UNIVERSITY OF RWANDA

COLLEGE OF BUSINESS AND ECONOMICS

Department of Management

MBA_Global Business

PROMOTING FOREIGN DIRECT INVESTMENT IN RWANDA: IMPLICATIONS FOR POLICY AND PRACTICE.

A Thesis submitted in partial fulfilment of the requirements for the award of a Master of Business Administration (MBA), Global Business.

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Declaration

I declare that the work undertaken for this MBA Thesis entitled "***Promoting Foreign Direct Investment in Rwanda: Implications for Policy and Practice***" has been undertaken by myself and the final thesis produced by me. The work has not been submitted in part or in whole to any other academic institution for the award of a degree or any other academic qualification.

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Certificate

This is to certify that this thesis entitled "***Promoting Foreign Direct Investment in Rwanda: Implications for Policy and Practice***" is a bona fide work done by Mr. Vedaste Ndizera under my supervision. I confirm that this is an original work done by him and has never been submitted to any other institution for the sake of any degree or award.

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Dedication

To my family and friends;
to my beloved wife Josiane Umutesi
and my son Dave S. Cyubahiro;
this thesis is dedicated.

Acknowledgements

I would like to thank God for giving me inspiration and courage to undertake and carry out this work. I also thank my family and friends for supporting me. Besides, I am Indebted to all the People who, in spite of being busy, were generous with their time and enthusiasm for this research, and who participated in the interviews and supplied very valuable information.

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Finally, I thank all the people who, in one way or another, contributed to the completion of this work.

List of Abbreviations and Acronyms

BITs: Bilateral Investment Treaties

CIF: Cost, Insurance and Freight

CUTS: Consumer Unity Trust Society

EPZ: Export Processing Zone

FDI: Foreign Direct Investment

FTZ: Free Trade Zone

GDP: Gross Domestic Product

GoR: Government of Rwanda

ICSID: International Centre for Settlement of Investment Disputes

IMF: International Monetary Fund

MDGs: Millennium Development Goals

MINECOFIN: Ministry of Finance and Economic Planning

MNEs: Multinational Enterprises

NEPAD: New Partnership for Africa's development

OECD: Organisation for Economic Cooperation and Development

OLI: Ownership, Location and Internalisation

PRSP: Poverty Reduction Strategy Paper

RIEPA: Rwanda Investment and Export Promotion Agency

RIPA: Rwanda Investment Promotion Agency

SEZ: Special Economic Zones

SMEs: Small and Medium Enterprises

SSA: Sub-Saharan Africa

UNCTAD: United Nations conference on Trade and Development

WEF: World Economic Forum

WTO: World Trade Organisation

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Abstract

This research titled "*Promoting Foreign Direct Investment in Rwanda: Implications for Policy and Practice*" was undertaken with the objectives of reviewing Rwandan FDI promotion strategies, exploring FDI policy and non-policy determinants, and examining the challenges faced by FDI companies in Rwanda in order to formulate recommendations on ways to overcome them. The review of literature showed that FDIs location factors and MNCs motivations and location decision making process have been extensively studied and empirically researched. However, very limited work has so far been done on FDI in Rwanda despite its great contribution to economic development. Surveys and research work done in Rwanda in this area do not distinguish FDI from other foreign investments or foreign capital flow.

The methodology for this research consisted mainly of using documentary and archival research, interview and questionnaire to collect data, and apply qualitative and quantitative analysis within the OLI framework to interpret the results. Using Dunning's MNCs investment location theory known as the eclectic paradigm as the basis for analysis, the researcher uses a questionnaire to show FDI location determinants specific to Rwanda due to its particular natural micro and macroeconomic make-up. The results of the research show various promotional strategies adopted by Rwandan government office of investment promotion department which include various investment incentives, promotion campaigns, meetings and conferences with potential investors, and bilateral investment treaties. On top of that, they highlight some of the most meaningful foreign investors' perceptions and challenges.

Finally, policy implications presented in chapter five consist of an attempt by the author to interpret the research results into policy and practical course of action to take in order for Rwanda to be able to attract more FDI. Some of the recommendations are to create adequate public relations aimed at earning positive publicity, consistently update investment and business related rules and regulations to best suit the requirements of FDI, to sustainably keep Rwandan political and economic stability assured and to reform education to suit the labour and skills requirements of investors.

Chapter I. General Introduction

1.1. Background of the Study

As the world marketplace continues to grow more global, companies that conduct business only within their national boundaries will find it difficult to survive. One way to cope with this problem is for companies to expand their operations beyond home country frontiers into other countries through foreign direct investment (FDI). FDI plays an important role as a tool in worldwide competition. The World Investment Report names FDI as "a primary force shaping globalization" (Anyanwu, 2011).

Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing, (Basu and Srinivasan, 2002). For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

OECD (2003) states that, in its classic definition, foreign direct investment is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment. In recent years, given rapid growth and change in global investment patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. As such, it may take many forms, such as a direct acquisition of a foreign firm, construction of a facility, or investment in a joint venture or strategic alliance with a local firm with attendant input of technology.

In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalisation of the national regulatory framework governing investment in enterprises, and changes in capital markets; profound changes have occurred in the size, scope and methods of FDI, (Oman, 2000). New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea change in trade and investment policies and the regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role.

The most profound effect has been seen in developing countries, where yearly foreign direct investment flows have increased from an average of less than $10 billion in the 1970's to a yearly average of less than $20 billion in the 1980's, to explode in the 1990s from $26.7billion in 1990 to $179 billion in 1998 and $208 billion in 1999 and now comprise a large portion of global FDI. Driven by mergers and acquisitions and internationalisation of production in a range of industries, FDI into developed countries in 1999 rose to $636 billion, from $481 billion in 1998 (UNCTAD, 2003)

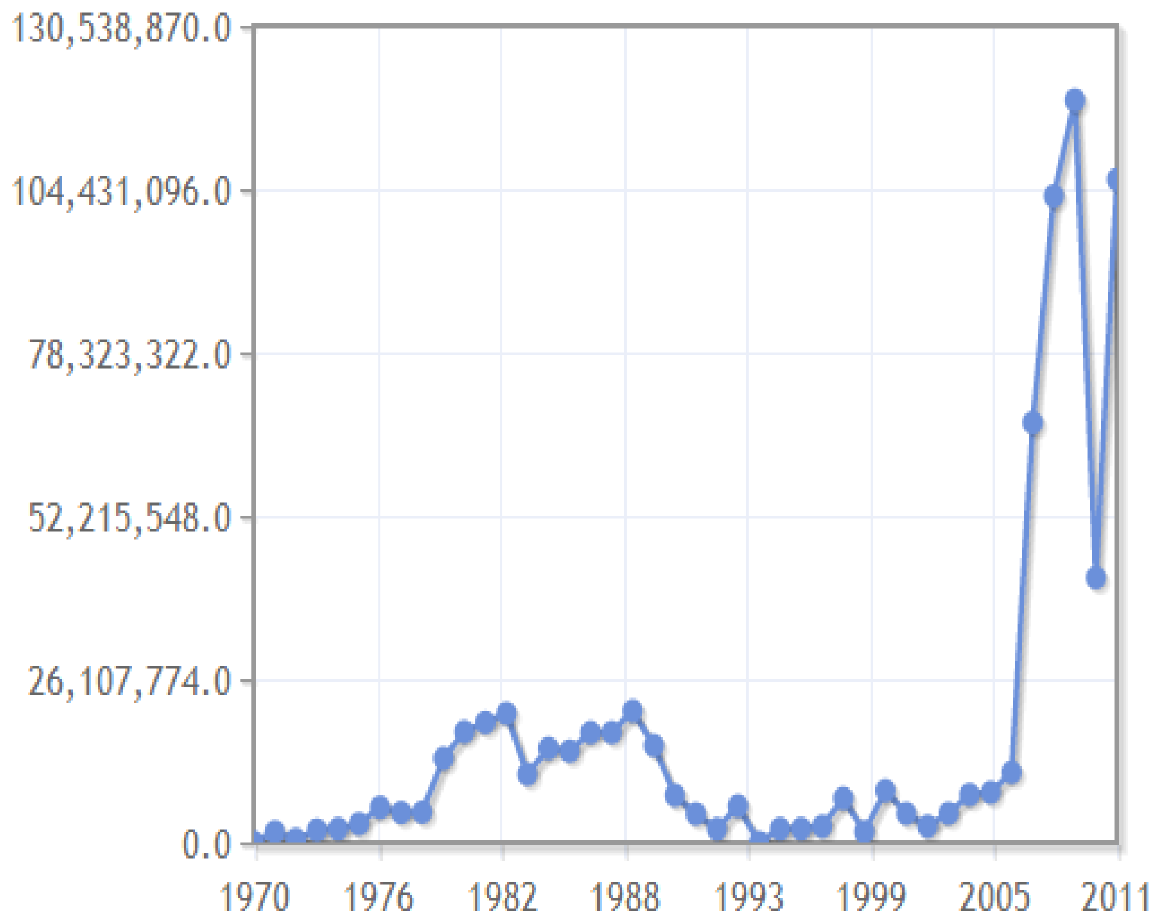
Proponents of foreign investment point out that the exchange of investment flows benefits both the home country (the country from which the investment originates) and the host country (the destination of the investment). Opponents of FDI note that multinational conglomerates are able to wield great power over smaller and weaker economies and can drive out much local competition. The truth lies somewhere in the middle.

For small and medium sized companies, FDI represents an opportunity to become more actively involved in international business activities. In the past 15 years, the classic definition of FDI as noted above has changed considerably. This notion of a change in the classic definition, however, must be kept in the proper context. Very clearly, over 2/3 of direct foreign investment is still made in the form of fixtures, machinery, equipment and buildings, (UNCTAD, 2002). Moreover, larger multinational corporations and conglomerates still make the overwhelming percentage of FDI. But, with the advent of the Internet, the increasing role of technology, loosening of direct investment restrictions in many markets and decreasing communication costs means that newer, non-traditional forms of investment will play an important role in the future. Many governments especially in industrialized and developed nations, pay very close attention to foreign direct investment because the investment flows into and out of their economies can and do have a significant impact.

The latest value for Foreign direct investment, net inflows (BoP, current US$) in Rwanda was $106,000,000 as of 2011. Over the past 41 years, the value for this indicator has fluctuated between $118,671,700 in 2009, $1,725,717 in 1999, ($10,570,000.00) in 2005, ($131,667,000.00) in 2008 and $1,000 in 1994. Foreign direct investment, net inflows (% of GDP) in Rwanda was 1.66 as of 2011. Its highest value over the past 41 years was 2.26 in 2009, while its lowest value was 0.00 in 1994, (Indexmundi, 2013)

Figure 1: FDI inflow to Rwanda between 1970 and 2010

FDI amount in US $



Source: IMF, International Financial Statistics and Balance of Payments database

Table1: FDI inflow to Rwanda between 1970 and 2010

Year	Value BoP	Value % GDP	Year	Value BoP	Value % GDP
1970	$60,000	0.76	**1991**	$4,577,985	0.24
1971	$1,700,000	0.20	**1992**	$2,187,570	0.11
1972	$500,000	0.69	**1993**	$5,851,480	0.30
1973	$2,000,000	0.71	**1994**	$1,000	0.00
1974	$2,200,000	0.53	**1995**	$2,212,202	0.17
1975	$3,000,000	0.84	**1996**	$2,218,241	0.16
1976	$5,607,534	0.62	**1997**	$2,598,560	0.14
1977	$4,794,909	0.56	**1998**	$7,089,194	0.36
1978	$4,860,992	1.30	**1999**	$1,725,717	0.09
1979	$13,461,650	1.52	**2000**	$8,319,041	0.48
1980	$17,707,780	0.76	**2001**	$4,634,138	0.28
1981	$19,205,990	1.45	**2002**	$2,610,000	0.16
1982	$20,653,350	1.46	**2003**	$4,655,623	0.25
1983	$10,916,400	0.72	**2004**	$7,660,000	0.37
1984	$15,064,920	0.95	**2005**	$8,030,000	0.31
1985	$14,618,050	0.85	**2006**	$11,233,070	0.36
1986	$17,593,150	0.91	**2007**	$67,142,880	1.79
1987	$17,593,610	0.82	**2008**	$103,350,000	2.19
1988	$21,047,060	0.88	**2009**	$118,671,700	2.26
1989	$15,508,620	0.64	**2010**	$42,332,000	0.75
1990	$7,562,354	0.29	**2011**	$106,000,000	1.66

Source: http://www.indexmundi.com/facts/rwanda/foreign-direct-investment**.**

The Government of Rwanda is committed to attaining internationally agreed development objectives such as the Millennium Development Goals (MDGs) for poverty eradication and sustainable development. One of the means to achieve this is to attract foreign investment (FDI). Researchers (Djankov and Hoekman 2000, Dunning 2002, Cleeve 2008) almost unanimously agree that FDI is a key contributor to economic development of a country. Especially, in a country like Rwanda at the wake of destruction caused by the 1994 war and genocide which acclaimed about 10% of its population, all development efforts are to be seized. Therefore, in this framework, policies and institutions were put in place to promote and indeed attract foreign investors into the country.

Rwanda has put in place one of Africa's most open FDI regimes as it does not place restrictions on FDI entry and establishment. All foreign investments are allowed without screening or restriction of amount or sector, and foreign investors are granted national treatment for most intents and purposes. They enjoy the same rights to buy or lease land and use resources as the citizens do. In doing so, Rwanda is targeting benefits brought about by a massive inflow of FDI.

Among the benefits that can be realised from FDI are: new technology; modern equipment and productive infrastructure; an emphasis on industrial productivity; an understanding and commitment to industrial competitiveness; modern entrepreneurial management techniques; modern human resource techniques, technical and management training of locals; exporting marketing know-how; provision of a significant contribution to a nation's fiscal receipts; greater competition in the domestic market; a wider range of consumer choice for a country's citizens, etc. Put together, all these benefits lead to overall better performance of economy, economic growth, development and stability, (Morrisset, 2003).

However, as the world's economy goes more global and competition among countries for FDI gets stiffer, it becomes increasingly difficult for some countries (especially developing ones) to be able to attract a significant amount of FDI. Countries are required to make efforts and market themselves to the world of investors. Countries presenting most promising investment climate and opportunities are likely to attract most foreign direct investment.

Several factors contribute to making countries a target as a foreign investment destination. Besides "tangible" determinants which can be easily calculated and compared (e.g. size and growth of the country's market, level of protectionism, etc.), there are other factors which are also considered by potential investors but are not easy to measure. Among these factors the FDI literature lists the image and stereotypes of the host country in the eyes of foreign investors, as well as managers' personal perceptions and preferences regarding the host country, as playing an important role in the investment decision making process (Root 1994).

CUTS (2001), suggests that within the context of a stable and transparent economic and regulatory environment, the main determinants of investor's decisions are broad macroeconomic factors such as the size and growth of the market and the costs of production. Governments should therefore put in place sound macroeconomic policies that will help the country achieve development objectives as well as helping the country to attract FDI.

Rwanda has been doing particularly well in the last 10 years in this regard. The GoR has been very active in promoting soft infrastructure, that is, an enabling environment and an efficient regulatory framework for economic activities. Reforms have included a draft law on Insurance Supervision, International Standards on Accounting and Auditing, revised investment code and restructuring of the Rwanda Investment Promotion Agency (RIPA) into the Rwanda Investment and Export Promotion Agency (RIEPA) in 2005. The privatisation Secretariat established in 2005 identified more than 100 companies for privatisation. As of the end of 2006, 70 enterprises had been privatised and fourteen were in the process of privatisation, (Ministry of Finance and Economic Planning, 2007). The creation of the free trade zone (FTZ) and Special Economic Zones (SEZ) which will include an Export Processing Zone (EPZ) by the Rwandan government also is expected to contribute significantly to attracting foreign investment in the same regard. The special economic zones (SEZs) have become an interesting economic phenomena and an important area in attracting FDI, (Wenke et.al, 2005).

In addition, Rwanda has ratified or adopted a significant number of key international standards and codes in corporate governance, including the NEPAD Framework Document (2001), Principles of Corporate Governance (Organisation for Economic Cooperation and Development, and Commonwealth), and Codes on Industrial and Environmental Safety and Hygiene of the World Health Organisation.

The Government of Rwanda is doing all the above and much more with the aim of providing investors with an environment in which they can conduct their businesses profitably and without incurring unnecessary risk.

An OECD report (2003) ascertains that some of the most important factors considered by investors as they decide on investment location are:

- A predictable and non-discriminatory regulatory environment and an absence of undue administrative impediments to business more generally.
- A stable macroeconomic environment, including access to international trade.
- Sufficient and accessible resources, including the presence of relevant infrastructure and human capital.

A look at these investors' requirements listed above shows that no country, especially of the developing world can satisfy them overnight. As Rwanda goes through the process of trying to bridge the gaps to satisfy investors requirements, having gone a long way in these last 10 years, a lot still needs to be done for Rwandan business environment to be optimally attractive for investment and for the country to remain competitive in attracting Foreign Direct Investment. This study seeks to provide a benchmark analysis of the progress made so far in attracting FDI to Rwanda and what remains to be done.

- **FDI Inflow to Rwanda**

FDI that promotes trade and economic growth is essential for a country's socio-economic development, therefore attracting and retaining FDI is crucial, particularly in asset investment. Building up strong FDI inflows is more effective in fuelling growth than for countries to rely on aid and debt relief, which is not sustainable in the long term. But a legal framework, good governance and an investment-friendly climate need to be in place.

On a smaller scale, Rwanda attracted $142 million in an alternative/renewable energy project from Contour Global (United States), which represented 18 per cent of Rwanda's total green-field investments in 2011. Part of this investment is financed by the Emerging Africa Infrastructure Fund, the Netherlands Development Finance Company, the African Development Bank and the Belgian Investment Company for Developing Countries.

