Inflows and Stocks (\$ Millions)



Source: FPC 2020 Census

2.6. Private Sector External Debt

The Private Sector External Debt (PSED) is composed of; non-equity instruments (mainly loans), contracted abroad by resident companies, and they include loans from affiliated and non-affiliated lenders. In 2019, the PSED inflows increased by 41.0 percent, amounting to \$ 317.5 Million from \$ 225.1 Million in 2019, due to an increase in both FDI debt inflows (11.1 percent) and the borrowings from non-affiliated investors (100.8 percent). As a result, total PSED stock grew by 8.4 percent in 2019, standing at \$ 1,971.9 Million in 2019 from \$ 1,819.0 Million in 2019.

Table 10: Foreign Private Sector Debt Inflows and Stocks (\$ Millions)

	DEBT INFLOWS					DEBT STOCKS				
YEAR	2016	2018	2019	2019	% Change	2016	2018	2019	2019	% Change
RELATIONSHIP										
AFFILIATED	132.2	124.8	149.9	166.5	11.1%	807.7	890.7	1,014.1	1,126.2	11.0%
NON-AFFILIATED	195.9	95.4	75.2	151.0	100.8%	747.1	772.8	804.9	845.8	5.1%
TOTAL	328.1	220.2	225.1	317.5	41.0%	1,554.8	1,663.6	1,819	1,971.9	8.4%

Source: FPC 2020 Census

2.7. Income on Investments

In 2019, the overall net profit of private companies rose by 16.0 percent, amounting to \$ 165.3 Million from \$ 142.5 Million in 2018, mostly due to increase in profit from ICT sector that rose by 342.5 percent and from financial sector that rose by 32.7 percent.

The results showed the retained earnings increased by 49.7 percent, stood at \$ 141.8 Million, from \$ 94.7 Million recorded in 2018, which were retained to expand business activities, and representing a share of 85.8 percent to total net profit. The dividends declared stood at \$ 23.5 Million, while \$ 17.6 Million were dividends distributed to shareholders.

Table 11: Income on Investment by Instrument (\$ Millions)

Instrument	2015	2016	2017	2018	2019
Net Profit / Loss	69.1	164.7	184.5	142.5	165.3
Dividends Declared	10.2	38.1	31.0	47.8	23.5
Dividends Paid	32.2	34.9	29.4	29.8	17.6
Retained Earnings/Loss	58.9	126.6	153.5	94.7	141.8

Source: FPC 2020 Census

2.7.1. Income on Investment Distribution by Sector

The sectors that mostly contributed to the net profit were financial sector (53.0 percent share), followed by ICT (21.4 percent), wholesale and retail trade (8.2 percent), agriculture (7.3 percent) and remaining sectors share 10.1 percent, as shown in the table below.

Table 12: Income on Investment by Sector (\$ Millions)

Sector	Net Profit	Dividends Declared	Dividends Paid	RE
Finance	87.6	14.5	10.9	73.1
Electricity, gas, steam	9.7	0.0	0.0	9.7
Agriculture	12.1	2.9	1.7	9.2
Wholesale & retail trade	13.6	0.0	0.0	13.6
Transportation	10.2	0.0	0.0	10.2
Manufacturing	3.1	4.7	3.6	-1.6
Real Estate	-12.3	0.0	0.0	-12.3
ICT	35.4	1.4	1.4	34.0
Tourism	2.0	0.0	0.0	2.0
Other Sectors	3.9	0.0	0.0	3.9
Total	165.3	23.5	17.6	141.8

Source: FPC 2020 Census

2.8. Return on Equity by sector

The ROE is the amount of net income returned as a ratio of a shareholder's equity. It measures the company's profitability by revealing how much profit a company generates from shareholders' investment. The analysis of ROE is linked to the incentive to invest in an economy. Rwanda's ROE stands at an average of 14.4 percent in the last 5 years (2015 - 2019).

Looking at the sectors, the table below shows that transport, agriculture and financial sectors are more profitable, with a ROE of 51.8 percent, 16.7 and 13.5 percent, respectively, which were higher than the country's ROE average of 12.3 percent, as shown in the table below.

Table 13: ROE on FDI by Sector (ratio in percentage)

Sector	2015	2016	2017	2018	2019
Agriculture	44.6	55.4	14.9	20.7	16.7
Education	-0.5	-61.8	-0.3	2.8	11.1
Electricity	59.4	12.4	12.2	5.1	3.9
Financial	20.9	32.1	11.3	15.1	13.5
ICT	3.2	25.4	20.3	7.3	4.7
Manufacturing	10.9	4.5	52.5	8.9	1.0
Tourism	2.3	-17.9	-6.4	1.2	1.0
Transport	11.0	5.0	0.5	47.5	51.8
Wholesale & retail trade	22.8	73.6	10.8	10.4	6.6
Average	19.4	14.3	12.9	13.2	12.3

Source: FPC 2020 Census

CHAPTER 3





OTHER FINDINGS

This chapter discusses other findings related to investments in Rwanda. It includes employment and compensation of employees, entity turnovers, and contribution to external trade from the private companies that hold investments from abroad.

3.1. Entity Turnover

The private entities included in the FPC census registered a total turnover of \$ 2,769.0 Million in 2019, which is an increase of 13.2 percent, compared to \$ 2,446.5 Million registered in 2018. This growth in turnovers resulted from higher turnovers in the financial, manufacturing, ICT, wholesale and retail trade, construction, education, tourism transport and other sectors, which represent 91.6 percent of the total FPC companies' turnovers, outweighed a decrease in mining, and agriculture sectors. The total turnovers of FPC companies account for 32.3 percent of nominal GDP in 2019, from 25.8 percent in 2018, pointing to an increasing role of capital inflows to country's economic growth.

Table 14: FPC 2020 Entity Turnovers by Sector (\$ Millions except otherwise indicated)

Sector	2015	2016	2017	2018	2019	% change 19/18	% share to total turnover
Agriculture	67.9	135.8	181.6	173.4	161.6	-6.8%	6.5%
Education	6.3	9.3	8.2	10.2	31.8	211.4%	0.5%
Construction	68.4	37.8	24.4	24.2	29.6	22.5%	2.5%
Financial	441.4	450.0	497.7	522.6	547.0	4.7%	22.7%
ICT	195.1	376.0	430.4	472.3	546.5	15.7%	20.1%
Manufacturing	286.2	290.7	300.3	498.8	589.4	18.2%	23.0%
Mining	62.3	64.7	66.5	79.8	70.3	-11.9%	3.1%
Tourism	34.3	55.9	67.6	63.7	73.2	14.9%	3.4%
Transportation	37.9	64.2	53.2	50.8	62.9	23.9%	2.8%
Wholesale	334.8	251.6	253.5	316.9	377.7	19.2%	14.7%
Other sectors	26.1	398.0	200.7	233.8	278.9	19.3%	10.0%
TOTAL	1,560.7	2,134.0	2,084.3	2,446.5	2,769.0	13.2%	32.3%
% share to GDP	18.8%	25.1%	22.8%	25.8%	30.4%		

