

017 2018 2019 2020 2021



NATIONAL BANK OF RWANDA

FOREIGN PRIVATE CAPITAL IN RWANDA YEAR 2019

FOREWORD

The Rwanda Foreign Private Capital 2019 Census is the tenth 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 2018 findings on Foreign Private Capital inflows, and the data used was collected on 288 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 bring this exercise to success.

The Foreign Private Capital census is an important activity for the Government of Rwanda. It summarizes stocks and flows of foreign investments by sector and origin, and helps set 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.



RWAGOMBWA John
Governor, National Bank of Rwanda

Contents

FOREWORD	
LIST OF TABLES	
LIST OF FIGURES	
LIST OF ACRONYMS	
EXECUTIVE SUMMARY	
CHAPTER 1: INTRODUCTION	
CHAPTER 2: FOREIGN PRIVATE CAPITAL IN RWANDA	
2.1. RESPONSE RATE	
2.2. Foreign Private Capital in Rwanda	
2.2.1. FPC by sector of economic activity	
2.2.2. FPC by Country of Origin	
2.3. Foreign Direct Investment in Rwanda	
2.3.1. FDI inflows and Stock by Sector	
2.3.2. FDI inflows and Stock by Origin	
2.4. Portfolio Investment	
2.5. Other Investments	
2.5.1. Other Investment Inflows and Stocks by Sector	
2.5.2. OI Inflows and Stock by origin	
2.6. Private Sector External Debt	
2.7. Income on Investments	
2.7.1. Income on Investment Distribution by Sector	
2.8. Return on Equity by sector	
CHAPTER 3: OTHER FINDINGS	
3.1. Entity Turnover	
3.2. Employment and Compensation of Employees	
3.3. Contribution on External Trade	
CHAPTER 4: INVESTOR PERCEPTION	
CONCLUSION	
REFERENCES	
ANNEX	

.....	3
.....	6
.....	6
.....	7
.....	8
.....	11
.....	13
.....	14
.....	16
.....	17
.....	18
.....	19
.....	20
.....	20
.....	21
.....	21
.....	22
.....	22
.....	23
.....	24
.....	24
.....	25
.....	27
.....	28
.....	28
.....	30
.....	33
.....	35
.....	36
.....	36

LIST OF TABLES

Table 1: Census's Distribution and Response Rate per Sector (units except otherwise indicated)	14
Table 2: FPC Inflows by Category (\$ Millions)	16
Table 3: FPC Stocks by Category (\$ Millions)	17
Table 4: FPC Inflows and Stocks by Origin (\$ Millions)	18
Table 5: FPC Inflows and Stocks by region (\$ Millions)	19
Table 6: FDI Inflows and Stocks by Category (\$ Millions)	19
Table 7: FDI Inflows and Stocks by Sector of Activities (\$ Millions)	20
Table 8: FDI Inflows and Stocks by Origin (\$ Millions)	20
Table 9: OI Inflows and Stocks by Sector of Activities (\$ Millions)	22
Table 10: OI Inflows and Stocks by Origin (\$ Millions)	23
Table 11: Foreign Private Sector Debt Inflows and Stocks (\$ Millions)	23
Table 12: Income on Investment by Instrument (\$ Millions)	24
Table 13: Income on Investment by Sector (\$ Millions)	24
Table 14: ROE on FDI by Sector (ratio)	25
Table 15: FPC 2019 Entity Turnovers by Sector (\$ Millions except otherwise indicated)	28
Table 16: FPC 2016 Census Employment by Position in 2018	28
Table 17: Compensation of Employees (\$ Millions)	29
Table 18: FPC 2019 Census Exports – Imports of Goods and Service in 2018 (\$ Millions)	30

LIST OF FIGURES

Figure 1: Census' Distribution and Response 2014 – 2018	15
Figure 2: FPC Inflows and Stocks (\$ Millions)	16
Figure 3: FPC Inflows and Stocks by Sector of Activities (Percent Shares)	17
Figure 4: PI Inflows and Stocks (\$ Millions)	21
Figure 5: OI Inflows and Stocks (\$ Millions)	21
Figure 6: Distribution of Employment by Gender in 2018	29
Figure 7: Investor perception index per theme (percent responses on very good)	34
Figure 8: Governance Indicators	37
Figure 9: Legal Framework Indicators	38
Figure 10: Support Services Indicators	38
Figure 11: Trading Across Borders Indicators	38
Figure 12: Infrastructure Availability Indicators	39
Figure 13: Infrastructure Cost Indicators	39
Figure 14: Tax and Investment Framework Indicators	40
Figure 15: Economic and Financial Indicators	40
Figure 16: Domestic Resources Indicators	40

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 Bank Economic Forum
WIR	World Investment Report

EXECUTIVE SUMMARY

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 provided actual flows and stocks of Foreign Investments in Rwanda for the year 2018.

The Foreign Private Capital (FPC) Census 2019 is the tenth 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 provided actual flows and stocks of Foreign Investments in Rwanda for the year 2018.

The census covered 288 enterprises, of which 266 responded, representing a response rate of 92.4 percent. Findings revealed that FPC inflows increased by 2.4 percent, amounting to \$ 463.0 Million in 2018 from \$ 452.2 Million in 2017, mainly driven by FDI (+7.1 percent). In terms of FPC composition, the energy sector led with 35.7 percent share of the total FPC inflows, followed by ICT (17.9 percent), financial sector (17.6 percent), and manufacturing sector (13.6 percent). The census shows an increase in the total FPC companies' turnovers of 17.4 percent, amounting to \$2446.5 Million (25.8 percent of GDP) in 2018 from \$2,084.3 Million registered in 2017. Net profits of the same companies increased by 1.1 percent, amounting to \$ 142.5 Million in 2018 from \$141.0 Million in 2017.

In addition, the last part of the report summarizes investors' perceptions about the business environment in Rwanda. These views helped to inform policymakers about the need for improving the domestic investment climate to attract foreign investments into the country. The findings show that Investor Perception Index (IPI) stood at 74.6 percent, with higher scores of government performance (80.5 percent), and legal framework (79.5 percent). These scores highlight the improvement in the business environment made by Rwanda. With this effort, Rwanda was ranked the 29th in the Ease of Doing Business in 2019, from the 41st in 2018 as published by the World Bank Group.



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 2019 captures information for the year 2018 from all resident companies that hold foreign equity or borrow abroad.

The FPC 2019 census is designed based on the IMF Balance of Payment Manual Sixth Edition, (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 2019, covering 2018 data collected from 266 companies, distributed in 15 sectors. The rest of the report highlights FPC 2019 census' results, other findings of the census and investors' perceptions.



2

FOREIGN PRIVATE CAPITAL IN RWANDA

This chapter discusses FPC 2019 census results in Rwanda. It presents flows and end year stocks of FDI, PI, and OI for the year 2018. 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 2019 census covered 288 private institutions that hold investments from abroad, of which 266 companies responded, representing a 92.4 percent response rate. Table 1 summarizes the distribution and response rate by sector of investment.

