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"ANALYSIS OF THE IMPACT OF NATIONAL INVESTMENT INCENTIVES ON THE FLOW OF FOREIGN DIRECT INVESTMENT IN RWANDA"

FROM 2008 TO 2012

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MAY GOD ABUNDANTLY BLESS EACH ONE OF YOU.

DEDICATION

In loving memory of my late parents, KAMBANDA Zacharie and MUKARUBAYIZA Xaverine and my late brother KAMBANDA Aimable.

You taught me real values of life and I strive to make you proud.

To my Beloved Husband Manzi RUTAYISIRE Antoine,

To my Lovely Daughter ILIZA MANZI Quessia,

To Baby Querren,

You are my inspiration and you give me strength to go on.

DECLARATION

I, **Alice KAMBAYIRE**, hereby declare that I am the sole author of this thesis: "Analysis of the impact of National Investment Incentives on the flow of Foreign Direct Investment in Rwanda- From 2008 to 2012." and it has not been presented for any other academic award or qualification, nor has any of the material been submitted wholly or partly for any other award.

Date: 9- April- 2013 **Signature:……………………………………………..**

CANDIDATE

Alice KAMBAYIRE

CERTIFICATE

I, **AMBROSE NZAMALU,** certify that the present work: “Analysis of the impact of National Investment Incentives on the flow of Foreign Direct Investment in Rwanda- From 2008 to 2012.” was done by Alice KAMBAYIRE under my guidance and supervision.

Date:………………………………… **Signature:………………………………………**

SUPERVISOR

Ambrose NZAMALU

ABSTRACT

Foreign Direct Investment is one crucial development strategy for a country like Rwanda. It attracts foreign capital, brings to the country international level technical, technological and resource expertise. In order to attract such capital, there is need to establish sound measures. Rwanda has put in place investment incentives and has done remarkable efforts in order to make the country the most preferable destination for foreign investors.

This research's main objective was to analyze the impact of national investment incentives on the foreign direct investment in Rwanda between 2008 and 2012.

Specific objectives were to find out which incentives have been more attractive to foreign investors, to find out if there are other factors that might have attracted foreign investors in Rwanda, to find out which sectors have attracted more FDIs in the country, to find out how foreign investors got the information about investment opportunities in Rwanda and to find out challenges they face and additional incentives they would like to suggest for a better investment climate.

The methodology used in this research was to collect primary data through questionnaire directed to foreign investors and secondary data through information got from the Rwanda Development Board and the National Institute for Statistics in Rwanda as well as books, reports, journals, articles related to this topic.

The study revealed that investment incentives such a tax exemptions on imported goods, incentives given to construction projects and investment allowance to investment offered to investments in rural areas and in priority sectors have a great positive impact on attracting Foreign Direct Investment in Rwanda when combined with other factors such as political stability, zero tolerance to corruption, good economic growth and business supportive government. Foreign businesses face some challenges too; among others, insufficiency and high cost of electricity, insufficiency of skilled human resource force and high cost of transport. Additional incentives such as offering preferential tariff rates on electricity and allow more expatriate staff in country were also proposed.

Several recommendations were made including revision of the incentives such as research and training expenses incentive, and revise the conditions for profits discount related to employment incentives and to improve advocacy and investment aftercare service offered to foreign businesses operating in the country.

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ABBREVIATIONS AND ACRONYMS

EAC	: East African Community
EU	: European Union
FDI	: Foreign Direct Investment
GATT	: General Agreement on Tariffs and Trade
ICT	: Information and Communication Technology
IMF	: International Monetary Fund
MNC	: Multi National Corporation
MNE	: Multi National Enterprise
NISR	: National Institute for Statistics of Rwanda
NAFTA	: North American Free Trade Agreement
PSF	: Private Sector Federation
RDB	: Rwanda Development Board
UNCTAD	: United Nations Conference on Trade and Development
WTO	: World Trade Organization

CHAPTER I. GENERAL INTRODUCTION

1.0. BACKGROUND AND CONTEXT

Foreign Direct Investment plays a key role in contributing to a country's economic development. It enables a country to access capital beyond national borders; it is a source of new technologies, products and skills. In developing countries, where internal investment is not sufficient, there is need for more investment than what's available internally. Therefore, foreign direct investment (FDI) permits additional capital inflows in a country and helps fill investment gaps.

Benefits of FDI are multiple; it has potential for job creation and boosting employment, once a company has physical presence in a country, the more local population it hires, the better for the host country.

Through FDI, foreign international level technology, technical and resource expertise are introduced in the host country, transferred and shared. Thus, the country is integrated into global economy and becomes globally competitive.

Morris,R. and Aziz,A. (2011) found that strategies to attract FDI differ depending on the geographic region in which a country is located in; openness to investment, it was also found that good infrastructure do not necessarily mean a high FDI inflow to the country.

On the other hand, some other important factors such as economic and political stability, host country government commitment was found to play a strong positive role in attracting FDIs.

It was also found that the "Ease of Doing Business" ratings were one of the strong indicators; that is, the more positive these ratings are for a given country, the higher chances it has in attracting FDI.

Musila,W. and Sigue S.P, (2006) revealed that in countries like Uganda, Lesotho, Mozambique and Tanzania FDI inflows were linked to a strong macroeconomic stability, a stable political system, a liberalized trade and privatization systems, as well as the establishment of highly proactive investment promotion agencies. In addition, incentives such as tax, fiscal were found to be important in attracting FDIs in those countries. They however argued that small market size in most African countries are a disadvantage on

FDI, thus they encourage regional integration, which automatically imply larger market sizes and a single operational investment area.

According to the World Investment Report, 2012, Africa received 42.7 Billion of USD of FDI Inflows in 2011, which is only 2.8% of the world FDI inflows.
The report also states that. In Africa, the East African region has not attracted many foreign investors due to lack of natural resources in the region, and shows that countries of the East African Community range between below USD 0.1 Billion and USD1.9 Billion of FDI Inflows. However, with the recent oil and gas discoveries in the parts of Uganda, Tanzania, Kenya and Rwanda there is likelihood that FDI would increase.

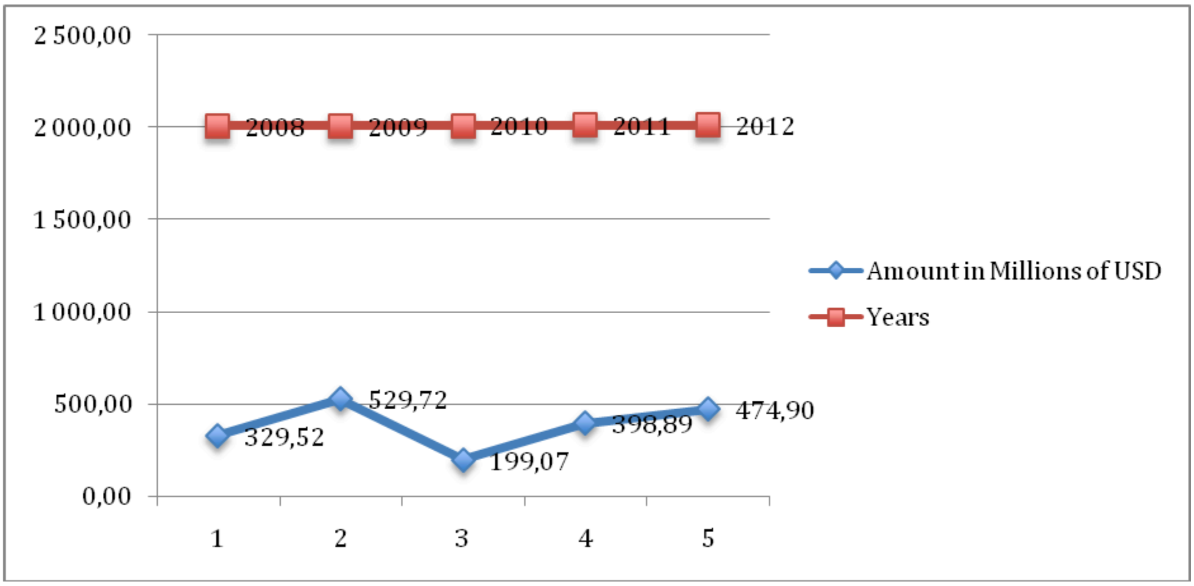
To make the region more economically developed and globally integrated and competitive, the East African Community was established with one of the priorities, to improve economic life of its citizen through promotion of investment. Hence, one of the East African Community's goals is to attract more FDIs in the region by positioning the whole region as a single unified market.
Rwanda as one of the East African Community member states is doing whatever possible to use its membership as a means of attracting FDIs.

The need for FDI in Rwanda

Rwanda is one of the poorest countries in the world; it is a landlocked country and densely populated; its economy mainly depends on agriculture and has few natural and mineral resources.
The 1994 genocide highly destroyed the economic situation that was already fragile. A significant number of the population was killed and others fled the country.
Over the last 19years, Rwanda has made strong efforts to put in place infrastructures and macroeconomic stability in order to drive the national economy forward to a better future. In order to achieve that objective, Rwanda is aware that there is need for private capital.
To enable the private sector to lead this growth requires ongoing macroeconomic stability, effective regulations and a supportive government committed to providing business opportunities. as well as an environment in which businesses can flourish.
The Private Sector Federation (PSF), the Rwanda Development Board (RDB), other government institutions and development partners are working hard to sustain this growth.

Although Rwanda has made tremendous efforts to attract new foreign businesses, by establishing different incentives such as opening a one stop investment services center in which foreign investors can get all services they need at the same place, and organizing national and international investment conferences among others; it is the last country that has attracted the least of FDI in 2011 before Burundi. According to the World Investment Report (2012), it is among the countries that get between $0.1 and 0.4 Billion of Inflow.

Figure 1.1: Rwanda FDI Inflows Statistics from 2008 to 2012



Source: National Institute of Statistics of Rwanda

1.1. PROBLEM STATEMENT

In 2005, the Rwandan government established an investment law with the purpose of attracting and promoting foreign investors. This law introduced various incentives: such as tax exemptions offered to investors who import goods; which are applied for example on machinery and raw materials, movable property and equipment belonging to a registered investor or expatriates working for a registered business, equipment in education field, ICT equipment, specialized vehicles, and building and finishing materials., medical and agricultural equipment, medicinal products, and hotel and tourism industry equipment. In addition, incentives on direct taxes on income were also put in place. For example, investment allowance depending on whether an investor's company operates in Kigali City or in rural areas, or if that investment is done in priority sectors as defined by the law; profit taxes discount depending on a number of nationals a company employs; exports earnings taxes discount and exemption from corporate income taxes in Microfinance institutions.

However, ever since these incentives were undertaken by the Rwandan government, there has not been many systematic studies to understand how they have influenced the foreign investors to choose to invest in Rwanda, thus necessitating the current study.

1.2. RESEARCH QUESTIONS

1.2.1. Major research question

The researcher major question states:
What has been the influence of investment incentives on FDI in flows in Rwanda between 2008 and 2012?

1.2.2. Specific Research Questions

It will be useful now to consider the following specific questions:

1. How did foreign investors got informed about investment opportunities in Rwanda?
2. Which sectors have received more of Foreign Direct Investment between 2008-2012?

3. What are the investment incentives that have been more effective in attracting Foreign Direct Investments?
4. Are there other factors besides the incentives that might have attracted Foreign Direct Investment in Rwanda?
5. What are other incentives that are proposed by investors?
6. What are the challenges that FDIs are facing in Rwanda?

1.3. KEY RESEARCH OBJECTIVES

1.3.1. General objective

The main objective of the research is to find out how have national investment incentives influenced Foreign Direct Investments in Rwanda between 2008 and 2012.