Source: FPC 2020 Census

3.2. Employment and Compensation of Employees

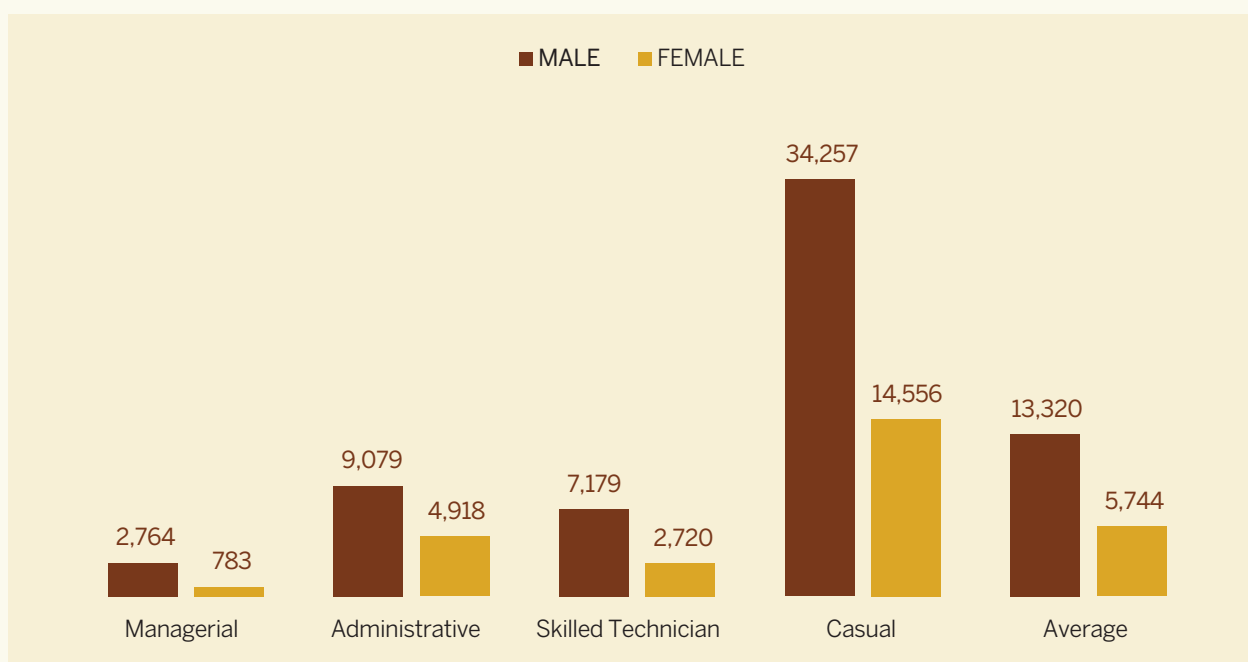
FPC's contribution to job creation, registered an increase of 3.5 percent totaling to 76,255 from 73,695 employees (in 2018), of which local employees accounted for 96.8 percent.

Table 15: FPC 2016 Census Employment by Position in 2019

POSITION	FOREIGN ST	FOREIGN LT	LOCAL	TOTAL
Managerial	40	1,294	2,212	3,546
Administrative	6	114	13,877	13,997
Skilled Technician	35	899	8,965	9,899
Casual	20	27	48,766	48,813
Total	101	2,334	73,820	76,255

Source: FPC 2020 Census

By gender, male constitute 69.9 percent of the total employment compared to 30.1 percent of female. Males are mostly employed in agriculture, construction, electricity and manufacturing sectors, while females are in financial, health, and education sectors.

Figure 6: Distribution of Employment by Gender in 2019

Source: FPC 2020 Census

The total compensation of employees paid increased by 1.3 percent, amounting to \$484.8 Million in 2019 from \$ 478.4 Million recorded in 2018. The manufacturing sector, together with the financial, mining and ICT sectors, had the highest compensation of employees, overall totaling to 80.4 percent share.

Table 16: Compensation of Employees by sector (\$ Millions)

Sectors	2014	2015	2016	2017	2018	2019
Financial	164.9	90.3	108.4	118.9	100.4	102.3
ICT	15.8	41.7	36.2	39.8	63.0	56.1
Manufacturing	24.0	117.8	114.8	127.1	137.4	150.3
Mining	2.2	4.6	98.2	107.1	96.4	81.2
Tourism	6.0	31.9	1.5	1.6	2.9	3.1
Transportation	40.0	5.9	0.3	0.3	3.4	2.0
Wholesale	9.6	11.0	10.0	10.7	12.7	14.7
Other sectors	55.8	28.3	41.0	44.7	62.4	75.1
TOTAL	318.3	331.5	410.4	450.3	478.4	484.8

Source: FPC 2020 Census

3.3. Contribution on External Trade

In terms of export promotion and trading with the rest of the world, FPC related companies exported goods and services worth \$ 341.5 Million in 2019, representing a 17.3 percent of total exports and 3.4 percent of GDP. Exports from wholesale, mining, manufacturing, electricity and financial services sectors dominated.

On the other hand, imports of goods and services by these FPC companies reached to \$ 502.6 Million in 2019, representing 14.4 percent of the total country's imports of goods and services, and 5.0 percent of GDP. These imports were mainly driven by imports of goods by wholesale and retail trade sectors, followed by imports of intermediary and investment goods by manufacturing, electricity, and ICT sectors.

As a result, the FPC companies recorded a trade deficit of \$ 161.1 Million in 2019, representing 3.0 percent of the total country's trade deficit in goods and services and 1.6 percent of GDP. FPC companies' exports cover 67.9 percent of imports, indicating the substantial contribution of foreign investment to an increase in domestic production and exports.

Table 17: FPC 2020 Census Exports – Imports of Goods and Service in 2019 (\$ Millions)

Sector	Exports	Imports	Net Exports
Agriculture	30.1	4.2	25.9
Construction	0.1	10.1	-10.0
Electricity, gas and steam	41.3	77.2	-35.9
Financial	21.7	-	21.7
ICT	-	18.1	-18.1
Manufacturing	45.1	185.9	-140.8
Mining	55.9	6.5	49.4
Wholesale and retail trade	85.8	0.5	85.3
Other sectors	61.5	200.1	-138.6
TOTAL	341.5	502.6	-161.1
% of total trade	17.3%	14.4%	3.0%
% GDP	3.4%	5.0%	-1.6%

