National Bank of Rwanda

FOREIGN PRIVATE CAPITAL IN RWANDA

2015

RWANDA DEVELOPMENT BOARD

National Institute of Statistics of Rwanda

PSF FSP BEYOND ADVOCACY

FOREWORD

This report presents the findings of the annual Foreign Private Investment Census 2015. It is the sixth in a series of annual census jointly conducted by the National Bank of Rwanda, the Rwanda Development Board, the National Institute of Statistics of Rwanda and the Private Sector Federation. The Census collected data on foreign direct investment, portfolio and foreign borrowing in resident enterprises and other information pertaining to private sector investment. The Foreign Private Capital Census 2015, collecting data of the year 2014, covered 200 companies composed of new companies registered as foreign direct investments by Rwanda Development Board in 2014 as well as those which declared Foreign Assets and Liability (FAL) in the previous censuses.

This annual foreign private investment census would not have been successful without the involvement and cooperation of key stakeholders: the enterprises, government agencies and technical staff from National Institute of Rwanda, Rwanda Development Board and National Bank of Rwanda. The National Bank of Rwanda acknowledges and appreciates their valuable contribution. The information provided by the respondents during the census is used for statistical purposes only and strict confidentiality is ensured through presentation of the results in aggregate form.

The Foreign Private Investments census is an important activity for the Government of Rwanda in its efforts to attract and retain foreign private capital in the country to complement local resources. The information generated is used in the compilation of the country's Balance of Payments, International Investment Position statistics and shall contribute to improve private investment policies.

John RWANGOMBWA
Governor, National Bank of Rwanda

LIST OF ACRONYMS

BNR	National Bank of Rwanda
BOP	Balance of Payments
BV	Book Value
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
LDCs	Least Developed Countries
LLDCs	Landlocked Developing Countries
MEFMI	Macroeconomic and Financial Management Institute
NISR	National Institute of Statistics of Rwanda
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
RDB	Rwanda Development Board
RIEPA	Rwanda Investment and Export Promotion Agency
RWF	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

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

EXECUTIVE SUMMARY

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

The Foreign Private Capital Census (FPC) 2015 is the sixth in a series of annual censuses conducted by the National Bank of Rwanda in collaboration with National Institute of Statistics of Rwanda, Rwanda Development Board and Private Sector Federation. The main objective of the census is to collect information required for the compilation of Rwanda balance of payments, international investment position statements and determines the magnitude and trends of FPC in Rwanda. The FPC 2015 census provides actual flows and stock of foreign private capital statistics in Rwanda for the year 2014.

A total of 200 questionnaires were administered during the census from which 189 enterprises responded, representing a response rate of 94.5 percent. Overall, all the enterprises declared total turnover of US$ 1,789.8 million during 2014, which is equivalent to about 22.8 percent of GDP. The findings indicated that total employment by enterprises that responded was 37,120 employees as at the end of 2014 from 34,114 employees in 2013 which is an increase of 8.8 percent. Compensation of employees rose from US$ 301.6 million in 2013 to US$ 320.7million in 2014. Profit made decreased from US$ 73.6 million in 2013 to US$ 46.5 million recorded for 2014 and the most profitable sectors were mostly manufacturing and finance and insurance services sectors.

The Foreign Direct Investment census revealed that foreign direct inflows have increased by 78.1 percent from US$ 257.6 million recorded during 2013 to US$ 458.7 million in 2014. Foreign Portfolio investment inflows increased from US$ 1.7 million in 2014 to US$ 5.6 million in 2014. The inflows of other investments made of debt from foreign non-affiliates decreased by 74.8 percent from US$168.4 million in 2013 to US$ 96.0 million in 2014, this shows the change from non-affiliates to intercompany borrowing.

Most of the foreign private investments inflows were mainly from Mauritius (US$ 113.6 million) , Switzerland (US$ 106.3 million) followed by United States (US$ 70.0 million), all the 3 accounting for 51.7 percent of total foreign private inflows in 2014.

The findings of the census also indicate that the stock of foreign private capital increased from US$ 1,404.1 in 2013 to US$ US$ 1,752.0 million in 2014. Stock of foreign investment in ICT amounted to US$ 613.4 million followed by finance & insurance services with US$ 411.2 million and manufacturing with US$ 277.3 million.

The stock of Private Sector External Debt (PSED) as at end 2014 stood at US$ 973.6 million increasing from US$ 779.2 million in 2013, mainly driven by intercompany debts with share of 51.9 percent.

FDI is becoming increasingly important as a source of investment funds as it takes 22.1 percent of Gross Fixed Capital Formation (GFCF) in 2014 from 16.7 in 2013; The ratio FDI/GFCF shows the contribution of FDI in country‘s financing of capital formation. The importance of FDI to the economy is also shown by the increasing share of FDI stocks to GDP during the last five years, with an average annual growth of 14.1 percent. In 2014, the share of FDI inflows to GDP was 5.8 percent showing its contribution to the country's economic growth.

Over the last five years, foreign private investments in Rwanda continued to grow. The consistent increase in foreign private inflows of 40.0 percent in the five last years, reflect high confidence of foreign investors in Rwanda and the country's capacity of foreign investment attraction. This is a response to continuously improving business environment and proof of existence of investment opportunities within the country. The Government is committed to continue accurately and consistently capture and monitor these flows to assess the investors' responsiveness to related policies, the foreign investment impact on the country's development and their capacity to complement local resources.

CHAPTER ONE
INTRODUCTION

1.0 Introduction

Foreign Private investment (FPI) refers to inwards investments in terms of equity or/and non-equity (debts) from nonresidents into Rwanda and outward investments of Rwandan residents to the rest of the world. It comprises foreign direct investment which is the most important component, portfolio and other investments. Foreign private investment flows have become an important source of investment for many developing countries, although they tend to be sometimes volatile and less predictable due to changing international environment.

Expectations for sustained economic and population growths continue to attract market-seeking FDI into consumer-oriented industries. Intraregional investments are increasing, led by South African, Kenyan and Nigerian corporations. Most of their outflows investments were directed to other countries in the continent (UNCTAD , 2014).

Compared to portfolio investments, FDI are less volatile with long term investment horizon attracted by high economic growth rates and strong macroeconomic fundamentals while Portfolio investment tend to be attracted by high relatively short term returns and stock exchange market development.

1.1 Global and regional trends in Foreign Direct Investment

According to UNCTAD (2015), Global foreign direct investment (FDI) inflows fell by 16 per cent in 2014 to $1.23 trillion, down from $1.47 trillion in 2013. The decline in FDI flows was influenced mainly by the fragility of the global economy, policy uncertainty for investors and elevated geopolitical risks. New investments were also offset by some large disinvestments. The decline in FDI flows was in contrast to growth in GDP, trade, gross fixed capital formation and employment.

UNCTAD forecasts an upturn in FDI flows to $1.4 trillion in 2015 and beyond ($1.5 trillion in 2016 and $1.7 trillion in 2017) due to growth prospects in the United States, the demand-stimulating effects of lower oil prices and accommodating monetary policy, and continued investment liberalization and promotion measures. Forecasts for macroeconomic fundamentals and FDI flows to the latter now account for 55 per cent of the global total. Developing Asian countries drove the increase while flows to Latin America declined and those to Africa remained flat. FDI flows to developed countries dropped by 28 per cent to $499 billion. Inflows to the United States fell to $92 billion (40 per cent of their 2013 level), mainly due to Vodafone's divestment of Verizon, without which flows into the United States would have remained stable. FDI flows to Europe also fell by 11 per cent to $289 billion. Among European economies, inflows decreased in Ireland, Belgium, France and Spain while they increased in the United Kingdom, Switzerland and Finland continued high levels of profitability and cash reserves.

Among multinational enterprises (MNEs) support the expectation of higher FDI flows. However, a number of economic and political risks, including ongoing uncertainties in the Eurozone, potential spillovers from geopolitical tensions and persistent vulnerabilities in emerging economies, may disrupt the projected recovery.

1.2 Regional investment trends

FDI flows to developing economies increased by 2 per cent to reach their highest level at $681 billion in 2014, accounting for 55 per cent of global FDI inflows (table1.1). Five of the top 10 host economies now are developing ones. However, the increase in developing country inflows is, overall, primarily a developing Asian story. FDI inflows to that region grew by 9 per cent to $465 billion, constituting the lion's share of the total FDI in developing economies. Africa's overall inflows remained flat at $54 billion, while those to Latin America and the Caribbean saw a 14 per cent decline to $159 billion, after four years of consecutive increases. FDI to transition economies dropped by more than half to $48 billion. Inflows to developed economies as a whole fell by 28 per cent to $499 billion, decreasing both in Europe and North America. Flows to Europe fell by 11 per cent to $289 billion, one third of their 2007 peak, while in North America FDI dropped 51 per cent to $146 billion.