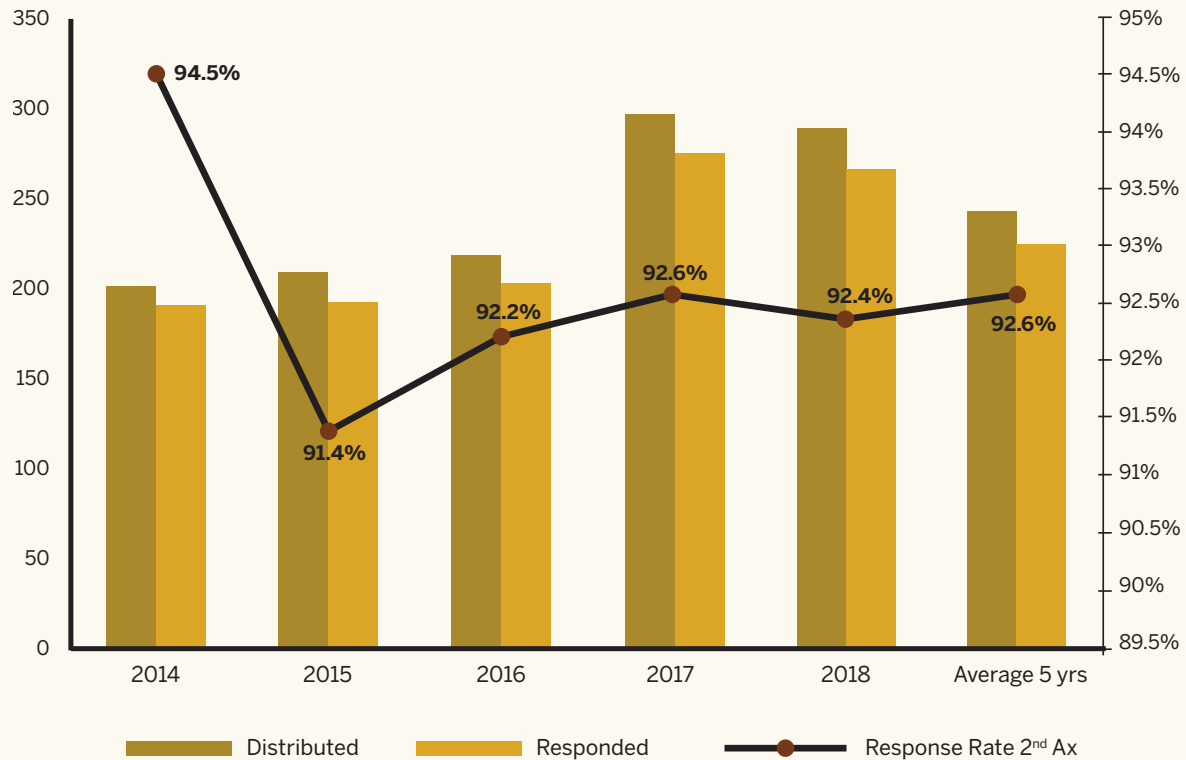
Table 1: Census's Distribution and Response Rate per Sector
(units except otherwise indicated)

SECTOR	DISTRIBUTION	COLLECTION	% R. RATE
Agriculture	16	14	87.5
Construction	11	9	81.8
Education	5	4	80.0
Electricity	14	12	85.7
Finance	37	37	100
Human health and social work	8	7	87.5
ICT	20	18	90.0
Legal and Profession activities	12	10	83.3
Manufacturing	73	70	95.9
Mining	15	14	93.3
Real estate	8	7	87.5
Tourism	29	27	93.1
Transportation	8	7	87.5
Water supply	2	2	100
Wholesale	30	28	93.3
Grand Total	288	266	92.4

Source: FPC 2019 Census

At the beginning of an annual FPC census, the technical team meets to review and update the list of private companies with foreign investments taken from the investor's register. From the last 5 years, the average distribution of companies were 242, of which 224 responded, representing an average response rate of 92.6 percent.

Figure 1: Census' Distribution and Response 2014 – 2018

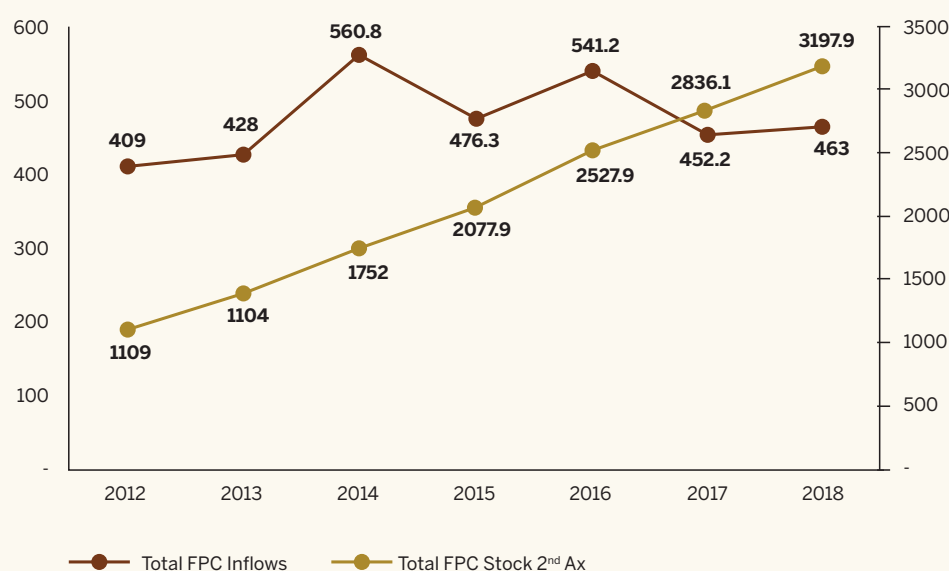


Source: FPC 2019 Census

2.2. Foreign Private Capital in Rwanda

The 2019 FPC results indicated an increase of 2.4 percent in capital inflows in Rwanda, amounting to \$463.0 Million in 2018 from \$452.2 Million in 2017, while the capital stock stood at \$3,197.9 Million in 2018 from \$2,836.1 Million in 2017, equivalent to an increase of 12.7 percent. The increase in FPC inflows in 2018 was mainly driven by investment in electricity, gas, and steam sector (\$165.2 Million), followed by ICT sector (\$82.6 Million), the financial sector (\$81.2 Million), and manufacturing sector (\$62.7 Million).

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



Source: FPC 2019 Census

In 2018, inflows were mainly composed of FDI with a share of 82.5 percent, followed by OI (16.2 percent), and PI (1.3 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 2018, the FDI inflows increased by 7.1 percent, to \$381.9 Million from \$356.4 Million (2017), mainly driven by an increase in equity investment (+75.5 percent) and debt from affiliated investors (+20.2 percent).

The PI consists of tradable instruments (shareholding less than 10 percent), its inflows increased to \$5.9 Million from \$0.3 Million in 2017.

The OI, which includes loans from non-affiliated companies; trade credit and advances; currency and deposit; life and non-life insurance technical reserves; pension entitlements and standardized guarantee schemes, as well as other accounts receivable/payable, decreased by 21.2 percent, mainly due to a decline in borrowings.

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

Year	2013	2014	2015	2016	2017	2018	% Change	% Share
FDI	257.6	458.9	379.8	342.3	356.4	381.9	7.1%	82.5%
PI	1.7	5.6	2.5	3.0	0.3	5.9	1628.4%	1.3%
OI	168.4	96.3	93.9	195.9	95.4	75.2	-21.2%	16.2%
Total FPC Inflows	427.7	560.8	476.3	541.2	452.2	463.0	2.4%	

Source: FPC 2019 Census

In terms of stocks, FDI remained the main component of total FPC stocks with a share of 71.4 percent at the end of 2018, followed by OI accounting for 25.2 percent and PI representing 3.4 percent. In value terms, over the total FPC stock of \$ 3197.9 Million, FDI counted for \$ 2,283.7 Million, OI totaled to \$804.9 Million, and PI amounted to \$ 109.3 Million.

Table 3: FPC Stocks by Category (\$ Millions)