Source: FPC 2020 Census

CHAPTER 4



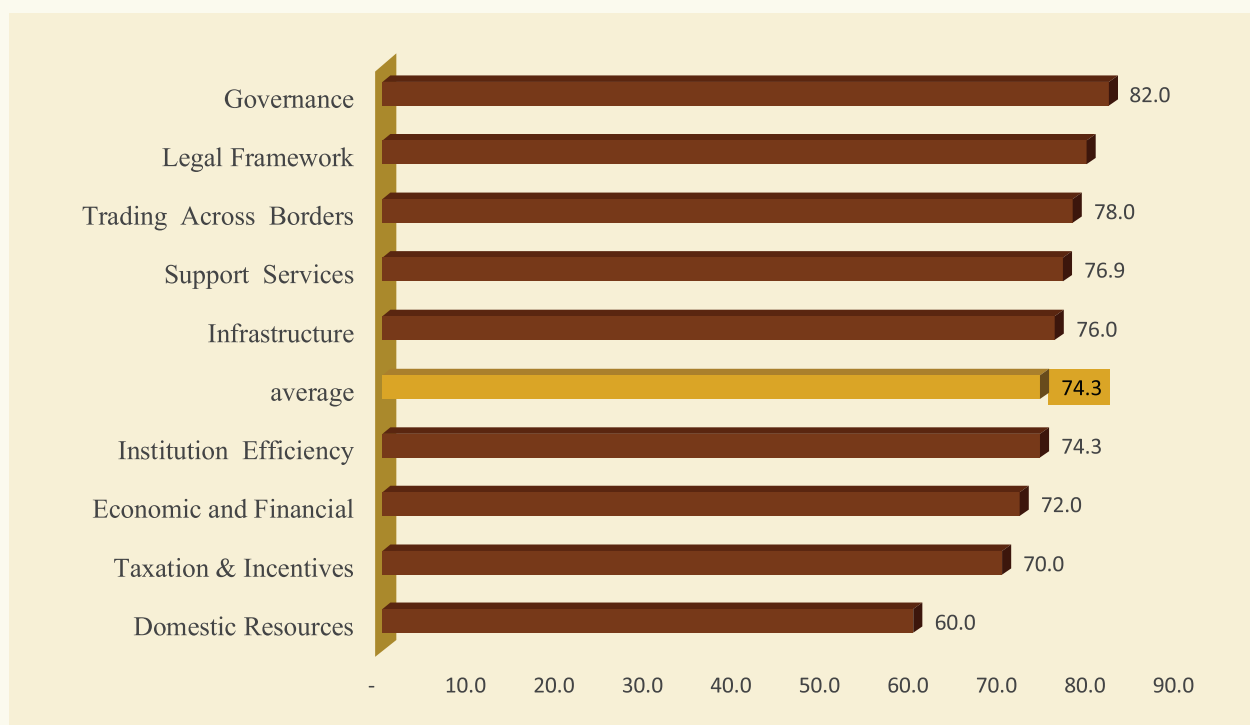


INVESTORS' PERCEPTION

This part summarizes investors' perception anonymously collected on the business environment in Rwanda on different aspects. The investors' perception index (IPI) is calculated based on nine themes, with a scale ranging from one (very bad/poor/low) to seven (very good/high). This chapter summarizes the general findings of each theme, and the annex contains the details of questions asked by each theme.

Although the survey was conducted during the era of the pandemic of Covid-19, the Rwandan business environment keeps improving with an IPI average score of 74.3, following an improvement in the ease of doing business, whereby in 2020, Rwanda was ranked 38th worldwide, 2nd in Africa, and 1st in the East Africa community in ease of doing business (WBG, 2020). As shown in the figure below, the governance theme leads with an IPI of 82.0, followed by legal framework (79.5), trading across borders (78.0), support services (76.9), infrastructure (76.0), economic and financial (72.0), taxation and incentives (70.0) and domestic resources (60.0).

Figure 6: Investor perception index per theme (percent responses on very good)



Source: FPC 2020 Census

The governance recorded a higher IPI of 82.0, following records made by the political stability, the reliability of Government to deliver, the effort made by the Rwandan Government to promote private businesses, and the fight against corruption at the central level and judiciary institutions. The legal framework recorded an IPI of 79.5, thanks to the ability of legal institutions to enforce existing laws and the legal framework for accounting and auditing.

The trading across borders IPI improved up to 78.0 thanks to the ease and cost of meeting standards for exports, the ease of dealing with customs as well as the efficient length of time taken to obtain export certification.

The support service provided to private companies recorded an IPI of 76.9 with a high record in company registration, the procedure to obtain operation permits and the availability of places to install offices, firms, and other physical operation input.

The availability of infrastructure IPI improved up to 76.0 thanks to the availability of telephone, electricity, internet, and transport. However, the cost of infrastructure recorded an IPI of 45.3, due to high cost of internet, electricity and water.

The institutions efficiency followed with an IPI of 74.3 thanks to the public sector framework, to ease domestic business, and improve the public services to private investors.

The economic and financial factors recorded an IPI of 72.0 thanks to stable prices, the availability of local finances, and less volatile exchange rates, although the availability of local finance as well as the high interest rate weighed on this index.

The taxation and investment framework recorded an IPI of 70.0 thanks to the ease of remitting revenue on investment, the quality of tax incentives of exports, investments, and imports of capital and intermediary goods that are inputs in the production process.

The domestic resources recorded an IPI of 60.0 thanks to the competitive of labor cost and availability of land and local supplies. However, raw materials, skilled labor and domestic market size weighed on this index.

CONCLUSION

In 2019, the enumerated 297 FPC companies, registered an increase in profitability, sales, and value-added, coupled with higher retained earnings, employment creation and taxes paid. To fully realize the country's investment potential, the Government continues to offer incentives to both domestic and foreign investors through the Rwanda Development Board in the form of fiscal and non-fiscal incentives.

Rwanda's private capital inflows increased by 9.1 percent to \$ 505.1 Million from \$ 463.0 Million recorded in 2018. This was mainly due to an increase in other investment, which grew by 100.8 percent, retained earnings (49.7 percent) and borrowing inflows from affiliated investors (11.1 percent), reflecting increased investment financial, ICT, wholesale and retail, electricity and other sectors.

In term of FPC inflows sources, Mauritius leads with 33.6 percent share of the total, mainly invested in ICT, financial manufacturing and electricity sectors. The United Kingdom followed with the second share of 15.1 percent of total FPC inflows, mainly invested in financial and manufacturing sectors.

As of the end-2019, Private Sector External Debt inflows rose by 41.0 percent, to \$ 317.5 Million from \$ 225.1 Million recorded in 2018, mainly sourced from affiliated investors.

With regard to investor perceptions, although the survey was conducted during the year of Covid-19. The survey on Rwanda business environment revealed an improvement of the Investor Perception Index to 74.3 percent. Mainly thanks to improvement of good governance, institution efficiency, legal framework and economic and finance indices.

The country should be innovative and come up with various fiscal and non-fiscal incentives that will attract FDIs. The Government should stay on course in implementing the measures to consolidate the macroeconomic stability further and safeguard the positive achievements

recorded in the previous medium-term plan periods such as stabilization in the exchange rate and financial market growth, sustaining single-digit inflation, reforms in doing business and improved investment climate.