1.3.2. Specific objectives

1. To find out how did foreign investors know about investment opportunities in Rwanda.
2. To find out which sectors have received more FDIs between 2008 and 2012.
3. To find out which elements of incentives that have been more effective in attracting FDIs.
4. To find out if there are other factors, besides incentives that might have attracted foreign investors to invest in Rwanda.
5. To find out which additional incentives are proposed by investors in order to improve the investment climate in Rwanda.
6. To find out challenges that FDIs are facing in Rwanda.

1.4. RESEARCH METHODOLOGY

This study required both secondary and primary data. Secondary data was important in explaining the areas that have attracted more investments during from 2008 to 2012. In addition, primary data was sought so as to find out how did foreign investors got informed about investment opportunities in Rwanda, which elements of incentives that have been more effective in attracting FDIs, which are other factors that contribute to attract FDI in Rwanda, additional incentives proposed by the investor, and challenges faced by foreign businesses in Rwanda.

1.5. SCOPE OF THE STUDY

The study highlighted the impact of national investment incentives on foreign direct investment flow in Rwanda. This study covered the period between 2008 and 2012, and only businesses owned by foreigners were involved in this study.

1.6. RESEARCH SIGNIFICANCE

This study's findings will benefit the government of Rwanda especially the Rwanda Development Board in future revisions of investment strategies and policies
This study may also be a potential reference for future researches on Foreign Direct Investment in Rwanda.

1.7. STRUCTURE OF THE RESEARCH

This research is structured in five chapters: After the general introduction dealing with the problem statement, objectives, research questions, methodology, scope and organization of the research, the chapter two covers the literature review, with relevant findings from different authors on the subject. Research methodology is presented in chapter three discusses how the research was done, the methods and techniques of data collection, the population of the study and how findings were analyzed. Chapter four focuses on data analysis and interpretation and chapter five provides summary of findings, recommendations and conclusions.

CHAPTER II: LITERATURE REVIEW

In this chapter various previous studies that are linked to current work have been presented as well as definition of main concepts.

Foreign Direct Investment (FDI) is an investment made by individuals or business companies based in one country, in a profit making venture enterprise located in another country other than their own. The foreign investor exercises a certain degree of influence and a lasting interest and control over the provided capital in the foreign enterprise. UNCTAD (2007)

Kenneth, P.T. (2007) defined national investment incentives as strategies that are put in place by a country in order to attract a new investment or to retain an operating one.

These measures are in form of tax exemptions, various advantages offered to investors in order for them to be encouraged or stimulated to open their business in a specific area.

Goodspeed, T., et al. (2010), in a comparative study on public policy and FDI between developing and developed countries, found that investor making direct investments has a potential of influencing and control over the company into which the investment is made in the host country. They also mentioned that open economies with skilled workforces tend to attract larger amounts of foreign direct investment than closed and highly regulated economies.

In addition, many scholars have conducted studies related to FDI depending on the country of their origin.

For example, Asiedu, E. (2001) found that the laws to attract FDI are not the same in different countries across the world.

By comparing the FDI flows into developing countries particularly in Sub-Saharan Africa, it was revealed that factors such as return on capital and better infrastructure have a positively remarkable impact on FDI in developing countries, while they had no significant effect in other African countries. Similarly, greater openness to trade had a greater impact on FDI into developing economies than it did in other African countries.

Zanatta,M.; and Queiroz, S. (2007) investigated the role of national policies on the attraction and promotion of multinational companies in their research and development (MNEs' R&D) activities in developing countries. It was found that for developing countries to attract Foreign Direct Investments (FDI) in the country they should put in place policies which liberalizes FDI entrance conditions, policies which attractinvestments in general in the sense that it could easily portray the welcoming nature and/or attracting specific types of investments, such as those of research and development. Holistically, they looked at two main categories whereby FDI may be directly making an impact and these are the import and the export sectors. They argued that at import of equipment, machineries, installation facilities and skilled labors contribute to increased import balance. They also argued that FDI companies have high propensities to import capital and intermediate goods and services that are not readily available in the host country

Šimelytė, A. (2012) ventured in the same field of study by looking at the role of investment promotion in attracting FDI. It was found that, investment promotion has a strong effect on FDI on condition that investment promotion is introduced in full. In the study, four main reasons, which explain why foreign capital moves from one country to another were suggested namely; resource-seeking, market-seeking, efficiency seeking and capital seeking.

Likewise, Büthe,T. and Milner, V. (2008) conducted a study that was based on increasing FDI through international trade agreements. They found out that, international trade agreements—GATT/WTO and preferential trade agreements (PTAs) provide mechanisms for making commitments to investors about the management of their resources, thus reassuring investors and increasing investment. Their argument is therefore not far from the reason for integration in East African Countries which brings together five nation under one roof. One of the outstanding picture which an investor can capture while looking at the EAC as a block for instance is the huge market. This goes in line with the findings of Šimelytė, A. (2012) that investors seek for resources, market, efficiency and capital.

Hailu, Z,A., (2010) also studied FDI effect on trade of African countries. He had the view that the point that Multi-National Enterprises (MNEs) in Sub-Saharan Africa (SSA) are not just export-oriented but also import dependent.

According to him, for a country to save on the scarce foreign reserve, investment policy makers in those countries should direct MNEs towards those areas involving further export promotion, import substitution and local factor intensive investments.

Furthermore, the study conducted by Okeahalam, C. and Dowdeswell, M. (2008) pointed out that foreign direct investment tends to flow to areas with growing markets, political and economic stability, availability of natural resources, and relatively high-factor productivity. Analysis of the significance of these factors is usually carried out with the use of country-level data.

Ruggiero, R. (1996) mentioned that FDI and international trade are both important strategies for economic globalization. He found out that FDI is an important way of technical know how and capital transfer and an effective way to create wealth. FDI would be a mechanism to unlock the potential existing production in emerging economies but also create new markets for the newly created products from the developed economies. He also indicated key issues in investment policy that are a point of (WTO) rules on handling the foreign companies within a country such as to do with trade in services or intellectual property rights protection.
This author again asserted the importance of international agreements in improving bilateral investment treaties.
He also recommended to the growing number of economic organizations such as the EU to increase efforts to enforce agreements for an international FDI movement.

Haddad, M.and Harrison, A., (1993) asserted that, FDI inflows might unlock exports of products from the host country by using locally made raw materials and export to investor’s country of origin.
That is to mean that a foreign company which establishes its manufacturing company in Rwanda would also wish to export its products to other countries and therefore the first alternative is the country of origin whereby perhaps there might be a ready market.

On the other hand, a study conducted by Ndikubwimana, A. (2007) on foreign direct investment effect in developing countries using a case study of tea industry in Rwanda confirmed that Rwanda has not attracted large amount of foreign direct investment at any time since independence.

He affirmed that due to lack of FDI in the country, very little infrastructure and industrial envelopment were being done by the colonial powers before. The small size of economy, large population living in the rural settings, low level of human capital, poor quality of infrastructure and landlocked position, high operating costs and limited natural resources are the indicators that Rwanda lacks the main drivers of foreign investment. . He went on and pointed out a number of factors which he believes need to be taken in order to reverse the situation. To start with, should come up in a forefront to sell their policies and advertise their willingness interests of welcoming FDI to investors in the country. Secondly, he pointed out that the government should intervene to reduce the high operational costs, promote education in order to increase the number of skilled labor, implement the EAC policy in order to increase the market, which can attract FDI.

He also argues that Rwanda should realize that competition is not based on the region but on the global arena whereby big countries have over the time dominated with more sophisticated technology. Failure to even attempt to show that you can offer them competition even in things like tea, coffee, horticulture mining and others provides another dimension of limitation of playing handicap even in attracting small regionally-oriented investors. Therefore, Rwanda should have to attain at least regional standards in regional market access, improved land transport, connectivity of utilities such as electricity and clean water, ICT infrastructure, skilled labor and human capital.

Tembe ,P.E.and Xu, K. (2012) did a comparative study between Mozambique and China on determinants and policies for attracting FDI in emerging countries..

They argued that, unlike China, Mozambique introduced an Economic Recovery Program (ERP) supported by the IMF in 1987, which eventually failed because there were no such defined special zones and areas to develop economy in a long run and the investments were mainly allocated in primary industries.

They asserted that, the market size, that is how big is the market, is one of the most important determinants of foreign direct investment as well as the level on which the host country's economy is growing.

Normally, countries with big market can grow quickly from an economic point of view and it is concluded that the investors would be able to make the most of their investments in those countries.

Contributions in other places which have attracted more FDI are however significant.

According to Lipsey, R. and Sjoholm,F. (2004), foreign investment firms may possess some technology superior to that of the host country firms leading to higher quality goods and services production in low prices and in greater volumes than previously available resulting in high consumer welfare. They also argued that inward investment adds to the host country capital stock and thereby raising output level. Additionally, inward investment comes along with different technology in which at the long run, local firms will have to adopt. This is seen as a progressive approach towards development. Nevertheless, it also touches the social-economic aspect of the society. They again pointed out three distinct benefits, which a host country may obtain from FDI namely wage spillover and productivity spillover. A foreign company that operates within the host company may offer higher salary or wage to domestic labor and therefore spill over to other domestic firms increase their payment to employees or they may risk losing them. It also provides a competition to the local owned firms in terms of productivity.

Gries,T. (2002) mentioned that most of the nations that have opened their doors for FDI like China and India view it as a major stimulus to economic growth. It was opined that foreign investors can provide the capital, technical and marketing know-how needed for growth.

Musila, J.W. and Sigue, S.P.;(2006) pointed out that FDI is seen not to aid but to facilitate the process of development. They argue that FDI can have adverse effects on employment, income distribution, and national sovereignty and autonomy. FDI can also have adverse balance-of-payments if inputs need to be imported.

Finel, B. and Lord, K. (1999, 2000) asserted that transparent policies, whether public or private, are more advantageous in attracting FDI in to a country. They pointed out that transparency facilitates the decision making process of businesses by alleviating problems pertaining inadequacy of information, uncertainty in the market or lack of accountability. It is also a major tool in fighting corruption and bribery. However, lack of transparency imposes transaction costs on the conduct of business. Any additional information that is pertinent for making an investment decision will have to be secured at extra time and cost. Finally, transparent policies facilitate cross-border mergers and acquisitions.

Not only that, but also Drabek, Z. and Payne W., (2001), opined that transparency, particularly in the public sector, also implies outside access to the ways in which the decisions are in any organizational setting are made and implemented.

They mentioned that lack of transparency can lead to increase in risk and uncertainty due to vices such as corrupted government institutions that rely on corruption and bribery, inefficient economic strategies and absence of sound protection measures. They also indicated that the less corrupted is a country the more FDI it attracts which results into better economic and social situation of a country.

Another study by Moon, H. (2011) revealed that the presence of inward and outward FDI stabilizes economic growth of a host country in times of financial crisis. He pointed out those countries that had higher levels of FDI before the hit of recent global financial crisis experienced a small shake in their economy and thereafter have continuously accounted more gradual recovery. This stabilizing effect, however, is found to be more robust for FDI-stock than for FDI-flow.
From the host country perspective, the international transfer of a Multinational Corporations (MNC's) presents advantages and their subsequent combination with complementary resources in the particular location to create new capabilities to a process that brings both short and long benefits to the host country's economy.
He also indicated that FDI facilitates upgrading of the host country's factors of production resulting from the MNC' transfer of non-financial, ownership-specific intangible assets to the location, such as advanced production methods, marketing know-how, superior management skills, and new organizational form, among others.

According to Verma,R. and Brennan, L. (2009) global economic crisis contributed to the shifting of the FDI to emerging markets such as China and India due to high risk in many developing markets, the benefits of advanced institutions and infrastructure, and a superior overall business environment in developed countries which have tended to outweigh the attractions of greater market dynamism and lower costs in emerging markets.
However, globalization and increasing competitive pressure on companies have increased the opportunity cost of not investing in emerged markets. China and India is now rated first and second respectively in attracting a large amount of foreign direct investment (FDI) in recent years.