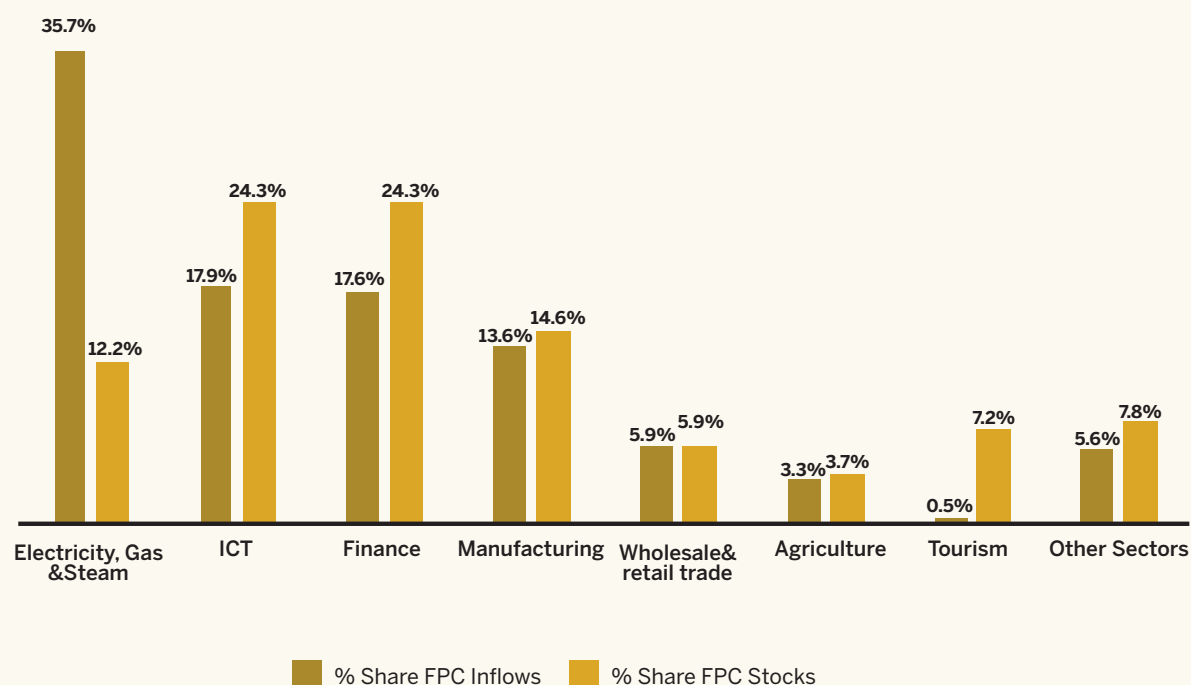
Year	2013	2014	2015	2016	2017	2018	% Change	% Share
FDI	837.7	1,152.4	1,401.8	1,680.3	1,959.3	2,283.7	16.6%	71.4%
PI	89.4	95.0	97.5	100.5	103.9	109.3	5.2%	3.4%
OI	477.1	504.7	578.6	747.1	772.8	804.9	4.1%	25.2%
Total FPC Stocks	1,404.1	1,752.0	2,077.9	2,527.9	2,836.1	3,197.9	12.8%	

Source: FPC 2019 Census

2.2.1. FPC by sector of economic activity

In 2018, FPC inflows by recipient sectors were led by electricity, gas and steam sector with a share of 35.7 percent of the total, followed by ICT with a share of 17.9 percent, the financial sector (17.6 percent) and the manufacturing sector (13.6 percent). In terms of stocks, ICT and financial sectors had the highest share (24.3 percent each), followed by manufacturing (14.6 percent), electricity, gas and steam (12.2 percent), tourism (7.2 percent), wholesale and retail trade (5.9 percent) and others (7.8 percent).

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



Source: FPC 2019 Census

2.2.2 FPC by Country of Origin

In 2018, the FPC inflows from Mauritius represented the largest share with 43.3 percent of the total, mostly invested in electricity, gas and steam, ICT and manufacturing. The Netherlands came second with a share of 15.2 percent, mainly directed to ICT and manufacturing sectors. In third place, Kenya has a share of 7.2 percent of the total FPC inflows mostly invested in the financial and the manufacturing sectors.

In terms of FPC stocks, investments from Mauritius occupy the lion's share of 24.4 percent of the total, followed by Kenya (7.5 percent) and Netherlands (6.6 percent).

Table 4: FPC Inflows and Stocks by Origin (\$ Millions)

FPC Inflows				FPC Stocks			
Origin	2017	2018	% Share	Origin	2017	2018	% Share
Mauritius	116.0	200.3	43.3%	Mauritius	608.6	779.5	24.4%
Netherlands	7.6	70.5	15.2%	Kenya	218.2	239.2	7.5%
Kenya	17.1	33.5	7.2%	Netherlands	157.0	211.5	6.6%
US	9.6	22.9	4.9%	South Africa	182.9	183.8	5.7%
Belgium	5.0	17.8	3.8%	US	162.3	182.7	5.7%
UAE	11.1	17.4	3.8%	PTA	118.2	117.2	3.7%
UK	28.3	14.4	3.1%	UK	98.0	111.6	3.5%
EXIM Bank	-	11.0	2.4%	Luxembourg	72.6	74.7	2.3%
China	11.5	8.5	1.8%	Zambia	68.4	68.4	2.1%
EADB	1.4	6.2	1.3%	IFC	73.3	68.3	2.1%
Others	244.6	60.4	13.1%	Others	1,076.6	1,161.1	36.3%
TOTAL	452.2	463.0		Grand Total	2,836.1	3,197.9	

Source: FPC 2019 Census

Regarding the sources of FPC inflows by regions, the results show that COMESA and SADC had the largest share, 50.7 and 44.8 percent of the total FPC inflows, respectively, mainly due to rising investments from Mauritius. The inflows from OECD and EU followed with shares of 31.8 percent and 21.0 percent, respectively, due to increased inflows from Netherlands, US, Belgium, UK, South Korea, Germany, and Switzerland.

Table 5: FPC Inflows and Stocks by region (\$ Millions)

Region	FPC Inflows			Stocks		
	2017	2018	% Share	2017	2018	% Share
EAC	36.1	35.8	7.7%	289.2	293.3	9.2%
COMESA	160.4	234.8	50.7%	980.3	1,163.3	36.4%
SADC	141.6	207.5	44.8%	904.2	1,000.2	31.3%
OECD	78.0	147.2	31.8%	665.0	788.9	24.7%
EU	60.6	97.1	21.0%	472.3	575.0	18.0%
ASIA	64.5	23.1	5.0%	280.1	284.6	8.9%
INT. ORG& BANKS	27.0	18.5	4.0%	280.7	289.3	9.0%
TOTAL	452.2	463.0		2,836.1	3,197.9	

Source: FPC 2019 Census

The FPC inflows from EAC represented 7.7 percent of the total, driven by investments from Kenya, mainly in the financial sector. Asia followed with a share of 5.0 percent, led by investments from China, South Korea, and India. Lastly, International Organizations and Banks had a share of 4.0 percent, mainly borrowed by financial institutions.

2.3. Foreign Direct Investment in Rwanda

In 2018, the total FDI inflows in Rwanda rose by 7.1 percent to \$ 381.9 Million from, \$ 356.4 Million registered in 2017. The increase in FDI inflows was mainly driven by an increase in equity capital and borrowings from related parties, as shown in the table below. The equity rose to \$ 137.3 Million from \$ 78.2 Million recorded in 2017, mainly due to investment in new projects in the electricity and gas sector. In addition, the borrowing between related parties increased by 20.2 percent to \$ 149.9 Million.

The continued increase in FDI inflows led to an increase in stocks by 16.6 percent to \$ 2,283.7 Million in 2018, of which borrowings from affiliated companies, equity and reinvestment earnings represented 44.4 percent, 39.0 percent, and 16.6 percent of the total stock of FDIs respectively.

Table 6: FDI Inflows and Stocks by Category (\$ Millions)

	2013	2014	2015	2016	2017	2018	% Change	% Share
FDI INFLOWS								
Equity	74.2	129.6	110.0	83.6	78.2	137.3	75.5%	35.9%
R .Earnings	39.0	17.5	58.9	126.6	153.5	94.7	-38.3%	24.8%
Loans	144.4	311.8	210.9	132.2	124.8	149.9	20.2%	39.3%
Total inflows	257.6	458.9	379.8	342.3	356.4	381.9	7.1%	
FDI STOCKS								
Equity	373.6	503.2	619.7	701.8	786.3	890.9	13.3%	39.0%
R. Earnings	126.7	144.2	74.9	170.8	282.2	378.8	34.2%	16.6%
Loans	337.3	504.9	707.2	807.7	890.7	1,014.1	13.8%	44.4%
Total stocks	837.7	1,152.2	1,401.8	1,680.3	1,959.3	2,283.7	16.6%	

Source: FPC 2019 Census

2.3.1. FDI inflows and Stock by Sector

The census findings show that the FDI inflows in electricity, gas and steam sector dominated the total FDI inflows with a share of 37.9 percent of the total in 2018, mainly originated from Mauritius. The FDI inflows in the ICT sector followed with a share of 21.3 percent of the total, mainly coming from Netherlands and South Korea. The financial sector came in third, with a share of 18.8 percent of the total FDI inflows, mainly emanating from Kenya and Mauritius. Other recipient sectors were the manufacturing (7.4 percent), wholesale (4.2 percent), agriculture (4.0 percent), tourism (0.7 percent), and other sectors (5.6 percent).