Table1. 1: Foreign Direct Investment, by region, 2012-2014 (Billions of dollars and percent)

Region	FDI inflows			FDI outflows		
	2012	2013	2014	2012	2013	2014
World	**1 403**	**1 467**	**1 228**	**1 284**	**1 306**	**1 354**
Developed economies	679	697	499	873	834	823
Europe	401	326	289	376	317	316
North America	209	301	146	365	379	390
Developing economies	639	671	681	357	381	468
Africa	56	54	54	12	16	13
Asia	401	428	465	299	335	432
East and South-East Asia	321	348	381	266	292	383
South Asia	32	36	41	10	2	11
West Asia	48	45	43	23	41	38
Latin America and the Caribbean	178	186	159	44	28	23
Oceania	4	3	3	2	1	0
Transition economies	85	100	48	54	91	63
Structurally weak, vulnerable and small economies[a]	**58**	**51**	**52**	**10**	**13**	**10**
LDCs	24	22	23	5	7	3
LLDCs	34	30	29	2	4	6
SIDS	7	6	7	2	1	1
***Memorandum:* percentage share in world FDI flows**						
Developed economies	48.4	47.5	40.6	68.0	63.8	60.8
Europe	28.6	22.2	23.5	29.3	24.3	23.3
North America	14.9	20.5	11.9	28.5	29.0	28.8
Developing economies	45.6	45.7	55.5	27.8	29.2	34.6
Africa	4.0	3.7	4.4	1.0	1.2	1.0
Asia	28.6	29.2	37.9	23.3	25.7	31.9
East and South-East Asia	22.9	23.7	31.0	20.7	22.4	28.3
South Asia	2.3	2.4	3.4	0.8	0.2	0.8
West Asia	3.4	3.0	3.5	1.8	3.1	2.8
Latin America and the Caribbean	12.7	12.7	13.0	3.4	2.2	1.7
Oceania	0.3	0.2	0.2	0.1	0.1	0.0
Transition economies	6.1	6.8	3.9	4.2	7.0	4.7
Structurally weak, vulnerable and small economies[a]	**4.1**	**3.5**	**4.3**	**0.7**	**1.0**	**0.8**
LDCs	1.7	1.5	1.9	0.4	0.6	0.2
LLDCs	2.5	2.0	2.4	0.2	0.3	0.4
SIDS	0.5	0.4	0.6	0.2	0.1	0.1

Source: UNCTAD, 2015

Besides the UNCTAD reports on the global foreign private flows, countries around the globe have committed to collect this information following international standards data collection methodology and share their information with UNCTAD for comparability and communication. Rwanda has also committed to annually conduct this exercise and share the results.

1.3 Monitoring foreign investment in Rwanda

With the objective of complementing internal resources, Rwanda has actively attracted FDI by creating and sustaining a high conducive investment climate through important reforms which make it easier for businesses to get started, get loans, pay taxes, etc. A whole package for investment promotion in general can be found within Rwanda Development Board. The package for investment promotion includes among others: regulatory framework, registration facilities and requirements, change of registered businesses, closing of 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 sector.

Rwanda improved its world ranking to 46nd position in the world, up from 48th last year (World Bank doing business, 2015-2016). In Africa, Rwanda retained 3rd position and number one in the East African Community. This improvement comes particularly from market efficiency and institutions pillars where Rwanda ranked 9th and 18th in the world respectively. In 2014-2015, areas where Rwanda is among the top 10 in the world include, among others: starting a business (2nd), government spending (4th). Foreign Direct Investment rules (5th), procurement of advanced technology (5th) and burden of government regulations and least cost of crime and violence (both 6th).

The economic implementation of Rwanda

Moving up four places from 66th to 62nd position (WIR, 2015) means that Rwanda has become even more competitive and that the business and investment environment of the country is improving.

Table1.2: Top Ten Countries in Doing Business in Sub-Saharan Africa 2015-2016

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Mauritius	28	3	26	1	14	3	2	1	1	2	2
South Africa	43	7	4	27	13	5	1	2	5	4	1
Rwanda	46	15	5	4	1	1	18	3	33	9	13
Ghana	70	12	23	6	2	3	3	13	11	16	35
Botswana	74	26	17	11	5	7	14	6	26	8	3
Seychelles	85	18	7	16	9	40	3	4	2	18	4
Namibia	88	28	1	5	41	7	8	10	17	7	7
Swaziland	110	25	8	22	23	7	16	7	13	41	6
Zambia	111	8	21	14	31	2	7	9	41	17	10
Cabo Verde	122	9	25	18	6	10	43	11	6	1	39

Source: *World Bank Doing Business Report 2015-2016*

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 her neighbors, leading to an improvement in the trade logistics.

Table1.3: Rwanda's Doing Business Performance by Category 2014 and 2015

	DB 2015	DB 2014	Change in rank
Rwanda Ranking	**46**	**48**	**2**
Starting a Business	112	74	-40
Dealing with construction permits	34	93	59
Getting Electricity	62	79	17
Registering property	15	13	-2
Getting credit	4	10	6
Protecting Investors	117	115	-2

Paying Taxes	27	26	-1
Trading Across Borders	164	157	-7
Enforcing Contracts	62	50	10
Resolving Insolvency	101	99	-2

Source: *World Bank Doing Business Report 2015-2016*

In the past, data on foreign capital flows were estimated using information provided by banks. However, it was not possible to capture non-cash types of investment such as investment in form of equipment, expertize and reinvested earnings and distinction between current, capital and financial accounts transactions. Therefore, a census based approach of compiling statistics on FPC was adopted in 2009 by BNR jointly with the Rwanda Investment and Export Promotion Agency (RIEPA), now RDB. The census provides information that contribute to improve the formulation of national investment policies and to assess the impact of all efforts made in facilitating foreign investments.

Inter-Institutional Agreement for monitoring and analyzing the foreign assets and liabilities, corporate social responsibility and related data in Rwanda was initiated. This agreement led to the establishment of Rwanda Working Group (RWG) under the memorandum of understanding signed between 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 mandate of this working group includes among others, collecting and producing good quality statistics, compliant with international data reporting standards and meeting the needs of 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.

1.4 Reasons for investing in Rwanda

Indicator	**Reasons**
Sustained High Growth	8% average year –on-year growth, stable inflation and exchange rate. Sound macroeconomic management and robust fiscal discipline.
Robust Governance	A clear vision for growth through private investment led by President Paul Kagame (Vision 2020).The country is politically stable with well-functioning institutions, rule of law and zero tolerance for corruption, clear vision for growth through private investment support and development
Investor friendly climate	Top Global consistent reformer since 2008 (World Bank Doing Business report). Most competitive place to do business in East Africa and 3rd in Africa (WEF Global competitiveness index report 2014-2015. New special Economic Zone developed and operational in Kigali. More industrial zones planned for other districts.
Access to markets	Rwanda is a Market of around 11 million people with a rapidly growing middle class. It is located centrally bordering with 3 countries of East Africa and the huge market of Democratic Republic of Congo. The country adhered to EAC Common Market and Customs Union with market potential of over 125 million people with all trade facilities the EAC bloc offers.
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 **ICT:** Priority sector for Vision 2020; new ICT Park to be developed. **Other** attractive sectors include real estate and construction, financial services and mining.
Rwanda is Highly Competitive	Rwanda is now the third most competitive country in Sub-Saharan Africa after Mauritius and South Africa Globally, Rwanda is in the upper half of the WEF's Global Competitiveness Index after jumping 10 places, ahead of many historically stronger countries in Europe and America
Excellent Business Environment	Rwanda has the third strongest regulatory framework in Sub-Saharan Africa, only slightly behind South Africa and is ranked 8th globally by the World Bank doing business report in starting a business

Source: RDB, 2015

CHAPTER TWO.

METHODOLOGY AND GENERAL FINDINGS

2.0. Introduction

This chapter presents a description of the census frame and the results relating to the general characteristics of the enterprises in the census. Also included is an assessment of the interviewed enterprises' contribution to the economy's turnover, external trade, employment and corporate social responsibility.

2.1. Census frame and response rate

The census frame of 224 companies was set with the objective of covering all enterprises in Rwanda with foreign direct investment, portfolio investments and foreign borrowing in 2014. During questionnaire distribution, among 224 companies in the frame only 200 were located.

A total of 200 questionnaires distributed during the field activities and only 189 responded. Among the respondents, 151 companies responded and submitted their financial statements while 38 companies responded with no financial statements attached. In addition, comparisons of collected data were made with the information provided in the previous censuses at enterprise level for consistency check. The distribution and response rate by sector of investments are shown in Table 2.4.