Rwandan Policies and Strategies to Compete for FDI

Rwanda‘s investment levels have increased significantly in recent years, though they have been volatile. In 2010, registered investments totalled RWF 232 billion compared to RWF 645 billion in 2009. This is partially due to large, one-off entrants such as the Lake Kivu gas extraction project. However, it may also reflect a mixture of external shocks such as the financial crisis, which has downtrodden global demand-and internal bottlenecks to investment. Local investment in recent years has been largely driven by the construction industry.

The Rwandan strategies to attract FDI may be best described in the words of Oman (2000), as more "Rules-based" than "natural resource-based" means of competition. "Rules-based" means of competing to attract FDI —means such as environmental and labour standards, export-processing zones, international regional-integration agreements, privatisation of state-owned enterprises and strengthened judicial systems.

Moreover, Rwanda has put in place one of Africa's most open FDI regime as it does not place restrictions on FDI entry and establishment. All foreign investments are allowed without screening or restriction of amount or sector, and foreign investors are granted national treatment for most intents and purposes. Though this is a positive element per se, UNCTAD (2011) affirms that this high degree of openness makes it all the more important that other regulations (relating to public health, consumer interests, environmental protection, etc.) are properly established and enforced.

For developing and emerging economies, whose scarce financial resources often push them into a heavy reliance on fiscal incentives to attract FDI, it is important to stress the value of moving away from discretionary incentives towards greater reliance on rules-based means of attracting FDI-national and international rules that maintain or strengthen environmental and labour standards and create stability, predictability and transparency for policy makers and investors alike. A strong rules-based approach, which should include a strong and independent judiciary system, can also provide the policy transparency necessary to limit the rent-seeking behaviour that can be very damaging to development.

Promotion of FDI to Africa

Africa, which was a focus of the G8 Summit at Gleneagles, UK, in July 2005, did not attract an increase in capital inflows between 2003 and 2004. Its FDI remained stagnant at $18 billion. Nigeria was among the top five recipients of FDI inflows in Africa, which received most of the continent's investment from Europe, as well as from the US and South Africa.

As rightly stated by Dupasquier and Osakwe (2006), one of the development challenges facing African leaders today is how to attract FDI to the region. A number of efforts have been made in the past to boost FDI flows to the region but they have not had any significant impact. These efforts were unsuccessful because they were ill conceived, did not lift underlying constraints on FDI to the region, and failed to confront the challenges to the attraction of FDI to the region posed by the globalization process.

In designing policies and measures to promote foreign investment and reverse the current dismal FDI trend in Africa, it is important to recognize three facts. First, FDI requires a long-term commitment to the host country, involves very high sunk costs and, in the short run, it is difficult for foreign investors to recoup their initial investments if there is a sudden change in the degree of risk associated with their location. The implication of this short-run irreversibility of FDI is that decisions on entry into a host country are highly sensitive to uncertainty about the investment environment.

Second, foreign investors regard Africa as a high-risk investment region. In addition, economic and political risks are highly contagious due in part to the interdependence of African economies and the globalization of the world economy. The interdependence of African economies affects investors' assessment of risk in individual countries. Because of imperfect information, foreign investors associate the outbreak or occurrence of risk in one country with the likelihood of similar risks in other countries in the region. Consequently, for the most part, they do not differentiate between countries in the region—a phenomenon known as statistical discrimination. This implies that an increase in political instability in one African country will diminish the probability of foreign direct investment flows to that country as well as to other countries in the region. Te possibility of statistical discrimination, herding in investment behaviour due to contagion, and the absence of adequate instruments for hedging in the region, suggests that complete reliance on a country-specific approach to the reduction of political risk in the region cannot be effective in reducing foreign direct investors' perception of risk in the region. What is needed is a regional approach that recognizes the interdependent nature of African economies and the fact that economic and political risks are contagious.

Finally, the intensity of competition for FDI among developing countries has increased with globalization. Most developing countries have recognized this fact and are taking, or have taken, steps to adapt to the changing external environment. Te implication of this increase in competition for FDI is that African countries need to have comprehensive, as opposed to selective, policy reforms if they are to attract significant FDI to the region. In this regard, successful promotion of FDI to the region requires actions at the national, regional, and international level. More specifically, the following measures are needed to promote and attract FDI to Africa.

1.2. Statement of the Problem

Rwanda faces tremendous development challenges. According to the UNCTAD (2007), most of the population derives its income or subsistence from agriculture. At the same time, the population growth, land pressure, erosion and mode of exploitation imply that labour productivity in agriculture has been declining. In order to engage on a sustainable development path, achieve a broad-based reduction in poverty and attain the Millennium Development Goals (MDGs) and entrench peace and stability, Rwanda will need to transform its economy by developing the secondary and tertiary sectors.

The transformation towards an industry-and services-based economy is the only way for Rwanda to create the vast number of jobs required by a very young population. Based on the 2002 census, about 220,000 young men and women will enter the workforce every year during 2006-2010, rising to about 265,000 annually in 2016-2020. If Rwanda is to achieve the objectives of Vision 2020 and the MDGs under the envisaged timeframe, it will have to generate a process of transformation on the scale and speed of those experienced by successful Asian economies in previous decades.

While national investment (private and public) will undoubtedly have to lead that process of transformation, FDI could contribute significant benefits. Foremost among those are the contribution and transfer of skills, know-how, entrepreneurship and capital. Given the structure of Rwanda's economy and the constraints to investment, the Government should put in place a somewhat unconventional FDI strategy, geared towards the attraction of individual entrepreneurs and small- and medium-scale companies across a very wide range of sectors.

Rwandan policies expressed in Vision 2020, the Poverty Reduction Strategy Paper (PRSP) and the National Investment Strategy all recognise that the commercial private sector will have to lead the process of economic development and wealth creation. The public sector's role is to be focused on providing an enabling legal and regulatory framework, basic infrastructure and social services – most importantly health and education. Energetic government action in these areas was initiated several years back, and public sector investment in infrastructure still plays a leading role. Crucial public sector measures in the coming years include further investment in the power sector, transport, education and health. It is expected that private investment will then blossom, including in infrastructure services such as telecommunication and power generation.

In addition, Rwanda National Industrial Policy released by the Ministry of Trade and Industry (2011) mentions FDI together with tourist revenue, aid transfers and remittances as a main contributor to offsetting a severe balance of payment that Rwanda is faced with. This is due to the fact that though Rwanda‘s exports of goods have increased significantly in the recent past, rising to $254 million in 2010 from $62 million in 2003, imports to Rwanda have grown faster, from $325 million in 2003 to $1,389 million in 2010. The ratio of exports to imports fell from 23 per cent in 2008 to 18 per cent in 2010, with Rwanda‘s trade in goods deficit exceeding $1 billion – representing around 20 per cent of Rwanda‘s GDP.

Therefore, for Rwandan industrial policy target of increasing domestic production for local consumption and improving Rwanda's export competitiveness to be achieved, the role of FDI cannot be ignored. However, there is still a need to determine exactly how much of FDI Rwanda needs to attract and to which specific sectors. This study aims at providing a yardstick appraisal of Rwanda's performance with regard to FDI attraction and mapping the way forward for Rwanda to attract more of FDI it needs to achieve its economic development objectives.

1.3. Objectives

This research is undertaken with the following objectives:

- Explore policy and non-policy determinants of FDI and factors most influencing foreign investors' decisions to establish their businesses in Rwanda.
- Analyse the impact of investment promotion in attracting FDI.
- Explore Rwanda FDI disincentives and a way to eliminate them.
- Make recommendations for action to be taken to attract more FDI.

This study is based on the assumption that FDI, as an important source of capital, constitutes an important factor of Rwandan economic growth and development. As it is widely acknowledged in the literature, FDI is the largest component of long-term capital flows to developing countries. Therefore, it has contributed to their economic growth and is expected to remain their dominant source of external finance. Thus, for Rwanda to achieve the MDGs and Vision 2020, a lot more needs to be done to attract more FDI to Rwanda.

1.4. Research Questions

This study carries out an in-depth analysis of FDI as a type of capital flow and as one of the largest sources of external finance for developing countries. This analysis emphasises the growing significance of FDI for economic growth and development in developing countries in general and in Rwanda in particular.

This study aims at finding answers to these questions:

- What are determinants of FDI and factors influencing investors' choice of Rwanda as their investment destination?

- What is the role of investment promotion policies in accelerating the inflow of FDI?
- What are the obstacles the foreign direct investors may encounter in Rwanda?
- What possible improvements are needed to make Rwandan business environment more conducive to attract FDI?

1.5. Rationale

The motivation to undertake this study came about as a result of the author's understanding of the great importance of FDI in a country's sustainable economic development. Investment in general, both domestic and foreign has the potentiality to increase production for local consumption and for export. It can reduce trade deficit and contribute significantly to the balance of payment and this is especially vital to developing countries such as Rwanda.

Even though the current financial crisis in developed countries especially in Europe is likely to negatively affect foreign direct investment flows from those countries to Africa, it is also a strong reminder to developing countries including Rwanda that they cannot rely on foreign aid to finance their budget deficits forever. For developing economies to steadily grow and become self-sustaining, serious measures need to be taken towards increasing production, productivity and trade capacities. FDI is one of the important sources of external development finance, which can play an important role in this regard.

This study on "Promoting FDI in a developing economy: Implications for Policy and Practice in Rwanda" investigates the investment climate of Rwanda as perceived by foreign investors, their level of satisfaction or dissatisfaction with conditions and facilitation they get on the ground, and factors influencing their choice of Rwanda as an investment location.

The conditions sought by foreign enterprises are largely equivalent to those that constitute a healthy business environment more generally. OECD (2003) suggested that the most effective action by host country authorities to meet investors' expectations is:

- Safeguarding public sector transparency, including an impartial system of courts and law enforcement.
- Ensuring that rules and their implementation rest on the principle of non-discrimination between foreign and domestic enterprises and are in accordance with international law.
- Providing the right of free transfers related to an investment and protecting against arbitrary expropriation.
- Putting in place adequate frameworks for a healthy competitive environment in the domestic business sector. Removing obstacles to international trade.
- Redress those aspects of the tax system that constitute barriers to FDI.

It has been established that sound macroeconomic policies are crucial to nurturing vibrant private enterprise. Most important is that economic policy must remain stable. Fiscal and monetary management should aim at low real interest rates, low inflation, and realistic exchange rates. Foreign trade and investment policies should encourage competition and ease access to foreign markets and knowledge.

Foreign direct investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. Yet, the benefits of FDI do not accrue automatically and evenly across countries, sectors and local communities. National policies and the international investment architecture play an important part in attracting FDI to a larger number of developing countries. It is the responsibility of the host countries to put in place a transparent, broad and enabling investment policy environment and to reinforce the human and institutional potentials necessary for such an environment. (OECD, 2002)

According to Rwandan Ministry of Trade and Industry, Rwanda faces a trade in goods deficit in excess of $1 billion as of the year 2009. This is fundamentally an unsustainable position and is only possible due to FDI and particularly large aid inflows. For long-term economic growth sustainability, Rwanda needs to look for means to boost production in industries in which it currently only imports. To achieve this, domestic production is to be increased and this requires an increase in the number of investment in key production areas as well as increased productivity. We assume that FDI can play a significant role in this regard.

Eclectic Paradigm or OLI Framework

A popular conceptualization of, and theoretical framework for, FDI determinants is the "eclectic paradigm" attributed to Dunning (1977, 1993). It provides a framework that groups micro and macro-level determinants in order to analyse why and where multinational companies (MNCs) invest abroad. The framework posits that firms invest abroad to look for three types of advantages: Ownership (O), Location (L), and Internalization (I) advantages; hence it is called the OLI framework.

Further, Dunning (1993) identified four categories of motives for FDI: resource seeking (to access raw materials, labour force, and physical infrastructure resources), market seeking (horizontal strategy to access the host-country domestic market), efficiency seeking (vertical strategy to take advantage of lower labour costs, especially in developing countries), and strategic-asset seeking (to access research and development, innovation, and advanced technology) (Cleeve, 2008).

The theoretical framework described above by Dunning (1993) is applied to analyse specific factors determining FDI in Rwanda. It further helps examine the trend of the FDI inflow to Rwanda during the period 2000-2012 trying to find out factors shaping it.

1.6. Chapterization

This work is presented in five chapters:

1. General introduction
2. Literature review
3. Research methodology
4. Presentation and interpretation of research Findings
5. General conclusion and recommendations

The first chapter is the general introduction. It details the background of the research, research problem, rationale, objectives, research questions and research organisation. It gives an overview of what this work about promoting FDI in Rwanda: Implications for policy and practice is all about.

Literature review, the second chapter, explores FDI concept, the status quo about FDI in Rwanda and in the region, policy and institutions aimed at attracting FDI, various theories of FDI promotion and MNCs expansion and location decisions. It lays the basis for data analysis and interpretation.

The third chapter is about methodology. It explains the methods used for data collection, analysis and interpretation. The methods for data collection were mainly archival research, interview and questionnaire while for data analysis and interpretation qualitative and quantitative methods were utilised.

Chapter four, the core of this work exposes the data collected, attempts their analysis and presents an interpretation thereof. The research results are in two categories; the results from interviews with RDB officers in charge of investment promotion are presented first, and the results from the questionnaires administered to fifty free selected FDI companies in Rwanda.

Chapter five, the last chapter, presents general conclusions deductible from the research itself. It also contains recommendations formulated by the researcher at the end of the work. Recommendations are addressed to Rwandan government institutions having to do with investments and business facilitation and other researchers in the discipline in general, and to RDB department of investment promotion in particular.

Chapter II. Literature Review

This literature review explains the FDI concept, and explores the status quo about FDI in Rwanda and in the region; policy and institutions aimed at attracting FDI, various theories of FDI promotion and MNCs expansion and location decisions. It lays the basis for data analysis and interpretation.

2.1. Introduction

There is a lot of literature and many research works have been conducted on FDI, its importance and contribution to economic development, and how to attract it. However, very little research has so far been done on Rwandan performance as far as FDI is concerned. The available statistics show that Rwanda has been doing particularly well in this regard but this increase in FDI flow and % of GDP should not be taken for granted. This review of the literature will explore FDI facts in general and FDI flow to Rwanda in particular. Policies laid down to attract it, the strengths and weaknesses of those policies, its contribution to economy in general, Rwandan share of FDI inflow as compared with other countries in the region etc will be reviewed. This review gives the researcher a background on which to base the core analysis of this research.

2.2. Foreign Direct Investment

2.2.1. Foreign Direct Investment concept

The generally recognized definition of FDI used by the United Nations Conference on Trade and Development (UNCTAD) in its World Investment Report series and based on the definitions by the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) is an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). FDI constitutes a long-term engagement of foreigners who make investment in fixed assets with the purpose of establishing a production capacity to make goods or produce services for sale at a profit. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other “host” economy.

FDI refers to the transfer of the capital, managerial and technical assets of a firm from the home country to the host country. It is a form of international finance, together with lending and portfolio investments, but different from lending because it entails ownership, and different from portfolio investment because it entails control of financed activities over management and profits. Often portfolio investment is made for the sake of investment income, while FDI is made in order to control the foreign enterprise in the host country. Portfolio investments are excluded from the present analysis.

However, in FDI literature, there exist various theories of FDI. The macroeconomic theories based on traditional trade and location theories, consider the national and international trend of FDI (Cantwell, 1991). The meso-economic theories based largely on industrial organisation economics, study FDI on the industry level and emphasise the competitive economic environment (Calvet, 1981). Finally, the microeconomic theories are based on the theory of the firm and focus on the competitive advantage of the firm. In addition to these three levels, some scholars have also identified a fourth level of analysis, the sub-micro level (later milli-micro level), which refers to investment decision-making processes in the investing companies.

The theories are briefly reviewed starting from the macro-level and continuing towards the micro-level. This order reflects also the shift of focus of international business discipline, since the 1970s, from the international economy level to the firm level and even inside the firm, as in the case of milli-micro level of analysis. Actually, the shift of focus has not been straightforward, and it aimed not only at progression into a more detailed level of analysis, but to more complete explanations (Bartlett & Ghoshal 1991, 6).

Macro-economic investment theories include Dunning's (1993) developmental model of international investment, which relates the determinants of outward and inward investments to the developmental phase of the country. According to the model, outward investment exceeds the inward investment as the economy develops. The gradual shift from negative net investment to positive depends on a country's factor endowments, politico-economic system and its interdependencies with the world economy. Investments develop through five phases. In the first phase, inward and outward investments of the developing country are at a low level. In the second phase, market growth and enhanced human capital raise the inward investment while the outward investment still stays at a low level. In the third phase, both inward and outward investments have a significant role in the economy, which has reached an intermediate level of industrialisation. In the fourth phase, the outward investment exceeds the inward investment because the domestic firms both compensate the location disadvantages of the home country by engaging in outward investment, and complement the location advantages offered by the immobile factors of the host countries. Finally, in the fifth phase, outward and inward investments become balanced and are both at a high level, (Dunning, 1993).

The increasing role of MNCs in FDI literature has been rather difficult to fit into a national level frame. Thus, many theories have been developed from the base that FDI is not a result of the relative comparative advantage of a country but an implication of the competitive advantage of the firm. Industrial organisation economics is an application of microeconomics, which has broken the classical assumption of perfectly competitive markets, and is interested in FDI as the MNCs way to utilise firm-specific advantages and survive in oligopolistic competition. A representative of industrial organisation economics is Hymer's study (1976), according to which MNC has to earn a higher profit abroad than on the home market because of the greater risk involved and the additional costs caused by operating at a distance. Thus, the competitive advantage of MNC is both transferable over borders and difficult to acquire by local firms. Although the industrial organisation economics emphasises the firm-specific advantages and the strategies a firm can adopt for increasing and maintaining its market power, it also reminds that industries utilise a certain proportion of factors and thus, fit best to a country that offers the particular factor. However, industrial organisation economics focuses on strategic matters and firm-specific advantages rather than country factors.