At the end of 2018, the FDI stock was still concentrated in the ICT sector, with a share of 29.1 percent of the total, followed by the financial sector (19.3 percent), the manufacturing sector (13.4 percent), the electricity, gas and steam sector (11.0 percent), and other sectors (27.2 percent).

Table 7: FDI Inflows and Stocks by Sector of Activities (\$ Millions)

FDI INFLOWS				FDI STOCKS			
Sectors	2017	2018	% Share	Sectors	2017	2018	% Share
Electricity	45.8	144.8	37.9%	ICT	589.7	663.7	29.1%
ICT	50.2	81.4	21.3%	Financial	356.0	441.3	19.3%
Financial	36.0	72.0	18.8%	Manufacturing	286.8	307.0	13.4%
Manufacturing	106.9	28.4	7.4%	Electricity	123.4	250.9	11.0%
Wholesale	42.0	15.9	4.2%	Tourism	200.4	197.8	8.7%
Agriculture	15.5	15.2	4.0%	Wholesale	177.3	182.7	8.0%
Transportation	3.2	8.7	2.3%	Mining	83.8	85.1	3.7%
Other Sectors	56.8	15.4	4.0%	Other Sectors	142.0	155.2	6.8%
TOTAL	356.4	381.9			1,959.3	2,283.7	

Source: FPC 2019 Census

2.3.2. FDI inflows and Stock by Origin

Regarding the origin of FDI inflows, Mauritius led with 51.7 percent share of the total, mainly invested in electricity, gas and steam sector, water supply, ICT, manufacturing, wholesale and financial sectors. Other sources include Netherlands (17.4 percent), Kenya (6.9 percent), US (5.5 percent), and others (18.5 percent). In terms of FDI stocks by origin, Mauritius, Kenya, South Africa, USA, and Netherlands, remained as the major sources, collectively totaling 60 percent share of total FDI stock.

Table 8: FDI Inflows and Stocks by Origin (\$ Millions)

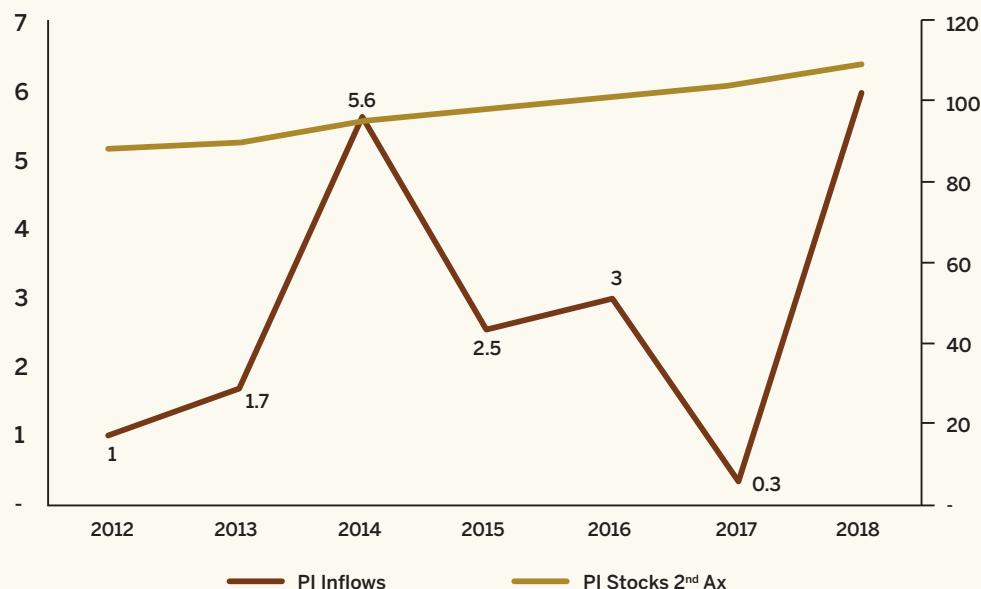
FDI INFLOWS				FDI STOCKS			
Origin	2017	2018	% Share	Origin	2017	2018	% Share
Mauritius	109.4	197.4	51.7%	Mauritius	627.8	796.0	34.9%
Netherlands	0.9	66.6	17.4%	Kenya	165.7	182.2	8.0%
Kenya	16.9	26.5	6.9%	South Africa	180.5	179.4	7.9%
US	6.0	20.9	5.5%	US	88.3	108.5	4.7%
Belgium	5.0	12.3	3.2%	Netherlands	46.4	105.8	4.6%
UK	25.8	6.4	1.7%	Luxembourg	60.6	60.5	2.7%
India	31.3	4.5	1.2%	India	54.8	57.0	2.5%
Others	161.1	47.4	12.4%	Others	735.2	794.50	34.8%
Total	356.4	381.9			1,959.3	2,283.7	

Source: FPC 2019 Census

2.4. 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 \$ 5.9 Million in 2018 that led to an increase in total stock by 5.2 percent to \$ 109.3 Million in 2018. The investment in this category was still the lowest component of FPC in Rwanda; however, it was increasing in 2018, reflecting an improvement in the capital market development.

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

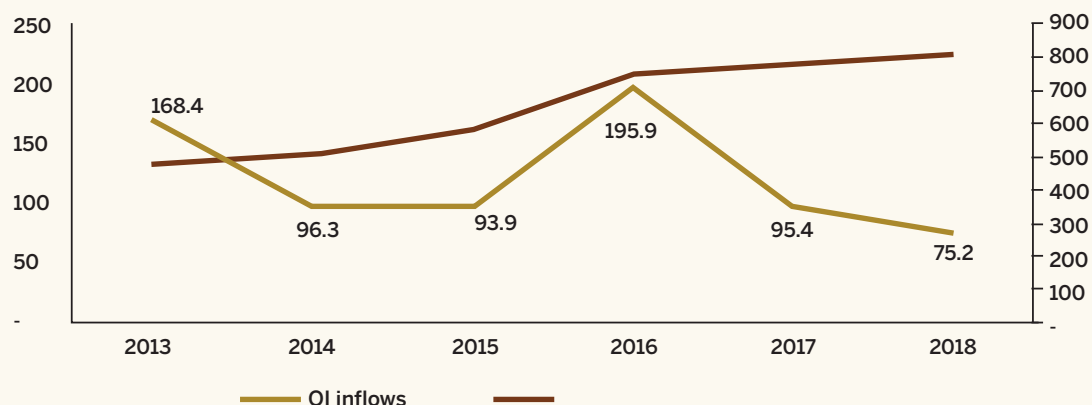


Source: FPC 2019 Census

2.5. Other Investments

OI is comprised of loans, trade credit and advances, currency and deposits, and other accounts receivable/payable. They accounted for 16.2 percent of the total FPC inflows in 2018, equivalent to \$ 75.2 Million. Hence an increase in stocks of OI by 4.1 percent, amounting at \$ 804.9 Million in 2018 from \$ 772.8 Million in 2017.

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



Source: FPC 2019 Census

2.5.1. Other Investment Inflows and Stocks by Sector

The debt inflows in manufacturing sector led with a share of 45.4 percent of the total OI inflows, mostly originating from the United Arab Emirates and East African Development Bank with a share on 39.7 percent and 18.3 percent respectively. The electricity, gas and steam sector ranked second with a share of 24.2 percent, originating mostly from Export-Import bank and the United Kingdom. The borrowings by the wholesale and retail trade sector had a share of 14.9 percent, mostly owed to Netherlands, Switzerland, and the United States of America.

In terms of OI stock, the financial sector has the highest share (34.5 percent), followed by ICT (18.8 percent), manufacturing (15.6 percent), and agriculture (8.4 percent).