According to Gilmore A., et al (2001,2002), various factors that affect FDI include search for new markets, raw materials and diversification of business. They also mentioned that absence of trade barriers may attract FDI plus effective transport system. However increase technology intensity within the firm is also thought to encourage FDI. That is why China is at the lead in technology advancement and also FDI attraction in the world. According to the study, whenever a country is capable of attracting more FDI, the end results will be seen in terms of increased job creation, build up capital, technology advancement, and improved management techniques.

According to the study conducted by Liu, K., et al. (2012), China's manufacturing industry has made outstanding progress and has became the world's largest producer of more than 100 products, including textiles, apparel, sheet glasses, fertilizer, refrigerators and television. They also added that FDI has provided China with the access to new technology, capital, research & development facilities and management skills as the country has become a favored host location for manufacturing activities which in turn contributes positively to China's economic development.

In the same study, they also categorized the products in to two main groups namely the high-tech and the low-tech managed products. They mentioned that China has worked hard to attract FDI in high-tech manufacturing industry rather than traditional low-tech manufacturing industries. In the high-tech manufacturing category, they categorized some products such as pharmaceuticals; medicinal chemicals and botanical products; office, accounting and computing machinery chemicals; chemical products and fibres, as some of the main products produced under this category. However, they mentioned the low-tech products such as the manufacture of footwear; paper and paper product; drinks etc. as some of the products under this category.

Long, G. (2003), found out that since 1993, China has been rated as the biggest developing host country in the world because it had implemented various policies such as joint venture cooperation with other enterprises, solely foreign owned enterprise which are only permitted after they adopt advance technology and equipment or export a majority of the products. In 2001, China removed those restrictions and encouraged foreign-owned enterprises to usher in advance technology and has replaced the joined ventures. They have also designed a certain part of the country as special economic areas and each is governed by different policies.

Another study conducted by GalaÂn, J. I. and GonzaÂlez-B. J. (2001) pointed out three factors which combine together to attract FDI, namely the ownership advantages which are basically specific to the company and are related to the accumulation of intangible assets, technological capacities or product innovations; the internalization advantages which stem from the capacity of the firm to manage and co-ordinate activities internally in the value added chain; and the location advantages which refer to the institutional and productive factors which are present in a particular geographic area. These arise when it is better to combine products manufactured in the home country with irremovable factors and intermediate products of another location.

Torfinn, H. and Beata, S. J. (2011) stated that a number of factors help to attract FDI inflows like investment promotion conferences and road shows, inviting potential investors to meet local partners in the same field, proposals, studies, facilitation in some cumbersome tasks such as to get work and residence permits to those already operational, and many other promotion tactics as some of the factor which attracts FDI inflows.
The study also indicated that there are four areas by which promotion activities can be grouped: promotion based on building the national image; promotion based on improving investment generation; promotion based on improving investor servicing; and the one highlighting the policy advocacy.

According to the study, activities based on image building focus on showcasing the country as an ideal place for FDI.
However, the investment promotion is more focused on searching and identifying investors and developing strategies to pursue them to commit to investment projects.

The study expounded that promoting investors also involves assisting them through the process of potential business analysis and facilitating the obtainment of necessary documents related to permits and approvals.
The fourth area of policy advocacy involves promoting a pro-investment climate and liaising with the private sector to determine their opinions.
Investment promotion practitioners believe that the best way to attract FDI is to focus on priority sectors, which target to promote few sectors, rather than attempt to attract all types of foreign investors.

Charlton, A., and Davis, N., (2007) found out that investors gain benefits related to cost reduction in gathering information about potential location through investment promotion and marketing.

They added that information plays an important role in markets for investment capital whose main function is to assess the potential returns and monitor the potential performance. They continued to mention that the investment promotion campaigns, which disseminate information about location conditions, may be one of the conditions of improving information regarding the markets.

The second role of investment promotion, which the authors cited, was the benefit of coordinating foreign and domestic business activities. Thirdly, they pointed out that investment promotion may have direct effect on the profitability of investment through financial of fiscal incentives such as grants, tax breaks, subsidies and many other financial and fiscal tools applicable within the host country.

According to Wu, J., et al. (2012) there are three types of government models in which investors consider while seeking a place to invest namely rule-based model which is characterized with strong public rule, relation-based characterized with weak rule of law and strong informal network and thirdly the family-based which is characterized by lack of both public rule and informal network. They pointed out that the rule-based type of government is the one with strong legal infrastructure, including a law-making body, a court system, and a credible and powerful enforcement arm which makes it more conducive to trade and prosperity because it reduces the marginal transaction costs per exchange and promotes impersonal exchange.

They cited a good example of United States as one of the rule-based governance society in existence and explained that United States has a three-branch rule-making, rule-adjudication, and rule-enforcement government. Because of these conditions, citizens and organizations in the society rely predominantly on public ordering in governing transactions. This is seen by the investors as a free and fare place to do business.

In contrast with the example of United States, the study used an example of Thailand to demonstrate the existence of relation-based model of governance. They pointed out that in Thailand, there exists a class of powerful businessmen called “chao pho,” or godfather who controls the way of doing business. Public rules including laws, government policies, and government regulations are less fair; there are no checks and balances between separate legislative, judiciary, and executive arms of government; courts and judges are controlled by a ruler or small elite and therefore subject to bias in ruling; the public information is controlled by the state and is not trustworthy. The study asserted that in order to survive in such environment of relation-based society there should be closely knit informal networks which people tend to use these personal networks to protect themselves and to settle disputes. Subsequently this environment is more restrictive for trade, and can diminish the potential prosperity of attracting FDIs in the country.

Lastly, in a family-based environment, they described the governance type referring to societies in which both effective public ordering and extensive informal network are lacking. They have a low level of generalized trust and also a low level of particularized trust. People and firms predominantly resort to family members (nuclear particularized trust) to protect their interests in social and economic exchanges. The study used an example of Philippines under the administration of former President Ferdinand Marcos citing that many industries were controlled by either Marcos himself, or his close friends or family members hence it was very difficult for outsiders to enter this circle or do business with circle insiders. According to these authors, these three examples gives a perfect picture on what an investor considers in seeking for an investment's destination.

Zakari, A. et al (2012) have done a research on Nigeria, one of the countries that attract more foreign businesses in Africa, above $3 Billion according to the World Investment Report, 2012. To be on that level, Nigeria has done a lot, they have created an active Investment promotion agency whose role is to provide facilitation to foreign businesses and to create a business friendly environment in Nigeria.

Abeson,F. and Taku,M. (2007) as cited by Zakari et al (2012), found that the strong government interference through the Nigerian Investment Promotion Commission caused some foreign businesses to pull out their investments.

It was also found that non-discriminatory practices and economic openness of a country are important factors that attract foreign businesses (Zakari et al (2012).

Nunnenkamp, P. (2002) has noticed determinants of FDI in developing countries to be mostly economic and political stability, the market size, availability of raw materials and skilled and cheap labor, rules and regulations regarding foreign investment operations, business facilitations and incentives.

Furthermore, Angualia,D., (2009) revealed some strategies applied by Uganda and Tanzania to attract FDIs which include: maintenance of a stable economic situation, protection of foreign investments, fiscal and tax incentives, tax holidays etc. It was also found that, some EAC countries such as Uganda has established a number of restrictions over foreign investments; for example no foreign investor is allowed to do business in crop production, animal husbandry sectors, neither are they allowed to lease or buy land for that purpose.

All these previous studies therefore, form the foundation for this research's objective, which is to find out the effectiveness of national investment incentives in attracting FDIs flows in Rwanda.

CHAPTER III: RESEARCH DESIGN AND METHODOLOGY

This study involved the collection of both secondary and primary data. The secondary data was important in explaining the areas that have attracted more investments during the 2008-2012 period as response to the second objective, which aims at understanding the sector(s) that received more FDIs. In addition, primary data was collected in response to the first, third, fourth, fifth and sixth objectives.

3.1. Instrument Development

A questionnaire was formulated according to the study objectives.

Concerning the source of information, respondents were provided with options of the sources.

Regarding the sectors that have attracted more FDIs from 2008 to 2012, secondary data from the RDB was used.

Regarding the third objective about effectiveness of incentives, it was operationalized by asking the respondents to indicate the degree of attractiveness of each incentive.

This was measured on a three Likert scale by asking respondents to indicate if an incentive was very attractive, attractive, or not attractive. The list of incentives was provided by the Rwanda Development Board.

The fourth objective was about additional factors that may have attracted them apart from incentives. This was operationalized by asking respondents to state if there was other factors besides the official incentives that attracted them to invest in Rwanda.

Also, respondents were asked to state other incentives that they would propose to be added as additional official incentives.

Lastly, respondents were also asked to explain the challenges they are facing ever since they started operating in Rwanda.

3.2. Target Population

The target population of this study was all foreign businesses, operating in Rwanda, since 2008 to 2012. The total population was 151 foreign businesses.

A list of companies according to the year they came in Rwanda, with their geographical address was obtained from the Rwanda Development Board (RDB)

3.3. Sampling Technique

For better representation in the study, sampling was done on yearly basis. Since the population size in each year was not big, simple random sampling was used to select the respondents.

First, RDB provided the names of companies in each year.

The names of all those companies were written on pieces of papers after which they were put in a basket.

Then, a piece of paper would be picked, the name of the company recorded, shake the basket and again pick another piece of paper, record the company name until the desired number of respondents was reached.

After reaching the desired number of respondents, questionnaires were designed according to different objectives of this research. Thereafter, managing directors, or designated representatives of the companies were approached to provide the needed information.

3.4. Sample Size

The sample size was set at 14 companies each year from 2008 to 2012; which makes a total 70 companies.

Such sample size was decided so as to have sufficient time for data collection.

Thus, in 2012, out of 74 companies, 14 were selected; whereas in 2011 all companies were included in the sample because they were 14 only. In 2010, 14 companies were selected out of 23, in 2009, 14 companies were selected from 25 whereas in 2008, 14 companies were selected form 18.