Similar kinds of views to Hymer (1976) are shared in many other theories, such as the transaction cost theory, product life cycle theory, and eclectic theory. Among them, the transaction cost theory developed by Williamson (1975), with its roots in Coase (1937), argues that trade is beneficial for firms as they can avoid costs arising from the unfamiliarity of the markets. However, if the transaction costs of exchange are lower within the hierarchies of the MNC, the market will be internalised. Thus, FDI is not just a capital inducement but an international extension of managerial control over a subsidiary abroad.

Vernon (1966, 1979) introduced the product life cycle theory already in the mid-1960s, but developed it later to an explicitly oligopolistic interpretation. The theory explains the geographical process of locating the manufacturing units in the four general stages of maturity. In the first stage of the life cycle, new products are introduced by a firm that holds technological leadership in a location where it can enjoy agglomeration economies. Overseas demand is served by export. In the second stage, the firm starts to establish production facilities abroad as soon as it finds an opportunity to reduce costs by doing so, or its market position is threatened. The first overseas production tends to be set up in the high-income market. In the third stage, the newly established plant serves the local market in the host country and displaces exports from the home country. Consequently, home country based firms export directly to third countries. Finally, in the fourth stage, the newly established plant in the host country expands its exports also to third-country markets. When the innovative lead is lost and the product becomes mature, the production facilities will be relocated to low-cost locations from where the products are exported to the home country as well. (Vernon 1979, 265-267)

The eclectic theory is Dunning's attempt to combine various theories on FDI (e.g. Dunning 1993). Eclectic theory is based on the idea that compared to local competitors; foreign firm does not have as good information of the local business environment. Thus, MNCs will engage in international production only if a set of particular advantages are present, namely ownership advantage, internalisation advantage and locational advantage. The ownership advantage determines which firms will supply a particular foreign market. The ownership advantages include all the specific, often intangible, assets, which a firm can either create (e.g. knowledge, organisational skills) or purchase (e.g. patents, brand names), and which its competitors do not posses. The internalisation advantage explains why firms will internalise transactions within their hierarchies rather than allow transactions to be made within the market. The more ownership-specific advantages a firm possesses relative to competitors, the greater the incentive to internalise their use. Finally, the location advantage explains whether a firm will supply foreign markets by exports or through local production. The location advantage (e.g. spatial distribution of inputs) makes it profitable for a firm to exploit its assets overseas. Otherwise, it would serve a foreign market through exports from a home country base.

Microeconomic theories of FDI include also the internationalisation theory of the firm. Luostarinen's (1979) model explains the internationalisation process of the firm through the starting, development, growth, and mature stages. During these stages, operational methods of the MNCs are manifested by the trade in goods taking place in the earlier phase of economic interaction compared to international investment. The explanation goes that exports prepare the way for investment by establishing business contacts and sources of information and creating a special knowledge of the market. Once established, direct investment allows firms to gain a much better understanding of foreign markets, thus also facilitating further exports of the parent firm, (Luostarinen and Welch 1997). FDI can also be seen as a result of the growth of the firm. Luostarinen's study (1979) has many similarities with Hakanson's (1979) five-stage model of the geographical pattern of a corporate structure that explains how a firm expands from the home country to overseas and grows from a single operation plant to MNC. A firm grows gradually by employing new international operations, starting from a sales office and ending in a subsidiary or acquisition abroad. According to the model, the mode of operation is influenced by changes in the company's environment and the company will choose the FDI mode only after it has achieved a certain level of trade.

In addition to traditional investment theories, economic geography has attracted special attention to intra-national patterns of FDI. The core-periphery framework that interprets the spatial organisation of the world economy through a powerful core, weak periphery, and transitional semi-periphery, is adaptable at any geographical scale. With reference to the intra-national context, an urbanised capital region usually forms the core of the state and is surrounded by rural areas, or periphery. Many countries have several regional cores.

Traditional industrial location theories explain the regional distribution of FDI in terms of transport costs, wages and infrastructure, while more recent theories have emphasised such issues as the role of agglomeration with demand and supply linkages (Krugman 1991).

FDI can be seen as a catalyst for local development as MNCs may speed up growth rates in the host countries by applying their experience to build and operate factories, (Hayter 1997, 390). Thus, governments are eager to intervene in the location decisions of the MNCs. Altogether, it is important to put an emphasis both on the role of location conditions and the role of the host government that may aim to fill the gap between the real location attractiveness of the country and the degree of expectations by the MNC for a desirable investment location.

As the economic geography searches frameworks applicable on various spatial scales, it is characteristic of the studies to penetrate the above-mentioned levels of analysis. Thus, economic geography may study FDI through various spatial scales that may include global, international, regional, national, local, industry, firm, and even individual levels. In the case of the geography of enterprise, the firm is the central focus and level of analysis but not isolated from the other levels that affect the firm. As mentioned earlier, the present study highlights the importance of both firm-specific and country-specific factors thus focusing mainly on the national and the firm levels of analysis. This is essential because it is impossible to understand the nature of macro-level FDI inflows from one country to another without analysing the micro-level FDI decisions by the investing firms.

2.2.2. Types of Investment

It is possible to distinguish various kinds of investment types based on such issues as the target market, strategic motives, internal structure, industry, way of growth, ownership, and others. The types are partly overlapping reflecting the multidimensional nature of the investment decision. The basic division of direct investment into two is made according to the final market for the produced item or service. The local market-oriented investment refers to the case in which the output of the production site in the host country is directed to fulfil the demand in the host country. Consequently, the international market-oriented investment refers to the case in which the host country is used as an export platform and the final product is directed at the international market. The latter is also called export-oriented investment.

Obviously, a firm makes its investment decision to meet the general motives of corporate strategy, especially economic performance. Investment literature has studied MNC motivations to invest abroad widely from different viewpoints: different firms, different industries, different host countries, and different periods. As a result, great numbers of various motives has been listed.

Dunning (1993, 1998) defined five main types of direct investment in terms of strategic motives, although investment is usually not engaged due to the one single specific motive, but a combination of various motives (Eiteman et al. 1992, 436). He mentioned the following types of foreign investments according to their motives.

- **Resource seeking investment** is based on traditional locational advantages, such as costs of inputs, and transaction costs. This type of investment usually extracts raw materials for export or for further processing and sale in the host country. Typical representatives of this kind of investment are the extractive industries.

- **Market seeking investment** is based on strategic locational advantages in order to increase a company's market power. The aim is to find better opportunities to enter and expand new markets either by satisfying local demand or by exporting to third markets. Investment is usually motivated by such reasons as market size, growth prospects of the market, market share, or competitive situation. This type of investment is nowadays the most common type of investment. In it, engagement with the host market is the greatest. A typical example is foodstuffs, which cannot be exported but have to be produced on the spot.

- **Production efficiency seeking investment** aims to find production factors that are cheap relative to their productivity. Investment may be motivated by labour cost advantages, low raw-material costs, low transportation costs, low energy costs, or the availability of a skilled labour force. It refers often to off-shore production, which uses the special economic zones of the host countries. Typical representatives are thus the sourcing industries.

- **Knowledge seeking investment** (strategic asset seeking investment) aims to gain access to technology or managerial expertise in the host country. It has specific locational needs (e.g. technical knowledge, learning experiences, management expertise, and organisational competence) and is mainly concentrated in advanced industrial economies. The increase of mergers and acquisitions (M&A) emphasise the increasing role of knowledge seeking investment, (Dunning 1998, 50).

- **Political safety seeking investment** aims to minimise expropriation risks and is undertaken either in the form of investment in countries unlikely to interfere with MNC operations, or in the form of divestment from politically unsafe countries. (Behrman 1981; Buckley 2009; Dunning 1993, 1998, Eiteman et al. 1992, 436).

Some writers also distinguish the following modes of FDI.

1. ***Greenfield investment,*** which involves fresh and new equity capital investments and flows from abroad. This mode, from a development perspective, is usually the most desirable;
2. ***Reinvested earnings***, made by existing investors in the area out of their profits: while not constituting a fresh capital inflow from abroad this form of investment adds to the host-country's capital stock and assets and productive capacity (and possibly technology) and demonstrates investor commitment to the country/locality;
3. ***Intra-company loans*** usually constitute a capital flow from parent company (abroad) to subsidiary (in the investment locality) but must eventually be repaid with interest constituting a larger capital outflow. While distinguished as a separate mode for FDI, this is not the typical mode countries are interested in and would benefit from, other than that it helps the foreign investor in financing his/her business and thereby enabling him/her to continue making a contribution to the national economy;

4. ***Mergers and acquisitions:*** usually not the most desirable mode of FDI unless FDI was crucial to the success of the privatization of a loss-making public enterprise and provided fresh foreign capital, or in the case where the merger of a domestic company with a foreign company takes place on equal terms. Where a domestic firm fails, risking mass unemployment, acquisition by a foreign firm may be deemed desirable but from a development perspective this form of FDI is likely to make a limited contribution in the long run. Mergers by parent companies of leading global MNCs are outside the control of the host country where affiliates of both MNCs were operating before the merger and may lead to suppression of competition in the host country as a result.
5. ***Non-equity forms of FDI*** involve subcontracting, licensing, franchising arrangements etc. not necessarily involving a capital flow from abroad but otherwise contributing to the development of a country's national business sector.

Investments can also be classified according to the investor's internal structure. This classification distinguishes between horizontal, vertical, conglomerate and concentric investment. In horizontal investment, which is the most common type of investment, a company duplicates the whole production process, except the headquarter activities, in its subsidiary locating in the host country. Through the local production, the investor is able to penetrate the local market and increase its reputation with customers as products can be modified for the special requirements of a particular market. Differently, the vertical type of investment refers to the establishment of a subsidiary in the host country to serve at different stages of the value-added chain of the investor, notably the next stage forward or backward in production and sales, (Larimo 1993, 47).

Concentric investment, in its turn, involves foreign units serving the same customers as the investing company through different production methods and research and development (R&D). It may also involve foreign units serving different customers through the same production methods and R&D, (Larimo 1993, 47-48). Concentric investments may also be called horizontal diversification. This is still different from the conglomerate investment, which occurs when a company manufactures an internationally diversified range of products so that the foreign unit differs from the investing firm in terms of all major characteristics, including production, technology, customers and distribution channels. (Larimo 1993, 48) Due to the differences, conglomerate investment usually takes place by acquisition.

In the case of mergers and acquisitions (M&A) the above-mentioned terms get a slightly different content. In addition, it is possible to divide investment simply into related and unrelated types of investments. Related types of investments include horizontal and vertical types, which are related to the investor's industry or customers, while unrelated types include conglomerate and concentric types of investments, which are driven by a firm's risk dispersion. Basically, unrelated types of investment cause more risk for the investor as the field of industry or target market are unfamiliar for it (Larimo 1993, 48). Therefore, firms engaged in related types of investment more often than unrelated types (ibid.). Moreover, they tend to engage in unrelated investment in a familiar market and remain in related investment in a more distant and unfamiliar market (Borsos-Torstila 1999).

Investment can be seen either as an internal or external process depending on the firm's way of growth. Internal growth, or greenfield investment, means investment in a new plant and equipment, which builds up knowledge and capability inside the firm, while external investment means the acquisition of existing plant and equipment, (Luostarinen& Welch 1997, 164). The greenfield strategy is applicable if the product or the production process demands unique technology, which forms the company's competitive edge and thus, cannot be endangered by technology transfer to local firms in the host country. The greenfield strategy is also applicable if the host government's incentives are valid in a particular geographical area where suitable partners are not available. Consequently, a particular location may possess some important production factors, which results in a MNC to adapt the greenfield strategy if there are no suitable partners, (ibid., 166) Greenfield investment is a dominating way of FDI in developing countries (UNCTAD 2004).

Buying an existing company in the host economy, or cross-border M&A, is the most rapid way to enter a new market. It may solve the difficulties of hiring local personnel and penetrating local distribution channels, and it brings a readily-built market share and customer group with it. Based on these facts, the time needed to pay back the investment is relatively short. However, acquisitions usually face serious problems in integrating two previously separate organisations together. (Root 1994, 164-166; Luostarinen & Welch 1997, 164-165) M&A is the most common type of FDI in the developed countries (UNCTAD 2004, xvii).

With regard to ownership, a MNC may set a wholly-owned subsidiary or a joint venture. The advantages of a wholly-owned subsidiary include the total control of operations, decision-making, profits, management and production decisions, and the security over the technological assets and know-how. The constraints are mainly related to the capital requirements and the shortage of management personnel with international experience. Success in a distant market without a local partner may also be difficult due to the different cultural backgrounds, different corporate or industry cultures, and different national or ethnic cultures, not to mention different legal, economic and political aspects, (Elkahal 2001, 237).

In the form of a joint venture, the investor has access to local partners' specialised skills, knowledge of a local market, and government contacts. Thus, a joint venture with a well-connected local partner is often considered as the best way of investment. In many cases, however, the contribution of partners have been disproportionate, as the local partner has provided only labour and local facilities while the investor has to provide capital, training, technology, equipment, and know-how, (ibid., 227-231).

A joint venture can be set with one or more local partners. Sometimes, the partner or one of the partners is from the home country or a third country. If at least one of the partners is a government-owned firm, the joint venture is called a mixed venture. An MNC may set a majority joint/mixed venture, a 50-50 joint/mixed venture, or a minority joint/mixed venture (Luostarinen &Welch 1997, 156-158). The entry mode is not always possible to decide according to the MNC's own will, but may be regulated by the host country.

Investment can be classified by its function as a direct investment production operation (DIPO), which includes assembling and manufacturing subsidiaries, or a direct investment marketing operation (DIMO), which includes sales promotion subsidiaries, warehousing units, service units, and sales subsidiaries (Luostarinen 1979, 105-112). Again, the functions are overlapping and can be utilised separately but also together.

In addition to the above-mentioned classifications, the size and industry of the investing firm, as well as its earlier experience in internationalisation are factors which can be used to make a difference between FDI situations. Among them, the size of the firm is usually measured by the turnover and number of employees.

According to Harvard criteria, a multinational enterprise (MNE) is a firm that has a turnover of more than USD 200 million and at least six production units abroad (Vaupel & Curhan 1969), while the smaller firms can be classified as SMEs. These two groups differ in their investment behaviour in a sense that MNEs have much larger resources than SMEs to fulfil their strategies in the host economy (Larimo 1993, 32). Similarly, firms having broad earlier international experience have better starting points to operate in the host economy than firms without such experience (ibid.). Finally, FDI experiences may be different between firms representing different industries.

2.2.3. Attracting FDI: General Determinants

Factors and conditions that are important determinants of inward FDI can be divided into two categories within the context of this chapter: (a) firm and industry-specific determinants; and (b) host-country specific determinants. Investor or firm-specific factors are those factors that induce the firm to invest abroad or at least offer an advantage or support for the internationalization of production, including such firm-specific or owner-specific factors such as managerial skills, product differentiation, technological lead and know-how; large size and market power, marketing and organizational expertise, R&D capacity, etc. Typically, firms which have international exposure through export experience often engage in FDI to service the local markets better although this does not apply to all products. Some products, after all, can only be provided through exports (i.e., Boeing planes) while others can only be provided through FDI (i.e., Mac Donald hamburgers), while other products can be provided through an appropriate mix of selling methods.

In the context of this study, it is host-country specific characteristics which are most important in the investment location decision for a foreign investor in a globalizing world. Not only countries, but locations within countries are selected for investment on the basis of various criteria. A company wishing to engage in FDI will examine alternatives of location that make FDI worthwhile (i.e. which results in a positive role of return on investment). What location will be chosen depends on the character of the would-be subsidiary. Either the subsidiary is set up to satisfy local market demand or is established to export back to the home country or to other markets. Both types will put different emphasis on criteria a location (country) has to meet to receive FDI.

Dunning identifies a number of determinants of FDI location decisions by MNCs as summarised in the following table.

Table 2: Location determinant s of FDI

Policy framework for FDI	**Economic Determinants**	**Business facilitation factors**
Core FDI policy regimes • Rules regarding entry and operations • Standards of treatment of foreign enterprises	Market seeking FDI • Market size and per capita income • Market growth • Access to regional and global markets • Country specific consumer • Preferences • Structure of markets	Investment promotion Measures • Investment incentives • Hassle costs (corruption administrative inefficiency) • Social Amenities • After investment services
Trade policy regimes	Resource seeking FDI • Structure of markets • Low cost unskilled labour • Skilled labour • Technology innovations and other created assets • Physical infrastructure	
Intellectual property protection regime	Efficiency-seeking FDI • Cost of resources and assets • Other input costs	
Economic stability of the country • Monetary policy • Fiscal policy		
Political and social stability		
International agreement on FDI • Bilateral treaties • Regional integration frameworks • Multi-investment frameworks		

Source: Dunning J.H. (1998)

2.2.4. Proponents and Opponents of FDI

Although few scholars dispute the aggregate economic benefits of FDI, critics argue that the benefits of multinational production come with substantial costs for governments and their citizens. The need to attract FDI pressures governments to provide a climate more hospitable to foreign corporations, potentially altering patterns of domestic economic policy, and possibly even challenging the de facto sovereignty of the nation-state and the capacity for democratic governance. Democracy is often seen as an inefficient institutional structure in the global economy (Jensen, 2006).

There are those who argue that governments, especially those of African nations, should exercise utmost care while stressing the need for increased foreign direct investment. They must display a high degree of caution to ensure that going forward; such investments are in the best interests of the country. Sub-Saharan Africa has been at the receiving end of exploitative "foreign direct investments" aimed at a subsequent and consistent flight of capital, after the initial recorded investment. Stranded capitalists - whose investments have lost value in the West due to the continuing global recession - have metamorphosed into short-term portfolio investors in sub-Saharan Africa (Ezeanya, 2011).