Table 9: OI Inflows and Stocks by Sector of Activities (\$ Millions)

OI INFLOWS				OI STOCKS			
Sectors of Activities	2017	2018	% Share	Sectors of Activities	2017	2018	% Share
Manufacturing	4.6	34.2	45.4%	Financial	275.0	278.0	34.5%
Electricity, gas, steam	0.0	18.2	24.2%	ICT	150.5	151.2	18.8%
Wholesale and retail trade	9.6	11.2	14.9%	Manufacturing	112.3	125.4	15.6%
Financial	69.6	5.9	7.8%	Agriculture	71.8	67.8	8.4%
Other Sectors	11.7	5.8	7.7%	Other Sectors	163.3	182.5	22.7%
Total	95.4	75.2		Total	772.8	804.9	

Source: FPC 2019 Census

2.5.2. OI Inflows and Stock by origin

In terms of the origin of OI, investments from United Arab Emirates dominated with a share of 17.9 percent of the total OI inflows invested in the manufacturing sector. OI inflows from the EXIM Bank followed with a share of 14.6 percent, invested in the electricity, gas and steam sector. The OI from the United Kingdom, Kenya, China, and EADB followed with 10.6 percent, 9.3 percent, 9.2 percent, and 8.2 percent, respectively, mostly invested in manufacturing, financial, electricity, gas and steam sectors.

Regarding OI stocks, PTA remained the major lender with a share of 13.5 percent of the total OI stock in 2018, followed by IFC (12.0 percent), Germany (8.7 percent), and United Kingdom (8.4 percent).

Table 10: OI Inflows and Stocks by Origin (\$ Millions)

OI INFLOWS				OI STOCKS			
Origin	2017	2018	% Share	Origin	2017	2018	% Share
UAE	0.0	13.5	17.9%	PTA	109.3	108.3	13.5%
EXIM	0.0	11.0	14.6%	IFC	101.5	96.5	12.0%
UK	2.5	8.0	10.6%	Germany	69.8	70.2	8.7%
Kenya	0.2	7.0	9.3%	UK	60.5	67.3	8.4%
China	0.0	6.9	9.2%	EIB	43.9	47.1	5.9%
EADB	1.4	6.2	8.2%	Zambia	43.5	43.5	5.4%
Netherlands	6.7	3.9	5.2%	Kenya	28.5	30.3	3.8%
Switzerland	3.9	3.9	5.2%	Austria	24.3	24.3	3.0%
EU	0.0	2.3	3.1%	Sweden	24.0	24.0	3.0%
Luxembourg	1.5	2.3	3.0%	EXIM	12.6	23.5	2.9%
Belgium	0.0	2.1	2.8%	Sudan	18.4	18.4	2.3%
US	3.5	2.0	2.7%	Belgium	15.9	18.1	2.3%
PTA	1.2	1.3	1.7%	Switzerland	18.2	17.8	2.2%
Others	74.4	4.7	6.3%	Others	202.4	215.6	26.8%
Total	95.4	75.2			772.8	804.9	

Source: FPC 2019 Census

2.6. Private Sector External Debt

The Private Sector External Debt (PSED) is comprised of non-equity instruments (mainly loans), contracted abroad by resident companies, and they include loans from affiliated and non-affiliated lenders. In 2018, the PSED inflows increased by 2.2 percent, amounting to \$ 225.1 Million from \$ 220.2 Million in 2017, due to an increase in FDI debt inflows (20.2 percent) that overcompensated a decrease in borrowings from non-affiliated investors (-21.2 percent). As a result, total PSED stock grew by 9.3 percent in 2018, standing at \$ 1,819.0 Million in 2018 from \$ 1,663.6 Million in 2017.

Table 11: Foreign Private Sector Debt Inflows and Stocks (\$ Millions)

DEBT INFLOWS						DEBT STOCKS				
YEAR	2015	2016	2017	2018	% Change	2015	2016	2017	2018	% Change
RELATIONSHIP										
AFFILIATED	210.9	132.2	124.8	149.9	20.2%	707.2	807.7	890.7	1,014.1	13.8%
NON-AFFILIATED	93.9	195.9	95.4	75.2	-21.2%	578.6	747.1	772.8	804.9	4.1%
TOTAL	304.8	328.1	220.2	225.1	2.2%	1,285.8	1,554.8	1,663.6	1,819.0	9.3%

Source: FPC 2019 Census

2.7. Income on Investments

In 2018, the overall net profit of private companies increased by 1.1 percent, amounting to \$ 142.5 Million from \$ 141.0 Million in 2017. The results show that \$ 94.7 Million were retained to expand business activities representing 66.5 percent of the total net profit, and \$ 29.8 Million distributed to shareholders.

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

Instrument	2014	2015	2016	2017	2018
Net Profit	46.5	65.0	131.4	141.0	142.5
Dividends Declared	22.4	10.2	38.1	31.0	47.8
Dividends Paid	34.2	32.2	34.9	29.4	29.8
Retained Earnings/Loss	23.0	54.8	93.3	110.0	94.7

Source: FPC 2019 Census

2.7.1. Income on Investment Distribution by Sector

The sectors that mostly contributed to the net profit were financial sector (\$66.0 Million), electricity, gas and steam (\$12.8 Million), and agriculture (\$12.6 Million). Considering the dividends declared, the table below shows that the financial sector led with higher dividends (\$ 28.3 Million), followed by manufacturing (\$8.1 Million), agriculture (\$ 3.5 Million), and electricity (\$1.1 Million). In terms of retained earnings, the findings show that the financial sector was the key driver with \$37.3 Million, followed by electricity (\$11.0 Million), and wholesale (\$10.4 Million).

Table 13: Income on Investment by Sector (\$ Millions)

Sector	Net Profit	Dividends Declared	Dividends Paid	RE
Finance	66.0	28.3	18.0	37.7
Electricity, gas, steam	12.8	1.8	-	11.0
Agriculture	12.6	3.5	3.0	9.0
Wholesale & retail trade	12.1	1.7	-	10.4
Transportation	9.8	1.4	-	8.4
Manufacturing	8.8	8.1	6.6	0.7
Real Estate	8.0	1.1	-	6.8
ICT	8.0	1.1	2.3	6.8
Tourism	2.4	0.3	-	2.0
Other Sectors	2.0	0.3	-	1.7
Total	142.52	47.82	29.84	94.70

Source: FPC 2019 Census

2.8. Return on Equity by sector

The ROE is the amount of net income returned as a percentage 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 average is 13.2 percent, higher than the world's profitability of 6.0 percent.

Looking at the sectors, the table below shows that transport and agriculture sectors were more profitable, with a higher ROE than the country's average. The financial, manufacturing and wholesale sectors' ROE were around the country's average, while tourism and electricity sectors were below the country's average profitability.

Table 14: ROE on FDI by Sector (ratio)

Sector	2014	2015	2016	2017	2018
Agriculture	12.0	44.6	55.4	14.9	20.7
Education	-0.5	-0.5	-61.8	-0.3	2.8
Electricity	19.4	59.4	12.4	12.2	5.1
Financial	27.1	20.9	32.1	11.3	15.0
ICT	0.0	3.2	25.4	20.3	7.3
Manufacturing	28.6	10.9	4.5	52.5	8.9
Tourism	-0.1	2.3	-17.9	-6.4	1.2
Transport	0.0	11.0	5.0	0.5	47.5
Whole sale	4.0	22.8	73.6	10.8	10.4
Average	10.1	11.8	12.8	12.9	13.2

Source: FPC 2019 Census



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 \$ 2,446.5 Million in 2018, which is an increase of 17.4 percent, compared to \$ 2,134.0 Million registered in 2017. This positive performance resulted from rising turnovers in the financial, manufacturing, ICT, mining, wholesale and retail trade, mining, and other sectors, which represented 86.8 percent of the total FPC companies' turnovers, outweighing a decrease in agriculture, transport, construction, and education sectors. The total turnovers of FPC companies represented a share of 25.8 percent of nominal GDP in 2018, from 22.8 percent in 2017, pointing to an increasing role of FPC companies in the total economic growth of the country.