The improvement in the macroeconomic environment and other sector-specific interventions will further boost investor confidence in the economy and stimulate investments in key strategic sectors such as agriculture, mining, manufacturing, and tourism. Thereby leading to the creation of decent jobs and enhancing economic development.

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ANNEX

METHODOLOGY

This chapter discusses the methodology used to conduct the census (2019). It covers the organization of the census, data collection, and processing, in line with international standards.

- **Organization of the census**

The Foreign Private Capital (FPC) is an activity that is jointly carried out by four institutions namely; National Bank of Rwanda (NBR), Rwanda Development Board (RDB), National Institute of Statistics of Rwanda (NISR), and Private Sector Federation (PSF).

This census collected data for the year 2018, from resident companies that received foreign investments within Rwanda. The data collected is categorized by industrial sectors, as defined by the United Nations International Standard for Industrial Classification (ISIC 4). Prior to the fieldwork, the database of companies with foreign private investment taken from the investor's register was updated.

- **Questionnaire**

The questionnaire design is based on the Balance of Payment Manuel Six, published by the International Monetary Fund (IMF, 2009). The questionnaire is meant to capture information on; industrial classification, equity, non-equity, and income on investments and investor's perception.

- **Investor Perception Index (IPI) Computation**

This index includes eight themes identified using the IPI developed by the Ministry of Trade and Industry (MINICOM) in 2012 that captures investor's perception of different gaps regarding investment in Rwanda. Each theme has sub-themes, which are ranked by investors from a scale of one (very poor or very low) to seven (very good or very high). The sub-themes have equal weights, and their scores are aggregated to produce a rating or rank for the main theme, which is translated into percentage score using the following formula:

$$\left(\frac{score}{7} \right) * 100$$

- **Fieldwork and data quality checks**

Before fieldwork, a one-week preparatory workshop was organized, during which the technical team were trained with an emphasis on investment components of the Balance of Payments (BOP) and International Investment Position (IIP). The training also included; understanding the survey questionnaire, familiarization with investor perception questions, and other technical aspects like how to extract information from a company's financial statements, data consistency checking, and discuss census logistics.

Therefore, to have accurate statistics, the technical team assisted most of the companies to fill the questionnaire. The technical staff discussed with each respondent to clarify any issue that was not clear to the respondents and thereafter, collect the completed form and the financial statements. The fieldwork was done in two phases. The first phase involved distribution and collection of questionnaires in Kigali city within an interval of three weeks, and the second phase covered the distribution and collection of questionnaires in out of Kigali.

- **Data Processing**

Data entry and processing was done using the Private Capital Monitoring System developed by the Macroeconomic and Financial Management Institute for foreign assets and liabilities questions and the Census and Survey Processing software for trade in goods and service and perception. To ensure data quality, the technical team reviewed and corrected the completed questionnaires to ensure data completeness, consistency, and reliability. Also, the collected data were compared to the information provided in the previous censuses for each enterprise, for consistency check.

- **Return on Equity (ROE)**

The ROE is the amount of net income returned as a percentage of shareholder's equity. It is calculated as follow:

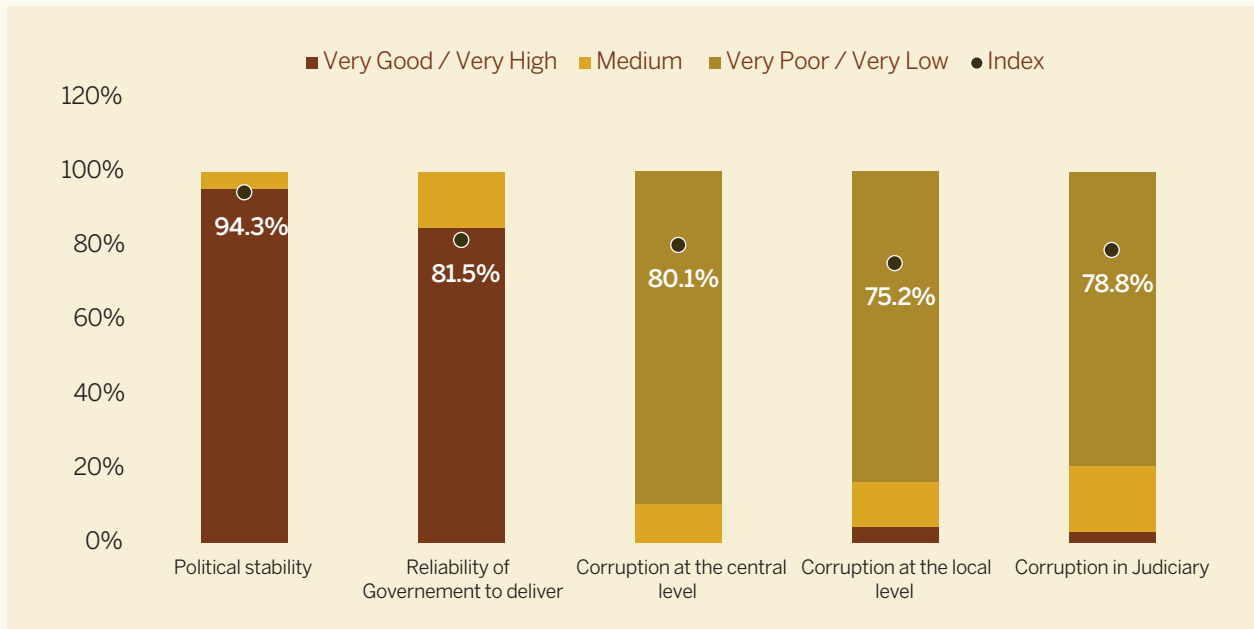
$$\text{ROE} = \frac{\text{Net Profit}}{\text{Average FDI Equity Stock}} \times 100$$

The net profit is the net income of the year before dividend s are paid to common stakeholders, while the FDI stocks include accumulated equity capital and accumulated retained earnings as presented in table 3.12.