With little regard, respect or belief in Africa and Africans, they shop around for relatively stable democracies such as Rwanda, searching for opportunities to up their ailing wealth. FDI of this nature, which is becoming prevalent, is usually without any form of technology transfer, which is the greatest benefit of FDI. These "investors" are hesitant to put up permanent structures that would yield multiple effects for the economy of Rwanda through job and wealth creation. There is hardly any emphasis on indigenous manpower development, and often, attempts are made to short circuit due process through bribery, intimidation or concealment of data to the government.

Oman (2000) explores the issue of competition for FDI among countries and its effects. He mentions that globalization, and in particular the move by many developing and emerging economies in recent years to seek more actively to attract foreign direct investment, is raising policy makers' concern that intensifying global competition among governments to attract

FDI may have undesirable effects. The main concern is that global “bidding wars” to attract FDI may be producing an uncontrolled upward spiral in costly “investment incentives” that weaken public finances while introducing market distortions in the allocation of real investment, and/or that such “wars” are putting excessive downward pressure on global standards of protection of the environment and/or of workers’ rights (the so-called “race to the bottom”).

However, Oman further argues that intensifying global competition among governments to attract FDI could also produce beneficial effects. These effects may include inducing governments to strengthen their economies’ “fundamentals” (e.g., by pursuing policies to enhance the supply of modern infrastructure and appropriately trained workers, by achieving greater macroeconomic and political stability, by improving long-term economic growth perspectives) which should in turn promote economic development —almost independently of their impact on FDI flows per se. Another effect may be to increase the global supply of FDI, to the benefit of investors and host economies alike.

All in all, both opponents and proponents of FDI seem to unanimously agree that “not all FDI is really beneficial” to the host country. However, FDI is widely argued for in the literature an important source of foreign capital and an engine of development for host countries.

2.2.5. FDI Contribution to Economic Development

The role of FDI in economic development has been debated at length and some consideration of the pros and cons is therefore necessary. However, in the context of developing economies in a current world characterised by increasing integration of economies and increasing transnational flows of capital, people, technology and other goods and services, foreign investment, if not a major pillar in a national development strategy, should at least be tolerated and exploited to the advantage of the economy as a whole.

According to OECD principles for attracting FDI (2003), the economic benefits of attracting FDI are generally twofold. First, countries with domestic savings so low that they are insufficient to finance a strategy of economic expansion (or where weak financial intermediation has a similar effect) may harness FDI as a source of external finance. This is assumed to be particularly relevant in the case of developing and emerging economies. Second, foreign corporate presence is, as demonstrated by an ample body of economic literature, generally associated with positive externalities ("spillovers") toward the host economy.

The channels through which the spillovers operate are at least fivefold. Foreign corporate presence may 1) act as a trigger for transfers of technology and know-how; 2) assist enterprise development and restructuring, not least in connection with privatisation; 3) contribute to fuller international (trade) integration; 4) bolster business sector competition; and 5) support human capital formation in the host country. In the case of OECD countries, the first two channels are generally thought to be the most important ones. Indeed, the formal justification of many FDI incentives ("nurturing corporate clusters", "enhancing business competences", "attracting a pool of skilled labour", etc.) implicitly assume that the technology-transfer channel is vigorous.

It is supposed that countries do welcome FDI as a fundamental contribution to the development process and the facilitation of countries in the international economy, though such a contribution should be evaluated in a wider context of policy reform and economic restructuring and development. Modalities for such promotion need further elaboration, however, in particular as developing economies have characteristics that distinguish them from other economies and which may require adaptations in their policies and strategies to attract FDI.

2.2.6. Promotion as a Tool for Attracting Foreign Investment

There is a large volume of literature identifying why firms engage in international investment, the economic and political determinants of investment location and the impact of foreign direct investment on economic development. However, there is minimal research examining the role of investment promotion in attracting foreign direct investment.

Image, brand awareness, and perceptions are major factors influencing the location of foreign direct investment (FDI). Companies make investment location decisions on the basis of their information pool and understanding of an area's location "offer". Investment promotion is therefore an essential component of attracting inward investment, and there has been a rapid growth in the number of investment promotion agencies (IPAs) across the world.

According to Wells and Wint (1990) a promotion agency must fund some mix of image building, investment generating activities, and investor services. Championing improvements in the investment climate has become an extremely important activity of several promotion agencies.

Many countries have also been tempted to charge their embassies abroad with carrying out investment promotion. On the surface, the option appears attractive, since embassies already have a presence in the home countries of investors. The marginal costs of having officers in those embassies to perform investment promotion appear to be low.

a. Policy Reforms as a Basic Function of Promotion

Wells and Wint (1990) described three basic investment promotion techniques: image building, investment generating, and investor services. It went on to argue that the mix of these techniques provides a good indicator of the strategy of a promotion agency. It also argued that the weight assigned to these techniques, or the strategy of an agency, should reflect the task that the particular country faces in marketing itself to investors.

For example, a country that has recently changed its policies toward foreign direct investment could benefit from emphasis on image building, since it might need to convey new information to potential investors who would otherwise be unaware of the changes.

In contrast, a country with a long-favourable investment climate ought to consider emphasizing the more difficult investment-generating techniques. The classification of techniques proposed in Marketing a Country has become the standard terminology for describing what investment promotion agencies do. However, a fourth category, policy advocacy, could be added to the three that the monograph describes. Championing improvements in the investment climate has become an extremely important activity of several promotion agencies. And the failure of a number of agencies to improve climate has almost certainly been one of the reasons that explain the failure of many countries to attract the volume of foreign investment that they anticipated.

b. FDI incentives

FDI incentives are commonly divided into three categories, namely fiscal, financial, and regulatory incentives, all of which are financed (or, in the case of regulatory incentives, offered) by authorities in the host area.

Regulatory FDI incentives are policies of attracting foreign-owned enterprises by means of offering them derogations from national or sub-national rules and regulation. While authorities may in principle choose to derogate from any regulatory practice, the onus has in practice been on easing the environmental, social and labour-market related requirements placed on investors. Such incentives are almost exclusively granted in connection with targeted strategies, or they are specially negotiated as part of the "improvised" strategies for luring large individual investment projects. It should, however, be noted that the evidence of such practices is sparse, anecdotal, and largely confined to specific sectors in non-OECD countries. Policies of offering financial FDI incentives are often formally motivated by one of three considerations. First, a host area (or a site within the host area) may be perceived as being disadvantaged relative to comparable sites elsewhere, e.g. because of the stage of development in that area. In this case authorities often argue in favour of a targeted effort at assisting investors, which is construed as a policy of levelling the playing field. Such so-called "site equalisation outlays" are in many cases largely generic or available to all companies that wish to invest in a given area, in which case they cannot be considered as FDI incentives. However, the specific investment packages negotiated between authorities and, in particular, large foreign investors have often included elements such as:

- **Infrastructure subsidies**: One of the preferred ways of increasing the attractiveness of a site (or an area more generally) is by providing physical infrastructure (roads, railways, harbours) or communication tailored to meet the needs of the investors.
- **Job training subsidies**: In many cases – and particularly when investment is sought in activities that are new to the host economy – investors are faced with a

shortcoming of qualified labour that authorities offer to alleviate through public or publicly-supported education programmes.

Second, authorities often argue that the costs that enterprises incur when relocating, or establishing new subsidiaries at a distance from previous sites, may hold them back from choosing the most suitable locations. According to this reasoning, it is advisable for the would-be host authorities to offer a subsidy toward meeting the relocation costs. This class of **financial incentives** includes:

- **Relocation and expatriation support:** Authorities may offer grants to help meet enterprises' additional capital spending and concrete relocation costs. In some cases, host country authorities also contribute toward individual members of staff's removal costs, as well as family-related expenses of expatriate members of staff.
- **Administrative assistance**: Authorities may resort to implicit subsidisation, whereby for example investment promotion agencies (IPAs) take upon themselves, as part of their competitive client service approach, to perform a range of tasks that would otherwise have fallen on the investing enterprises. Examples include preferential treatment by regulatory authorities whereby administrative impediments – such as for example the speed of obtaining permissions – are eased.
- **Temporary wage subsidies:** The start-up phase can be further supported through the temporary coverage of part of the new corporate unit's wage bill.

In addition to the above two categories of FDI incentives that are generally justified by the wish to correct market imperfections and overcome transaction costs, authorities may attempt to simply reap the supposed externalities of foreign corporate presence through a policy of targeted incentives. (This applies equally to the fiscal incentives listed below, many of which are quite "blunt" and unsuited to address specific market failure.) However, since political constraints generally compel host authorities not to be perceived as handing out gifts to foreign-owned enterprises, such subsidies tend to be tied to specific activities by investors that it seems opportune for authorities to encourage. Examples include:

- **Credits to investors**: Authorities may choose to grant soft loans or interest subsidies to foreign enterprises for the specific purpose of an investment project. Alternatively, they may ease investors financing costs by issuing loan guarantees.
- **Real estate:** There are many cases of national or local authorities selling land or buildings to foreign investors at below market values. Insofar as the real estate was not previously used, such practices are being seen by many as a virtually cost-free way of promoting investment (whereby the opportunity costs are being ignored).
- **Cost participation**: In addition to helping investors cover their start-up costs, authorities sometimes go in for the "longer haul". In return for an opportunity to affect investors' business dispositions, they may contribute toward marketing and developing costs and even, in some cases, ordinary operating costs. Cost participation may be direct, or it may be given indirectly via the suppliers of goods and services to the investor.

Various studies have concluded that the most commonly used inducements are **fiscal FDI incentives (**Gabe and Karybill, 2002)**.** This particularly applies to non-OECD member countries, which have limited funds available for financial incentives. Where fiscal measures are used to attract FDI into OECD countries they usually take the form of rules-based approaches, since changes in taxation in most cases require legislative action. More specifically, and recalling that incentives are often offered jointly as a complex "package", a representative list of individual fiscal incentives that are currently being offered by some jurisdictions includes:

- **Reduced direct corporate taxation**: General measures aimed at easing the corporate tax burden are used to attract foreign direct investors. These include:
  - **Reduced rates of corporate income tax**: Whereas a general lowering of corporate tax rates relates to the enabling environment for investment, some jurisdictions have targeted such measures at incomes from specific sources, or at income earned by non-resident investors alone.
  - **Tax holidays:** Under a tax holiday, qualifying "newly-established firms" are not required to pay corporate income tax for a specified time period. A variant

is to provide that a firm does not pay tax until it has recovered its up-front capital costs.

  - **Special tax-privileged zones**: The creation of “ring-fenced” areas with low rates of corporate taxation amount to fiscal FDI incentives in the cases where foreign-owned enterprises enjoy privileged access to operate in such zones.

- **Incentives for capital formation:** Policies of tying lower taxation to corporate investment are used by many jurisdictions as a way of conjointly attracting foreign enterprises and providing them with incentives to invest. The examples include:
  - **Special investment allowances**. Under such allowances, firms are provided with faster or more generous write-offs for qualifying capital costs. They may take the form of accelerated depreciation or enhanced deductions.
  - **Investment tax credits.** Such tax credits are earned as a percentage of qualifying expenditures and offset against taxes otherwise payable.
  - **Reinvested profits.** Some jurisdictions offer deductions or tax credits against profits that are reinvested in the host economy.
- **Reduced impediments to cross-border operation.** Companies are attracted to locations where the fiscal system imposes minimal costs on the cross-border transfer of funds, goods and services and manpower. Some of the incentives on offer are:
  - **Withholding tax.** Some countries offer foreign-owned enterprises reduced rates of withholding tax on remittances to their home countries.
  - **Taxation of foreign trade**. Reduced import taxes and customs duties (and in some cases export taxes) are sometimes used as FDI incentives – for instance where export processing zones are not accessible to domestic enterprises.
  - **Taxation of employees**. Lower personal income tax or social security reductions for expatriate executives and employees are used to make locations more attractive to foreigners.
- **Other tax reductions**: The selective lowering of any tax rate affecting the enterprise sector may be used to attract foreign enterprises. Currently, some jurisdictions use lower sales taxes and VAT reductions as an incentive; others offer foreign-owned enterprises property tax reductions. An interesting special case relates to a practice in

some non-OECD countries of offering foreign-owned enterprises the option of choosing a lump sum payment in lieu of taxes, with the purpose of providing them with incentives to boost their economic activity in the host economy

2.2.7. Competition for FDI

Competition may be defined as situations in which authorities are induced to make available incentives or modify the FDI incentives they offer (i.e. by making them more generous) as a result of the incentive strategies pursued elsewhere. There would appear to be two separate, albeit interrelated, classes of competition. Targeted competition occurs where authorities attempt to attract individual FDI projects by means of outbidding the incentives of other jurisdictions. In doing so they normally apply specific approaches, although there have also been cases of legislation being adapted as part of a bidding process. Regime competition relates to the case where the overall generosity (or design) of a jurisdiction's FDI incentives is chosen in response to the incentives practices in place elsewhere. Importantly, regime competition has implications both for the design of rules-based FDI approaches and for the amounts jurisdictions allow themselves to spend on pursuing specific approaches.

The application of FDI incentives does in most cases not involve targeted competition. It should, however, be noted that systematic and internationally comparable studies of FDI incentives are virtually non-existent, whereby any assessment must rely on case studies and anecdotal evidence. First, a fairly large share of the direct investment projects involving FDI incentives occur where investors have already formed a firm opinion of their preferred location. The issue of incentives thus mostly boils down to bilateral negotiations between investor and host authorities about how the level of risk and loss making (especially at the early phase of projects) can be diminished and about how to partition the difference between the corporate and social yield of the investment. Second, investors who have short-listed a few potential locations may shop around for the most attractive incentives packages, but the authorities of discarded locations generally do not chase the investment by topping up their incentives packages.

However, according to OECD (2003) there have been cases of sharp targeted competition in recent decades. The incentives for authorities to bid against each other are particularly strong where the size of an individual project is large and where investors are relatively indifferent between alternative locations. Consequently, the bulk of the evidence of incentives competition relates to economies that are located within the same geographic area and have comparable factor endowments. Joint work by the Secretariat and the OECD Development Centre indicates that, while there are some documented cases of less developed countries being affected by direct FDI competition from mature economies, there is little evidence to suggest that this is a problem of more general concern.

In some instances, targeted competition for FDI has risen to the level of veritable bidding wars, where jurisdictions not only compete, but continue raising their bids until the eventual incentives reach levels that would appear unfounded in economics. Studies have concluded that this occurs in industries where the project size is not only large, but where the expected benefits to the host economy are big enough to attract the attention of policy-makers. The benefits may come in a number of different forms, including job creation, future tax revenues and the generation of an improved (in many cases, high-tech) business environment. The bidding for such "trophy projects" appears to have been most intense in sectors such as automobiles, petrochemicals, electronics and information technology.

In a nutshell, most policy-makers feel that they would be unable to attract certain FDI projects if they did not offer an incentive package broadly as generous as the ones available elsewhere.

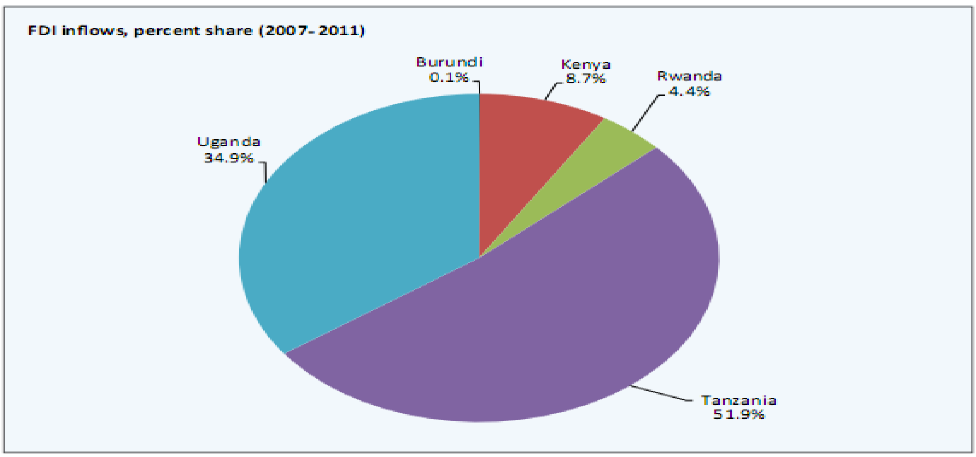
2.2.8. FDI and Regional Integration

International regional-integration agreements can be a powerful policy tool both for attracting FDI (which requires relatively open regional agreements) and for enhancing co-operation among governments to limit the potential negative effects of policy competition— including downward pressures on labour and environmental standards as well as costly beggar-thy-neighbour policy wars and incentive wars.

a. EAC

A comparison of yearly FDI flows as percentage of GDP of EAC countries in the last decade (2000-2010) shows that Rwanda has emerged to take the lead from the year 2007 to 2010. Before this time, since 2000 we observe a steady increase in FDI inflow to Rwanda. However, Rwanda's share in total FDI inflow to the EAC is still extremely small.