Table 15: FPC 2019 Entity Turnovers by Sector (\$ Millions except otherwise indicated)

Sector	2014	2015	2016	2017	2018	% change	% share
Agriculture	43.0	67.9	135.8	181.6	173.4	-4.5%	7.1%
Education	5.6	6.3	9.3	8.2	10.2	24.8%	0.4%
Construction	114.0	68.4	37.8	24.4	24.2	-0.8%	1.0%
Financial & Insurance	445.3	441.4	450.0	497.7	522.6	5.0%	21.4%
ICT	155.7	195.1	376.0	430.4	472.3	9.7%	19.3%
Manufacturing	414.5	286.2	290.7	300.3	498.8	66.1%	20.4%
Mining	151.3	62.3	64.7	66.5	79.8	20.0%	3.3%
Tourism	26.7	34.3	55.9	67.6	63.7	-5.8%	2.6%
Transportation	109.1	37.9	64.2	53.2	50.8	-4.5%	2.1%
Wholesale	321.3	334.8	251.6	253.5	316.9	25.0%	13.0%
Other sectors	17.8	26.1	398.0	200.7	233.8	16.5%	9.6%
TOTAL	1,804.3	1,560.7	2,134.0	2,084.3	2,446.5	17.4%	100%
% GDP	22.5%	18.8%	25.1%	22.8%	25.8%		

Source: FPC 2019 Census

3.2. Employment and Compensation of Employees

The census shows that, in private entities included in FPC, employment grew by 6.4 percent to a total number of employees of 73,695 in 2018 from 69,241 employees in 2017, of which local employees account for 96.7 percent.

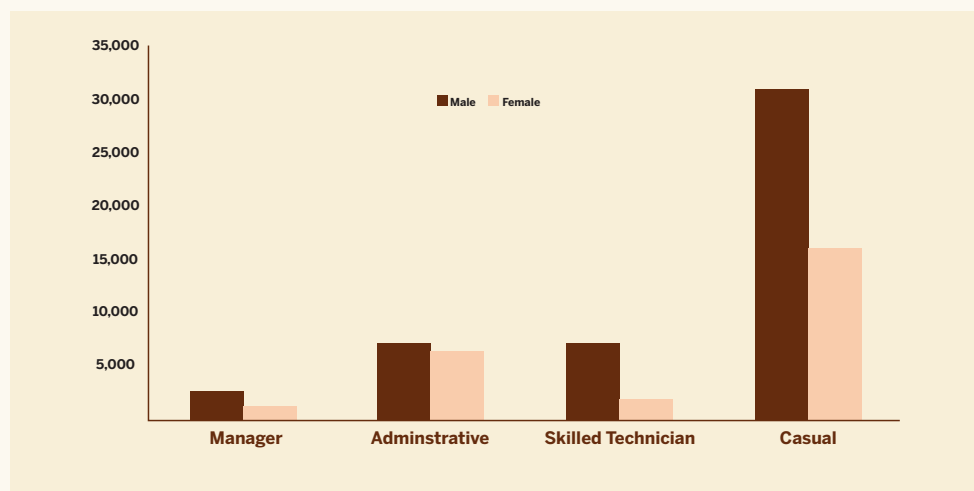
Table 16: FPC 2016 Census Employment by Position in 2018

POSITION	FOREIGN ST	FOREIGN LT	LOCAL	TOTAL
Manageria	39	1,304	2,149	3,492
Administrative	6	162	13,283	13,451
Skilled Technician	34	881	8,542	9,458
Casual	17	25	47,253	47,295
Total	96	2,372	71,227	73,695

Source: FPC 2019 Census

By gender, male occupied 65.8 percent of the total employment compared to 34.2 percent of female. Males are mostly employed in agriculture, construction, electricity and manufacturing sectors, while females are in finance, health, and education sectors.

Figure 6: Distribution of Employment by Gender in 2018



Source: FPC 2019 Census

The total compensation of employees paid increased by 6.3 percent, amounting to \$ 478.4 Million in 2018, of which 81.2 percent was for Rwandan employees and 18.8 percent for the total compensation of foreigners from \$ 450.3 Million recorded in 2017. The manufacturing sector, together with the financial, mining and ICT sectors, had the highest compensation of employees, overall totaling to 83.0 percent of the total.

Table 17: Compensation of Employees (\$ Millions)

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

Source: FPC 2019 Census

3.3. Contribution on External Trade

FPC 2019 results show that the private entities exported goods and services amounted to \$306.8 Million in 2018, representing 15.0 percent of the total country exports of goods and services, and 3.2 percent of GDP; mainly driven by exports from the wholesale, mining, electricity, manufacturing, and financial sectors.

The census also shows that the imports of goods and services by these FPC companies amounted to \$ 470.1 Million in 2018, representing 15.1 percent of the total country's imports of goods and services, and 4.9 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 \$ 163.3 Million in 2018, representing 11.4 percent of the total country's trade deficit in goods and services and 1.7 percent of GDP. FPC companies' exports cover 65.3 percent of imports, indicating the substantial contribution of foreign investment to an increase in domestic production and exports.

Table 18: FPC 2019 Census Exports – Imports of Goods and Service in 2018 (\$ Millions)

Sectors	Exports	Imports	Net Exports
Agriculture	21.3	3.5	17.8
Construction	0.0	2.9	-2.9
Electricity, gas and steam	41.3	63.2	-21.9
Financial	19.6	0.0	19.6
ICT	0.0	24.3	-24.3
Manufacturing	29.8	177.9	-148.0
Mining	61.5	11.1	50.4
Wholesale and retail trade	76.5	1.1	75.4
Other sectors	56.7	186.1	-129.4
TOTAL	306.8	470.1	-163.3
% of total trade	15.0%	15.1%	11.4%
% GDP	3.2%	4.9%	-1.7%

Source: FPC 2019 Census

FPC 2019 results show that the private entities
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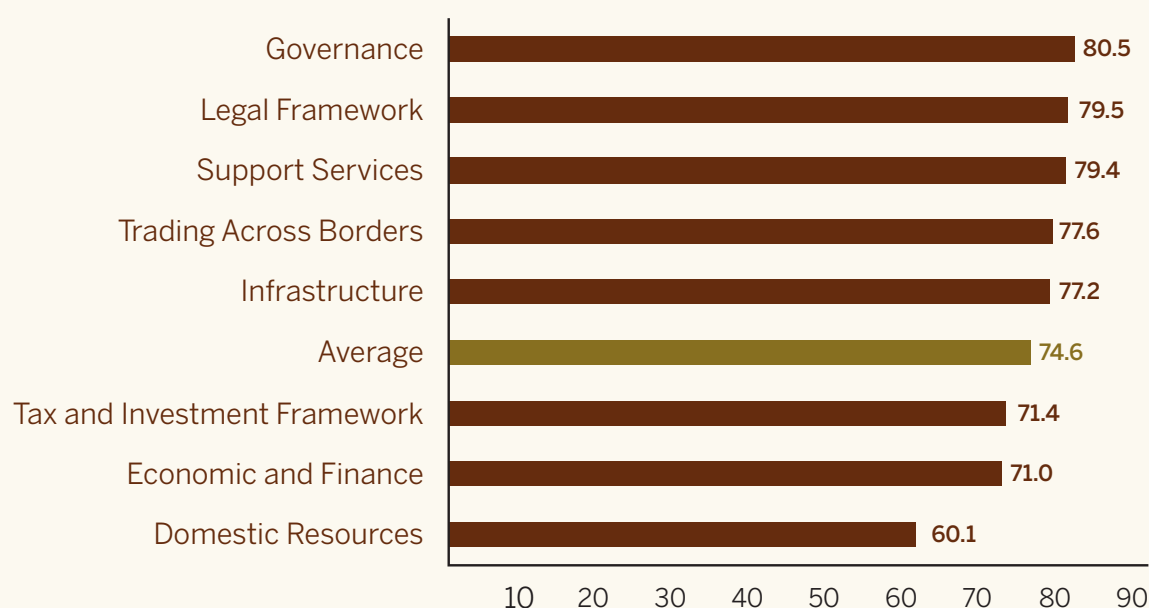
4

INVESTOR PERCEPTION

This part summarizes views from the 2019 FPC data that were anonymously collected on the business environment in Rwanda from the investor perspective on different aspects. The investor perception index is calculated based on eight themes, with a scale ranging from one (very bad/poor) to seven (very good). This chapter summarizes the general findings of each theme, and the annex contains the details of questions asked by each theme.

The Rwandan business environment keeps improving with an average score of 74.6 percent for the total Investor Perception Index (IPI) in 2018, following an improvement in the ease of doing business, whereby in 2019, Rwanda was ranked 29th worldwide, 2nd in Africa, and 1st in the East Africa community in ease of doing business (WBG, 2018). As shown in the figure below, the governance theme leads with an IPI of 80.5, followed by legal framework (79.5), support service (79.4), trading across borders (77.6), infrastructure (77.2), tax and investment framework (71.4), economic and finance (71.0), and domestic resources (60.1).