Table 3.1. List of Respondents

NO	COMPANY	SECTOR OF OPERATION	YEAR OF ESTABLISHMENT
1	EAST AFRICA SEED COMPANY	Agriculture, forestry and fishing	2012
2	WOLFRAM M & P LTD/MUSHA	Mining	2012
3	AKAGERA PARK MANAGEMENT LTD	Tourism	2010

NO	COMPANY	SECTOR OF OPERATION	YEAR OF ESTABLISHMENT
4	BAMBOO RESTAURANT AND HOTEL LTD	Hotels and Restaurants	2012
5	ABERDEEN HOUSE LTD	Hotels and Restaurants	2012
6	VIA VENETO LTD	Hotels and Restaurants	2012
7	RENT-A-TOOL LTD	Other services	2011
8	EQUITY BANK RWANDA LTD	Financial Services	2011
9	KCB	Financial Services	2008
10	NEW CENTURY DVPT: Construction LTD	Construction	2011
11	EXECUTIVE INVESTMENTS LTD/CIVIL CONTRACTORS	Construction	2011
12	CHINA STAR CONSTRUCTION CO.LTD	Construction	2011
13	SOCABELEC-RWANDA	Construction	2010
14	PIVOTEC COMPANY LTD	Construction	2009
15	LEE GONG INTERNATIONAL LTD	Construction	2008
16	BOMANITE	Construction	2009
17	MT KENYA UNIVERSITY	Education	2010
18	HUGO'S INTERNATIONAL SCHOOL	Education	2010
19	SAG RWANDA	Construction	2009
20	SALON DES QUILLES	Services	2010
21	ENGEN RWANDA LTD	Energy	2010
22	TRACTAFRIC GRANDS LACS LTD	Other services	2010
23	VICTORIA MOTORS	Other services	2009
24	TOURISM PROMOTION SERVICES-SERENA EXPANSION	Hotels and Restaurants	2010

No	COMPANY	SECTOR OF OPERATION	YEAR OF ESTABLISHMENT
25	ORBIT HEALTH CARE SERVICES LTD	Health	2012
26	PAYODA AFRICA LTD	ICT	2012
27	NATION HOLDINGS LTD	ICT	2011
28	HUAWEI TECHNOLOGIES RWANDA	ICT	2008
29	BAKRESA GRAIN MILLING RWANDA ltd	Manufacturing	2009
30	RWANDA TRADING COMPANY	Manufacturing	2010
31	CHINA STAR CONSTRUCTION/ALUMINIUM MANUFACTURING PLANT	Manufacturing	2012
32	SRB INVESTMENTS (RWANDA) PLC LTD	Manufacturing	2011
33	MARINO MANUFACTURING LTD	Manufacturing	2010
34	TOLIRWA S.A(TUBES+PIPES LINE)	Manufacturing	2010
35	ATLAS WINDOWS	Manufacturing	2010
36	FLEXI FOAMS LTD	Manufacturing	2010
37	Castavo Rwanda	Manufacturing	2009
38	ROTO SARL	Manufacturing	2009
39	ORGANIC SOLUTIONS LTD	Manufacturing	2008
40	RWANDA TOOTHPASTE COMPANY LIMITED	Manufacturing	2008
41	STARBUCKS FARMERS SUPPORT CENTER	Manufacturing	2008
42	RWANDA HONEY LTD	Manufacturing	2012
43	FENLY LTD	Manufacturing	2011

NO	COMPANY	SECTOR OF OPERATION	YEAR OF ESTABLISHMENT
44	RWANDA MINING ASSOCIATED	Mining	2009
45	SOTRACO	Mining	2008
46	GATUMBA MINING CONCESSIONS LTD	Mining	2012
47	MINOR METALS MINING COMPANY LTD	Mining	2012
48	RWANDA ALLIED PARTNERS LTD	Mining	2011
49	HUNTER PROFILE LTD	Other services	2010
50	AROMA'S COFFEE LTD	Hotels and Restaurants	2009
51	KHANA KHAZANA Restaurant	Hotels and Restaurants	2009
52	BROTHERS CHINESE RESTAURANT	Hotels and Restaurants	2009
53	ROYAL GARDEN RESTAURANT	Hotels and Restaurants	2009
54	NAKUMATT RWANDA	Services	2008
55	SIMBA SUPER MARKET	Services	2008
56	DEACONS RWANDA LTD	Services	2011
57	TIGO RWANDA	ICT	2009
58	AIRTEL RWANDA LTD	ICT	2011
59	DUBAI WORLD RWANDA/GORILLA NEST LODGE	Hotels and Restaurants	2008
60	PREMIER MEDICAL RWANDA LTD	Manufacturing	2012
61	MULINDI FACTORY COMPANY LTD	Manufacturing	2012
62	RUTONGO MINES LTD	Mining	2009
63	TRANSAFRICA	Mining	2008
64	JKK INTERNATIONAL (AFRICA) LTD	Manufacturing	2011
65	RWANDA RUDNIKI	Mining	2008

NO	COMPANY	SECTOR OF OPERATION	YEAR OF ESTABLISHMENT
66	INZU LODGE LTD	Hotels and Restaurants	2011
67	DUBAI WORLD RWANDA/NYUNGWE LODGE LTD	Hotels and Restaurants	2008
68	SHAGASHA FACTORY COMPANY LTD	Manufacturing	2012
69	GISOVU TEA COMPANY LTD	Manufacturing	2011
70	KIVU GOLD RWANDA	Mining	2008

Source: Rwanda Development Board

3.5. Data Collection Techniques

For Secondary data, we used documents that belonged to the former Rwanda Investment Promotion Agency while the recent data was obtained from the Rwanda Development Board.
In the case of primary data, respondents were asked to indicate which incentives attracted them by indicating these incentives from the provided list. The order of attractiveness would indicate the level of effectiveness of each incentive in attracting FDI to the investor. Thus 1 would indicate that the element was very attractive, 2 attractive and 3 not attractive.

For the fifth and sixth objectives, open questions were asked so to understand what were other incentives or facilitations that foreign businesses would like the government to put in place and also, what are the challenges that are faced by foreign businesses in Rwanda.

3.6. Data Analysis

After collection of the questionnaires from different respondents, responses were gathered from questionnaires and tables and figures were used for interpretation purposes.

3.7. Limitation of this research

Doing this research, we encountered some limitations; we had some difficulty to find some of the investors' information we were looking for especially the geographical location of some foreign businesses that opened up before 2009.

This was resolved by looking for needed addresses in the Private Sector Federation that has these companies as members.

CHAPTER IV: DATA ANALYSIS AND INTERPRETATION

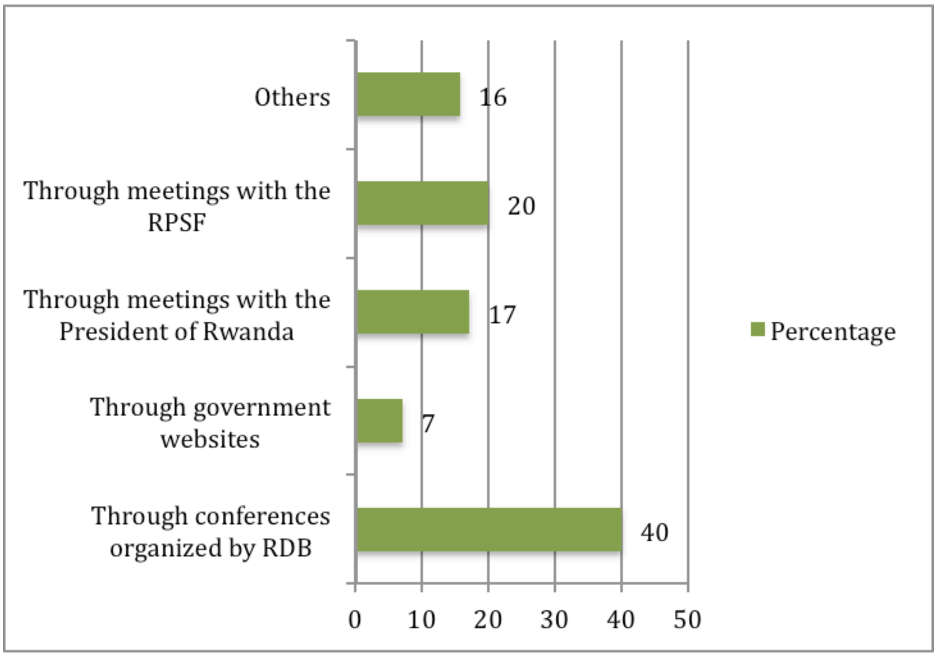
This chapter deals with the analysis and interpretation of the findings from this study.
The data collected has been processed and discussed according to this research's objectives.
The themes of the responses are presented under suitable headings based on the objectives of the study.

Data analysis has been done using tables and figures. This way, comparisons in responses can be made and appropriate interpretations and conclusions drawn.
The chapter represents opinions and responses from 70 senior managers of foreign businesses that opened their business in Rwanda between 2008 and 2012.

4.1. Source of information for investment opportunities in Rwanda

One of the objectives of this research was to know how different foreign investors got informed about investment opportunities in Rwanda; the question was designed as to facilitate respondents' choice but assuming the provided list was not exhaustive; more space was provided in case investor's source of information was not among the ones proposed. The figure below shows what were the responses in terms of percentage:

Figure 4.1: Source of Information about investment opportunities in Rwanda



Source: Primary Data

According to the figure below, 40 percent of foreign investors got informed of investment opportunities through conferences organized by the RDB.

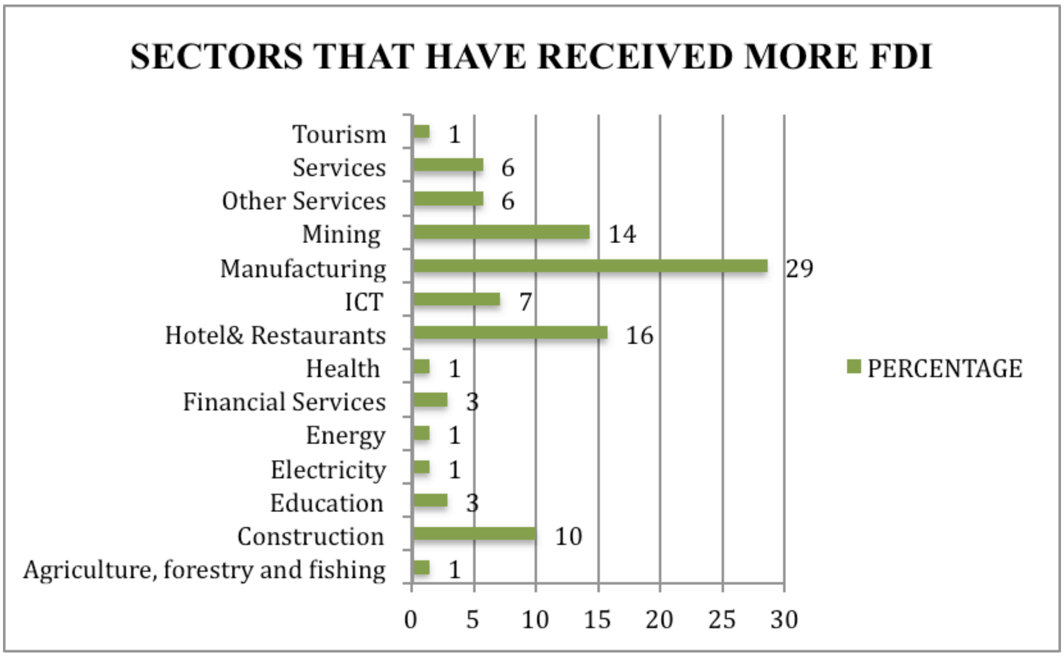
20 percent were informed through the Rwanda Private Sector Federation; 20 percent through meetings with the President of Rwanda, 7 percent through government websites and 16 percent were informed through other sources.

These other sources include: International tender advertisements especially to the investors who acquired their businesses through privatization; information through fellow investors; through Rwandan embassies in their country of origin; and through joint conferences of the RPSF, RDB and the President of Rwanda. These were 16 percent of total respondents. This shows that the conferences organized by the RDB were more effective in attracting potential investors probably because the RDB staff are able to furnish more credible and reliable information but also, because through promotion and awareness campaigns, RDB encourage foreign investors to visit and to invest in Rwanda.

4.2. Sectors that have received more of FDI between 2008 and 2012

The objective of this question was to find out what are the sectors that got more foreign investments between 2008 to 2012.

Figure 4.2. Sectors that have received more of FDI between 2008 and 2012



Source: Rwanda Development Board.

From the above figure, the majority of foreign investments are in manufacturing sector. As per order of sectors that have received more of FDIs, 29 percent of foreign investors are in the manufacturing sector; 16 percent have invested in hotels and restaurants, 14 percent are in the mining sector and 10 percent in the construction sector. Other sectors range between 7 and 1 percent. The majority of foreign investors invested in manufacturing; according to the RDB data system, this sector include agri-manufacturing: agro processing, beverages, food processing, basic metals manufacturing, plastics and rubber products manufacturing. The high percentage of foreign investors in that sector might be explained by the fact that it has potential domestic and regional ready market and also the abundance of quality raw materials

4.3. Incentives that have been more effective in attracting FDIs between 2008 and 2012

In order to attract foreign investors in Rwanda, the government has put in place investment incentives such as tax exemptions on imported goods, investment allowance entitled to investment in rural areas and to investments in priority sectors, special incentives for construction projects, training and research expenses incentives, tax discounts on exports and profits tax discounts related to employment. Respondents were asked to indicate the level of attractiveness for each incentive for which 1 represents Very attractive,
2 Attractive, 3 Not attractive.