Figure 2: Comparative annual FDI inflows to the EAC countries



Source: World Bank 2012

FDI levels in Rwanda are extremely low compared to other EAC countries, although they are an increasing source of investment. From 2006 to 2009, FDI inflows increased by more than 70 percent per annum, fromUS$30.6 million in 2006 to US$118.7 million in 2009. In 2010 FDI slumped back to US$42.3 million as a result of the global economic uncertainty, following the 2009 crisis. In 2011, FDI recovered from the low level of 2010, by more than doubling to US$106.2 million. Over the last five years, FDI inflows to Rwanda averaged 1.9 percent of GDP, with the highest level of 2.3 percent of GDP in 2009. Measured as a share of Gross Fixed Capital Formation, Rwanda is the only EAC country where inflows increased from 2008 to 2010, (World Bank 2012).

b. COMESA

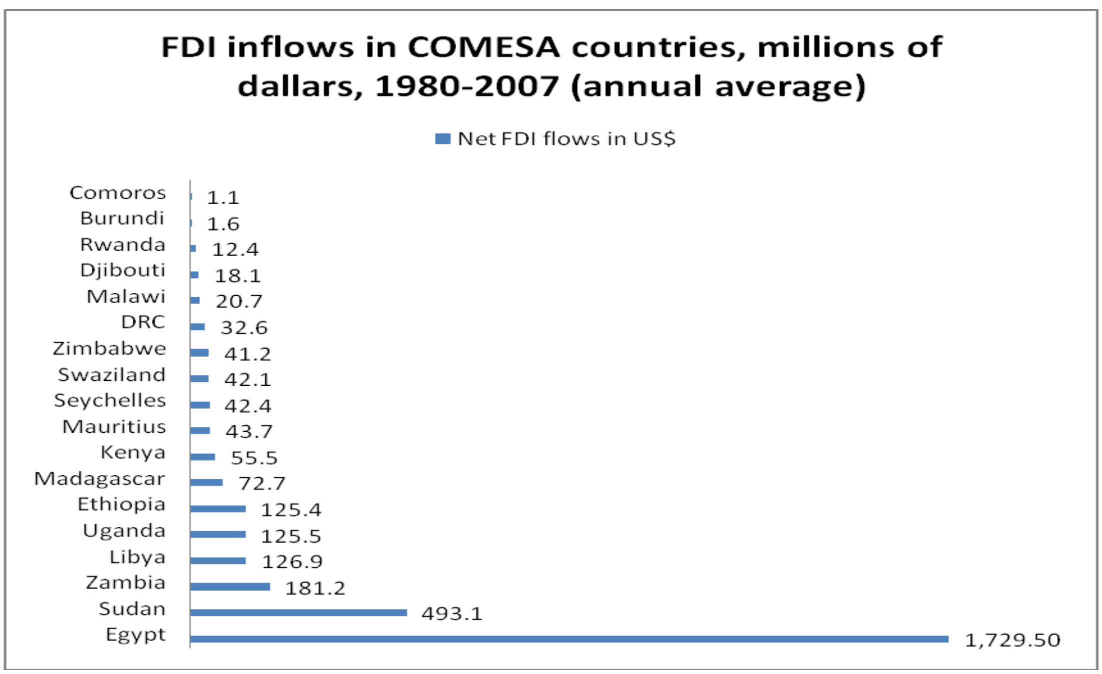
An improved investment climate and soaring demand for natural resources has driven FDI in the COMESA region in recent years, COMESA FDI inflows have increased six-fold since

2000 compared to 3.6 times for Africa as a whole. COMESA accounted for 49.5% of FDI inflows into Africa in 2006 but only 22.8% of stocks which shows that its performance in recent years, and 2006 in particular, was much improved.

COMESA had two of the countries with the largest inflows in 2006 with Egypt accounting for 28.2% of total inflows to Africa and Sudan 10.0%. In world terms COMESA accounted for 3.9% of inflows into developing economies in 2006 and 2.0% of stocks. Investment as a percentage of GDP is still low in COMESA at 18.6% in 2006 (est. 19.5% in 2007) compared to SSA as a whole (21.8% in 2006 and est. 22.3% in 2007) and other regions in SSA.

In order to reduce the resource gap arising from imbalances between domestic savings and domestic investment, countries are relying more and more on foreign saving especially by attracting FDI because of its merit in promoting economic growth in host countries. Attracting FDI has become like a race and depends on many factors. The figure below shows FDI inflow to COMESA countries.

Figure 3: FDI inflows in COMESA countries



Source: UNCTAD, 2008

It can be seen from the above graph that Egypt is by far the largest recipient of FDI in the COMESA region. For the period 1980-2007, Egypt managed to attract an average of 1,729.5 million of US dollars, followed by Sudan with an average of 493.1 million of US dollars, Zambia with an average of 181.2 million of US dollars, Libya with an average of 126.9 million of US dollars, Uganda with an average of 125.5 million of US dollars and Ethiopia with an average of 125.4 million of US dollars. The list is closed by small countries like Comoros and Burundi which managed to attract an average of FDI inflows of only less than 2 million US dollars.

It is however to be remarked that Libya is ranked fourth among the largest recipients of FDI inflows in COMESA, despite some past years where it was undergoing an embargo, during which period some foreign investors were disinvesting, experiencing hence outflows instead of FDI inflows. This shows that Libya is an upcoming attractive country for foreign investors, along with some countries like Mauritius, Seychelles and Swaziland, though small, are attracting some significant FDI because of some economic reforms undertaken that have improved their investment climate. And Rwanda, though among the bottom three (with only an average of 12.4 million of US dollars), should be another upcoming attractive country for FDI in the region because of some considerable efforts made to attract foreign investors, including the country's policies of zero tolerance on corruption.

But because in some past years, the attractiveness of FDI might have been hindered in some countries by some exogenous factors like wars, embargoes, political instability and other factors, leading to outflows instead of inflows, we analyse the recent trends of FDI flows in COMESA countries, Figure 2 shows the distribution of FDI inflows in COMESA countries during the period 2000-2007.

c. AFRICA

Africa has never been a major recipient of FDI flows and lags behind other regions of the world. By 1990, Africa's share was a mere 1.37 percent compared to Asia's 10.9 percent and by 2009 while Africa's share was just 5.27 percent, Asia received a whopping 27 percent.

Just as FDI inflows to Africa represent a low percentage of the global total, they also represent a low percentage of its GDP and gross capital formation.

Total foreign direct investment (FDI) inflows to Africa declined in 2011 for the third successive year, as UNCTAD's World Investment Report 2012 notes. But the drop – to a total of $42.7 billion – was largely caused by a fall in FDI channeled to North Africa. The report says that inflows to Egypt and Libya, which had been major recipients of FDI, came to a halt as result of protracted political and social instability in those countries.

In contrast, inflows to sub-Saharan Africa jumped from $29.5 billion in 2010 to $36.9 billion in 2011, a level comparable to the peak of $37.3 billion achieved in 2008. A rebound in FDI to South Africa accentuated that recovery. Continuing rises in commodity prices and a relatively positive economic outlook for sub-Saharan Africa were among the factors contributing to the turnaround, the annual survey says. The top five African recipients of FDI in 2011 were dominated by oil-producing countries led by Nigeria. Major investment continued to flow into another significant African oil producer, Angola, but divestment and repatriated profits by transnational corporations rendered net inflows negative.

While African transnational corporations are growing in influence and activity, outward FDI from Africa was still limited in 2011, especially as outflows from two traditional outward investors, Egypt and Libya, were significantly reduced.

The region's FDI prospects for 2012 are promising, as strong economic growth, ongoing economic reforms and high commodity prices have improved investor perceptions of the continent, the report says. One such indication is that in sub-Saharan Africa, excluding South Africa, net sales related to mergers and acquisitions – the purchase of African firms by foreign transnational corporations – over the first five months of 2012 more than doubled from the same period the previous year.

Of all the FDI targeted at developing countries last year, Africa garnered an estimated 12 percent. According to recent data compiled by the United Nations Conference on Trade and Development (UNCTAD), the biggest inflows during 2010 (most recent complete data) were directed to oil-rich economies (Algeria, Angola, Egypt, Ghana, Nigeria and Libya). In general, the countries receiving the lowest amounts of FDI also recorded the highest volume of outward investment.

A research carried out by Africa Development Bank group (2011) about determinants of FDI flow to Africa made the following conclusion: (i) there is a positive relationship between market size (urban population share) and FDI inflows to Africa; (ii) openness to trade has a positive impact on FDI flows; (iii) Higher financial development has negative effect on FDI inflows to Africa; (iv) high government consumption expenditure attracts FDI inflows to Africa; (v) higher FDI goes where international remittances also goes in Africa; (vi) agglomeration has a strong positive impact on FDI inflows to Africa; (vii) natural resource endowment and exploitation (especially for oil) attracts huge FDI into Africa; (viii) East and Southern African sub-regions appear positively disposed to obtain higher levels of inward FDI.

2.3. Conclusion

There is ample literature about FDI, its promotion, regime and management by economies. In the case of Rwanda, however, a lot of information about FDI is not documented and is hence missing in the literature. The information about the number and amount of FDIs in and across the sectors of the economy is available but the same information for provinces and districts is not available. This may mean that FDI is not yet appreciated on its real value to the Rwandan economy.

Besides, the literature reviewed above shows that Rwanda's recent series of reforms of business and investment regulations, judiciary and institutional make-up has yielded a tremendous record of increase not only in foreign investments but also and particularly FDI inflows. Rwandan performance in terms of FDI and other foreign investments in the past four years has been highly encouraging. A comparison of EAC countries' FDI inflows as a percentage of GDP for instance shows that Rwanda outsmarted the rest of EAC countries considerable since 2007. On the other hand, A lot still needs to be done to make that trend steady and sustainable.

Chapter III. Research Methodology

This chapter explains the methods used for data collection, analysis and interpretation. The methods for data collection were mainly archival research, interview and questionnaire while for data analysis and interpretation qualitative and quantitative methods were utilised.

3.1. Research design

This research about "Promoting FDI in Rwanda: Implications for Policy and Practice" was designed to explore and analyse the current situation in Rwanda as far as investment promotion is concerned, highlight the best practices and alert policy makers of existing loopholes and possible threats with regard to making investment promotion more effective. It is a descriptive exploratory study designed to confront archive and interview data with investors' perceptions of the situation in order find out what Rwanda, as a developing country, could do or do differently in order to sustain and indeed better its FDI regime.

3.2. Data needed and their sources

For this research to be successfully carried out, a great deal of data was need. First of all, the researcher needed to have a comprehensive list of FDI companies registered in Rwanda within the time period for this research, that is, 2000-2012. It was also necessary to have data about their countries of origin, their sector of investment and the amount of capital invested. These were secured from RDB's department of investment promotion whose officers willingly gave an extract of their database. Secondly, for an accurate description of Rwandan policy and regulations concerning FDI, much data needed could be retrieved from government documents and statistics by searching their archives. Archival data was supplemented by data collected through direct interviews with government officials in charge of investment promotion in RDB. Finally, to challenge these data, the research needed to do some field work and harvest data about the practical applications of policies and regulation. This type of data could only be gathered from businessmen and women investing in Rwanda as foreign direct investors.

3.3. Data Collection

The data used for this research to reach its conclusion were gathered using various methods and tools. The following are the research tools utilised to collect the data:

3.3.1. Library search

In order to achieve the main aim of the research a range of methods using a combination of primary and secondary data were used. First, a literature review was conducted in order to arrive at conceptual framework and provide guidance to the further research development. The relevant literature, primarily in the fields of FDI and countries' (especially Rwandan) macro-economic policies and development strategies will be explored. The sources used for the secondary research are books, journal articles, reports, archives and official web sites. This aims at gaining a thorough understanding of the field of study and laying the foundation for data collection and analysis.

3.3.2. Archival and Survey Research

Archival research methods include a broad range of activities applied to facilitate the investigation of documents and textual materials produced by and about organizations. In its most classic sense, archival methods are those that involve the study of historical documents; that is, documents created at some point in the relatively distant past, providing us access that we might not otherwise have to the organizations, individuals, and events of that earlier time. However, archival methods are also employed by scholars engaged in non-historical investigations of documents and texts produced by and about contemporary organizations, often as tools to supplement other research strategies (field methods, survey methods, etc.) Thus, archival methods can also be applied to the analysis of digital texts including electronic databases, emails, and web pages.

A great deal of data for this study was expected from archival and survey research. Archival research uses data "archives", which are data sets that have already been collected by someone. According to Geiger and Moore (2011), archival research uses publicly available records and documents as a source of data. Thus, the research is one step removed from actual observation. Survey research uses people's reports of what they have done or will do as the source of data; thus, the data reflect indirect observation rather than direct observation. Data archives come from a variety of sources.

Some archives have material that was initially collected for entirely different reasons than research but which can be incorporated into a research project. In sum, archival methods can be thought of as a loosely coupled constellation of analytic endeavours that seek to gain insights through a systematic interrogation of the documents, texts, and other material artefacts that are produced by and about organizations, (Ventresca M. J. and Mohr. J. W. 2005)

For this research, archival data from the World Bank, IMF, WTO, UNCTAD, the government of Rwanda through its different ministries, agencies and institutions, etc were consulted and utilised.

3.3.3. Interview

Interview was used to get essential primary information from key two informants identified among government officials in charge of investment promotion. As a matter of fact, two officers of RDB's investment promotion department were interviewed. The interview aims at getting fresh information on issues involved in foreign direct investment and the strategies adopted to attract it. General information obtained from the interview constitutes the basis for research assumptions, analysis and conclusions.

3.3.4. Questionnaire

A questionnaire was administered to owners, CEOs, managers and directors of identified FDI companies in Rwanda. The questionnaire aimed at getting insights into investors' perceptions of Rwanda investment conditions and especially motivating factors for their choice of Rwanda as an investment destination. This type of information is of course difficult to find since it should best be provided by the founding owners of FDI companies as they are the ones who take investment location decisions. Unfortunately, these people are often out of reach of small scale researchers. However, the researcher considered that top management officers of many FDI companies may often be aware of factors involved in those decisions.

Therefore, the questionnaire targeted top managers as well just in case the owners are not reachable.

The questionnaire was administered via email. It was first emailed to seventy two (72) FDI companies selected from the list of 314 FDI companies registered by RDB between 2000 and 2012. Fifty three (53) responded and returned the questionnaires and hence constituted the sample. A detailed description of these (study population and sample) is given below.

3.4. Sample and Sampling Techniques

This research utilised a purposive random sampling method. This mainly consisted in identifying resourceful people (as far as FDI in Rwanda is concerned) to be selected for a semi-structured interview. For the sample to be representative it needed to be well diversified in terms of origin, size, sector of operation and year of registration. Qualitative inquiry typically focuses in depth on relatively small samples, even single cases, selected purposefully. The logic and power of purposive random sampling lie in selecting information-rich cases for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposive sampling (or alternatively, purposeful sampling).

The research sample also included 53 FDI companies whose owners and managers accepted to respond to our questionnaire. 72 companies were conveniently selected (since their email addresses could be found by the researcher) from a total population of 314 FDI companies registered in Rwanda for a period of 12 year (2000-2012). Among the seventy two companies that were sent questionnaires through email, only fifty three (53) responded. Thus our sample population was made of 53 FDI companies.

According to Castillo (2009) convenience sampling is a non-probability sampling technique where subject are selected because of their convenient accessibility and proximity to the researcher. In all forms of research, it would be ideal to test the entire population, but in most cases, the population is just too large that it is impossible to include every individual. This is the reason why most researchers rely on sampling techniques like convenience sampling, the most common of all sampling techniques.

3.4.1. Description of the Research Population and Sample

A list of three hundred and fourteen (314) companies secured from the RDB department of investment promotion constituted the population for this research. These foreign companies were registered during the period 2000-2012 and they were identified as FDIs.

Table 3: Number of FDI companies registered in Rwanda between 2000 and 2012

YEAR	Number of New FDIs registered
2000	3
2001	14
2002	10
2003	11
2004	12
2005	13
2006	29
2007	39
2008	33
2009	33
2010	26
2011	37
2012	54
Total	**314**

Source: RDB's database

From the population of 314 FDIs registered in Rwanda between 2000 and 2012, a sample of 72 companies was selected to be sent the questionnaire. They were selected partly because the research was able to get their email contacts and they were established across the period under study (2000-2012). A questionnaire was emailed to these companies. However, only 53 responded and returned the questionnaire. Nineteen companies didn't return the questionnaire for various reasons. Twelve (12) of them did not respond to the email, three (3) did but said they had no time to do so and four (4) others said that they didn't want to give the kind of information asked for in the questionnaires.