Table2.4: Distribution and response rate per sector in 2014

	Distribution	Collection	Response Rate
Agriculture	21	20	95.2
Construction	6	5	83.3
Education	5	5	100.0
Electricity	7	5	71.4
Financial services	43	43	100.0
ICT	16	15	93.8
Legal and accounting activities	6	5	83.3
Manufacturing	37	35	94.6
Mining	9	8	88.9
Real estate	5	4	80.0
Tourism	13	13	100.0
Transport	13	12	92.3
Whole sale and retail	19	19	100.0
Total	**200**	**189**	**94.5**

Source: *Foreign Private investment 2013*

2.2 Data quality and estimation for non-response

The data quality was directly related to the quality of field enumeration and supervision; form design and inbuilt checks; respondents' understanding of the concept, classification and census questions; respondents' willingness to complete the questionnaire; technical editing and validation skills by field staff and team leader; the availability of other instruments to compare the data with, such as financial statements and previous census returns. All the quality indicators were rated above the average.

After assessing the quality of the data and coverage, the general steps has been taken to remedy technical errors and up-rate the data to enable comparison of results obtained from previous censuses.

Those steps included, the use of the financial statements covering 2013 and 2014 for editing and producing best statistics, use of additional information supplied by the respondents, use of past response to cross check the change, using of additional sources (e.g listed companies share prices to estimate MV) and use of international best practices.

2.3 General findings

Beside the information directly showing inwards and outwards transaction of companies in the census, it is also necessary to show other transactions performed by the same companies. This part presents the aggregate findings on companies' turnover, trade, levels of employment, compensation of employees and corporate social responsibility.

2.3.1 Entity turnover

The country's declared total turnover increased by 13.1 percent in 2014 compared to 2014 rising from US$ 4,076.1 million to US$ 4,611.8 million. The total turnover of the companies considered in the FPC increased by 14.9 percent from US$ 1,565.0 million in 2013 to US$ 1,798.8 million in 2014; contributing 39.0 percent of the country's total turnovers in 2014, dominated by finance and insurance services, manufacturing and wholesale and retail trade accounting for 65.7 percent of census companies' turnover.

Table2.5: Entity turnovers by sectors in 2011-2014 (US$ million)

Sector	2011	2012	2013	2014
Manufacturing	229.8	246.8	365.9	414.5
Wholesale	222.3	223.4	277.5	321.3
ICT	182.5	185.7	134.4	155.7
Mining	86.5	59.5	133.6	151.3
Agriculture	36.0	38.4	38.0	43.0
Tourism	22.8	18.4	23.0	26.7
Transportation	7.4	8.6	94.2	109.1
Financial & Insurance	187.6	192.3	384.5	445.3
Construction	11.4	3.7	98.5	114.0
Others	8.4	96.5	15.3	17.8
Total	**994.6**	**1,073.4**	**1,565.0**	**1,798.8**

Source: ***Foreign Private investment 2015***

2.3.2 Contribution on external trade

In 2014, the census findings showed globally a net import of US$ 57.6 million resulting from US$ 237.4 million of exports and US$ 295.4 million of imports made by the majority owned Foreign Companies. External trade in mining and agriculture products recorded trade surplus of US$ 99.4 million and US$ 44.7 million respectively. The mining products are dominated by tin, coltan and wolfram exported by major mining exporting companies in Rwanda.

Wholesale and retail trade, manufacturing sectors dominated the import side as shown in the table 2.6. Whole sale and retail trade sector is mainly made by petrol stations and supermarkets. Manufacturing exports are mainly maize and wheat flour. The trade deficit of manufacturing sector shows the importance of raw material imports and may call up on the checking of local potential of their production and availability. Exports from wholesale and retail trade are dominated by re-export of fuel.

It is important to note that the ratio Export/Imports for majority foreign owned companies is 80.5 percent which shows the contribution of FPC in the country's exports.

Table2. 6: Exports-Imports in 2014 (US$ million)

Sectors	Imports	Exports	Balance
Agriculture	4.7	52.4	47.7
Construction	5.8	-	(5.8)
Electricity	0.0	-	(0.0)
Financial services	2.8	1.4	(1.4)
ICT	0.0	-	(0.0)
Manufacturing	31.6	22.8	(8.8)
Tourism	3.2	9.9	6.7
Mining	2.7	102.1	99.4
Transport and storage	1.3	-	(1.3)
Wholesale and retail trade	243.3	49.3	(194.1)
Total	**295.4**	**237.9**	**(57.6)**

Source: *Foreign Private investment 2015*

2.3.3 Employment

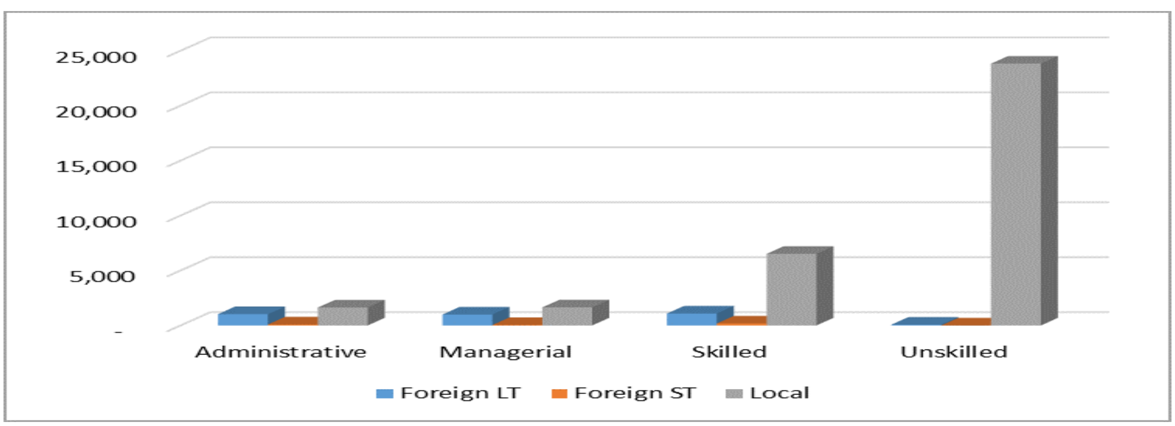
The results of the FPC 2014 show that employment grew by 8.8 percent from 34,114 in 2013 to 37,120 in 2014. In terms of nationality of employees, Rwandans were 90.6 percent against 9.4 percent of foreigners. The number of short-term foreign employees was 315 which is equivalents to 0.8 percent of the total. According to category of employment, managerial positions are occupied by 2683 staff (7.2 percent), administrative 2,762 staff (7.4 percent); skilled 6,879 staff (21.0 percent) and casual 24,974 staff (64.4 percent). Details are provided in table 2.7 and figure 2.1.

Table2.7: Employment by Category in 2014

Category	Foreign LT	Foreign ST	Local	Total
Administrative	1,032	93	1,637	2,762
Managerial	996	41	1,646	2,683
Skilled	1,084	181	6,519	7,784
Unskilled	69	-	23,822	23,891
Total	3,181	315	33,624	37,120

Source: *Foreign Private investment 2015*

Figure2.1: Distribution of employment by type in 2013



Source: *Foreign Private investment 2015*

Regarding sector distribution of employment, agriculture had the highest number with 38.8 percent, followed by mining and quarrying with 18.4 percent of total number of employees, finance services with 14.6 percent and manufacturing 7.8 percent.

Table2.8: Distribution of employment by sector 2011-2014

Sector	2011	2012	2013	2014
Agriculture, forestry and fishing	8,015	4,274	9,596	14,394
Real estate activities	6,183	6,183	1,231	1,094
Mining and quarrying	4,875	4,756	3,825	6,830
Financial and insurance activities	3,944	4,083	5,129	5,434
Manufacturing	2,817	5,832	3,191	2,878
Administrative and support service activities	1,509	1,445	1,329	156
ICT	846	651	461	650
Wholesale and retail trade	808	770	618	2,401
Tourism	579	1,629	778	2,152
Others	1,141	3,211	7,956	1,131
Total	**30,717**	**32,834**	**34,114**	**37,120**

Source: *Foreign Private investment 2015*

The increase in Agriculture employment came mainly from newly privatized tea factories like Shagasha, Mulindi and Gisakura. The agriculture sector employs most of casual laborers in tea and coffee plantations.

The drop in employment in sectors like real estate and administrative was caused by change of some companies' ownership from non-residents to residents and the nature of the real estate sector which employs casual laborers in a given season.

2.3.4 Compensations of employees.

Total compensation of employees (wages, salaries, contribution to pension fund, fringe benefits, etc.) paid out by enterprises that responded to the FPC 2014 increased from US$ 301.6 million in 2013 to US$.320.7 million in 2014. Local employees received the highest share of total employee's compensation accounting for an average of 84.5 percent of the total compensation in 2014.

The best remunerating sectors were finance and insurance with 51.4 percent of total remuneration, followed by agriculture 12.5 percent and manufacturing for 7.5 percent. Details are shown in Table 2.9.