- Investor Perception Themes

- » Governance

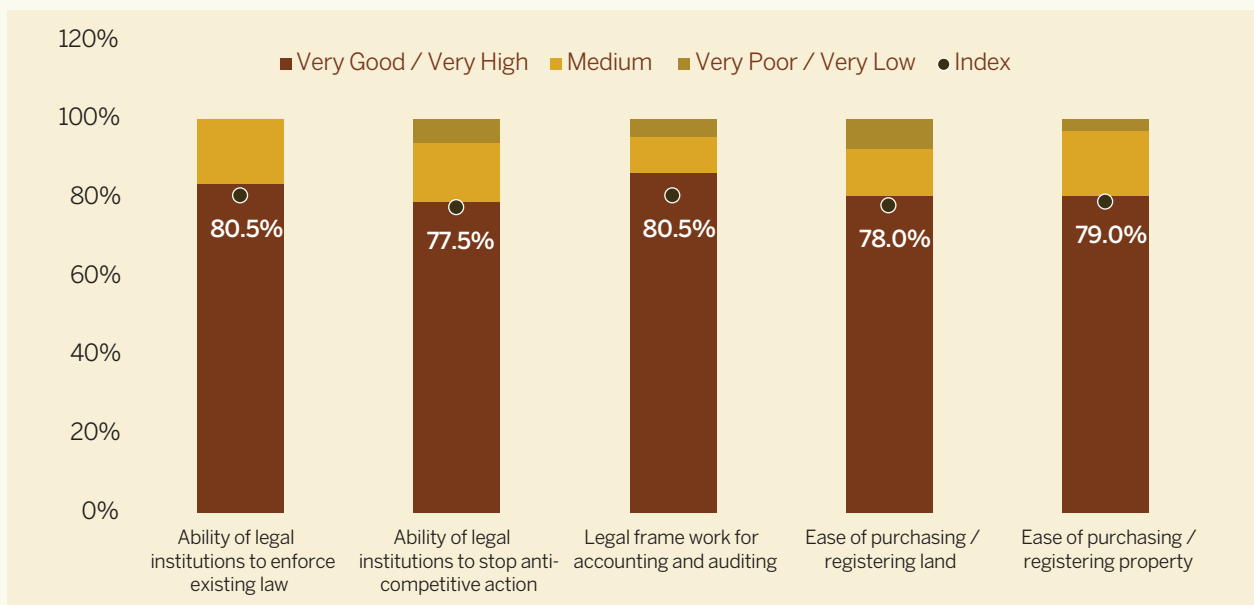
Figure 8: Governance Indicators



Source: FPC 2020 Census

- » Legal Framework

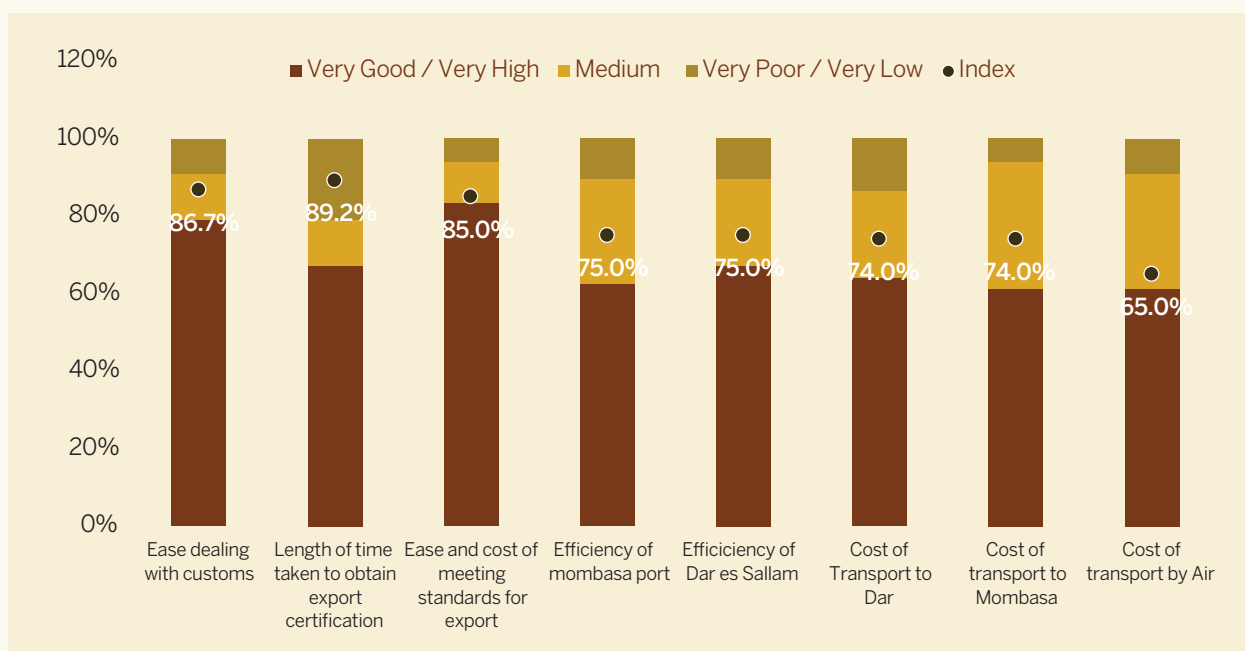
Figure 9: Legal Framework Indicators



Source: FPC 2020 Census

» Trading Across Borders

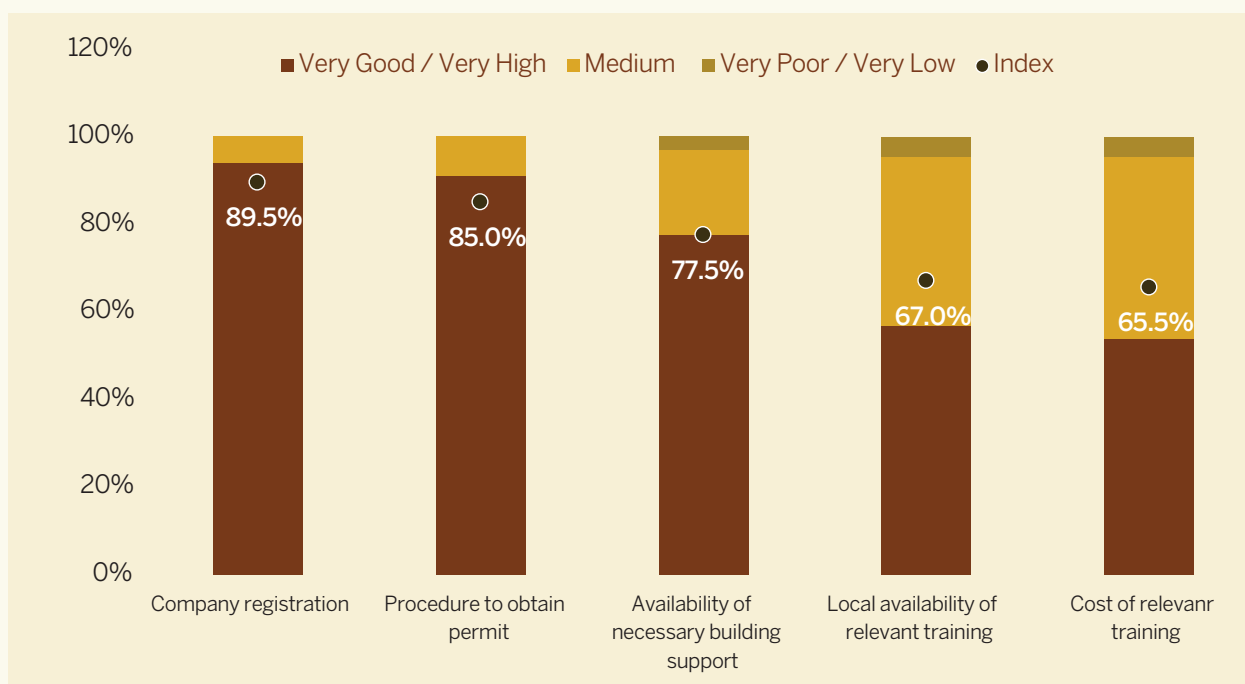
Figure 10: Trading Across Borders Indicators