4.3.1. Level of attractiveness for tax exemption on imported goods

Table 4.1.a. Level of attractiveness for tax exemption on imported goods

Incentive	Level of attractiveness	Percentage
Tax exemption on imported goods	Very attractive	66
	Attractive	30
	Not attractive	4
	Total	100%

Source: Primary data

The 2005 Investment law stipulates that a foreign registered investor who imports ICT equipment, machinery, individual cars, equipment to be used in education sector, specialized vehicles such as ambulances, fire extinguishers vehicles, medical equipment, agricultural equipment, medicinal products, some equipment to be used in hotel and tourism sector, such as washing machines, ovens, refrigerators, cold rooms, air conditioners, window fittings for sound, heat and light proofing; furniture and carpets, agricultural equipment, among others would be exempted for taxes and duties of those goods.

In this regard, Table 4.1.a. shows that 66 percent of respondents stated that the incentive is very attractive, 30 percent said it is attractive, 4 percent said it is not attractive.

Generally, it indicates that about 96 percent of respondents stated that this incentive was attractive. Rwanda, being a landlocked country, doing business involves higher transportation costs when it comes to bring the goods in the country; thus it has a competitive disadvantage compared to other countries in the region. Also, because Rwanda has not enough raw materials, this investment incentive motivate foreign investors to buy raw materials and other necessary materials for their business operations. This high level of attractiveness may imply that this incentive reduces both the investment and operating costs for investors.

4.3.2. Level of attractiveness for special incentives given to construction projects

Table 4.1.b. Level of attractiveness for special incentives given to construction projects

Incentive	Level of attractiveness	Percentage
Special Incentives of construction projects	Very attractive	29
	Attractive	44
	Not attractive	27
Source: Primary data	Total	100%

A foreign investment will benefit from incentives on buildings and finishing materials under specific requirements: If a construction project has a value of minimum 1,800,000 USD, can be completed in not later than 2 years and import only those materials that are not available in the country. The majority of respondents, 44 percent, found this incentive as attractive, while 29 percent stated it is very attractive. Hence, generally 73 percent of respondents find this incentive to be attractive. This might be due to the fact that, many enterprises that come to invest in Rwanda do plan to build their sites of operations or to expand their businesses or the businesses that they have just acquired. However, some investors claim that the period of 24 months is not enough especially when it comes to special warehouses for agricultural projects.

Also, investors who need to import those materials that are not available in Rwanda need a special approval. The process of getting this special approval might take long. Additionally, some businesses do not consider building their own offices as a priority.
These factors may explain why 27 percent of the respondents find this incentive not attractive.
Additionally, these special incentives are entitled to any project in any sector that is willing to build and fulfill these conditions. The approval to import finishing materials not only reduces the cost of the materials for the investment but also increase the value of the building.

4.3.3. Level of attractiveness for investment allowance entitled to investments in rural areas and to investments in priority sectors

Table 4.1.c. Level of attractiveness for investment allowance entitled to investments in rural areas and to investments in priority sectors

Incentive	**Level of attractiveness**	**Percentage**
Investment allowance entitled to investments in rural areas and to investments in priority sectors	Very attractive	19
	Attractive	43
	Not attractive	38
Source: Primary data.	**Total**	**100%**

As per the 2005 investment law, the investment allowance reduces by 40% the company's items and constructions value and by 50% if the company has invested in rural areas or in a priority sector as stated by the law. The priority sectors are namely: Information communication and technology; Tourism; Energy; Agriculture and agro-based industries, fishing and forestry; Industry; Re-export trade; Mining; Research; Infrastructure, especially investments in water resource activities; and waste recycling.

According to table 4.1.c, 43 percent of the total respondents found this as an attractive incentive. Whereas 19 percent said it is very attractive. This may imply that this incentive help in offsetting the disadvantages found in rural areas such as remoteness, poor roads and lack of skilled employees. Incentive is therefore important in order for Rwanda to develop even the rural areas.

On the other hand, 38 percent of respondents found this incentive as not attractive. These answers might have come from respondents who are not in priority sectors such as restaurants; hotels, supermarkets and other services that are not interested in investing in rural areas due to poor infrastructure and low purchase power.

4.3.4. Level of attractiveness for Training and Research Expenses incentive

Table 4.1.d. Level of attractiveness for Training and Research Expenses incentive

Incentive	**Level of attractiveness**	**Percentage**
Training and Research Expenses	Very attractive	3
	Attractive	10
	Not attractive	87
Source: Primary data	Total	100%

When an investor has made prior agreed upon research and trainings that promote industry activities; they are considered as non-taxable profits. 87 percent of the respondents said this incentive is not attractive, 10 percent said it is attractive and 3 percent said it is very attractive.

These results may imply that, many enterprises are not interested in training their staff nor in doing research and development activities so as to avoid additional operating costs. Companies prefer hiring people with prerequisite knowledge who have been trained by other companies. And some few which might be interested training their staff will get discouraged by the fear of not being able to retain them after spending money on them.

4.3.5: Level of attractiveness for Profits tax discounts related to employment

Table 4.1.e. Level of attractiveness for Profits tax discounts related to employment

Incentive	**Level of attractiveness**	**Percentage**
Profits Tax discounts related to employment	Very attractive	19
	Attractive	31
	Not attractive	50
Source: Primary data	Total	100%

A foreign company is entitled to profits tax discounts of 2 percent if they employ 200 Rwandans, 5 percent, if they employ 400 Rwandans, 6 percent if they employ between 401 and 900 Rwandans and 7 percent if they employ more than 900 Rwandans for a period of 6 consecutive months.

50 percent of the respondents found this incentive as not attractive, 31 percent find it attractive, and 19 percent very attractive. This may be because many enterprises, especially those in manufacturing and mining sector hire many employees as casual employees depending on the seasons in which they need them for and that period generally is less than 6 consecutive months. On the other hand, some big companies like banks, telecommunication companies, and some agricultural industries benefit from this incentive; this could be the reason why 50 percent of the respondents said this incentive was attractive.

4.3.6: Level of attractiveness for tax discount on exports and services

Table 4.1.f. Level of attractiveness for tax discount on exports and services

Incentive	**Level of attractiveness**	**Percentage**
Tax Discount on exports and services	Very attractive	31
	Attractive	18
	Not attractive	51
Source: Primary data	Total	100%

A taxpayer can get 3 % of tax discount if they bring between 3 Million and 5 Million USD in exports services in a tax period, and 5% if it's more than 5 Million USD.

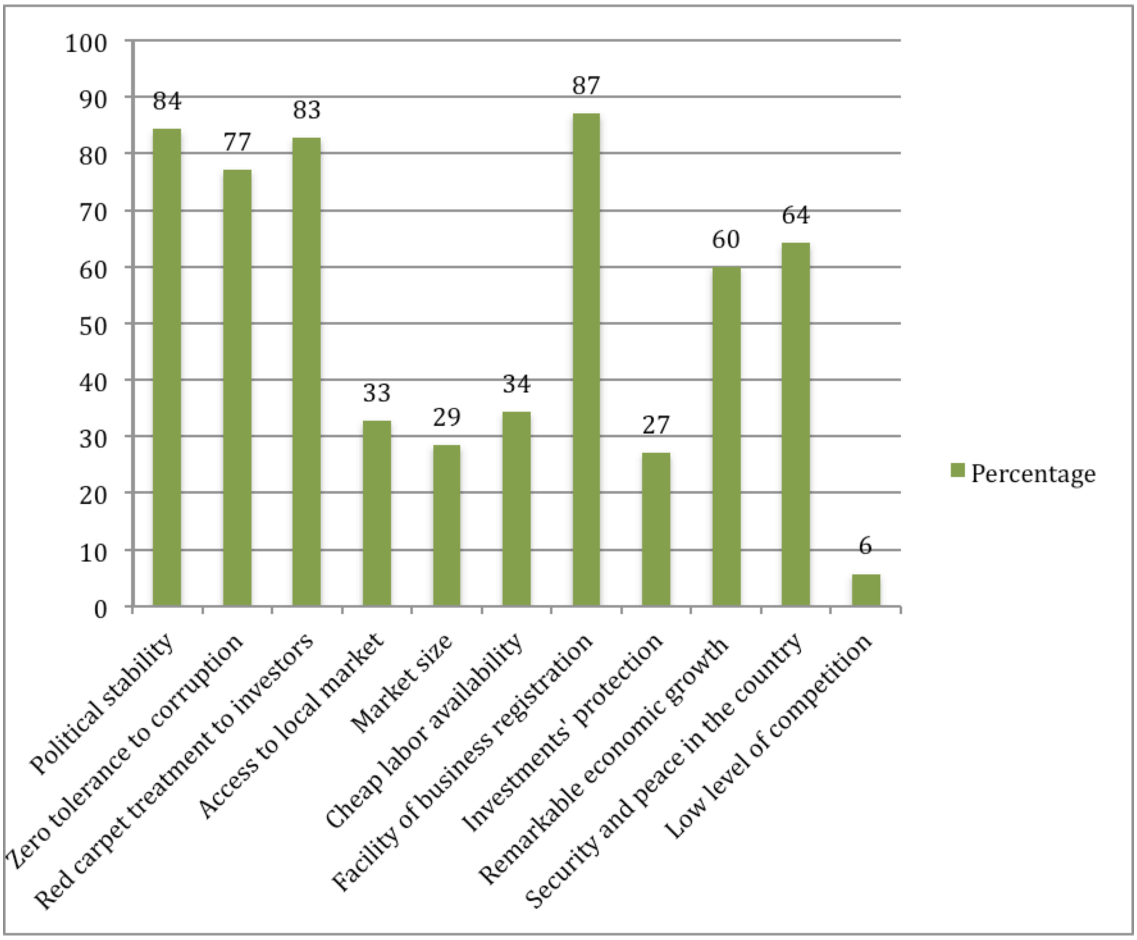
51 percent of respondents found this incentive not attractive, 31 percent of the respondents said the incentive is very attractive and 18 percent found it attractive.

Generally, 49 percent find this incentive to be attractive because it encourages more exports and it partly compensates the cost of exporting and the cost of transport of raw materials. However, the percentage of respondents who says it is not attractive could be those who are not involved in export businesses.

4.4. Other factors for FDIs attraction in Rwanda

Apart from the incentives put in place, other factors that are considered to contribute to FDIs attraction in Rwanda were stated by the respondents; those factors are presented in the figure below.

Figure 4.4.1. Other factors that have attracted foreign investors in Rwanda



Source: Primary data.

As per the figure above, several factors were stated to be additional factors that have influenced the respondents to take the decision to invest in Rwanda. Those include facility of business registration that was stated by 87 percent of the respondents, political stability that was stated by 84 percent, red carpet treatment offered to foreign investors was also stated by 83 percent of respondents to be an additional factor that influence the investment decision.

Factors such as zero tolerance to corruption and security and peace in the country have also been cited by the respondents as additional factors that have attracted them.

These factors were stated by 77 percent and 64 percent of respondents respectively. Also, the high growth of Rwandan economic was mentioned by 60 percent of respondents as another factor that have attracted them to invest in Rwanda.

4.4.1. Facility of business registration

Rwanda is very much appreciated when it comes to facility of business registration process according to respondents' answers. 87 percent of the respondents stated this factor have influenced their decision to invest in the country. Rwanda has established a business friendly environment and through RDB One Stop Center it gives the fastest and the easiest registration services by facilitating investors to get all needed services in one single office. It only takes 2 days to get an investment registration certificate.