Table 2.9: Compensation of Employees 2011- 2014 (US$ million)

Compensation	2011	2012	2013	2014
Financial services	43.0	81.9	163.7	164.9
ICT	20.0	14.2	13.7	15.8
Manufacturing	12.9	18.0	21.9	24.0
Wholesale & Retail trade	4.5	4.8	6.2	9.6
Tourism	4.0	2.0	8.0	6.0
Agriculture	3.4	4.6	9.8	40.0
Transportation	1.9	1.5	54.0	17.0
Mining	1.7	2.1	3.7	2.2
Others	3.6	10.0	20.6	41.2
Total	**95.0**	**139.0**	**301.6**	**320.7**

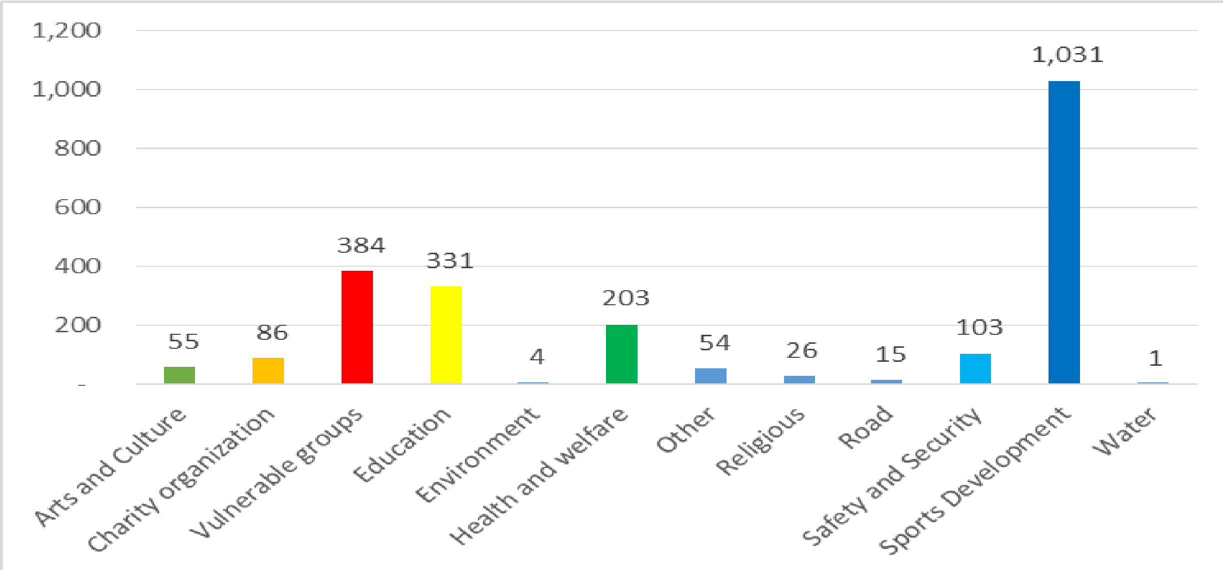
Source: *Foreign Private investment 2015*

2.3.5 Corporate social responsibility

Corporate social responsibility is a corporate initiative to take responsibility for the company's effects on the environment and social welfare. Those initiatives are directed to environment, infrastructure, educational programs, health and other social, cultural or community services that benefit the population. The contributions of companies to corporate social responsibility stood at US$ 2.3 million in 2014 down from US$ 5.0.million in 2013.

The activities which attracted substantial CSR expenditures were sports development, donations to vulnerable groups, education; health & welfare which on average accounted for 48.4 percent.

Figure2 2: Corporate social responsibility by type of recipient in 2014 (US$ thousands)



Source: *Foreign Private investment 2015*

On average, most of the Corporate Social Responsibility expenditures were dedicated to sports development (45.0 percent) - the big chunk went in Primus Guma- Guma super star and the primus league. The results showed that the manufacturing sector was the biggest contributor to CSR in 2014 as it accounted for about 51.6 percent, followed by financial sector with 27.1 percent.

Table2.10: Corporate Social Responsibility by Sector 2011- 2014 (US$ million)

Sector	2011	2012	2013	2014
Manufacturing	1.5	2.2	1.3	1.2
Financial	0.4	0.5	0.9	0.6
ICT	0.3	0.4	0.3	0.0
Agriculture	0.2	0.2	0.2	0.1
Tourism	0.2	0.3	0.3	0.1
Wholesale and retail trade	0.1	0.1	0.1	0.1
Mining	0.1	0.1	0.2	0.0
Others	0.1	0.2	1.8	0.2
Total	**2.8**	**4.0**	**5.0**	**2.3**

Source: *Foreign Private investment 2015*

CHAPTER THREE

FOREIGN PRIVATE INVESTMENTS IN RWANDA

3.0 Introduction

This chapter highlights the census findings on foreign private investment that includes foreign direct investment, foreign portfolio, foreign borrowing and the respective outstanding as at end of 2014. It presents also the situation of income, profitability and analysis of selected FPC indicators.

Foreign Private Capital is composed of Foreign Direct Investment (FDI), other investments and Portfolio investment. FDI are made of investments of non-residents in resident companies with a shareholding of at least 10% of the company's total capital and debt from fellow (related) enterprises but excludes debt among related financial intermediaries. Portfolio investment are tradable instruments and other investments which are borrowing from outside as well as non-tradable shareholding of less than 10% of total capital of the company.

All these categories are analyzed by type of liability or instrument, relationship, sector of investment, and source country. Foreign Private Capitals have two directions which are liabilities made of inward investment flows and stocks as well as assets made of outwards investments flows and stocks.

3.1 Foreign Private Capital attraction in Rwanda

Looking at the performances in terms of investment attraction and registration, for the last seven years (2009-2014), a total of 338 investments projects fully owned by foreign investors or in joint ventures with local investment has been registered with pledged investment value of US$ 2,607 million and planning to create 55,141 jobs.

In 338 pledged projects, 211 are operational, 69 are in implementation phase, and 32 have closed, while 36 remain committed to start their activities. The following table presents the pledged investments in value, number of projects and annual planned new jobs for the period of 2009-2014.

Table3.11: New Foreign Private Investments registered (2009 – 2014)

	2009	2010	2011	2012	2013	2014
Number	46	41	60	76	61	54
Value($ million)	529.72	199.07	398.89	474.90	644.85	359.61
Jobs	10,734	12,529	5,553	17,311	3,845	5,169

Source*: Rwanda Development Board, 2014.*

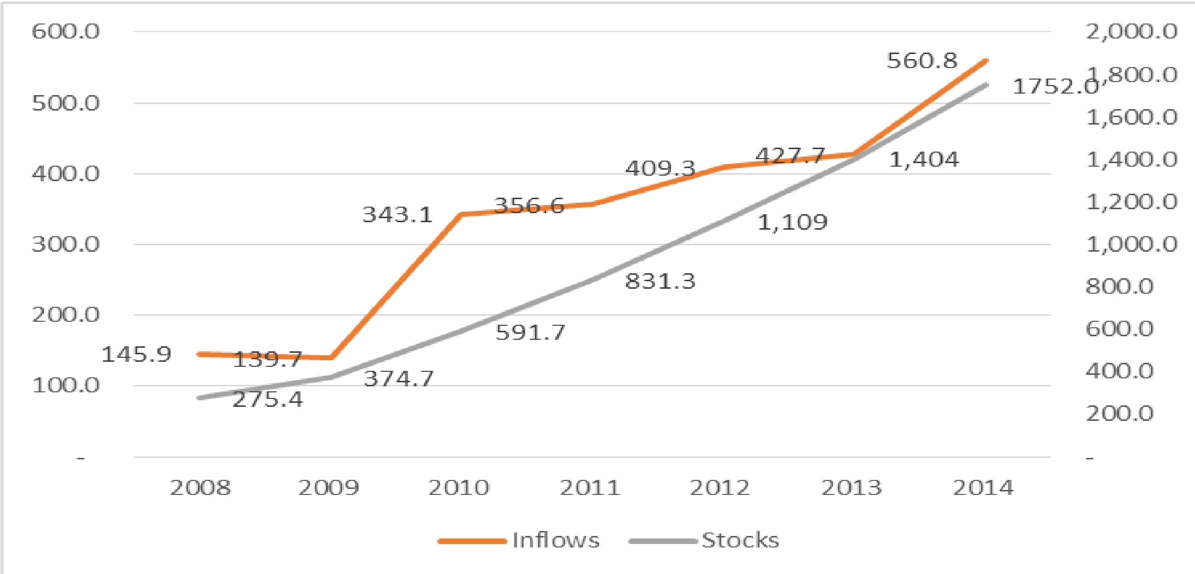
3.2 Foreign Private Investment in Rwanda

Foreign Private Capital in Rwanda has been increasing overtime. In 2014, FPC inflows to Rwanda recorded high increase of 31 percent as it reached to US$ 560.8 million compared to $427.7 million recorded in 2013. They were dominated by FDI, amounting to US$ 458.9 million, accounting for 81.8% percent of total inflows, followed by other investments of US$ 96.3 million, accounting for 17.2 percent and portfolio investments of US$ 5.6 million with 1.0 percent.