Source: FPC 2020 Census

» Support Services

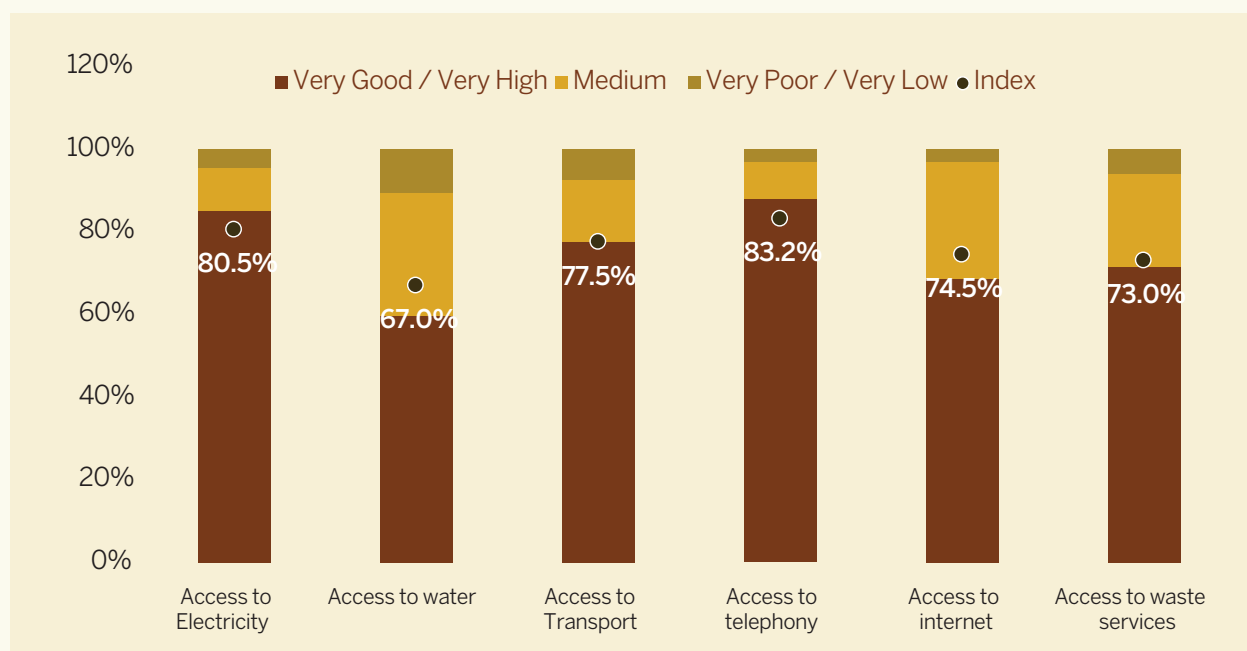
Figure 11: Support Services Indicators



Source: FPC 2020 Census

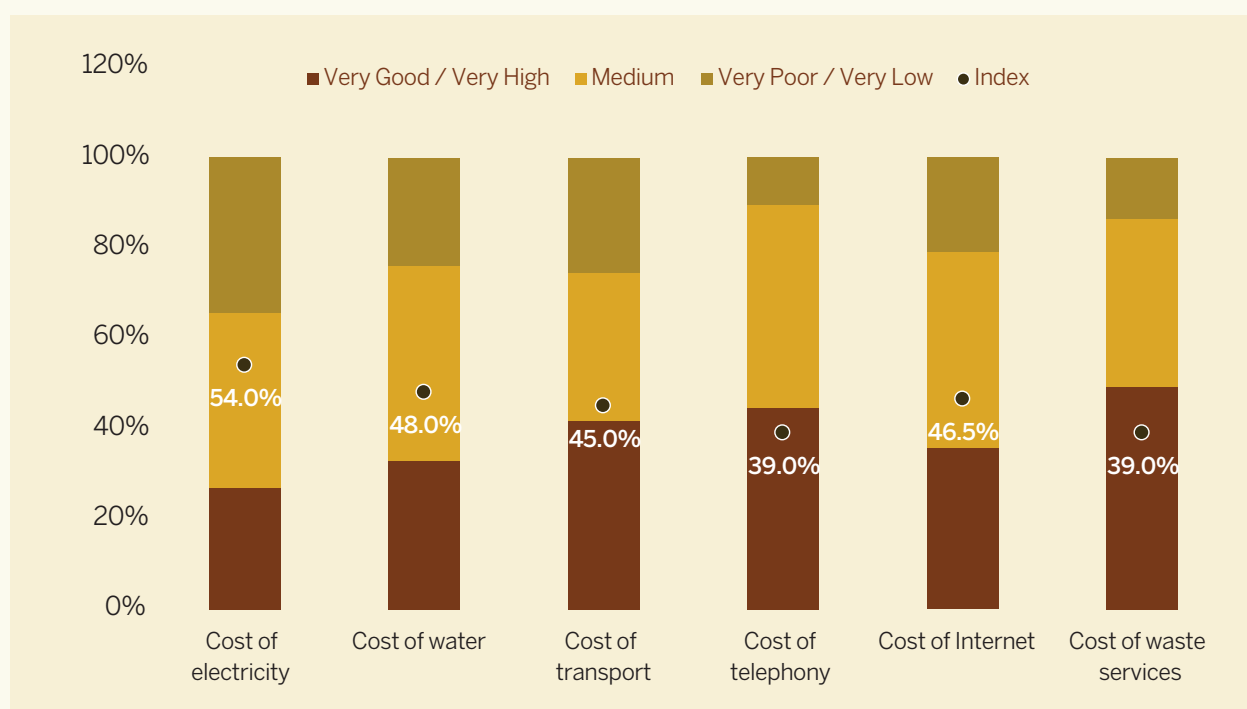
» Infrastructure

Figure 12: Infrastructure Availability Indicators



Source: FPC 2020 Census

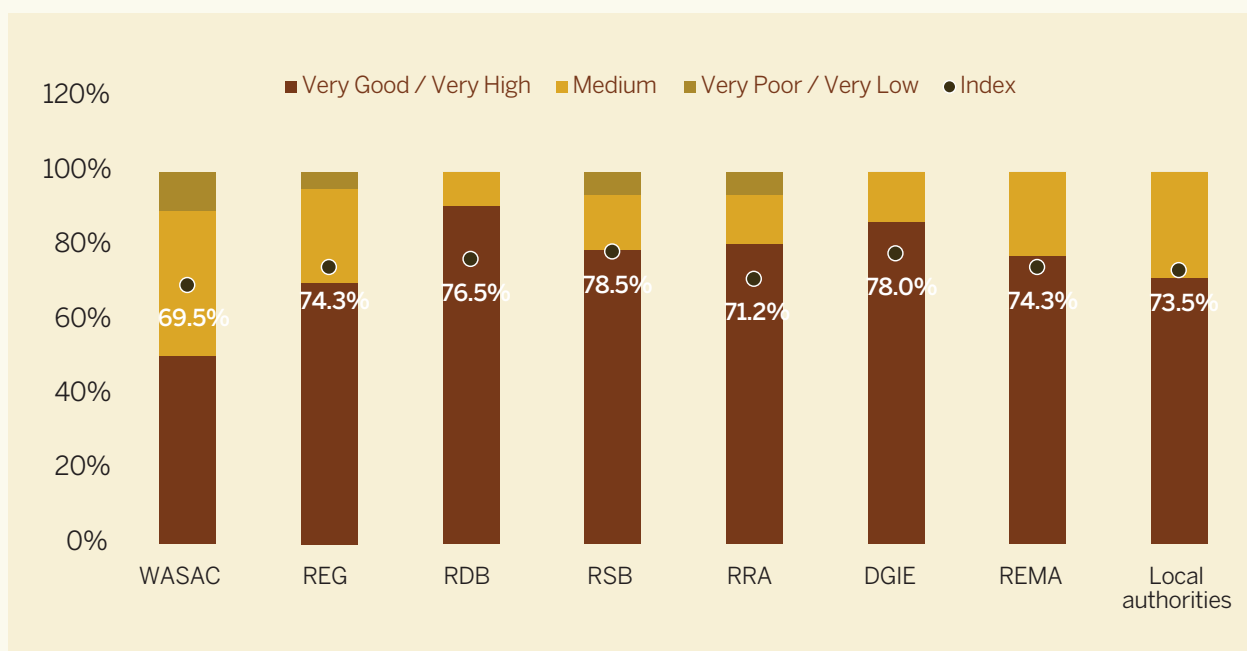