4.4.2. Political Stability

Rwanda is qualified among the African countries that have stable political situation and is also a safe place to live in either as a national or an expatriate single professional, family or retiree.

Crime prevalence is also very low making Rwanda one of the safest law-abiding countries of the world. Global Peace Index ranks Rwanda among the world's most peaceful countries. It is very costly to invest in a country where there is no political stability; because obviously there is no sustainability of the business.

4.4.3. Red carpet treatment to investors

Rwanda's policy of giving red carpet treatment to foreign investors is also a factor of FDI attraction according to 83 percent of respondents as shown in the figure above.
This factor is attractive for foreign investment in Rwanda as it indicates high level of customer care.

4.4.4. Zero tolerance to corruption

Rwanda has a zero tolerance to corruption; characterized with transparency in different private and public institutions and in various services offered to foreign investors. This is another factor that attract foreign investors especially when compared to other countries in the region.
77 percent of the respondents indicated this as one of the most important factor that attracted them to invest in Rwanda.
Compared to most African countries, Rwanda's government is committed to zero tolerance to corruption. In a country where there is corruption, even the cost of operation and investing are very high.

4.4.5. Security and peace

Security and peace in Rwanda was stated by 64 percent of the respondents as another attractive factor to them. Rwanda is a very safe place to live in and to invest in for foreigners; it has very low crime prevalence, and has very stable political situation and business supportive government.

4.4.5. Economic growth

60 percent of respondents mentioned the high growth of Rwanda's economy has also motivated them to invest in Rwanda. Rwanda's GDP has grown from to $13.84 Billion in 2011to $14.91 Billion in 2012 according to Index Mundi, 2013. From 2005 to 2011, Rwanda's real GDP per capita has increased by 4.5% a year. (Doing Business Report, 2013).

4.4.6. Cheap labor availability

According to 34 percent of the respondents, availability of cheap labor is an important factor that has influenced their decision to invest in Rwanda. Cheap labor is available in sectors such as manufacturing, construction, services and hotels and restaurants.

4.4.7. Access to local market

When foreign investors come to invest in a country, among other things, they target the local market. Whether or not they will find a market for their products on the local market is an important factor to consider according to them given the fact that they are profit-making companies.
33 percent of the respondents mentioned access to local market as a factor that influenced their investment decision. This factor is also important in attracting FDI in Rwanda as foreign companies consider the level of competition in the country. As the country grows economically and as peace and security are established, people are able to generate more purchasing power.

4.4.8. Market size

According to the figure above, 29 percent of respondents mentioned that Rwanda, being a member of the East African community is another factor that attracted them when considering investing in Rwanda. This might be because; being a member of a regional economic community implies larger market size for investors' products and services.

4.4.9. Investment protection

According to the figure above, 27 percent of the respondents think this factor is a factor they considered when they decided to invest in Rwanda. The Rwandan Investment law has clear policies to protect investors' property and invested capital. This protects the registered investment from any form of acquisition by any public or private institution except in case of public interest. In this case, the investor will be compensated and if they wish so, their capital converted in the currency of their choice will be repatriated to the investor's country of choice without any tax.

Besides, Rwanda Government through the Private Sector Federation (PSF) has recently established the Kigali International arbitration center in charge of resolving commercial disputes of investors.

4.4.10. Low level of competition

20 percent of respondents on this question also mentioned that low level of competition is another factor that attracted them. Low level competition implies full access to local market

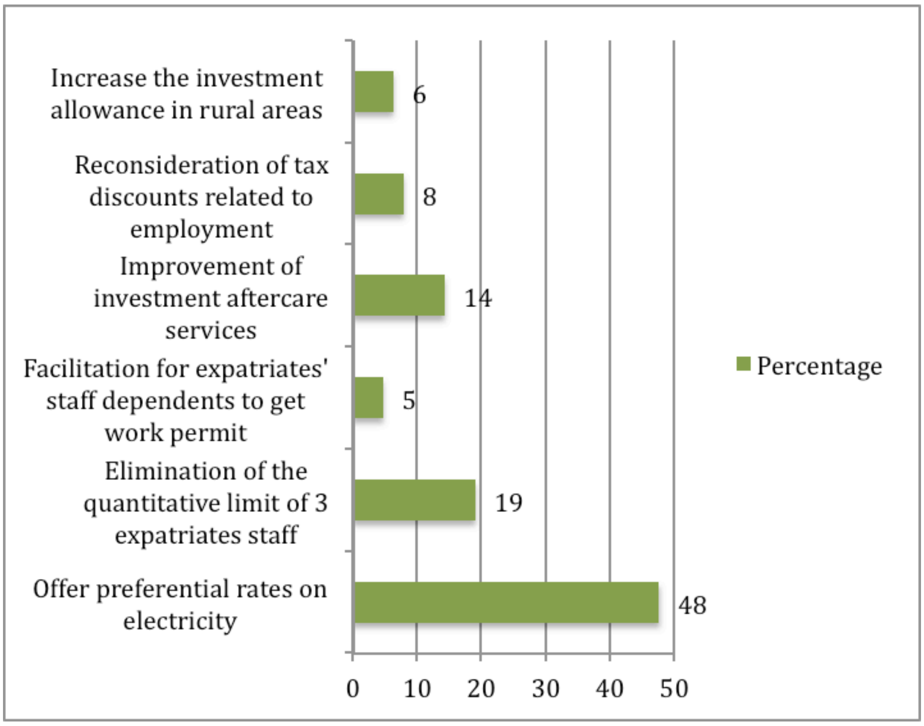
4.5. Additional incentives as proposed by foreign investors in Rwanda

The fifth objective was to know whether there are additional incentives and/or facilitations that foreign investors in Rwanda would like to benefit from.

On that question, 63 respondents, thus 90 percent of the respondents had some suggestions.

The figure below shows the proposed incentives as well as the frequency and percentage of each one of them.

Figure 4.5.1. Additional Incentives as proposed by foreign investors in Rwanda



Source: Primary data.

According to the figure above, 48 percent of the respondents proposed that the government should offer preferential tariffs on electricity. Rwanda needs to compete with its neighbors that are not landlocked and have lower transport costs and better infrastructures therefore, offering preferential tariffs on electricity will make it a very attractive investment destination.

19 percent of the surveyed respondents said the government should review the quantitative limit of three expatriate staff to foreign companies.
This may be because, one of the challenges faced by some foreign companies is lack of enough technical staff, they would therefore like to be able to bring more staff from abroad.

Investment aftercare service improvement is suggested as an additional incentive by 14 percent of the respondents. After investors decide to start their operations in Rwanda, they still need guidance in regard to their cooperation with other foreign businesses, with local investors and suppliers, with government institutions, and in regards to challenges they face. This factor permits to investors and other institutions to avoid some crucial problems and to resolve issues on time.

8 percent of the respondents suggested tax discounts incentives related to employment should be revised. The government needs to give clear and attractive incentives to firms in order for them to create as many new jobs as possible.

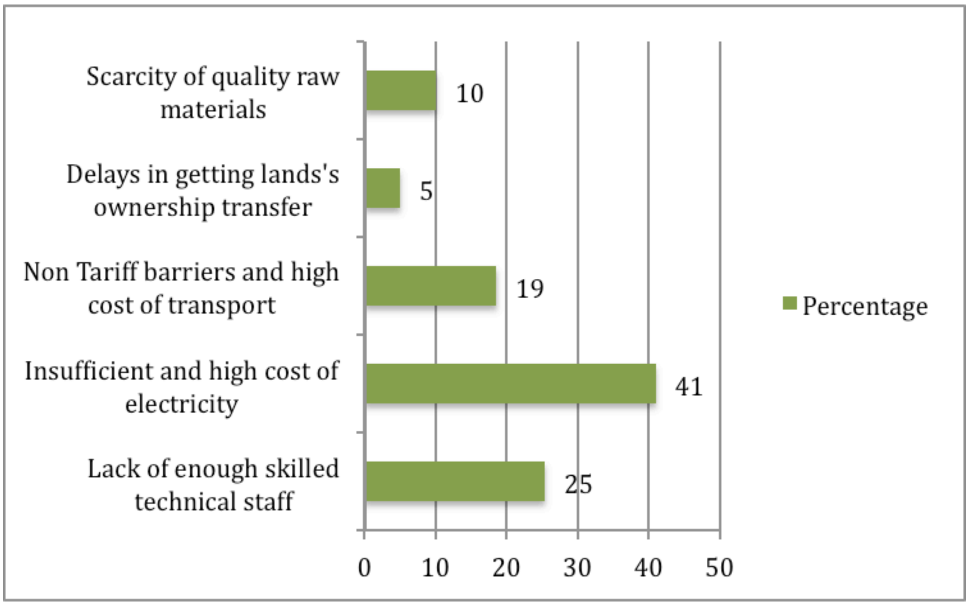
Additionally, an increase on the investment allowance offered to foreign businesses that operate in rural areas would be another incentive according to 6 percent of respondents. Businesses operating in rural areas incur higher costs of operations because of lack of enough facilities, bad quality of infrastructure and lack of skilled staff because they prefer to work in cities. Therefore, there is need to counteract those disadvantages and motivate investors to operate in those areas, this will even benefit the area which will become more economically active and more developed.

Lastly, facilitation to get work permits for expatriates staff's dependents is another suggestion from 5 percent of the respondents. An investor is more willing to invest in a foreign country when they know they will be with their families; also this can benefit to the country because it will have additional work force in country.

4.6. Challenges faced by foreign businesses in Rwanda

The last purpose of this study was to know what are the challenges faced by foreign businesses in Rwanda.
Out of 70 businesses, 59 responded to that question and the figure below shows different challenges they face:

Figure 4.6.1. Challenges faced by foreign businesses in Rwanda



Source: Primary data.

According to the figure above, there is a clear indication that foreign investment faces challenges. The study found out that majority of the respondents consisting of 40 percent cited that insufficient and high energy is the main challenge that they face in Rwanda as they conduct their business. This raises the high cost of production in the side of the investor.

High costs of production and logistics services are hurting investors by reducing their profit margins while leading to an increase in prices on the market.

25 percent of businesses surveyed face the challenges of low technical and business management skills.
An investor needs skilled personnel in order to make the industry regionally and internationally competent.

19 percent of the respondents argue that transport charges, non-tariff barriers (weigh bridges, police check, road blocs, corruption due to bureaucracy etc) are a big challenge especially for importing raw materials and other goods. This impacts heavily on the amount of operational capital given the fact that Rwanda is heavily dependent on imports from Kenya and Tanzania.

10 percent of the respondents pointed out that scarcity of raw materials is a challenge for them. In order to export goods, international standards quality is observed, without quality raw materials available in the country, companies are obliged to import them which impact the cost of the product itself and make it less competitive on the market. Additionally, transport of those raw materials implies the above cited challenge of high cost of transport.

Finally, 5 percent of the respondents also said lots of bureaucracy when it comes to get lands ownership transfer is a challenge. This is because it has a negative impact on the projected time and cost of the project.

CHAPTER V: MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This last chapter of this study presents the summary of major findings, conclusions of the research and also recommendations to the concerned agencies and institutions based on the respondents' opinions.

5.1. Summary of major findings:

The main objective of this study was the analysis of the impact of incentives put in place by the government of Rwanda to attract more foreign direct investment in the country from 2008 to 2012.

The study was done on a sample population of 70 enterprises owned by foreign investors out of a total of 151 foreign companies.

Findings show that investment incentives had a positive impact in attracting foreign direct investments in Rwanda.