In 2014, Foreign Private investment was driven by ICT, Mining and Finance and Insurance activities, the three sectors represented a share of 70.2 percent for the total inflows recorded. In 2011 with the starting of Rwanda Stock exchange, portfolio investments flows were particularly high ($ 87.3 USD) compared to other years as presented in figure 3.3.

In terms of stock, total foreign private capital rose by 24.8 percent reaching US$ 1,752 million in 2014 from US$ 1,404 million recorded in 2013 of which FDI amounts to US$ 1,152.4 million followed by other investments of US$ 504.7 million and portfolio investments of US$ 95 million.

Figure3.3: Foreign Private Investment Inflows and Stock by 2014



Source: *Foreign Private investment 2015*

The flows of foreign private investments have been increasing over the years as presented in the table 3.12

Table3. 12: **Foreign Private Investments Inflows by Category 2008-2014(US$ million)**

			INFLOWS				
YEARS	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
FDI	66.9	103.3	250.5	119.1	255	257.6	458.9
PORTFOLIO	1.1	0.7	1.5	87.3	1	1.7	5.6
OTHER INVESTMENT	77.9	35.7	91	150.2	153.3	168.4	96.3
TOTAL	**145.9**	**139.7**	**343.1**	**356.6**	**409.3**	**427.7**	**560.8**

Source: *Foreign Private investment 2015*

In the year 2014, total inflows amounted to US$ 560.8 million, outflows stood at US$ 212.9 million giving the net flows of US$ 347.9 million during 2014.

Table3. 13 : Foreign Private Investments flows 2014 (US$ million)

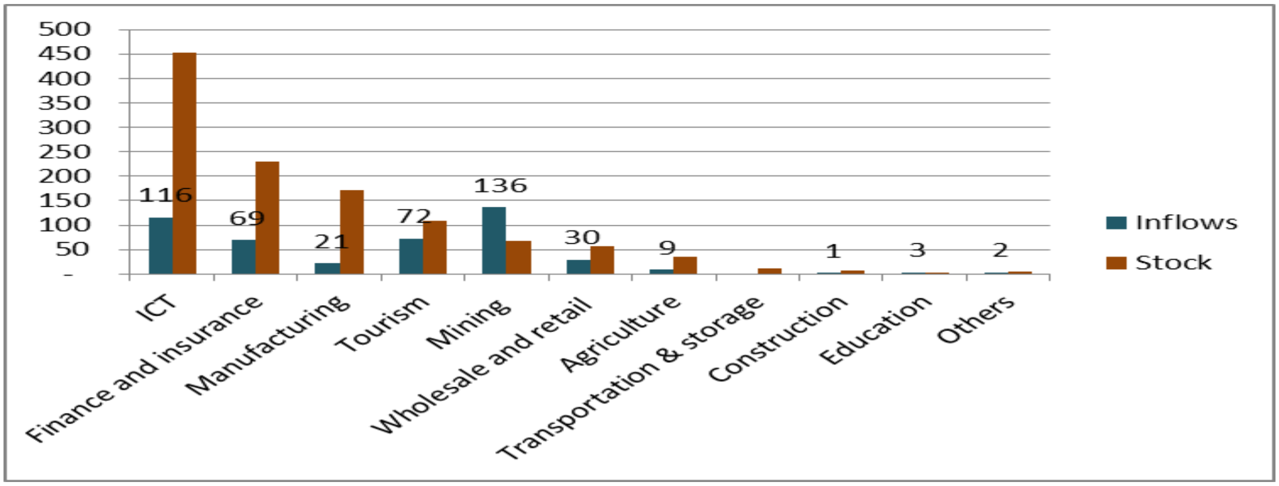
Components	2013	2014			
	Stock	**Inflows**	**Outflows**	**Net flows**	**Stock**
FDI	837.6	458.9	144.2	314.7	1,152.4
PORTFOLIO	89.4	5.6	-	5.6	94.9
OTHER INVESTMENT	477.1	96.3	68.7	27.6	504.7
TOTAL	1404.1	560.8	212.9	347.9	1,752.1

Source: *Foreign Private investment 2015*

3.2.1 Foreign Private Investment by sector of economic activity

Considering foreign inflows by recipient sectors, 28.7 percent of total FPC in 2014 was channeled to ICT, followed by mining with 24.4 percent, finance and insurance with 17 percent, and tourism with 12.8 percent, wholesale and retail trade 5.2% and other sectors with 11.9 percent. The stock of foreign investment in ICT accounted 35 percent with an amount of US$ 613 million followed by finance and insurance accounting 23 percent with US$ 411 million and manufacturing with 16 percent which is equivalent to US$ 277 million.

Figure3.4: Foreign Private Investment Inflows and Stocks by Sector (US$ million), in 2014.



Source: *Foreign Private investment 2015*

3.2.2 Foreign Private Investment by country of origin

Most of the flows were mainly from Mauritius (US$ 113.5 million) followed by Switzerland (US$ 106.2 million), United States of America (US$ 70 million) and Luxembourg (US$ 52.6 million) accounting for 61 percent of total FPC in 2014.

In terms of stocks, Mauritius, Kenya, South Africa, USA, Luxembourg, and Netherlands were leading accounting for 57.6 percent of the total stock. Mauritius is the largest investor as a host of many holding companies although the ultimate controlling companies are from different parts of the world. The census took into consideration only the immediate relationship (immediate investor). Beside countries of origin, loan from financial institutions such as Preferential Trade Area (PTA) and African Development Bank (ADB) were important with US$ 90 million in 2014. Sectors such as tourism, finance and insurance borrowed from these institutions.

Table 3.14: Inflows and Stocks by Origin in 2014 (US$ million)

Country	Inflows	% Share	Country	Stock	% Share
Mauritius	113.5	**20.2**	**Mauritius**	300.7	17.2
Switzerland	106.3	**18.9**	**Kenya**	172.1	9.8
US	70.0	**12.5**	**South Africa**	164.5	9.4
Luxembourg	52.6	**9.4**	**US**	148.6	8.5
IFC	45.0	**8.0**	**Luxembourg**	133.6	7.6
India	38.6	**6.9**	**Netherlands**	90.2	5.1
Kenya	28.3	**5.1**	**Preferential Trade Area (PTA)**	79.7	4.6
Canada	19.6	**3.5**	**United Kingdom**	70.8	4.0
Netherlands	17.5	**3.1**	**Libya**	60.0	3.4
Preferential Trade Area (PTA)	13.0	**2.3**	**India**	51.9	3.0
Others	56.3	**10.0**		479.9	27.4
Total	**561**	**100.0**		**1,752.05**	**100.0**

Source*: Foreign Private investment 2015*

With regard to foreign private capital stock by regional economic grouping, the European Union (EU) countries held the highest stock amounting to US$ 398.1 million (22.7 percent) up dominated by investments from Luxembourg and Netherlands mostly in finance & insurance and in telecommunication sectors respectively. COMESA (Non- EAC) held US$ 360.8 million (20.6

percent) dominated by investments from Mauritius while OECD-Non EU had US$ 234.8 million (13.5 percent) coming mostly from USA and Switzerland. EAC had US$ 217.5 million (12.4 percent) dominated by investments from Kenya and SADC (Non EAC & COMESA) with US$ 164.8 million (9.4 percent). Stock of investment from international and regional organizations such as ADB, PTA and IFC stood at US$ 230.0 million (13.1 percent). Asia accounted for US$ 86.3 million (4.9 percent). Other countries classified elsewhere had US$ 59 (3.4 Percent) million.

Table3. 15: Foreign Private Investment Stocks & Inflows by Region in 2014 (US$ million)

Region	Stock	Flows
OECD	398.1	88.7
OECD-Non EU	234.8	198.6
EAC	217.5	29.9
COMESA-(Non-EAC)	360.8	114.1
SADC-(Non EAC & COMESA)	164.8	4.9
Asia	86.3	43.2
Other	59.7	9.8
I.Org.	230.0	71.8
Total	**1,752.0**	**561.1**

Source: *Foreign Private investment 2015*

3.3. Foreign Direct Investment

3.3.1. Foreign Direct Investment inflows and stock

Foreign direct investments are made of three categories: equity capital which is new investment in a company, loan from affiliates or from shareholders and retained earnings. In 2014, the FDI inflows significantly increased by 78 percent, from USD 257.4 million in 2013 to USD458.9 million dominated by loans from shareholders of USD 311.8 million representing 67.9 percent, equity capital of USD 129.6 million accounting for 28.2 percent while retained earnings were USD17.5 million accounting for 3.8 percent. Both equity capital and borrowing from affiliates flows increased in 2014 by 74.7 percent and 115.9 percent, respectively compared to 2013, while retained earnings decreased by 60.4 percent from USD 44.2 million in 2013 to USD 17.5 million in 2014.