Table 4: List of 53 FDI companies making the sample

		Sample population		
	Companies (FDI)	Sector of operation	Country of origin	Year of establishment
1	EXECUTIVE INVESTMENTS LTD	3-Real estate activities (service)	KENYA	2011
2	INZU LODGE LTD	3-Accommodation and food service activities	CANADA	2011
3	DOHEL INDUSTRIES LTD	2-Manufacturing	INDIA	2011
4	WAY INVEST RWANDA TRACTOR	2-Manufacturing	SLOVAKIA	2010
5	RWANDA TRADING COMPANY	2-Manufacturing – AGRI	USA	2010
6	SOCABELEC-RWANDA	3-Construction	BELGIUM	2010
7	SOLITON TELMEC LTD	4-Information and communication	KENYA	2010
8	NORDIC PARTNER E.A LTD	2- Manufacturing	KENYA	2010
9	ENGEN RWANDA LTD	3- Wholesale and retail trade; repair of motor vehicles and motorcycles	MAURITIUS	2010
10	PLYWOOD PROJECT	2- Manufacturing	CHINA	2010
11	AROMA'S COFFEE LTD	3-RESTAURANT	USA+CANADA	2009
12	BakhresaGarin Milling Rwanda ltd	2-Agroprocessing	Tanzania	2009
13	BOMANITE	2-CONSTRUCTION MANUFACTURING	Kenya	2009
14	CHINESE LEISURE CLUB	3-RESTAURANT	CHINA	2009
15	CRAMONI RWANDA LTD	3-CONSTRUCTION	CYPRUS	2009
16	DN INTERNATIONAL/GREENPARK	3-REAL ESTATES	KENYA	2009
17	FADAR LTD	4-ICT/MOBILE PHONE ASSEMBLING	CHINA	2009
18	Fossil fuels Rwanda Ltd	3-Petroleum	Kenya	2009
19	RAICON RWANDA LTD	3-Construction	India	2008
20	RWANDA RUDNIKI	1-Mining	Japan	2008
21	RWANDA TOOTHPASTE COMPANY LIMITED	1-Manufacturing	China	2008
22	SIMBA SUPER MARKET	3-Services	Erythrea-Rda	2008
23	SKENIA MOTORS	3-Garage services	Kenya	2008
24	STARBUCKS FARMERS SUPPORT CENTER	1-3 Agribusiness	Switzerland	2008
25	STEELRWA INDUSTRIES LTD	2-Manufacturing	Canada	2008
26	TRANSAFRICA	1-Mining	Belgium	2008
27	UBY INTERNATIONAL (RWANDA)	3-Construction	Israel	2008
28	URUHU CENTER	2-Leather (Manufacturing)	Italy	2008
29	GREAT LAKES REFINERY SARL	2-Minerals Refinery	China	2008
30	LEE GONG INTERNATIONAL LTD	3-Construction	South Korea	2008
31	Colours Ltd	3-Printing	Kenya	2007
32	ALEX STEWART	3-Mining Lab	U.K	2007
33	Altech Stream Rwanda Ltd	4-Telecommunication	South Africa	2007
34	ANIK RWANDA	3-Construction	India	2007

35	SWT INVESTMENT	2-Hides and skins	Pakistan	2006
36	WISOOMO WOOD FACTORY	2-Manufacturing	Canada	2006
37	YAS COMPANY RWANDA	2-Manufacturing	Saudi Arabia	2006
38	Fishing Limited Company	3-Hotel	Canada	2005
39	Genesis Communications	4-Media/Radio	Uganda	2005
40	IXORA Real Estates Development	3-Real Estates	Mauritius	2005
41	JK Gorilla & Safari	3-Tourism	Kenya	2005
42	PAPYRUS COMPANY LIMITED	2-MANUFACTURING	Turkey	2005
43	Tantalite Ore Trading Limited	1-Mining	South Africa	2005
44	RWANDA INDUSTRIES	2-Manufacturing	India	2004
45	AFRICHIPS	2-Food processing	Belgium	2004
46	RWAPAS	3-Printing&publ	Kenya	2004
47	SULFO RWANDA (CONFISERIE)	2-Food processing	India	2004
48	System Aluminium&GlassRda	2-Manufacturing	India	2003
49	China Rda Prod. Wholes & Reexp Promotion Center	3-Services	China	2003
50	GEOMAPS	3-Services	Kenya	2003
51	ADMA International Limited	2-Food processing	Lebanon	2003
52	MINIMEX S.A	2-Manufacturing	Canada	2003
53	JardinRwandais des Orchidées	Agribusiness	Belgium	2002

Source: Sample population extracted from RDB' database

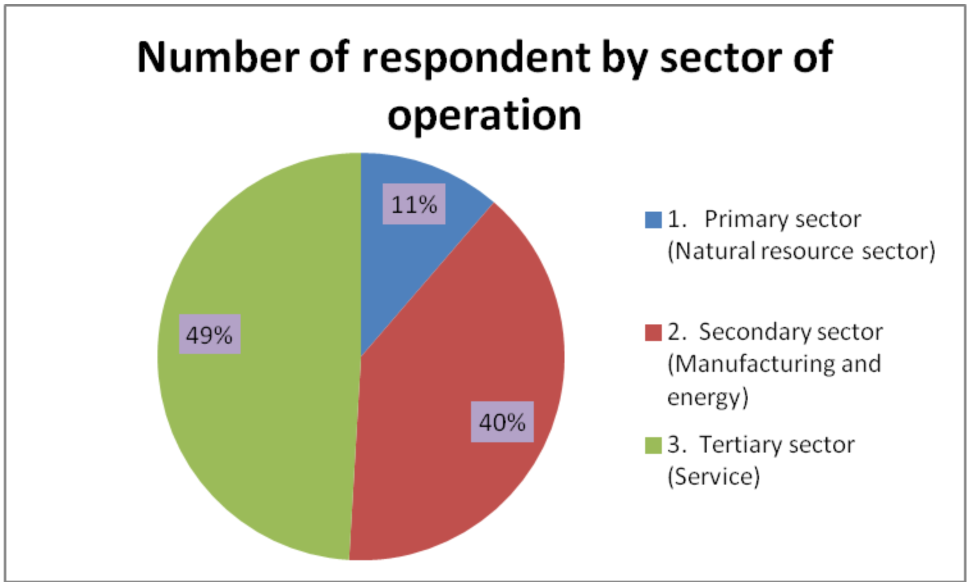
The questionnaire was addressed to owners, managers, directors, CEOs, MDs or CFOs of those companies. We assumed that these people were the ones most knowledgeable about their companies' investment location decisions and other issues related to their settlement and operations in Rwanda as foreign business people.

Table 5: Number of respondents per sector of operation

Economic sector of operation	1. Primary sector (Natural resource sector)	2. Secondary sector (Manufacturing and energy)	3. Tertiary sector (Service)
Number of Respondents	6	21	26

Source: Extract from RDB's database

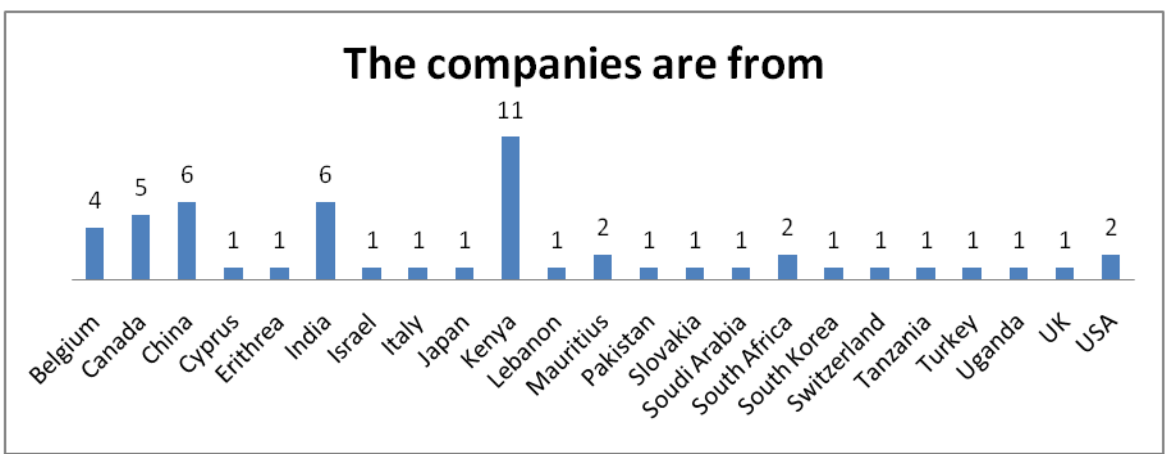
Figure 4: Graphic presentation of respondents per sector



Source: RDB's database (extract)

The copmanies selected for the sample population operate in all sectors as shown in table 5 and Figure 4 above. The percentage shown do not exactly reflect the percentage share of FDIs in Rwanda economic sectors. The researcher's aim here was simply to show that the companies studies operate in various sectors for representativity reasons.

Figure 5: Origin of surveyed companies



Source: Data from RDB's database

As figure 5 above shows, the companies studied come from different countriesall over the world. Eleven FDI companies (20.7%) come from Kenya, six (11%) were from India and China each, five from canada, four from Belgium.

3.5. Data Analysis and Presentation of Results

The data collected from field work (interviews and questionnaires) was analysed with the aim of describing Rwandan FDI issues as accurately as possible and in a bid to shed more light into possible policy loopholes and possible improvements needed for the betterment of Rwandan FDI regime. The following theoretical frameworks will be utilised for that analysis.

3.5.1. Qualitative and Quantitative Analysis

According to Bachiochi and Weiner (2004), qualitative research is often juxtaposed against quantitative research and although there are important differences between the two, both contribute in unique yet complementary ways to theory generation and testing. Qualitative and quantitative approaches can complement each other and provide researchers with a unique opportunity to strengthen their conclusions. The two approaches allow the researcher to take steps toward triangulation of results.

All the data collected through archival research, documentary search and interview have been quantitatively and qualitatively analysed by graphic and tabular visualisation and theoretical comparisons. Rwandan government policies and regulations related to business and investments were descriptively analysed. Government efforts to attract FDI have been objectively appreciated, loopholes and drawbacks were identified and solutions have been suggested.

The data gathered from the returned questionnaires was recorded in Statistical Package for Social Scientists (SPSS) for analysis. The analytical data is presented in chapter four (4) using tables and graphs in order to make the research findings clearer and give the reader a sense of validity.

3.6. Limitations of the study

The main challenge in getting the data for this research has been the fact that the best informants were out of reach. Investment location decisions, especially in the case of multinational corporations, are often taken by the founders and/or the owners of company or the board of directors of the mother companies, some of whom in our case, due to limited resources and time could not be reached. To overcome this challenge, the researcher addressed our questionnaire to any person, in the leadership of companies, who might be knowledgeable about investment decision related information. A direct email was also used as a strategy to distribute the questionnaire.

In addition, had the research not been limited by the scarcity of resources and time, it would have been interesting to study the reasons why some FDI in the region prefer investing in neighbouring countries than in Rwanda. This research was confined in the scope of analysing the current investment promotion situation and investors' motivation and perceptions in order to deduce conclusions and recommendations that can best inform policy makers. However, more comprehensive research could as well be carried on to survey FDIs in Rwanda by comparing sector and area location of FDI and establish the divestment rate.

Chapter IV. Presentation and Interpretation of Research Findings

This chapter is made of four parts. The first is an archival research exposition of Rwandan current performance in regard of foreign direct investment promotion. The second is a critical assessment of Rwandan investment promotion efforts which describes the policies of FDI that the Rwandan government has put in place through its RDB (Rwanda Development Board, department of investment promotion). The third part outlines the foreign investors' appraisal of Rwanda by highlighting their perceptions, challenges they face and what they wish the government should do or do differently to make investment easier and eventually attract more foreign direct investors. The fourth part is a critique of the scenarios described in part one, two and three with the aim of showing the implication of the current situation and the course of action to be taken in order for Rwanda to be able to attract more and more FDI and especially quality FDI at a sustainable rate. Then there comes a conclusion for this chapter.

4.1. Rwandan Institutional Policies and Regulatory Framework

The Rwandan government has made significant effort to put in place measures to promote foreign direct investment and to reduce poverty with limited empirical studies. The targets related to economic growth and investment at national level are formulated in Economic Development and Poverty Reduction Strategy (EDPRS) and Vision 2020. Rwanda Development Board (RDB) has been created to bring together all government agencies in charge of investment; these include agencies responsible for business registration, investment promotion, tourism and others. This structure helps foreign and local investors to obtain the certificate of incorporation, tax identification number and other documents quickly, (.

4.1.1. Investment Climate

Creating an environment conducive to development, growth and investment is obviously a multifaceted matter that involves a myriad of issues at national and international levels, including enterprise development policies.

The Foreign Private Capital census report (2011) by Central Bank of Rwanda stated that among the most favourable conditions for investors are the absence of corruption at the central level (championed through Rwanda's 'zero tolerance' campaign) as well as key business support services regarding licenses, permits and registry of companies. These have been targeted particularly through RDB's Doing Business reforms in recent years. In addition, reforms have been made to register land, which has seen strong recognition in the IPI 2011; this has not yet been translated into an acceptable level of access and affordability of land on the market, according to investors.

It further states that Rwanda has eased access to construction permits by passing new building regulations and implementing new time limits for the issuance of various permits. Access to credit was enhanced by allowing borrowers the right to inspect their own credit situation and mandating that loans of all sizes be reported to the central bank's public credit registry. In addition, Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbours, leading to an improvement in the trade logistics.

Nevertheless, some challenges in trading across borders and closing a business persist. Trading across borders remains costly and inefficient, with major transport constraints whether to the ports of Mombasa, Dar-Es-Salaam or by air.

4.1.2. Investment Policies

UNCTAD World Investment Report (2012:24) states that there is an international "New generation" investment policies place inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. Although these concepts are not new in and by themselves, to date they have not been systematically integrated in mainstream investment policymaking. "New generation" investment policies aim to operationalise sustainable development in concrete measures and mechanisms at the national and international levels, and at the level of policymaking and implementation.

Broadly, "new generation" investment policies strive to:

- create synergies with wider economic development goals or industrial policies, and achieve seamless integration in development strategies;
- foster responsible investor behaviour and incorporate principles of CSR;
- ensure policy effectiveness in their design and implementation and in the institutional environment within which they operate.

These three broad aspects of "new generation" foreign investment policies translate into specific investment policy challenges at the national and international levels (UNCTAD, 2012).

- **Integrating investment policy in development strategy:**
    - Channelling investment to areas key for the build-up of productive capacity and international competitiveness.
    - Ensuring coherence with the host of policy areas geared towards overall development objectives.
- **Incorporating sustainable development objectives in investment policy:**
    - Maximizing positive and minimizing negative impacts of investment.
    - Fostering responsible investor behaviour.
- **Ensuring investment policy relevance and effectiveness:**
    - Building stronger institutions to implement investment policy
    - Measuring the sustainable development impact of investment

According to FAO (2012: 200), for the first time, a sub-Saharan African country – Rwanda – was the world's top reformer, based on the number and impact of reforms implemented between June 2008 and May 2009. World Bank's Doing Business Report 2012 ranked Rwanda as the second best global reformer. It is also described as most competitive place to do business in East Africa and 3rd in whole Africa according WEF Global competitiveness Report 2011-2012. With the recent establishment of a Special Economic Zone and an Export Processing zone, Rwandan government has embarked on a series of institutional and legal reforms aimed at curbing corruption, making service delivery quicker and better which resulted in overall betterment of investment climate in Rwanda.

4.1.3. The Cost of Doing Business in Rwanda

The Government is resolved to improving the investment climate and attain desired levels of both local and foreign investment as a priority. The World Economic Forum's Global Competitiveness Report 2011- 2012 ranked Rwanda the 3rd easiest place to do business in Africa and 2nd five years Top Global Reformer after Georgia and the first in EAC. Rwanda was ranked number eight globally in starting a business with only 2 procedures in a span of 3 days. Rwanda is considered as the most competitive place to do business in East Africa and 3rd in Africa. The country is ranked 8th in the World (from 32nd last year 2011) in getting credit after putting in place a fully functional private credit reference bureau. Rwanda moved from 43rd last year to 19th easiest place to pay taxes in the world. For Rwanda's development, the emergence of a viable private sector that can take over as the principle growth engine of the economy is absolutely key.

4.1.4. Rwandan Regulatory and Judiciary Systems

According to UNCTAD's investment review of Rwanda (2006), Rwanda has embarked upon an ambitious programme to modernize its legislative and regulatory framework for investment, with the aim of fostering a "modern, competitive private sector geared towards capital formation" (Ministry of Finance and Economic Planning, Vision 2020). The Government is committed to promoting growth and poverty reduction through the development of a market-driven private sector and it has reformed or put in place a number of key laws and regulations in the past decade.

Article 42 of the Rwandan Constitution stipulates that "every foreigner legally residing in the Republic of Rwanda shall enjoy all rights save those reserved for nationals as determined under this Constitution and other laws." In addition, the Investment and Export Promotion and Facilitation law of 2005 stipulates that foreign investors benefit from incentives and facilitation on terms no less favourable than those granted to national investors.

The Constitution also grants protection over private property rights, which can be expropriated only for reasons of public interest and following fair and prior compensation. In addition, holders of RDB investment certificates are entitled to fair compensation in a convertible currency in case of expropriation. They also benefit from the guarantee that the compensation will be free of any tax or duty and freely transferable overseas.

In addition, RDB certificates also facilitate recourse to international arbitration in case of an investor-State dispute. Aside from its membership of ICSID (the International Centre for Settlement of Investment Disputes), Rwanda has signed bilateral investment treaties (BITs) with Belgium-Luxembourg, Germany and Switzerland, and these were ratified in the 1960s and 1980s. The provisions in these agreements are standard in that they provide for national treatment, guarantee transfer rights and provide for automatic access to international arbitration if local court procedures have been ineffective for a certain period of time.

However, UNCTAD (2010) states that Rwanda's network of BITs is extremely limited. Additional BITs could reassure foreign investors unfamiliar with Rwanda and provide extra certainty in what is a frontier territory for most people. Home country measures, including political risk insurance could also be used to reduce risk and promote FDI.

Nevertheless, the World Governance Indicators show significant progress in areas such as government effectiveness, rule of law, regulatory quality and anti-corruption. Transparency International ranked Rwanda 66th out of 178 countries surveyed in 2010 in terms of corruption, an improvement from 89th out of 180 countries surveyed in 2009. The Bank's Country Policy and Institutional Assessment shows an improvement in the overall rating from 3.53 in 2005 to 4.27 in 2009, with subsequent moderation across all clusters in 2010.

4.1.5. Government Role and Limitations

The government role in levelling the ground for foreign investment is of greatest importance. Rules and regulations have been adopted and adapted to the changing world business arena in a bid to make Rwandan investment climate more and more conducive to attracting FDI. A set of laws regulating the entry, settlement and protection of FDI have been amended to suit the requirements of foreign investors. Taxation, customs duty and inspection, fiscal and non-fiscal incentives, have all been consistently revised and adapted to attract investors.

These government efforts have remarkably succeeded in steadily increasing FDI inflow throughout the last ten years. However, the role of government is limited to structural and policy reforms. The geographical location and geological make-up of the country make it less attractive to foreign investors. Especially huge projects requiring vast amounts of land may seek better settlements in neighbouring vast territories of Uganda, Tanzania and Kenya.