The following are the major findings:

The respondents, got information about investment opportunities in Rwanda through different sources:

- The RDB contributed to the mission of sensitization at a rate of 40 percent, while the Private Sector Federation the umbrella for all the private businesses in Rwanda contributed to that mission at a rate of 20 percent

According to the data got from RDB, between 2008 and 2012, the sectors that have received more FDIs are manufacturing and hotels and restaurants as shown in the findings below:

- 29 percent of respondents have invested in manufacturing; 16 percent have invested in hotels and restaurants, 14 percent have invested in mining sector and 10 percent have invested in construction

Respondents found investment incentives put in place by the government of Rwanda effective in attracting FDI as per percentages below:

- 96 percent of respondents indicated that tax exemptions are attractive when deciding to invest in Rwanda.

- 73 percent of the respondents have indicated that special incentives offered to construction projects is an effective factor to attract FDI in Rwanda
- Investment allowance to investment in rural areas and to investment in priority sectors were found to be attractive to FDI in Rwanda at a rate of 61 percent of respondents
- 50 percent of respondents found profits tax discounts related to employment attractive for FDI
- Tax discount on exports services incentive was considered effective in attracting FDI at the rate of 49 percent
- 13 percent of the respondents indicated that training and research expenses incentives are effective as far as attracting investors is concerned.

Apart from investment incentives, there are other factors that have influenced surveyed respondents to invest in Rwanda:

- Facility in business registration was indicated by 87 percent of the respondents as an additional factor that they considered when making the decision to invest in Rwanda
- Political stability, red carpet treatment offered to foreign investors, zero tolerance to corruption and security and peace in the country were also indicated to be factors that attract FDIs in Rwanda at a rate of 84, 83, 77 and 64 percent respectively.
- Remarkable economic growth was stated to be another effective factor that attracts FDI at a rate of 60 percent.

The fifth objective of the study was to find out additional incentives as proposed by respondents in order to attract more investments. The following are the main suggestions as proposed:

- 48 percent of the respondents proposed that the government should offer preferential tariff rates for electricity to businesses in order to attract more foreign investments and 19 percent people suggested the elimination of the quantitative limit of three expatriates staff in foreign enterprises

The sixth objective of the research was to find out challenges faced by foreign investors in Rwanda, below are the main challenges as cited by the respondents:

- The main challenge faced by foreign businesses is insufficiency and high cost of electricity according to 40 percent of respondents
- 25 percent of the respondents stated that lack of enough skilled human resource force and technical staff is also a challenge

5.2. Conclusion

This study was about the analysis of the influence of national investment incentives on the foreign direct investment inflow in Rwanda. The main objective was to find out how have investment incentives put in place by the government of Rwanda influenced Foreign Direct Investments in Rwanda from 2008 to 2012.

The study found out that the main sources of information for foreign investors about investment opportunities in Rwanda are sensitization conferences organized by RDB, by the PSF; meetings with the President of Rwanda or joint conferences. Other sources of information are international tender advertisements, and government websites. The manufacturing sector and the mining sector have received more FDIs during the period of 2008 to 2012. They received both together 42 percent of the total FDI inflows.

The three most effective incentives to attract FDI in Rwanda are namely tax exemptions on imported goods, special incentives for construction projects and investment allowance offered to investment in rural areas and to investment in priority sectors.

Rwanda, being a developing country, has some competitive disadvantage compared to other countries located in the same region. Rwanda is a landlocked country, which economy's depends on agriculture; it has few natural and mineral resources.

In order to boost its economy it needs private capital especially from foreign countries. In order to attract this foreign capital, incentives are a crucial initiative. However, these are not enough by themselves; some other factors that are important for investors in regards to their decision to invest in a country were also identified. The main ones cited by the respondents are easy and fast business registration process, political stability, growing economy, zero tolerance to corruption and easy and fast registration process.

In summary, considering the respondents answers, national investment incentives have a positive influence in attracting foreign direct investment in Rwanda.

However, some challenges were raised by the respondents such as the insufficiency of electricity and its high cost and the insufficiency of skilled human resource force; also additional incentives were proposed by respondents, the main ones being to be offered preferential tariff rates on electricity and the revision of the limitation of hiring not more than three expatriate staff in a foreign company.

5.3. Recommendations

The research resulted in more knowledge on Rwanda's strong and weaker points from an investor's perspective, and in recommendations on what can be done to attract more FDI. The following were recommended as part of solutions to the challenges raised above and also in regards to additional incentives and facilitations as proposed by the respondents of this research questionnaire:

5.3.1. To the government of Rwanda:

- Increase the period of benefiting from construction projects given that 24 months could be short to complete some big constructions.
- Increase the percentage of investment allowance for investments in rural areas.
- Reduce the required number of hired employees during a tax period and/or consider additional hired employees per month.
- Give practical and clear incentives on research, development, innovation and training in order to motivate companies to invest in those fields.
- Improve the public private partnership in the field of capacity development, Identify a more suitable approach to funding human capital and skills development
- A skills/training levy should be introduced and support other existing programs
- Private participation should be encouraged to invest in the electricity generation sector. This participation could be through management contracts, concessions, and new investments in power production
- Offer preferential tariffs on electricity.
- A railway connection to the coast to Mombasa or Dar-es-Salaam. Both would represent a giant step towards lifting hard infrastructure constraints
- Reduce the bureaucracy especially when it comes to get lands' ownerships transfer.
- To facilitate/ to provide necessary quality seeds to local agricultures.
- Measure the limit of allowed expatriate staff in percentage of the projected work force of the company instead of having a maximum fixed number per company.
- Facilitate work permits and residence visa process for expatriate staff's dependents under working age.

5.3.2. To the Rwanda Development Board

- Establish a joint task force by RDB and PSF and foreign investments' parents' ministries in charge of investor aftercare service.
- Plan regular sites visits to investors in order for both sides to keep updated at all times.
- Coordinate efforts with the Rwanda Private Sector Federation for better advocacy with public institutions namely the Rwanda Revenue Authority, the Districts, and other public institutions.
- To establish a foreign investment promotion unit in different Rwandan embassies around the world.

5.4. Suggestions for future research

This study concentrated on the analysis of the role of national investment incentives in attracting foreign direct investment in Rwanda since 2008 to 2012.

- It is recommended that future researches focus on the influence of other economic factors such as macro economic situation of a country to the foreign direct investment situation.
- Among other challenges that foreign businesses face in Rwanda, is lack of investment aftercare service; it would be interesting to do a research on how this challenge affect business operations in Rwanda.
- Also, Rwanda being part of the East African Community, it is recommended to future researchers to do a comparative study of FDI inflows factors among the EAC countries.

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APPENDIX I: LIST OF FOREIGN COMPANIES THAT INVESTED IN RWANDA FROM 2008 TO 2012

2012

No	COMPANY	SECTOR OF OPERATION	LOCATION	COUNTRY OF ORIGIN
1	BAMBOO RESTAURANT AND HOTEL LTD	Hotels and Restaurants	Kigali City	China
2	M&M HOSPITALITY INVESTMENT CO.LTD	Hotels and Restaurants	Kigali City	Rwanda+USA
3	ABERDEEN HOUSE LTD	Hotels and Restaurants	Kigali City	Turkish
4	EAGLE ON THE LAKE LTD	Hotels and Restaurants	Eastern Province	Rwanda+ China
5	NEW CENTURY INVESTMENT LTD/MARRIOT TRAINING CENTER AND NEW CENTURY LUXURY APART	Construction	Kigali City	China + Rwanda
6	ME COFFEE WORLD LTD	Hotels and Restaurants	Kigali City	Italy
7	VARUMBA LTD	Hotels and Restaurants	Kigali City	Australia+ Rwanda
8	CITYBLUE HOTELS RWANDA LTD	Hotels and Restaurants	Kigali City	Mauritius
9	VIA VENETO LTD	Hotels and Restaurants	Kigali City	Rwandan Diaspora/Italy
10	CENTURY PARK HOTEL & RESIDENCES LTD	Hotels and Restaurants	Kigali City	China
11	A.T.M CONSTRUCTION LTD	Construction	Nyarugunga	Iran+Belgium+ Rwanda
12	MODECO CONSTRUCTION COMPANY LTD	Construction	Eastern Province	Rwanda /Canada

13	CHINA NATIONAL-AERO TECHNOLOGY INTERNATIONAL ENGINEERING CORPORATION/CATIC	Other services	Kigali City	CHINA
14	GUANGDONG HAO HE ENGINEERING AND CONSTRUCTION	Construction	Kigali City	CHINA
15	CARCO LTD	Other services	Kigali City	Rwanda+ Turkey
16	EAST AFRICA SEED COMPANY	Agriculture, forestry and fishing	Eastern Province	United States of America
17	GAMING INTERNATIONAL LTD	Other services	Kigali City	Uganda+ Sweden
18	AKILAH INSTITUTE FOR WOMEN	Education	Kigali City	Rwanda+USA
19	RECA LTD	Education	Kigali City	Turkey
20	HOPE HAVEN ® LTD	Education	Kigali City	United States of America
21	GIGAWATT GLOBAL RWANDA LTD	Energy	Eastern Province	Israel
22	UNGUKA BANKING LTD	Financial Services	Kigali City	Belgium+ Rwanda
23	EAST AFRICA EXCHANGE LTD	Financial Services	Kigali City	United States of America
24	MOBICASH LTD	Financial Services	Kigali City	Mauritius
25	ORBIT HEALTH CARE SERVICES LTD	Health	Kigali City	India
26	DIMENSION DATA SOLUTIONS LTD	ICT	Kigali City	Kenya

27	PROPERTYMODE RWANDA LTD	ICT	Kigali City	Australia/+Rwanda
28	PAYODA AFRICA LTD	ICT	Kigali City	India
29	VOGUE INVESTMENTS LTD	Manufacturing	Kigali City	India +Rwanda
30	SAHASRA ELECTRONICS PVT LTD	Manufacturing	Kigali City	India
31	DRISTEX RWANDA LTD	Manufacturing	Kigali City	Rwanda Diaspora /Canada
32	T.G.F (R) LTD	Manufacturing	Kigali City	Eritrea
33	RUPOSH BANGLA INVESTMENT LTD	Manufacturing	Kigali City	Bangladesh
34	SUSTAINABLE HEALTH VENTURES LTD	Manufacturing	Kigali City	United States of America
35	VIVA PRODUCTS LTD	Manufacturing	Kigali City	Seychelles +Tanzania
36	CHINA STAR CONSTRUCTION/ALUMINIUM MANUFACTURING PLANT	Manufacturing	Kigali City	China
37	NMI LTD	Manufacturing	Kigali City	Rwanda
38	KAMEREM COMPANY LTD	Manufacturing	Kigali City	Diaspora Canada
39	AQUA-SAN LTD/HDPE MANUFACTURING PLANT	Manufacturing	Kigali City	India
40	RUDOLF RWANDA LTD	Manufacturing	Kigali City	China
41	PREMIER MEDICAL RWANDA LTD	Manufacturing	Northern Province	India
42	NEWO PARKO LTD	Manufacturing	Kigali City	China
43	DORMANS COFFEE LTD	Manufacturing	Kigali City	Kenya
44	NANDAN AGRO PROCESSING INDUSTRIES	Manufacturing	Kigali City	Singapore + Rwanda