Table3.16: Inflows and Stocks of FDI by Type 2012-2014 (USD million)

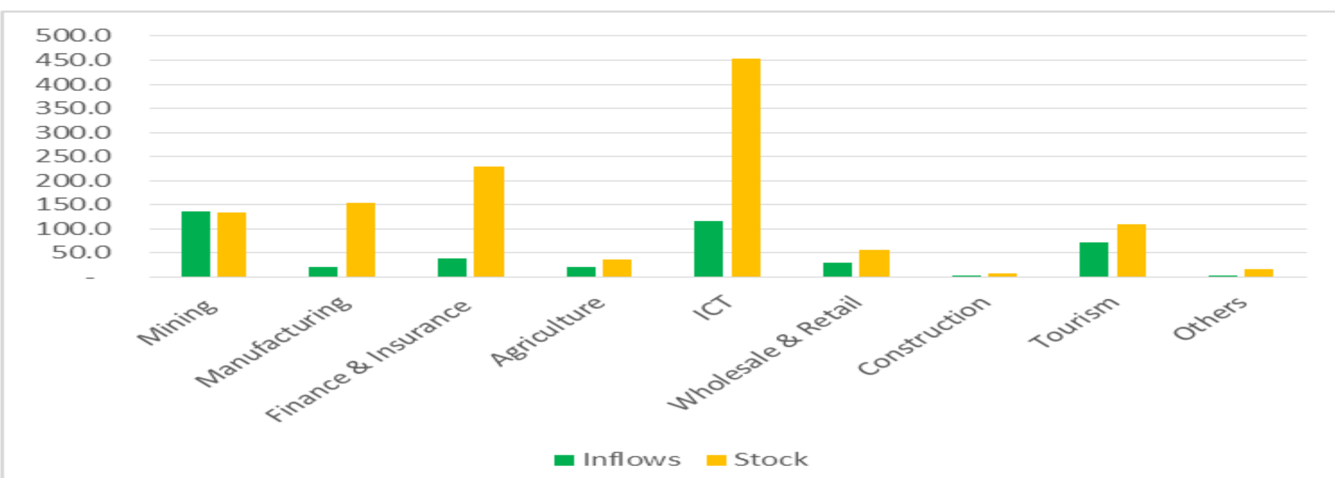
	2012		2013		2014	
FDI Components	**Inflows**	**Stock**	**Inflows**	**Stock**	**Inflows**	**Stock**
Equity capital	87.4	245.23	74.2	373.6	129.6	503.2
Loans	145.6	408.54	144.4	337.3	311.8	504.9
Retained earnings	22	61.73	44.2	126.67	17.5	144.2
Other changes	0	5.5	-5.4	0	0	0
Total	**119.1**	**495.1**	**257.4**	**715.5**	**458.9**	**1152.3**

Source: *Foreign Private investment 2015*

3.3.2 Foreign Direct Investment Inflows and Stock by sector

Top ten sector of activity accounted for 96 percent of all FDI inflows in 2014. Most of the Foreign Direct inflows went to mining with USD 136.2 million, ICT sector with USD 116.1 million, Tourism sector with USD 71.8 million, and Finance & Insurance sector with US$ 68.8 million. On stock stand point, ICT took the lead with USD 453.4 million, followed by finance and insurance (USD 229.6 million) and manufacturing (USD 172 million), that is 39.3 percent, 19.9 percent, and 14.9 percent, respectively.

Figure3.5: **Foreign Direct Investment Inflows and Stocks by Sector in 2014 (USD million)**



Source: *Foreign Private investment 2015*

3.3.3. Foreign Direct Investment Flows and Stocks by origin

By country of origin, Mauritius, Switzerland, US, Luxembourg and India were the major source of FDI inflows, totaling 81.6 percent of total inflows in 2014. Switzerland FDI stocks are less than the inflows in 2014 due to the inflow under form of short term trade credit and other accounts payables in mining sector mostly repayable in less than a year.

Table2.17: Top ten Foreign Direct Investment Flows and Stocks by origin in 2014 (USD million)

Country	Inflows	% Share	Country	Stock	% Share
Mauritius	113.5	24.7	Mauritius	296.0	25.7
Switzerland	101.1	22.0	South Africa	163.5	14.2
US	69.0	15.0	Luxembourg	125.6	10.9
Luxembourg	52.1	11.4	Kenya	101.7	8.8
India	38.6	8.4	US	86.0	7.5
Kenya	25.7	5.6	Netherlands	76.1	6.6
Netherlands	16.9	3.7	Libya	60.0	5.2
Malaysia	13.0	2.8	India	49.7	4.3
Italy and Vatican City	7.8	1.7	Nigeria	32.7	2.8
Nigeria	5.7	1.2	Malaysia	23.1	2.0
Others	15.4	3.4	Others	138.1	12.0
Total	**458.9**	**100.0**	**Total**	**1,152.4**	**100.0**

Source: *Foreign Private investment 2015*

3.4. Foreign Portfolio Investment

Portfolio investment which involves the purchase of stocks, bonds, commodities, or money market instruments by non-residents, remain the lowest component of foreign investment in Rwanda mainly due to the low level of financial market development. Its stock increased to US$ 95.0 million in 2014, accounting for only 5.4 percent from US$ 89.4 million in 2013 of the total liabilities stock.

Since the first listing on Rwanda Stock exchange in 2011 where we recorded a huge number of portfolio inflows, the following years the trade flows on RSE were low nearly at US$ 1.0 million. In 2014, we recorded US$ 5.6 million compared to US$1.7 million in 2013. This change mainly came from Rwandans who sold their stock shares to non-residents.

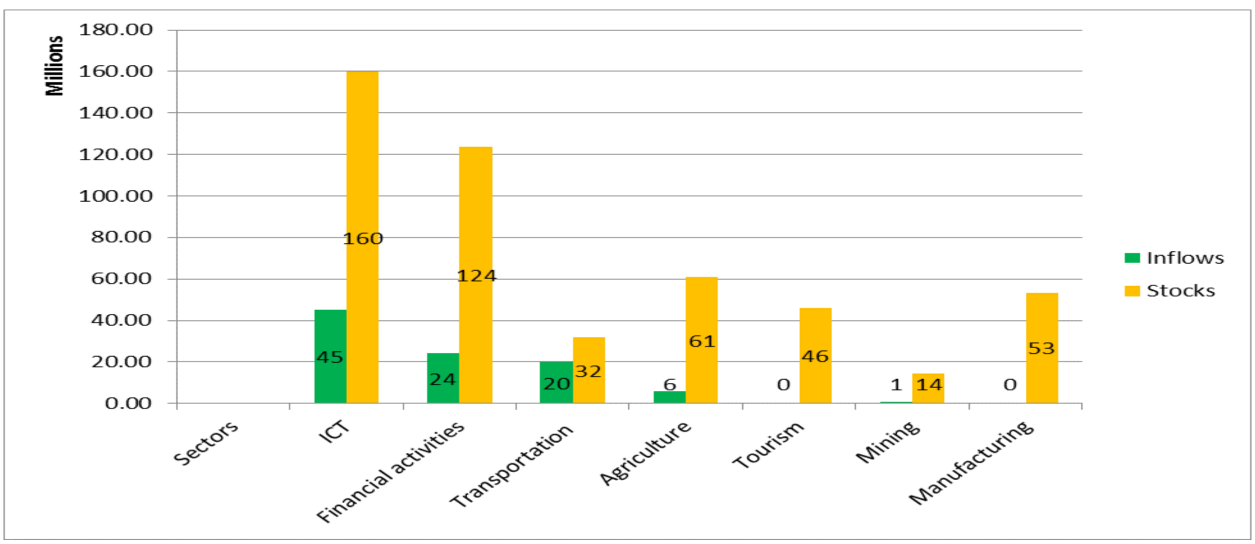
3.5. Other investments

Other investments accounting for 17.2 percent of the overall liability inflows and are made of long term and short term loans from unrelated sources. In 2014, a total of US$ 96.3 million of loans inflows were reported of which US$ 94.8 million (98.6 percent) were long term (equal or more than 1 year), and US$ 1.3 million (1.4 percent) short-term (less than one year).

3.5.1. Other investment inflows and stocks by Sector

The sectorial distribution of other foreign investment inflows in 2014 show that they were mainly concentrated in the ICT sector which received US$ 44.9 million. Financial activities came second with US$ 24.1 million followed by transportation with US$20.0 million. In terms of stock, ICT had US$ 159.9 million, followed by the finance and insurance had US$ 123.5 million, Agriculture US$ 60.7 million, manufacturing US$ 53.4 million and Tourism US$ 45.7 million. The decrease of inflows in mining sector was explained by the shift of trade credits to non-affiliates in 2014 to support of affiliated companies in 2014.

Figure3.6: **Other investments inflows and stocks by sector in 2014 (US$ million)**



Source: *Foreign Private investment 2015*

3.5.2. Other Investments Inflows and Stock by Source in 2013

In 2014, (IFC) was the major lender with disbursement of US$ 45.0 million, followed by Canada (US$ 18.1 million), and EABD (US$ 7.5 million). Inflows from East African Development Bank and European Investment Bank were US$ 7.5 million and US$ 6.4 million, respectively. In terms of stock, Germany was the major source, with US$ 67.2 followed by Preferential Trade Area (PTA) with US$ 61.6 million, and United Kingdom with US$56.7 million.