Figure 13: Infrastructure Cost Indicators



Source: FPC 2020 Census

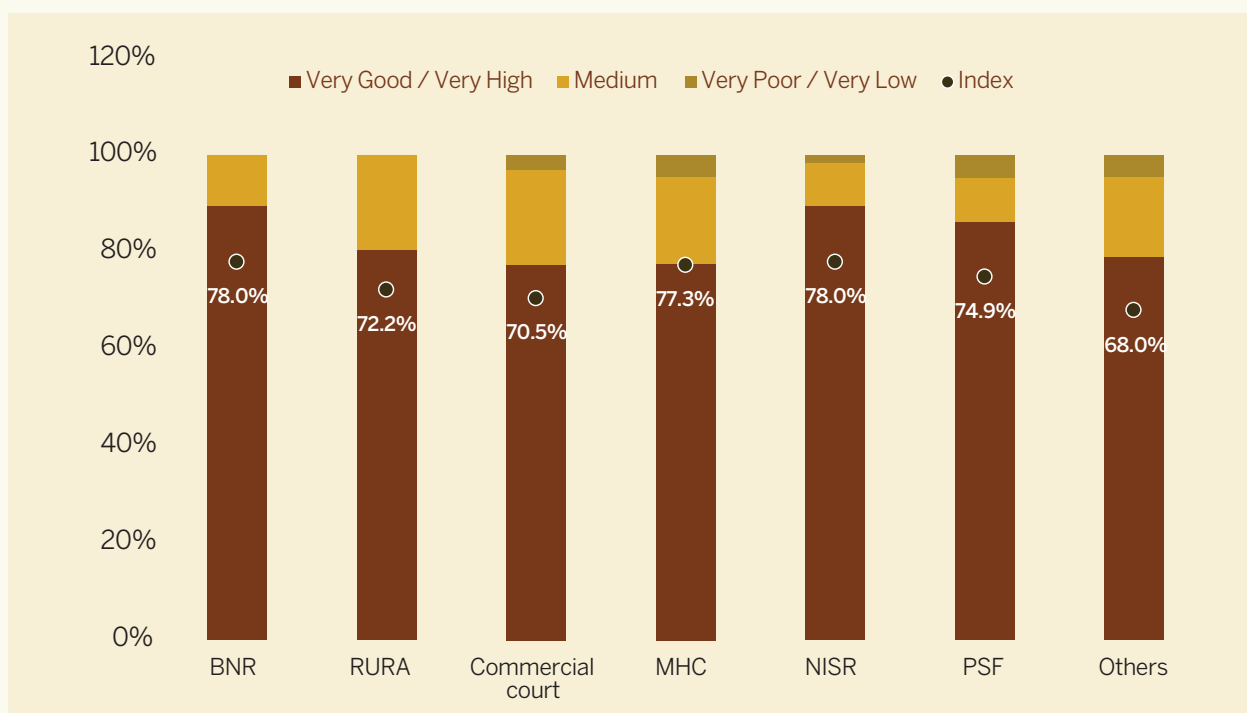
» Institutions Efficiency

Figure 14: Institutions Efficiency 1 Indicators



Source: FPC 2020 Census

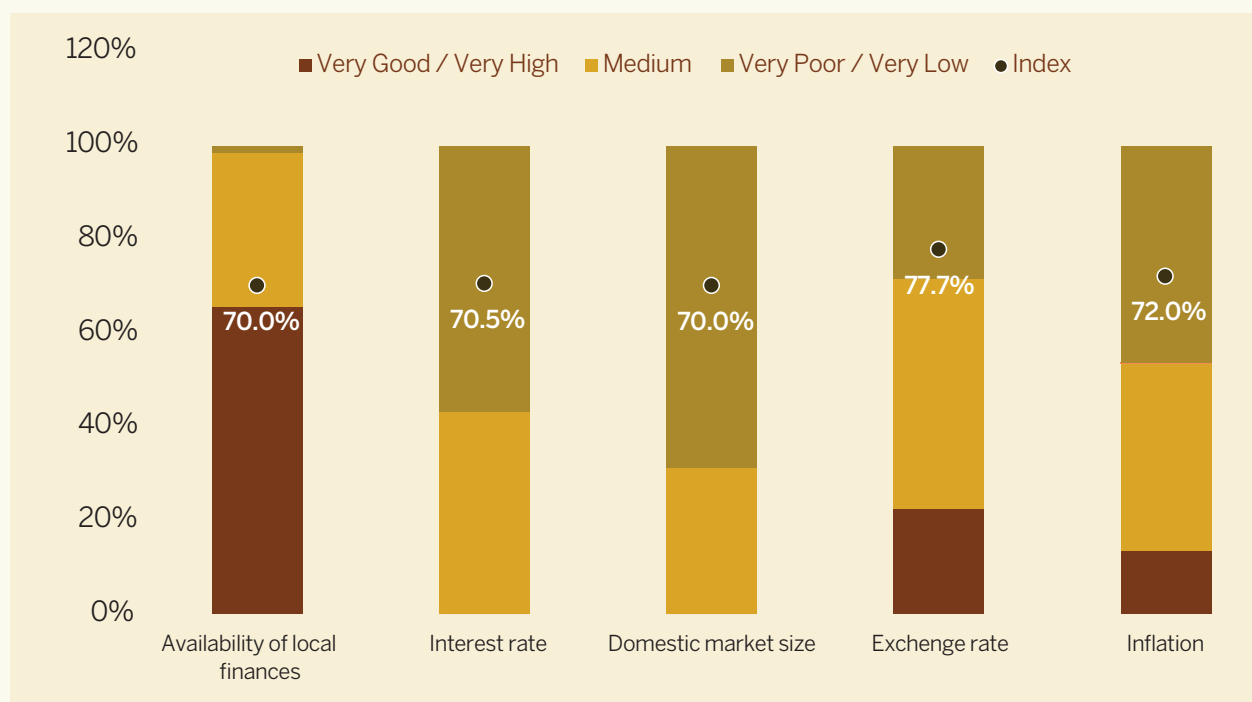
Figure 15: Institutions Efficiency 2 Indicators