Figure 7: Investor perception index per theme (percent responses on very good)



Source: FPC 2019 Census

The governance recorded a higher IPI of 80.5, 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 ease of purchasing and registering land and other properties, and to the ability of legal institutions to enforce existing laws, and keep people accountable and audited.

The support service provided to private companies recorded an IPI of 79.4, 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 trading across borders recorded an IPI of 77.6, thanks to the ease and cost of meeting standards for exports, the length of time taken to obtain an export certification, the efficiency of Mombasa and Dar Es Salaam ports, and the ease of dealing with customs.

The availability of infrastructure recorded an IPI of 77.2, thanks to the availability of telephone, electricity, internet, and transport. However, the cost of infrastructure recorded an IPI of 59.2, due to high cost of electricity, water and transport.

The taxation and investment framework recorded an IPI of 71.4, 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 electronic registration of the Rwanda Revenue Authority (RRA) has significantly reduced the time required to prepare tax forms, by significantly improving the consistency and fairness in services rendered by RRA, which has contributed to an improvement in this category.

The economic and financial factors recorded an IPI of 71.0, thanks to stable prices, the availability of local finances, and less volatile exchange rates.

The domestic resources recorded an IPI of 60.1, driven by local supplies and labor costs. Nevertheless, raw materials, skilled labor, land, and domestic market size weighed on this index.

CONCLUSION

In 2019, the enumerated 288 FPC companies, registered an increase in profitability, sales, and value-added, coupled with higher 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 foreign direct investment inflows increased to \$463.0 Million from \$452.2 Million in 2017. This was mainly due to an increase in the FDI inflows, which grew by 16.6 percent to \$381.9 Million, reflecting increased investment in electricity, gas and steam sector (\$165.2 Million). Hence, the government commitment to connect every Rwandan household to the main grid by 2023.

The foreign commercial borrowing continues to shrink from 2015, by a decline of 21.2 percent to \$75.2 Million from \$95.4 Million recorded in 2017. FDI liabilities inflows in 2018 were mainly from Mauritius, Netherlands, Kenya, and the US. Electricity, gas, and steam sector were the major recipient accounting for 35.4 percent share of the total inflows.

As of the end-2018, Private Sector External Debt stock was \$1,819.0 Million, 9.3 percent higher than the end-2017 stock position of \$1,663.6 Million driven by net debt disbursements largely from affiliates. With regard to investor perceptions, the survey revealed that the overall ease of doing business in Rwanda was generally conducive, supported by good governance/or institutional structures and political stability.

The census further revealed that improvement in infrastructures, trading across borders, and support services were equally important in the decision-making process for respondents to invest or extend their stay in Rwanda. Factors with adverse impact on doing business in Rwanda were relatively domestic resources, economic, and finances. In conclusion, FDI inflows to Rwanda remain evenly distributed in major sectors of ICT, finance and insurance, and tourism.

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, 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 (2018). 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 2017, 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:

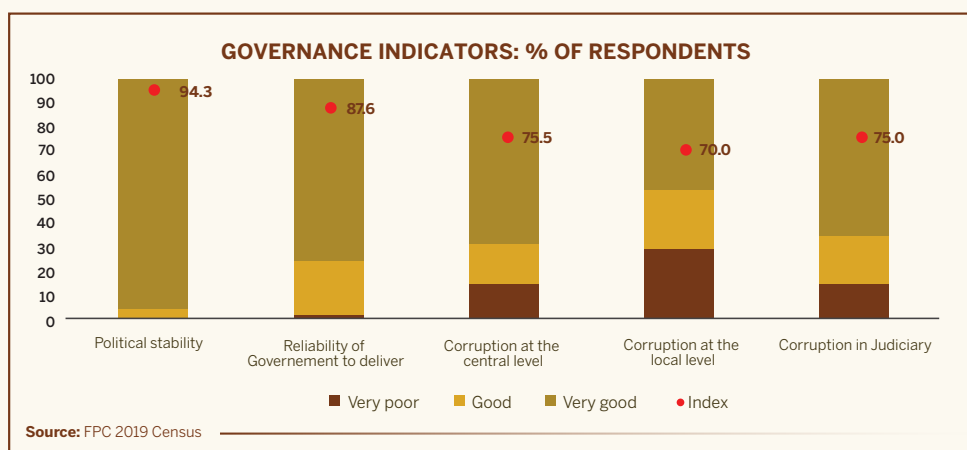
$$\text{ROE} = (\text{Net Profit}) / (\text{Average FDI Equity Stock}) \times 100$$