45	EAST AFRICAN FOODS AND BEVERAGES LTD	Manufacturing	Kigali City	India
46	NYAGATARE AGRO VENTURE RWANDA LTD	Manufacturing	Eastern Province	India
47	RWANDA HONEY LTD	Manufacturing	Kigali City	Singapore
48	BRALIRWA	Manufacturing	Kigali City	Rwanda+ Netherlands
49	ALPHA CHOICE RWANDA LTD	Manufacturing	Kigali City	India
50	ASILI NATURAL OILS LTD	Manufacturing	Kigali City	United States of America
51	RWANDA NUT COMPANY LTD	Manufacturing	Kigali City	Singapore
52	MULINDI FACTORY COMPANY LTD	Manufacturing	Northern Province	Scottland (UK)+Rwanda
53	SHAGASHA FACTORY COMPANY LTD	Manufacturing	Western Province	Scottland (UK)+Rwanda
54	RWANDA STONES & CONSTRUCTION LTD/EXPANSION	Mining	Kigali City	India
55	PRECIOUS MINING LTD	Mining	Kigali City	India
56	TRANS AFRICAN SUPER METALS LTD	Mining	Western Province	India+Rwanda
57	BEGAMEF LTD	Mining	Kigali City	Belgium +Rwanda
58	GATUMBA MINING CONCESSIONS LTD	Mining	Kigali City	Rwanda+SA
59	BLANCOMET AA MINERALS LTD	Mining	Kigali City	Lithuania
60	SPECK MINERALS LTD	Mining	Southern Province	Canada

61	MINOR METALS MINING COMPANY LTD	Mining	Kigali City	Canada
62	WOLFRAM M & P LTD/MUSHA	Mining	Eastern Province	Kazakystan
63	GEM SMITH PRIVATE LTD	Mining	Northern Province	United States of America
64	WOLFRAM M & P LTD/RWINKWAVU	Mining	Eastern Province	Kazakystan
65	LANOR INTERNATIONAL LTD	Other services	Kigali City	Kenya
66	BUSINESS PROFESSIONALS NETWORKING (BPN)	Other services	Kigali City	Rwanda-Switzerland
67	MAGERWA LTD	Other services	Kigali City	Singapore+ Belgium+Rwanda
68	ASL RWANDA LTD	Other services	Kigali City	Nigeria
69	NYARUTARAMA PLAZA LTD	Construction	Kigali City	Rwanda Diaspora/ canada
70	COMFORT HOME KIGALI LTD	Construction	Kigali City	Netherlands
71	OXYPROP RWANDA LTD	Construction	Kigali City	S.Africa+DRC+ Rwanda
72	MAGERWA- KIGALI LOGISTICS CENTER LTD	Other services	Kigali City	Singapore
73	WATER BREEZE LTD	Other services	Kigali City	Russia
74	NEXMOTORS LTD	Services	Kigali City	S. Korea

2011

No	COMPANY	SECTOR OF OPERATION	LOCATION	COUNTRY OF ORIGIN
1	SRB INVESTMENTS (RWANDA) PLC LTD	Manufacturing	Kigali City	India
2	CHINA STAR CONSTRUCTION CO.LTD	Construction	Kigali City	China
3	JKK INTERNATIONAL (AFRICA) LTD	Manufacturing	Southern Province	India
4	RENT-A-TOOL LTD	Other services	Kigali City	Rwanda+ Netherlands
5	INZU LODGE LTD	Hotels and Restaurants	Western Province	Canada
6	EQUITY BANK RWANDA LTD	Financial Services	Kigali City	Kenya
7	RWANDA ALLIED PARTNERS LTD	Mining	Kigali City	Rwanda+UK +Egypt
8	GISOVU TEA COMPANY LTD	Manufacturing	Western Province	India
9	NEW CENTURY DVPT: Construction LTD	Construction	Kigali City	China
10	DEACONS RWANDA LTD	Services	Kigali City	Kenya
11	AIRTEL RWANDA LTD	ICT	Kigali City	India
12	EXECUTIVE INVESTMENTS LTD/CIVIL CONTRACTORS	Other services	Kigali City	Kenya
13	FENLY LTD	Manufacturing	Kigali City	China
14	NATION HOLDINGS LTD	ICT	Kigali City	Kenya

2010

No	COMPANY	SECTOR OF OPERATION	LOCATION	COUNTRY OF ORIGIN
1	AKAGERA PARK MANAGEMENT LTD	Tourism	Eastern Province	Rwanda + SA
2	MARINO MANUFACTURING LTD	Manufacturing	Kigali City	China
3	TOLIRWA S.A(TUBES+PIPES LINE)	Manufacturing	Kigali City	India
4	MT KENYA UNIVERSITY	Education	Kigali City	Kenya
5	WAY INVEST RWANDA TRACTOR	Manufacturing	Kigali City	Slovakia
6	SOCABELEC-RWANDA	Construction	Kigali City	Belgium
7	FRITEX LTD	Hotels and Restaurants	Kigali City	Rwanda + Belgium
8	ENGEN RWANDA LTD	Energy	Kigali City	Mauritius
9	RWANDA TRADING COMPANY	Manufacturing	Kigali City	USA
10	PLYWOOD PROJECT	Manufacturing	Kigali City	china
11	SALON DES QUILLES	Services	Kigali City	USA+Rwanda
12	BBOX LTD	Energy	-	UK
13	HUGO'S INTERNATIONAL SCHOOL	Education	Kigali City	South Korea
14	EVERLASTING LTD	Construction	Kigali City	China
15	ATLAS WINDOWS	Manufacturing	Kigali City	Iran
16	TRACTAFRIC GRANDS LACS LTD	Other services	Kigali City	France
17	FLEXI FOAMS LTD	Manufacturing	Kigali City	Tanzania
18	M.H.I RWANDA LTD	Mining	-	USA+SA
19	FALCON OIL STORAGE LIMITED	Energy	Kigali City	Mauritius

20	TOURISM PROMOTION SERVICES-SERENA EXPANSION	Hotels and Restaurants	Kigali City	Kenya
21	NURU EAST AFRICA LTD	Energy	Kigali City	Canada
22	HUNTER PROFILE LTD	Other services	Kigali City	Kenya
23	MURIKA PROCUREMENT AND LOGISTICS	Energy	Kigali City	USA+Rwanda

2009

No	COMPANY	SECTOR OF OPERATION	LOCATION	COUNTRY OF ORIGIN
1	AROMA'S COFFEE LTD	Hotels and Restaurants	Kigali City	USA+Canada
2	BAKRESA GARIN MILLING RWANDA ltd	Manufacturing	Kigali City	Tanzania
3	BANQUE POPULAIRE	Financial services	Kigali City	Netherlands +Rwanda
4	BOMANITE	Construction	Kigali City	Kenya
5	Castavo Rwanda	Manufacturing	Kigali City	Lebanon
6	CHINESE LEISURE CLUB	Hotels and Restaurants	Kigali City	China
7	CRAMONI RWANDA LTD	Construction	Southern Province	Cyprus
8	DN INTERNATIONAL/GREEN PARK	Construction	Kigali City	Kenya
9	ENERGIE NYARUGURU/ENNY	Energy	Southern Province	Netherlands +Rwanda
10	KHANA KHAZANA Restaurant	Hotels and Restaurants	Kigali City	Rwanda

11	KIVU WATT LTD	Energy	Kigali City	USA+Netherland
12	KOB INTERNATIONAL CO LTD	Construction	Southern Province	South Korea
13	PIVOTEC COMPANY LTD	Construction	Kigali City	Tanzania
14	ROTO SARL	Manufacturing	Kigali City	India
15	TIGO RWANDA	ICT	Kigali City	Luxembourg
16	VICTORIA MOTORS	Other services	Kigali City	Kenya
17	BCEG RWANDA LTD	Construction	Kigali City	China
18	SAG RWANDA	Construction	Kigali City	Germany
19	BROTHERS CHINESE RESTAURANT	Hotels and Restaurants	Kigali City	China
20	RWANDA MINING ASSOCIATED	Mining	Kigali City	China+Rwanda
21	ROYAL GARDEN RESTAURANT	Hotels and Restaurants	Kigali City	India+Rwanda
22	HULU TRADING CO LTD	Transport Services	Kigali City	Australia
23	RUTONGO MINES LTD	Mining	Kigali City	South Africa
24	LIVEIN QUARTERS RWANDA LTD	Construction	Kigali City	UK&Rwanda

2008

No	COMPANY	SECTOR OF OPERATION	LOCATION	COUNTRY OF ORIGIN
1	BLUE FINANCIAL SERVICES RWANDA	Financial services	-	South Africa
2	DUBAI WORLD RWANDA/GORILLA NEST LODGE	Hotels and Restaurants	Eastern Province	UAE
3	DUBAI WORLD RWANDA/NYUNGWE LODGE LTD	Hotels and Restaurants	Western Province	UAE

4	HUAWEI TECHNOLOGIES RWANDA	ICT	Kigali City	China
5	KIVU GOLD RWANDA	Mining	Western Province	Canada
6	MURIKA LTD	Energy	Kigali City	USA
7	NAKUMATT RWANDA	Services	Kigali City	Kenya
8	ORGANIC SOLUTIONS LTD	Manufacturing	Kigali City	Japan
9	RWANDA RUDNIKI	Mining	Southern Province	Japan
10	RWANDA TOOTHPASTE COMPANY LIMITED	Manufacturing	Kigali City	China
11	SIMBA SUPER MARKET	Services	Kigali City	Erythrea-Rwanda
12	SOTRACO	Mining	Kigali City	Switzerland
13	STARBUCKS FARMERS SUPPORT CENTER	Manufacturing	Kigali City	Switzerland
14	TRANSAFRICA	Mining	Kigali City	Belgium
15	LEE GONG INTERNATIONAL LTD	Construction	Kigali City	South Corea
16	KCB	Financial Services	Kigali	Kenya

APPENDIX II: INTRODUCTION LETTER TO QUESTIONNAIRE RESPONDENTS

Dear Sir/Madam,

I am a student at School of Finance and Banking in SFB/MsM outreach MBA Program. Currently, I am conducting my research thesis on the impact of national investment policies in attracting Foreign Direct Investment in Rwanda. For that purpose, we have selected your company as one of the resource companies to provide useful information by answering the attached questionnaire.

We kindly request you to facilitate this process of gathering the required data. Allow me to ensure you the utmost confidentiality of the data and information provided.
Thank you very much for your time.

Yours faithfully,

Alice KAMBAYIRE
Tel N.: 078 846 5600

APPENDIX III: QUESTIONNAIRE

NAME OF THE COMPANY:

SECTOR OF OPERATION:

YEAR OF ESTABLISHMENT:

LOCATION:

1. What was the source of information for you about the investment opportunities in Rwanda?
   a. Through conferences organized by RDB
   b. Through Government websites
   c. Through meetings with the President of Rwanda
   d. Through meetings organized by the Rwanda Private Sector Federation
   e. Others: Please Specify

   ____

   ____

2. There are eight different incentives given to investors by the government of Rwanda. Please rank them according to how they attracted you to invest in Rwanda. **Use numbers 1 to 3 whereby 1 means Very attractive, 2Attractive and 3 Not attractive**

Incentives	**Level of attractiveness**		
1.Tax exemptions on Imported goods (e.g. Machinery and raw materials, ICT equipment, movable property and equipment, equipment in education field, Specialized vehicles, Tourist chartered aero planes, free economic zones, equipment for tourism and hotel industry, medical equipment, medicinal products, agricultural equipment, livestock, fishing and inputs)	1 □	2□	3□
2.Special incentives to construction projects	1 □	2□	3□
3.Investment Allowance to investments in rural areas and to investments in priority sectors	1 □	2□	3□
4.Training and Research Expenses	1 □	2□	3□
5.Profits discounts related to employment	1 □	2□	3□
6.Tax discounts on export and services	1 □	2□	3□

3. Are there any other factors that have attracted you to invest in Rwanda?

   YES

   NO

If Yes, Please specify ---

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4. What other incentives or facilitations that you would suggest they should be put in place?

   a. …………………………………………………………………………………….
   b. ……………………………………………………………………………………
   c. ……………………………………………………………………………………
   d. ……………………………………………………………………………………
   e. ……………………………………………………………………………………

5. What are the challenges that your business is facing

   a. ……………………………………………………………………………………
   b. ……………………………………………………………………………………
   c. ……………………………………………………………………………………
   d. ……………………………………………………………………………………
   e. ……………………………………………………………………………………