Source: FPC 2020 Census

» Economic and Financial Factors

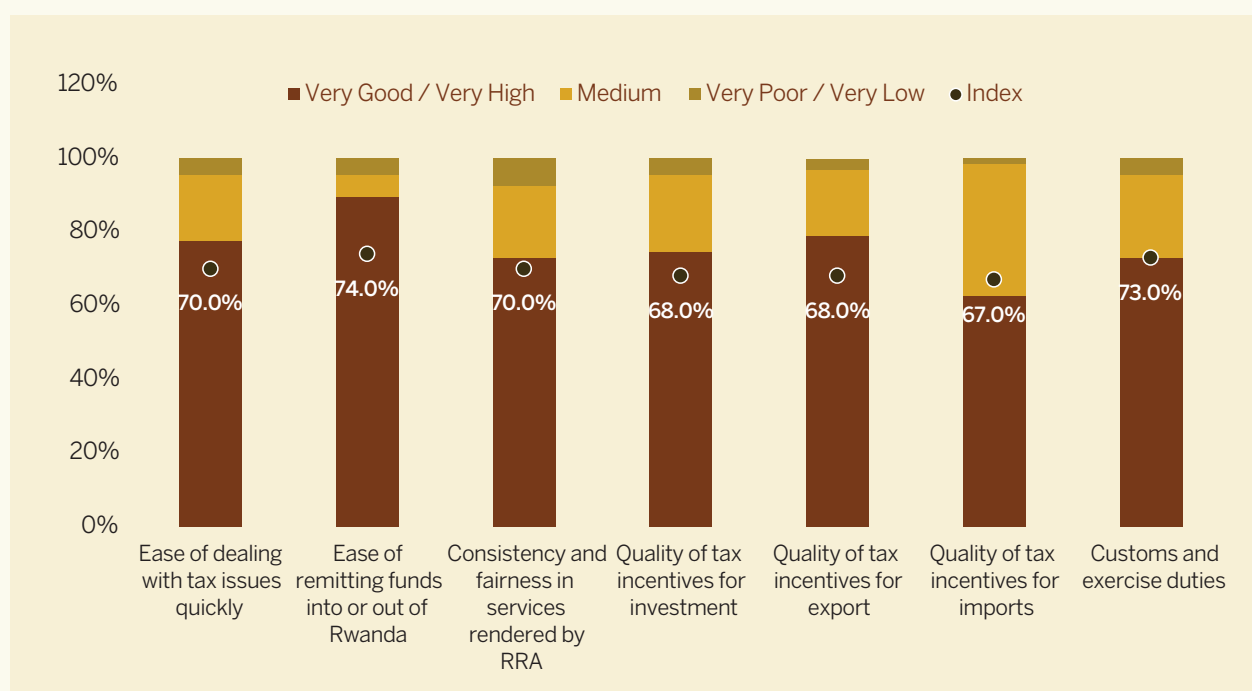
Figure 16: Economic and Financial Indicators



Source: FPC 2020 Census

» Tax and Investment Framework

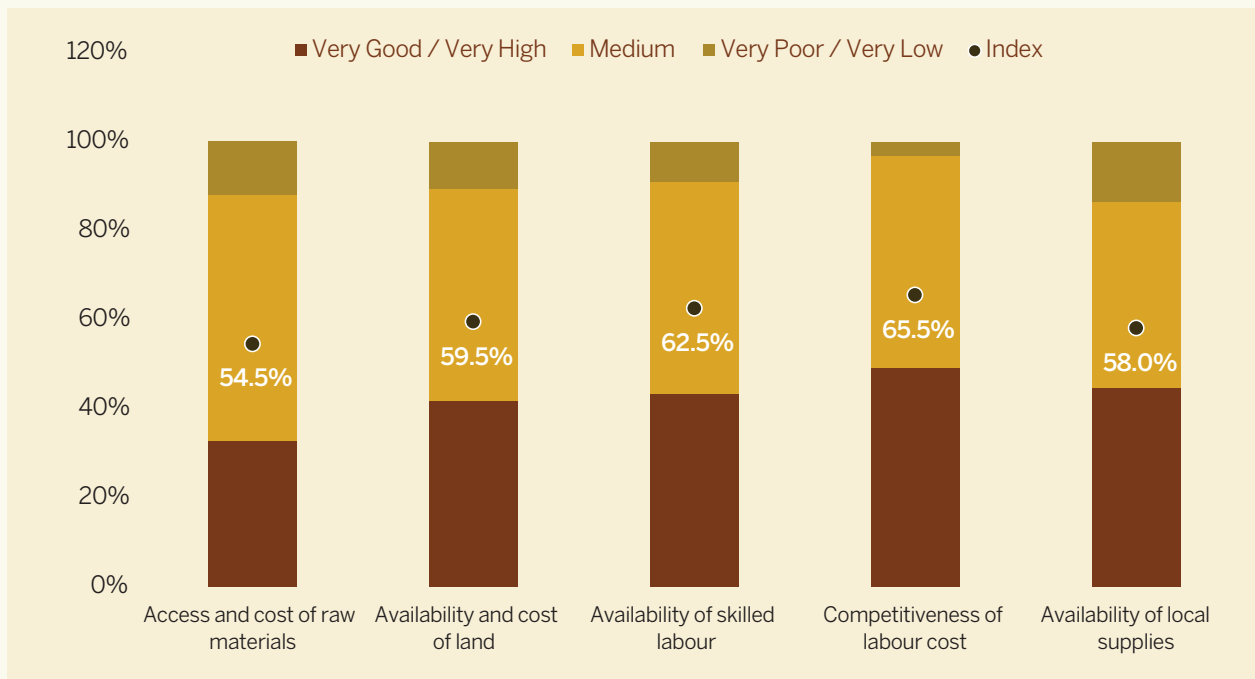
Figure 17: Tax and Investment Framework Indicators



Source: FPC 2020 Census

» Domestic Resources

Figure 18: Domestic Resources Indicators



Source: FPC 2020 Census



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