Table 3.18: Other Investments Inflows and Stock by Source (US$ million)

Country	Inflows	Stock
IFC	45.0	43.7
Canada	18.1	13.2
EABD	7.5	6.0
EIB	6.4	9.5
SWITZERLAND	5.1	18.7
FRANCE	3.6	20.8
NIGERIA	3.0	3.2
KENYA	2.6	14.3
SOUDAN	1.0	1.0
US	0.9	6.1
NETHERLANDS	0.5	12.7
Others	2.03	354.9
Total	**95.7**	**504.1**

Source: *Foreign Private investment 2015*

3.6. Income on investments

Since 2011, generally foreign private investments in Rwanda have been making profits and this is shown by the table 3.18. In 2014, the overall net profit amounted to US$ 46.5 million dropping from US$ 73.6 million in 2016. Out of the profit of US$ 46.5 million recorded in 2014, reinvested earnings were US$ 23.0 million, decreasing from US$ 44.2 million registered in 2013. The profit decreased in 2014 compared to 2013 due to newly registered companies in 2014, many start-ups in recent years and low profitability for existing companies. The major profits making sectors were finance and insurance specifically in banking sector, manufacturing and agriculture. The retained and reinvested earnings are net profit minus dividends declared. The ratio of dividends declared to net profit was 48.2 percent and the ratio of retained earnings to net profit was 49.5 percent. The reinvested earnings to net profit decreased by 48.2 percent in 2014 compared to the previous year. A big proportion of profits is retained at the rate of 49.5 percent in 2014.

Table 3.19: Income on investment (US$ million)

Item	Amount ($ m)				
	2010	2011	2012	2013	2014
Net Profit/Loss	-34	21.8	59.9	73.6	46.5
Dividends Declared	15.1	21	37.9	26.5	22.4
Dividends Paid	14.2	14.8	22.9	20.9	34.2
Valuation changes	-	(0.5)	-	2.8	1.0
Retained Earnings/Loss	-49.1	1.3	22	44.2	23.0

Source: *Foreign Private investment 2015*

3.6.1. Income on investment distribution by sector

The average retained earnings on investment in 2014 was 49.5 percent of total profit. The findings indicated that the more the sector makes the profit, the more it distributes and the more the sector makes profits, the more retained earnings as seen in table 3.19.

Table3.20: Income on investment distribution by sector in 2014 (US$ million)

Sector	Net Profit/ Loss	Dividends Declared	Dividends Paid	Retained Earnings
Administrative	0.1	-	-	0.1
Agriculture	1.8	0.6	0.6	1.1
Construction	1.5	-	-	1.5
Education	(0.5)	-	-	(0.5)
Financial	30.0	5.9	6.7	24.1
Manufacturing	23.7	7.4	11.4	12.4
Mining	(6.1)	-	-	(6.0)
Telecommunications	(3.7)	8.0	15.4	(12.6)
Other	(0.2)	0.4	-	3.0
Total	**46.5**	**22.4**	**34.2**	**23.0**

Source: *Foreign Private investment 2015*

In terms of profit made, ICT sector dominated with 64.6 percent and manufacturing followed with 50.9 percent of the total profit, sectors like mining, ICT and Education retained losses at the end of 2014. In the calculations, other changes in volume affected the retained earnings by US$ 1.0 million.

Dividends paid to foreign shareholders increased from US$ 20.9 million in 2013 to US$ 22.4 million in 2014. ICT sector held 35.7 percent of total declared dividends, followed by manufacturing with 33.0 percent.

3.7. Return on equity by sectors in 2014

Return on equity is the amount of net income returned as a percentage of shareholders equity. It measures company's profitability by revealing how much profit a company generates with the money shareholders have invested. Net income is for the full calendar year (before dividends paid to common stock holders but after dividends to preferred stock.). ROE is useful for comparing the profitability of a company to that of other firms in the same industry. In our case, we use it to calculate sector profitability. According to Aswath (2007), the ROE is calculated as follows:

$$\mathbf{ROE} = \frac{\boldsymbol{Net\ Profit}}{\boldsymbol{Average\ FDI\ Equity\ Stock}}\ \boldsymbol{X}\ \mathbf{100}$$

During the period under review, the overall return on equity attributable to foreign direct investments was 10.1 percent decreased from 16.1 % in 2013. This change is attributed to loss made in 2014 by newly registered companies, start –ups which have not reached the break-even point and low profitability for existing companies in 2014, mostly dominated by insurance companies.

The net profit is the net income of the year before dividends paid to common stock holders, whereas FDI Stock includes accumulated equity capital and accumulated retained earnings as presented in table 3.21.

The main objective of foreign investors in investing in foreign economies is to maximize their global profits. Firms invest abroad when the expected return exceeds the costs (Caves 1982).

Among other factors, the rate of return on investments positively affected FDI inflows in Sub Saharan Africa (Opolet et al 2008). In Rwanda, profitability of 10.1 percent continues to be higher than the world average return of 6.1 percent.

Table 3.21: FDI profitability 2014

Sectors	Average	Profit	ROE
Administrative and support service activities	0.7	0.1	20.1
Agriculture	14.6	1.8	12.0
Construction	4.8	1.5	30.5
Education	1.0	(0.5)	(0.5)
Electricity, gas, steam	0.2	0.0	19.4
Financial and insurance activities	110.8	30.0	27.1
ICT	160.0	(3.7)	(0.0)
Manufacturing	82.7	23.7	28.6
Mining	25.1	(6.1)	-
Other service activities	1.0	0.2	20.0
Tourism	20.6	(1.5)	(0.1)
Transportation and storage	6.9	(0.2)	(0.0)
Wholesale and retail trade	31.5	1.3	4.0
TOTAL	**460.1**	**46.5**	**10.1**

Source: *Foreign Private investment 2015*

Considering profitability per sector, construction sector came first with 30.5 percent followed by manufacturing with 25.5 percent and financial services activities come third with 22.9 percent. Education, ICT, mining, tourism, transportation and storage made losses in 2014. These are the most affected sectors due to their big numbers of start-up companies and the global economic environment that affect them.

3.8. Macro-economic analysis of census findings

Table 3.21 shows some key analytical ratios of foreign assets and liability flows and stocks. In terms of inflows, FDI became increasingly important as a source of investment funds as it stood at 22.1 percent of Gross Fixed Capital Formation (GFCF) in 2014. The ratio FDI/GFCF shows the contribution of FDI in country‘s financing of capital formation.

The importance of FDI to the economy is also shown by the increasing share of its stock to GDP of 14.6 percent in 2014. In 2014, the ratio of FDI inflows to GDP was 5.8 percent which grew by 47.5 percent from the previous year.

The share of PSED stock to GDP shows a similar increasing trend from 11.9 percent in 2013 to 11.9 percent in 2014. Its service to GDP rose from 15.3 percent in 2014 to 21.9 percent in 2014, due to increasing level of debt.

Table3.22: Selected indicators of FDI flows and stocks (percent)

Indicators	2013	2014
FDI Inflows/GFCF	16.7	22.1
FDI Inflows/GDP	3.9	5.8
FDI stock/GDP	12.8	14.6
PSED Stock/GDP	11.9	12.3
PSED Service / PSED Stock	15.3	21.9
Return on assets of non-residents	6.8	7.2
Return on equity of non-residents	16.1	10.1

Source: *Foreign Private investment 2015*

Using the world available data on FDI return on equity, in 2013 the rate of return on FDI in Rwanda compared to main economic regions was higher. The global rate of return on FDI was 6.8 percent, slowing from 7.6 percent in 2013.

While the global average rate of return on FDI for 2014 was 6.4 percent in average, this indicator reached 10.1 percent for Rwanda. According to the world investment report (2015). Rwanda is doing well in FDI profitability as shown in the table3.22.

Table3.23: Economic regional comparisons in FDI Return on Equity 2011-2014 (percent)

Years	2011	2012	2013	2014
Rwanda	19.5	20.6	16.1	10.1
World	6.9	7	6.1	6.4

Source: World Investment Report, 2014

3.9. Private Sector External Debt

Private Sector External Debt (PSED) is the amount of 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 owed to non-residents by private residents of an economy (IMF Debt Guide, 2009). Private sector external debt flows and stocks are made of borrowing from affiliates included in FDI and from non-affiliates included in other investments as well as debt securities.

3.9.1. Private Sector External Debt inflows 2014

Disbursements of the Private Sector External Debt (PSED) in 2014 increased to US$ 406.8 million from US$ 312.9 million in 2013, a growth of 30.0 percent. The intercompany debt inflows which are part of foreign direct investments totaled US$ 311.8 million from US$ 144.4 million in 2013. These flows come from affiliated companies or shareholders abroad.