4.1.6. Political Stability and FDI

Foreign direct investment-FDI is a key element of the global economy. FDI is an engine of employment, technological progress, productivity improvements, and ultimately economic growth. FDI provides both physical capital and employment possibilities that may not be available in the host market. More importantly, FDI is a mechanism of technology transfer between countries, particularly to the less-developed nations. Because of these significant benefits, attracting FDI has become one of the integral parts of economic development strategies in many countries.

Jensen (2006) contends that once a multinational has invested in a foreign market, disinvestment of physical assets is costly. Multinationals face tremendous political risks. Governments may change policy after the multinational has invested, adversely affecting the profitability of the investment. These political risks can be a major factor in a multinational's decision to invest in a foreign market.

He further argues that political regimes that lower political risks will attract multinationals by decreasing the costs of internalizing production. In systems with lower levels of political risk, multinationals will invest via FDI. In systems with higher levels of political risk, multinationals will be wary of entering a foreign market, and either avoid the market or establish a contractual relationship with a domestic firm. Thus political regimes that have effects on political risk will affect the entry of multinational corporations into these systems.

4.2. Promotion Strategies

The investment promotion department of the Rwanda Development Board (RDB) has put in place a range of promotional strategies aimed at wooing investors from all around the world. These include communication strategies (mass media advertising and publicity), fiscal and non-fiscal incentives, meeting and conferences (especially by the president of Rwanda abroad), promotion campaigns, bilateral treaties and investment agreements, and legal and infrastructural reforms.

Investors usually have a pool of investment location options to choose from including their own home countries and other countries. Thus, when it comes to attracting substantive amounts of FDI, countries have to put up effective strategies to compete for these investments. Some competition strategies, according to the RDB department of investment promotion, include:

- Registering a business in less than 6 hours
- Registering property is made easy
- Construction permit is obtained in 30 days (it takes 3 months in other countries)
- Crossing the border (importing investment goods) is also made easy; (the bill of lading, commercial invoice, parking lists, certificate of origin are all checked in one single office)
- Fees for work permit are 150,000 Rwandan francs (about US$ 230) for two years while it requires on average $3000 in EAC countries.
- Infrastructure at Kigali SEZ (Kigali Special Economic zone)
- Low levels of corruption compared to neighbouring countries

4.2.1. The role of investment Promotion Department

RDB is the government agency charged with the responsibility of fast-tracking economic development in Rwanda. Its investment promotion department and its representative offices in various countries around the world play the role of a guide to investment in Rwanda. They showcase Rwanda as:

- Safe, politically stable and attractive location for expatriates.
- All sectors open to investors without any restrictions
- Niche opportunities in high-end ecotourism and conference tourism, information and communication technologies, power generation, agricultural processing and logistics.
- Possibility of acquiring government stakes in banks, insurance, telecommunications, hotels and agricultural operators.
- Member of East African community, access to a combined market of 138 million people and a gross domestic product (GDP) of US$ 82.1 billion.
- Rapid reforms of investment related laws.
- Only one day to register a business
- Low levels of corruption.

The department also operates as a single point of contact for guidance on laws, policies, incentives, investment climate and trends, investment opportunities including privatisation, cost of setting up a business, process for finding land and sector specific information. They as well operate as a link between investors and the right people including the government (for big project requiring the decision of the cabinet), local joint venture partners and service providers, public-private partnerships etc.

In addition, the department serves as a one stop centre for starting a business. It offers services related to registering a business, certification and licensing. It also assists investors in getting work permits and visas, tax exemption and tax payment, land and construction permits, utility (water, electricity) and notary services.

The department further offers a plethora of aftercare services after registering a business to help operationalise by helping identify solutions that may be facing investors and finding local partners. It also provides business development services for export based companies and small-medium businesses.

4.2.2. Investment Incentives

A wide range of investment incentives are offered to foreign as well as local investors alike. These include fiscal and non-fiscal incentives. For business companies established in Rwanda to benefit from investment incentives designed for them, they must possess an investment certificate offered by RDB. Eligibility for this certificate requires investment of an estimated value of at least US$ 100,000 for investors from EAC, COMESA and US$ 250,000 for foreign nationals from other countries.

Non-fiscal incentives include:

- Free initial work permit and visa for investors and foreign workers.
- Acquisition of permanent residency
- Other facilitation services

Fiscal incentives are expected to change progressively as Rwanda integrates with the EAC. As of July 2012, an investment enterprise benefits from a flat fee of 10% of the CIF value of building and finishing materials. Fiscal incentives also include the following:

a. Tax exemption on imported goods

- Machinery and raw materials
- Privileges on movable property and equipment
- Equipment in education field
- Specialized vehicles
- Tourist chartered airplanes
- Medical Equipment, Medicinal products, Agricultural Equipment, livestock, Fishing and inputs
- Equipment meant for tourism and hospitality industry
- Free economic zone/International company with headquarters in Rwanda: An investor operating in the free economic zone is entitled to import machinery, equipment, raw materials for the industrial purposes and other goods free of duty. They are exempted from income tax, withholding tax on payments and tax on repatriation of profits abroad.

b. Incentives for construction materials

A flat fee of 10% is applied as investment incentive for building or construction projects that fulfil a number of criteria including being worth at least one million and eight hundred thousand American Dollars (US$ 1,800,000).

c. Incentives on Direct taxes on income

- **Investment allowance:**

- An investor who invests in Kigali is entitled to an investment allowance of forty percent (40%) of the invested amount in new or used assets.
- An investor who invests outside Kigali is entitled to an investment allowance of fifty percent (50%) of the invested amount in new or used assets.

- **Training and research expenses:** All training and research expenses incurred by a taxpayer are considered deductible expenses from taxable profits.

- **Employment oriented tax discounts:** Registered investors are accorded tax discounts based on the number of jobs created.

- **Discount on Export earnings:** Exporters of goods and services that repatriate their foreign exchange earning to Rwanda are accorded tax discounts based on the amount repatriated in a given tax period.

- **Tax holiday for micro-finance institutions:** Companies that engage in micro finance activities, approved by competent authorities are exempt from corporate income tax for a period of five (5) years commencing from the time of their approval.

- **Exemption from customs duties and taxes on ICT and agricultural equipment and inputs:** There are lists of ICT, medical and agricultural equipment and inputs available at the customs department of Rwanda Revenue authority. These lists are updated on a regular basis.

d. Additional incentives for investors

More incentives can be negotiated depending on the size and nature of the project and its national importance, location and capital invested. The cabinet may put in place additional incentives and facilities for the project. A joint committee by RDB, RRA and MINECOFIN negotiate particular incentives sought by an investor and briefs the government about the decision to make.

4.2.3. Presidential Tours Abroad

His excellence the president of the republic of Rwanda is most keenly interested in promoting trade and investment in Rwanda. Apart from being involved in bilateral cooperation and investment treaties with foreign governments, he invests himself in sensitization campaigns wherever he goes around the world inviting and encouraging foreign investors to come and invest in Rwanda. RDB officials in charge of investment promotion testify that he helps them achieve their objectives.

4.2.4. Investment Promotion Campaigns

With the help of investment promotion officers and commercial attachés in various embassies and consulates around the world RDB investment promotion department organises promotional campaigns in various countries where potential foreign direct investors are targeted. These campaigns include presentations in investor conferences, road shows and cultural exhibitions which portray Rwanda as a good place for investment. They also represent Rwanda in commercial conferences. These also include more personalised communications such as direct mail (which can be considered as personal selling) to individual identified as potential investors

4.2.5. Bilateral Investment Treaties (BITs)

Bilateral and investment treaties that Rwandan Government signs with other countries are yet another important strategy to attract more foreign direct investors. Rwanda is signatory to some bilateral investment treaties. The table below shows various bilateral treaties that Rwanda concluded.

Table 6 : Bilateral Investment treaties concluded by Rwanda
Partner countries
Belgium and Luxemburg
Germany
Mauritius
South Africa
Switzerland
united States

Source: UNCTAD 2011

4.2.6. Investment Promotion Targets and Priorities

Special promotional efforts target investor from certain specific countries due to the potential they show to invest substantial amounts in key sectors of Rwandan economy. In North America (USA and Canada), investors in Financial services, BPOs, and Education are sought. In Europe, through Rwandan embassies, commercial attaches are trained to market Rwanda as an investment destination, identifying potential investors. Priority sectors for EU investors are manufacturing, finance, BPOs, transportation, and logistics. In Eurasia, Turkey is currently targeted for investors in airlines, education and textiles. A Rwandan embassy has recently been established there with RDB's nodal office. In Asia China, Japan, South Korea and India are also targeted as potential hubs for investors to Rwanda. Africa is as well on the target, especially East African countries such as Kenya and Tanzania.

4.3. Investors' Perceptions

This part discusses FDI investors' appreciation of Rwandan business climate, the challenges they face and their suggestions. A presentation of answers given to a set of questions addressed to a sample of 53 FDI companies among 314 registered by RDB between 2000 and 2012 in a direct mail questionnaire.

4.3.1. Investment Climate

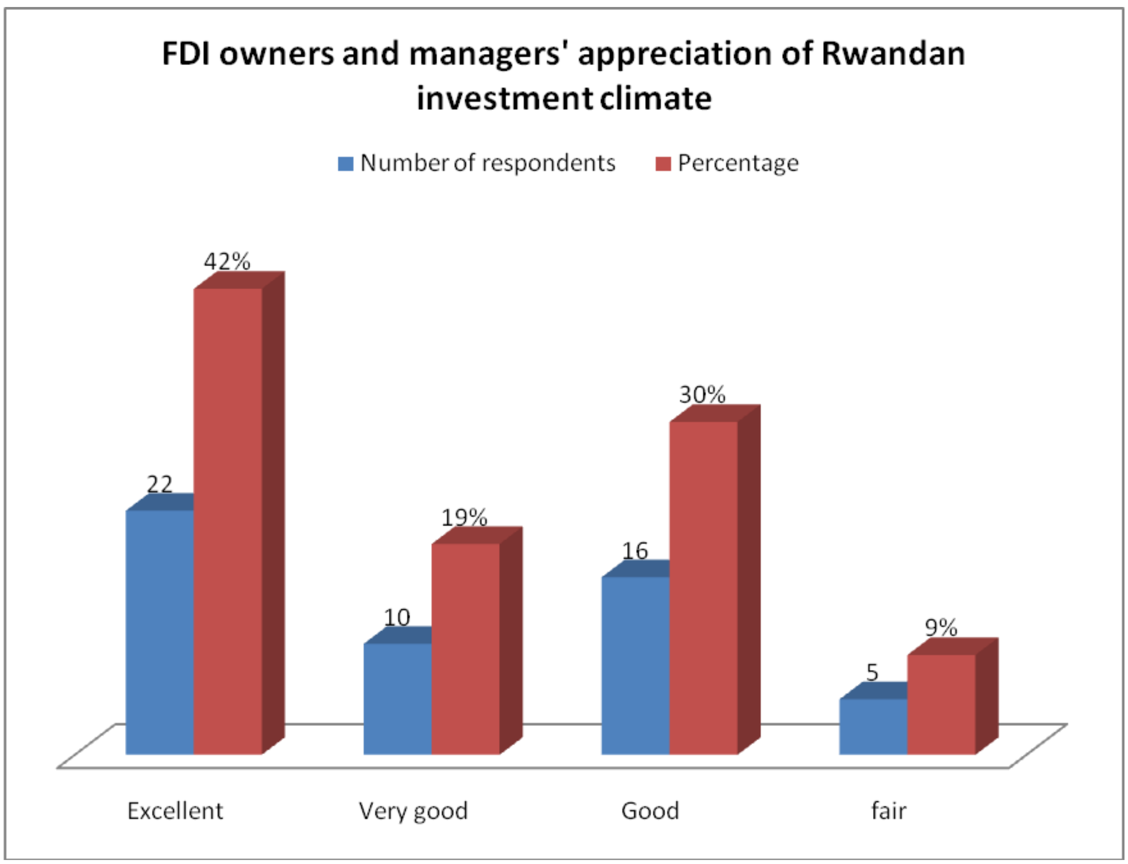
Rwanda is on record for having tremendously improved its soft infrastructures which make starting and doing business easy. World Bank Doing Business Report (2012) ranked Rwanda as the second best global reformer and the most competitive place to do business in East Africa and third in Africa according to WEF Global Competitiveness Report 2011-2012. The answers from Foreign Direct Investors seem to corroborate these rankings since 61% of respondents characterised Rwandan investment climate as either Excellent or very good. However, a significant remainder 39% termed it as only good or fair. This means that some more work still needs to be done to make Rwandan business arena fully attractive.

Table 7: Rating of Rwandan investment climate by FDIs

Rating	Number of respondents	Percentage
Excellent	22	42%
Very good	10	19%
Good	16	30%
fair	5	9%

Source: Primary data

Figure 6: Rating of investment climate of Rwanda by FDIs



Source: primary data

Although answers to this question can be very subjective, the opinions of business owners or managers matter a lot if one is to seek for steady improvements. It is encouraging as a big number of FDI owners and managers appreciate the situation which means that they find it easy to establish and operate a business. Nevertheless, others (39%) who term the situation as only “good” or “fair”, their opinion is not insignificant either. Their opinion shows that imperfections still exist in that domain and something needs to be done to make business environment more conducive to attract and encourage investments especially FDI.

4.3.2. Main FDI Motivations to Establish in Rwanda

To the question of knowing which factors attracted FDI companies most to come to establish in Rwanda, choosing from the list below, answers are summarised and illustrated in the table and figure below.

The question was: “Choose at least 5 among the following which you think motivated the establishment of your company in Rwanda?

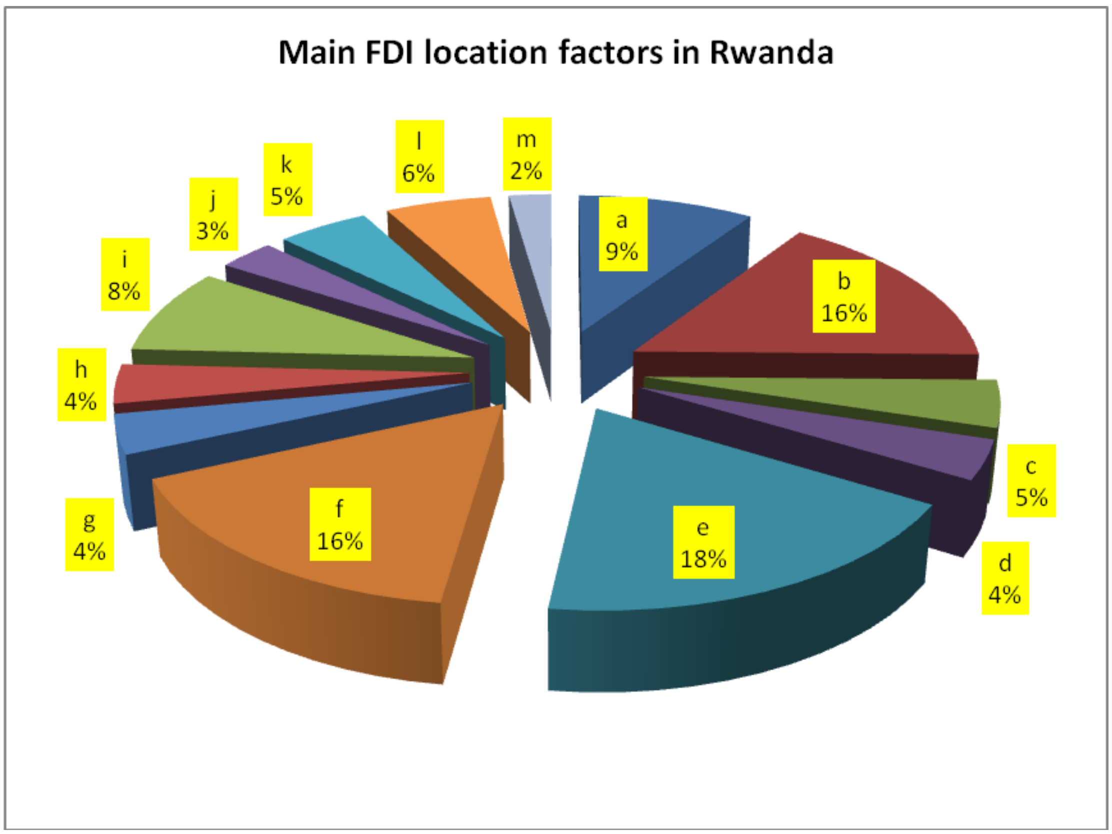
a. Resources (to access raw materials, labour force, and physical infrastructure resources),
b. Ease of doing business and absence of corruption
c. Efficiency (vertical strategy to take advantage of lower labour costs)
d. Strategic-asset seeking (to access research and development, innovation, and advanced technology)
e. Economic and political stability
f. Thriving economy
g. Export Processing Zones (EPZ);
h. Sectoral or regional policies;
i. Fiscal and financial incentives for FDI.
j. Regional integration and trade agreements;
k. Privatization of State enterprises
l. Market size and potential (considering Regional integration),
m. Other..

Table 8: Main Rwanda FDI location factors

Factor	Frequency	Percentage
A	25	9.4%
B	42	15.9%
C	12	4.5%
D	10	3.8%
E	49	18.5%
F	43	16.2%
G	10	3.8%
H	10	3.8%
I	22	8.3%
J	8	3.0%
K	13	4.9%
L	15	5.7%
M	6	2.3%
Total	265	100%

Source: primary data

Figure 7: Main Rwanda FDI location factors



Source: Primary data

Among the 12 factors listed above, the five factors most prefered by investors as being the main motives for establishing FDI investors' businesses in Rwanda are economic and political stability, thriving economy or economic growth, Ease of doing business and low absence of corruption, resources and Fiscal and financial incentives. These five factors accounted for a total of 67% of the respondents.