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**

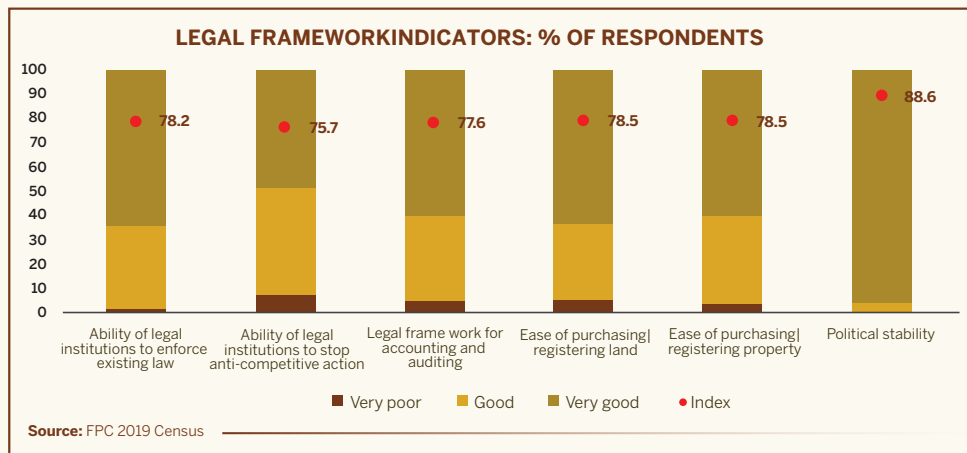
Governance

Figure 8: Governance Indicators



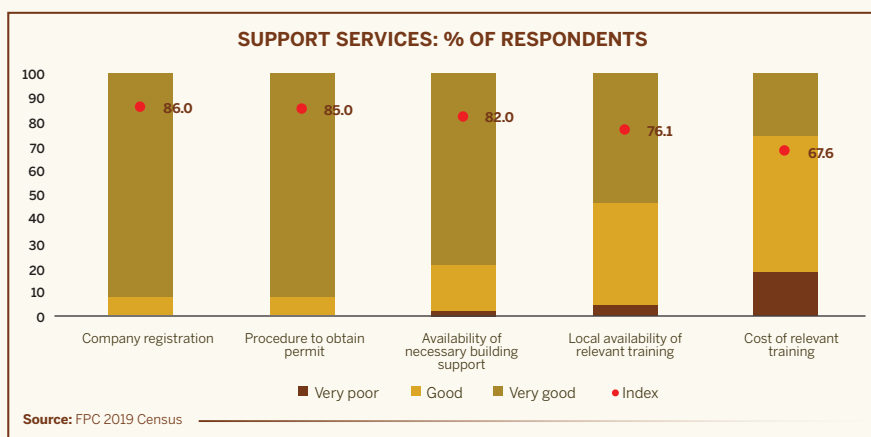
Legal Framework

Figure 9: Legal Framework Indicators



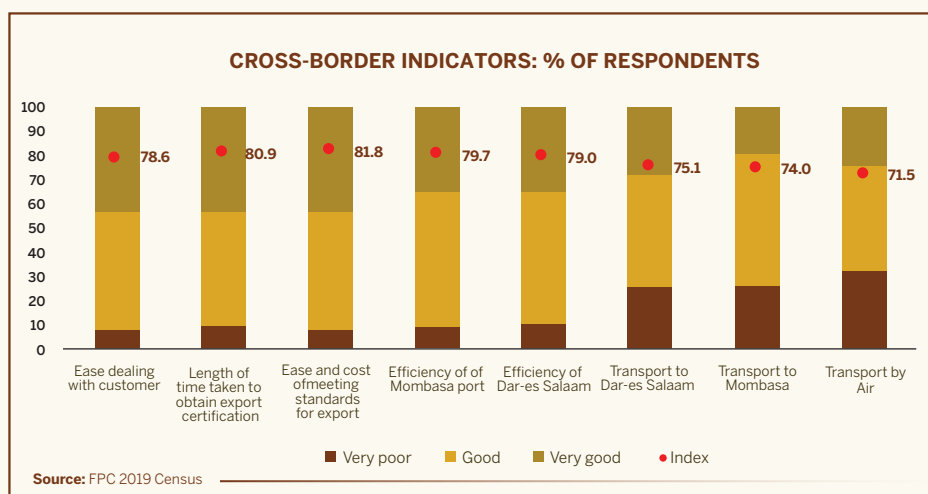
Support Services

Figure 10: Support Services Indicators



Trading Across Borders

Figure 11: Trading Across Borders Indicators



Infrastructure

Figure 12: Infrastructure Availability Indicators

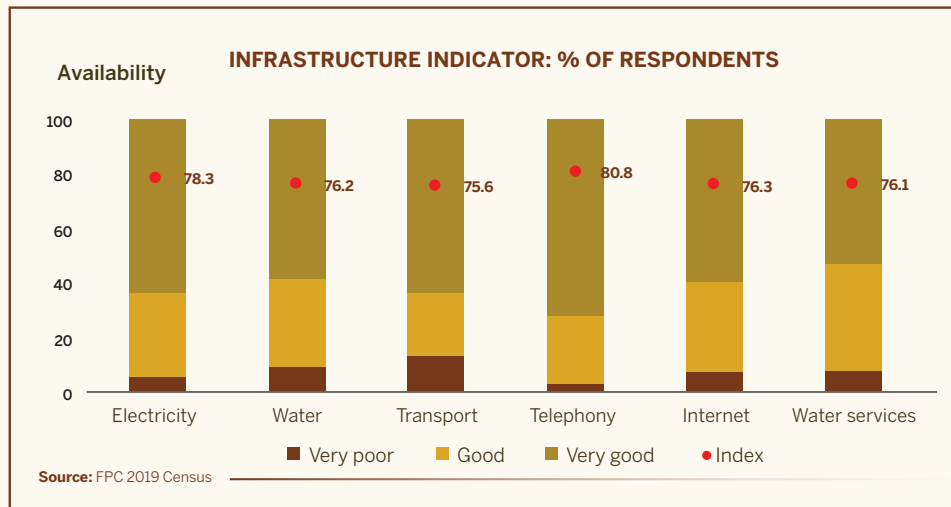
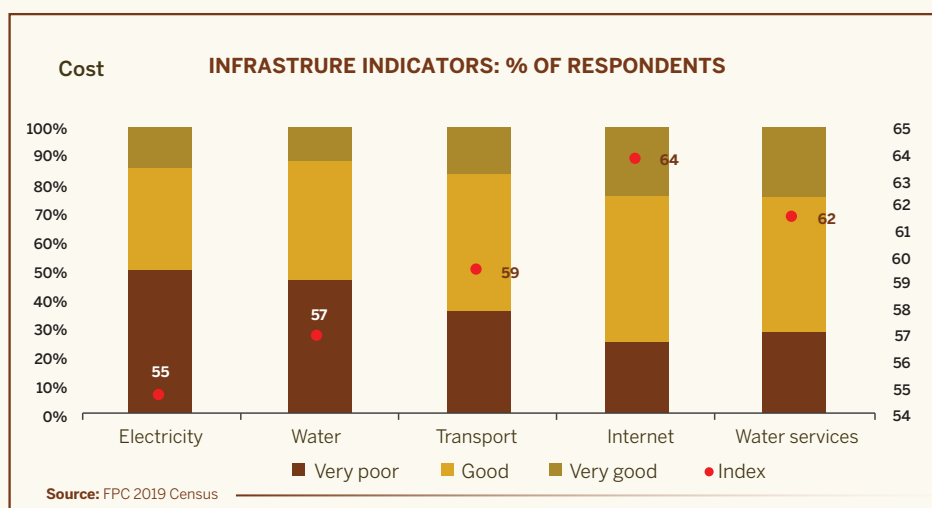
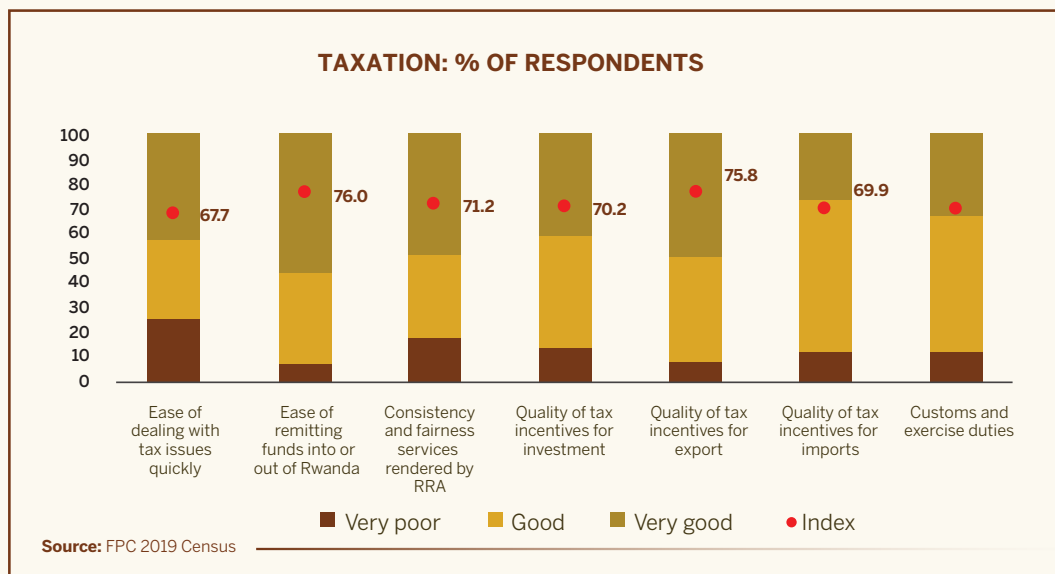


Figure 13: Infrastructure Cost Indicators



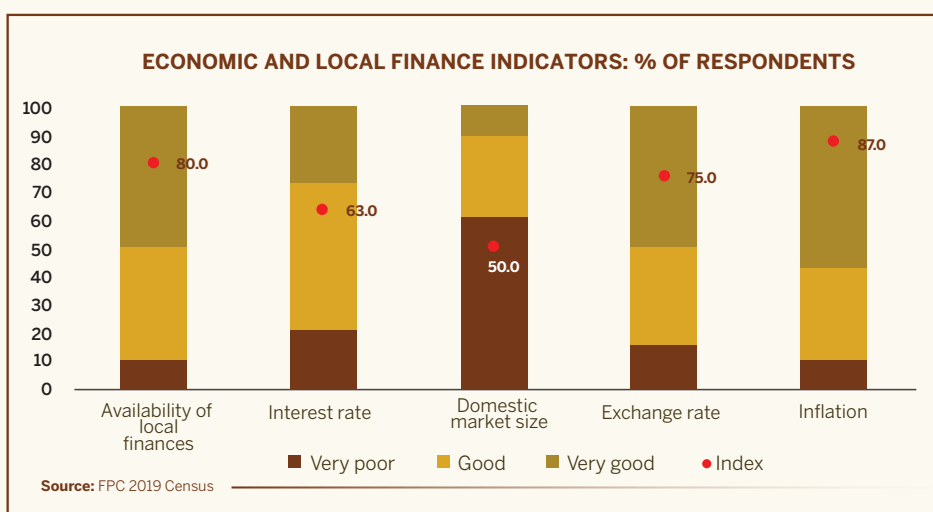
Tax and Investment Framework

Figure 14: Tax and Investment Framework Indicators



Tax and Investment Framework

Figure 15: Economic and Financial Indicators



Domestic Resources

Figure 16: Domestic Resources Indicators