Debt inflows from unrelated sources which are classified as other investments in financial account of Balance of payments were US$ 95.0 million, decreasing from US$ 168.4 million in 2013, equivalent to the decrease of 43.6 percent. This shows that foreign companies have resorted to intercompany loans instead of borrowing from banks in 2014. The debt from non-affiliates represents 23.4 percent of total debt from abroad in 2014. The private debt servicing repayment was US$ 212.9 million in 2014 of which 67.7% repaid to foreign affiliates.

Table3.24*: Private Sector External Debt flows 2012 – 2014 (US$ million)*

	Maturity	Disbursement		Repayment	
Type		**2013**	**2014**	**2013**	**2014**
AFFILIATES		**144.4**	**311.8**	**95.0**	**144.2**
	LT	130.2	**274.5**	90.5	**114.6**
	ST	14.2	**37.3**	4.5	**29.6**
NON AFFILIATES		**168.4**	**95.0**	**24.6**	**68.7**
	LT	153.6	**95.0**	13.5	**67.3**
	ST	14.8	-	-	**1.5**
TOTAL		**312.9**	**406.8**	**119.6**	**212.9**
Of which:	LT	283.8	369.4	104.0	181.8
	ST	29.0	37.3	15.6	31.1

Source: *Foreign Private investment 2015*

3.9.2. Private Sector External Debt stocks 2014

Private Sector External Debt (PSED) stock includes both long and short term borrowing from affiliates (FDI related borrowing) and non-affiliates (non-related entities abroad). Private sector external debts are largely in form of loans, trade credits, debt securities and other accounts payable. In this section, the stock of PSED is presented and analyzed according to type, maturity (long term (LT) and short term (ST)) and relationship. According to the census, the Private Sector External Debt (PSED) stock has been increasing since 2010, standing at US$ 973.4 million as at 31 December 2014 increasing by 24.8 percent compared to end 2013.

Table 3.25: **Private Sector External Debt stocks 2010-2014 (US$ million)**

Type		STOCKS	
		2013	**2014**
AFFILIATES		**337.3**	**505.0**
	LT	300.0	459.9
	ST	37.3	45.0
NON AFFILIATES		**442.4**	**468.7**
	LT	416.8	444.5
	ST	3.9	2.4
TOTAL		**779.7**	**973.6**
Of which:	LT	719.1	906.7
	ST	60.7	66.9

Source: *Foreign Private investment 2013*

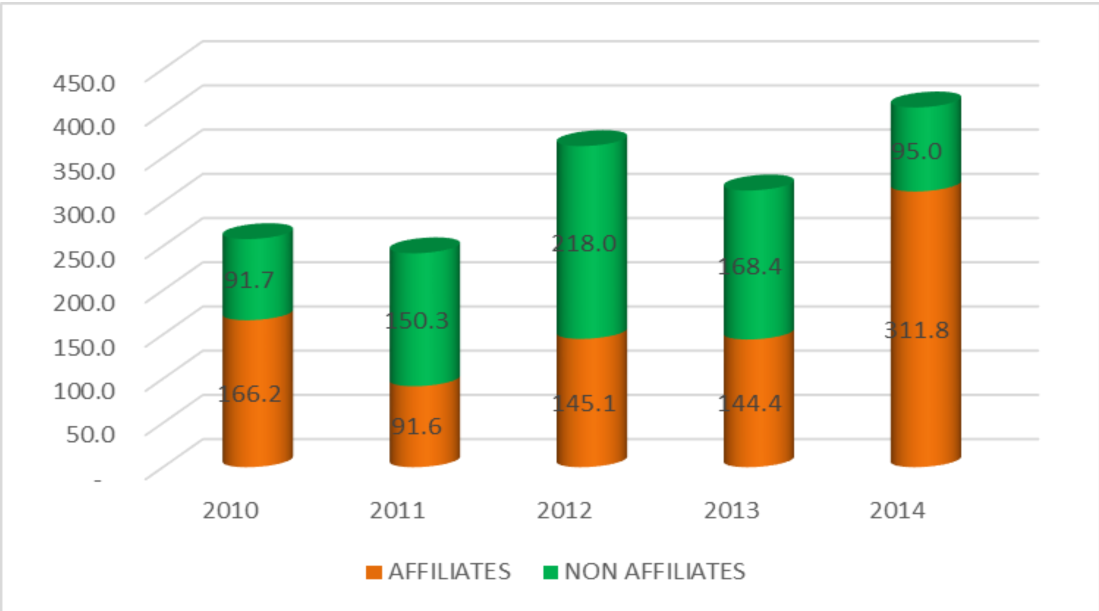
3.9.3 Private Sector External Debt Stock by Maturity and Type

In 2014, 93.1 percent of the stock of PSED were in form of long term borrowing while 6.9 percent was short term borrowing, same trend as in 2013 where 92.2 percent of stock of PSED was long term and 7.8 percent for short-term.

3.9.4 Private sector external debt inflows by creditor type

Globally, the inflows of PSED end of 2014 were largely from affiliates amounting to US$ 311.8 million, a proportion of 76.6 percent of the total PSED inflows. Debt from non-affiliates decreased to the level of the previous year at US$ 95.0 million from US$ 145.1 million in 2013.

Figure3.7: Private sector external debt inflows by relationships (US$ million)



Source: *Foreign Private investment 2015*

CHAPTER FOUR

CONCLUSION

Rwanda has continued to receive a significant amount of foreign private investments in recent years mostly in form of foreign direct investment and other investments (debts). Contrary to the global trend that shows decline in the foreign private investments in 2014, Rwanda foreign private sector inflows increased by 31.1 percent to US$ 560.8 million from US$ 427.7 million recorded in 2013, indicating increased attraction of foreign investments from abroad. The Rwandan FDI profitability of 10.1 percent expressed in rate of return on equity continues to be above the world average of 6.4 percent in 2014.

In 2014, foreign private capital inflows into Rwanda were dominated by foreign direct investment inflows (81.8 percent). The level of other investments inflows remained more or less the same as in 2013 at 17.2 percent. In terms of country of origin, most of the flows were mainly from Switzerland (US$ 96.0 million) followed by South Africa (US$ 45.5 million), Preferential Trade Area (US$ 44.6 million) and Canada (US$ 38.5 million) accounting for 52.5 percent of total FPC in 2013 and investing mostly in finance and insurance as well as in manufacturing sectors accounting to 53.0 percent of total inflows.

In addition, the retained earnings to profit made stood at 49.8 percent in 2014 and the FDI rate of return of 10.1 percent give an indication of increased investors' confidence and investment opportunities in the country. It is therefore recommended to continue with efforts to improve investment climate further so that investors can gain higher returns and reinvest. The measures being taken in the area of reducing cost of doing business are in line with the objective of encouraging new investments and re-investment of earnings need to be strengthened Also, the efforts need to aim at expanding investment opportunities and promote diversification.

The country needs to continue sustain the achievements registered in the attraction and retention of private investments. As way forward, 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 on priority investment issues. They also should be used in the Balance of Payments and International Investment Position to improve the country's external sector statistics.

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ANNEXES

Annex 1: Rwanda Working Group on Foreign Private Investment Monitoring and Analysis

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Annex 2: Foreign Private Capital Stock and Inflows by source in 2014 (US$ Million)

Source	Stock	Inflows
Austria	10.4	10.4
African Development Bank	17.6	14.5
Australia	3.9	0.3
Belgium	4.7	6.3
Botswana	0.8	0.8
Burundi	2.1	2.1
Canada	38.5	38.5
China (mainland only) People`s Republic of	5.9	5.9
Congo, Democratic Republic of	0.2	0.3
Cyprus	25.8	2.0
Denmark	0.0	0.1
Ethiopia	0.0	0.0
European Investment Bank (EIB)	5.1	6.0
Export Import Bank (EXIM)	21.6	-
France	9.8	19.7
Germany	47.7	3.8
Ghana	0.3	
Hong Kong	8.0	
India	13.7	3.1
International Freephone (UIFN)	9.5	
Israel	0.7	
Italy and Vatican City	2.2	0.3
Kenya	146.1	33.5
Lebanon	0.9	0.1
Libya	59.5	0.5
Luxembourg	81.7	0.1
Madagascar	0.0	
Malaysia	10.1	
Mauritius	212.7	32.1
Netherlands	74.6	10.8
Nigeria	27.0	4.0
Norway	2.0	0.1
Others	43.3	1.0
Panama	4.6	0.7
Preferential Trade Area (PTA)	70.5	44.6
Romania	0.0	
Senegal	0.1	

South Africa	162.6	45.5
Sudan	-	
Swaziland	0.7	0.7
Sweden	24.6	
Switzerland	38.1	96.0
Seychelles	2.9	3.0
Tanzania	22.0	12.0
Togo	15.7	1.1
Uganda	19.9	14.6
United Arab Emirates	8.3	0.3
United Kingdom	67.4	6.6
US	80.3	6.3
Total	**1,404.14**	**427.72**