Though, the location of an investment is motivated by an ovelap of many varied factors, the factor most attracting investors to Rwanda according to this research is its economic and political stability at 18%, ceteris parbus. The thriving economy or economic growth and Ease of doing business and absence of corruption attract investors at a rate of 16% each. Resources and incentives attract investors at 9% and 8% respectively. The other factors are efficiency (vertical strategy to take advantage of lower labour costs) 4.5 %, strategic-assets (to access research and development, innovation, and advanced technology) 4%, Export Processing Zones (EPZ) 3.8%, Sector or regional policies 3.8%, Regional integration and trade agreements 3%, Privatization of State enterprises 5%, and, market size and potential 6%. Among other factors that respondents mentioned include risk diversification and opportunity for monopoly accounting for 2% of respondents.

On the whole, factors attracting FDI in Rwanda are seemingly different from those of many other countries even in the region such as market size and natural resources. This is due to the geographical and geological nature of the country, having few natural resources, being landlocked, being small and densely populated (which implies the scarcity of land), and having a big percentage of the population with a very low purchasing power, it may be hard for Rwanda to attract resource and market seeking investors.

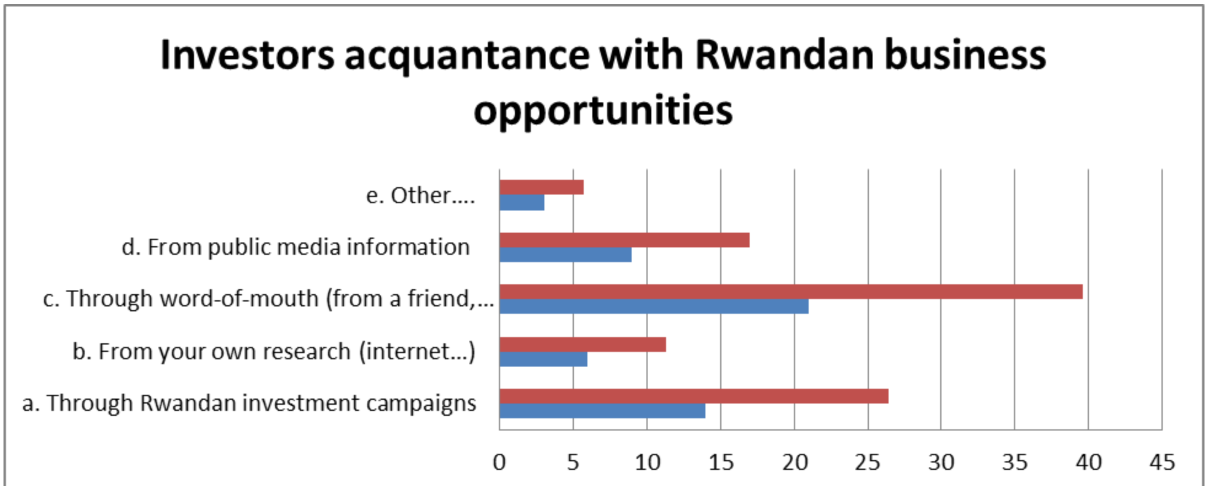
One can also notice, by looking at the trend of FDI inflows to Rwanda, that the steady increase is parallel to a series of institutional, legal and policy reforms undertaken by the government of Rwanda since 2001. Therefore, it can be concluded that Rwanda is more able to attract FDIs seeking more stability and steady growth than market size and resources.

4.3.3. Foreign Investors' Acquantance with Rwanda

Promoting a country to attract investors involves using varied communication channels to reach target potential investors. It is, thus, interesting to know how Foreign Investors in

Rwanda first get informed of the Rwandan business potential and opportunities. Figure 8 below shows respondents' answers to the question of how they were acquainted with Rwandan business opportunities.

Figure 8: Graphic presentation of investors' acquantance with Rwanda



	a. Through Rwandan investment campaigns	b. From your own research (internet...)	c. Through word-of-mouth (from a friend, colleagues...)	d. From public media information	e. Other....
Percentage	26.4	11.3	39.6	17	5.7
Frequency	14	6	21	9	3

Source: Primary data

As one can notice from figure 8 above, most foreign investors (40%) were first informed about Rwanda and its business opportunities and potential through word-of-mouth communication. This means that they got the information from Rwandan or foreign friends, collegues and peers who were better informed about Rwanda.They were also informed through promotion campaigns (26%), public media (9%), internet serach (6%). Other sources of such information mentioned by respondents (3%) are direct contact (invitation) with Rwandan authorities and personal remark when on visit to Rwanda for other reasons.

This means that word-of-mouth publicity and promotional campaigns play a very important role to inform potential foreign investors and to woo them for coming to establish their businesses to Rwanda. In its marketing communication strategy, RDB investment promotion department should focus more on public relations and publicity to get Rwandan business potential known to international opinion leaders. Public relations activities play an instrumental role in the process of publicizing. The British Institute of Public Relations has defined it as the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and the public, (Levitt, 1981).

4.3.4. Labour and Skills

Availability of inexpensive skilled labour is another factor cited in the literature as one of the main attracting MNCs to other countries. Many African countries are known to have a high birth rate thus suggesting abundant labour in their economies. However, whether this available labour force is actually able to handle the work as required by the MNCs is another issue.

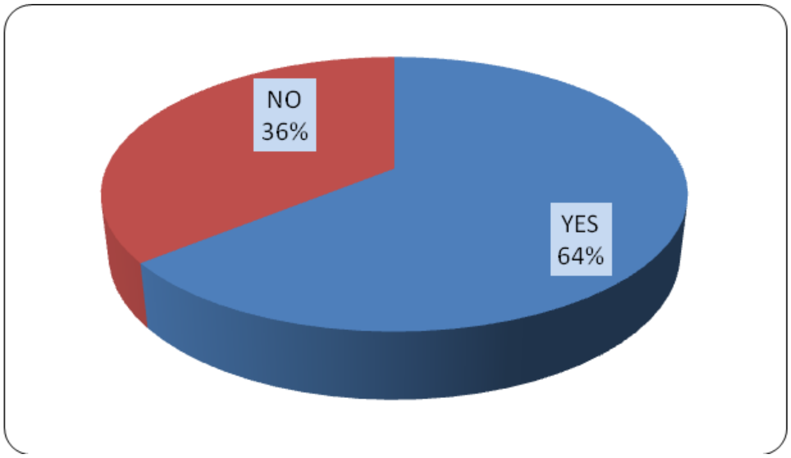
Table 9: Investors' opinion about labour force and skills

Unavailability of skilled labour negatively affects FDIs' operations		
Responses	**Number of respondents**	**Percentage**
YES	34	64.2%
NO	19	35.8%
Total	53	100%

Source: Primary data

From table 9 above and the figure 9 below, one can notice that most of the respondents (64%) affirm that their operations are often negatively affected by the lack of required skilled labour force. This means that some FDI companies in Rwanda sometimes have to employ people with skills far less than would normally be required in case they are unable to outsource some of their business processes. A significant number of respondents also testify that they are required to hire staff from outside the country.

Figure 9: Investors' opinion about labour force and skills



Source: Primary data

Generally, the figure shows that some skills are still missing on the Rwandan labour market. Among the most missing skills that respondents mentioned include especially technical skills and some professional skills.

4.3.5. Confidence Level

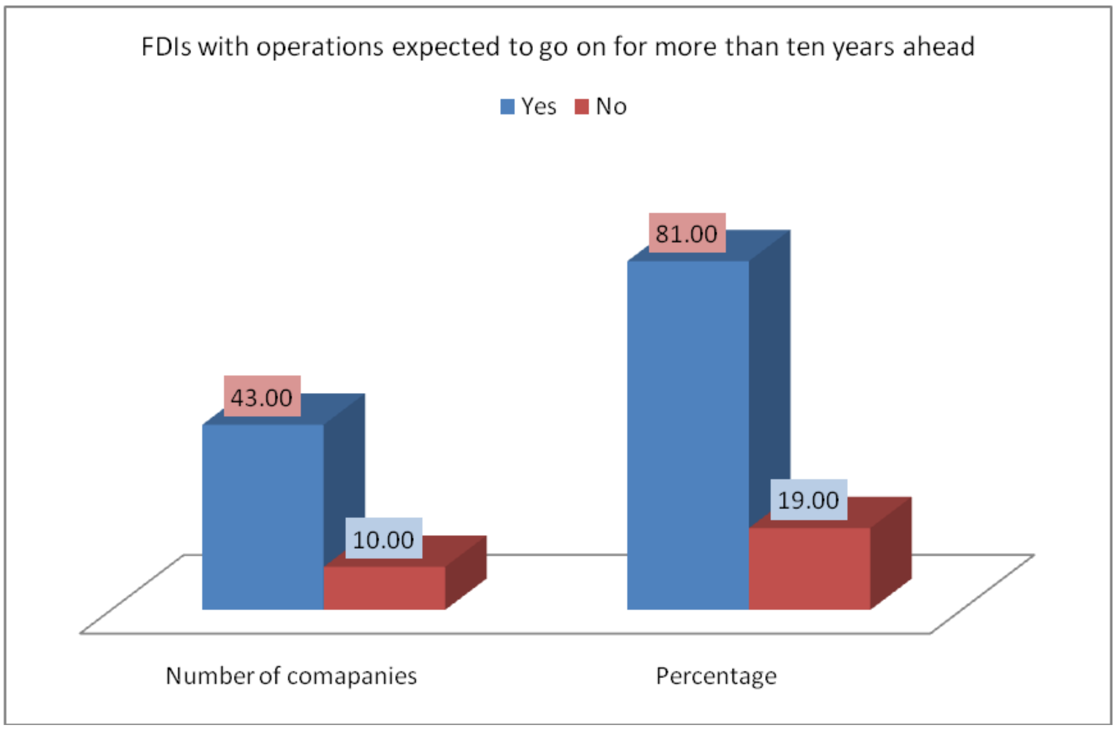
The question of knowing whether FDIs' business operations in Rwanda are expected to go on for ten or more year ahead was intended to test the level of confidence that foreign investors in Rwanda have that their businesses will not be required to shut down in the future. The results show that they are highly confident. Eighty one per cent responded that they expect to continue their operation for another ten years or more. Those who responded with "no" are companies operating in mining industry and construction whose projects and contracts of operations are fixed term.

Table 10: FDIs' expected duration of activities

FDI with operations expected to go on for more than ten years ahead		
	Number of companies	Percentage
Yes	43	81%
No	10	19%

Source: Primary data

Figure 10: Confidence level



Source: Primary data

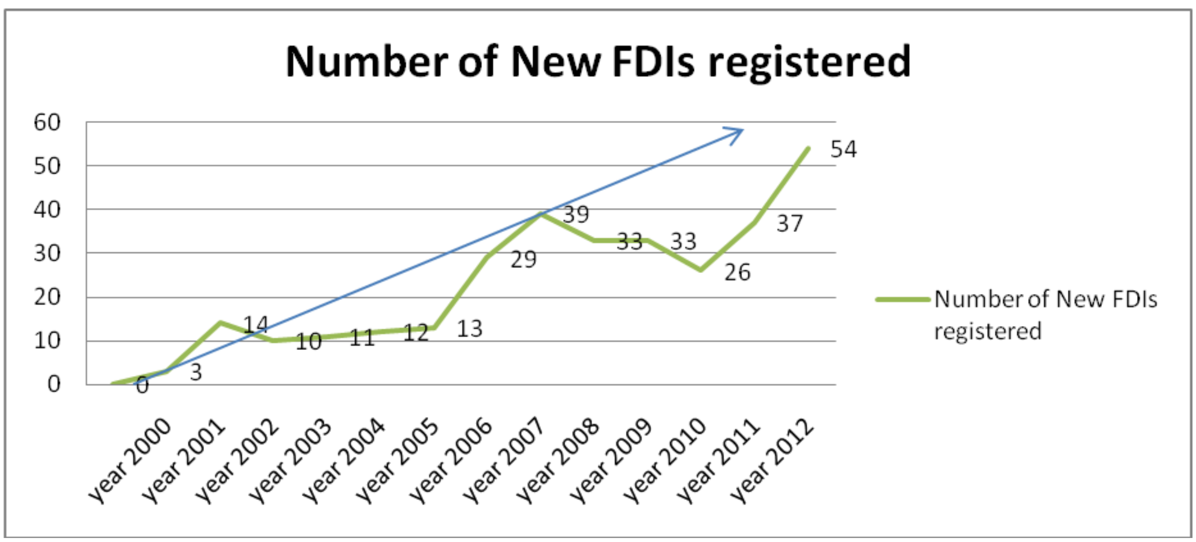
In brief, foreign investors operating in Rwanda are very confident that their businesses will continue to flourish, which shows that they also believe in Rwandan institutions and economic growth in general.

4.4. Policy Implications

Although there have been a considerable number of analytical and empirical studies on FDI inflows, there has been a limited consensus on which factors play an unambiguous role in explaining the location decision of MNCs. It is generally accepted that market size and access to natural resources are crucial determinants in their decision processes. In the case of Rwanda, though, these two main factors don't play much of a role as Rwanda has very limited natural resources. Even if Rwanda is integrated into EAC and others international organisation such as COMESA, AU, Common Wealth etc, which have more people with more purchasing power and an extended market, Rwanda itself constitute a small market with few people (11 million only) with less purchasing power for many of the big MNCs.

Therefore, other factors as exhibited above apply more significantly for Rwanda's ability to attract FDI. Policy and institutional reforms to suit the wishes and requirements of foreign investors are most important determinants of FDI attraction ability for Rwanda. Policies, rules and regulations in Rwanda should be carefully coined to ensure political and economic stability, ease of establishing and doing business, fiscal relief and zero tolerance of corruption.

Figure 11: Rising trend in FDIs registered in Rwanda between 2000 and 2012



Source: Primary data

A simple glance at the number of FDI registered and operating in Rwanda between 2000 and 2012 shows a remarkably rising trend. Rwandan investment promotion efforts should aim at sustaining the rising trend by offsetting the disadvantages and challenges created the scarcity of mineral resources, land and inadequate physical infrastructure and labour.

To achieve this, Rwandan government will be required to double its efforts in making its business related legal and institutional infrastructure more appropriate, building adequate physical infrastructures such as roads to ease transport especially to the countryside. Education should also be reformed to suit the needs of businesses especially by producing technically and professionally skilled people.

Moreover, this research revealed that, as far as marketing communication is concerned; most FDIs are attracted to Rwanda through word-of-mouth publicity. Therefore, more efforts should be directed towards building public relations capable of earning the amount of publicity needed and offsetting some negative publicity which may be created by uncontrollable factors.

4.5. Conclusion

The discussion of the research results provided herein highlighted three main subthemes of this research namely promotion strategies utilised by Rwandan government officials in charge of investment promotion, foreign investors' perceptions of Rwandan investment regulations and requirements and policy implications. Among the investment promotion strategies already in place in Rwanda includes, investment incentives (fiscal and non-fiscal), abroad presidential tours, meetings and conference with potential investors aimed at sensitising them to invest in Rwanda, investment promotion campaigns and bilateral investment treaties (BITs). Foreign investors' expressed perception were about investment climate in general, main motivations to establish business operations in Rwanda, acquaintance with Rwanda and its business potential, labour and skills and confidence level. Finally, policy implications show the course of action to be taken by decision makers in the Government of Rwanda in order for Rwanda to be able to sustainably attract more and more and especially quality FDI.

Chapter V. General Conclusion and Recommendations

This final chapter of this work summarises the key findings of this research and concludes the whole work by formulating conclusions and recommendations that are useful especially to the government of Rwanda towards strengthening FDI promotion and its sustainability.

2.3. Summary of the findings

The main results of this research work can be summarised in the following points:

- About the current performance of Rwandan institutions in relation to attracting investors in general and Foreign Direct Investors in particular; Rwandan government is recorded to have achieved the following:
    - Creating synergies with wider economic development goals or industrial policies, and achieve seamless integration in development strategies;
    - Fostering responsible investor behaviour and incorporate principles of CSR;
    - Ensuring policy effectiveness in their design and implementation and in the institutional environment within which they operate.
    - Integrating investment policy in development strategy:
        - Channelling investment to areas key for the build-up of productive capacity and international competitiveness.
        - Ensuring coherence with the host of policy areas geared towards overall development objectives.
    - Incorporating sustainable development objectives in investment policy:
        - Maximizing positive and minimizing negative impacts of investment.
        - Fostering responsible investor behaviour.
    - Ensuring investment policy relevance and effectiveness:
        - Building stronger institutions to implement investment policy
        - Measuring the sustainable development impact of investment

On top of that, the World Economic Forum's Global Competitiveness Report 2011- 2012 ranked Rwanda the 3rd easiest place to do business in Africa and 2nd five years Top Global

Reformer after Georgia and the first in EAC. Rwanda was ranked number eight globally in starting a business with only 2 procedures in a span of 3 days. Rwanda is considered as the most competitive place to do business in East Africa and 3rd in Africa. The country is ranked 8^{th} in the World (from 32^{nd} last year 2011) in getting credit after putting in place a fully functional private credit reference bureau. Rwanda moved from 43^{rd} last year to 19^{th} easiest place to pay taxes in the world.

- FDI Promotion strategies put up by the government of Rwanda include the following
  - Investment incentives: A wide range of investment incentives are offered to foreign as well as local investors alike. These include fiscal and non-fiscal incentives.
  - Presidential Tours Abroad: His excellence the president of the republic of Rwanda is most keenly interested in promoting trade and investment in Rwanda. Apart from being involved in bilateral cooperation and investment treaties with foreign governments, he invests himself in sensitization campaigns wherever he goes around the world inviting and encouraging foreign investors to come and invest in Rwanda.
  - Investment promotion campaigns: With the help of investment promotion officers and commercial attachés in various embassies and consulates around the world RDB investment promotion department organises promotional campaigns in various countries where potential foreign direct investors are targeted. These campaigns include presentations in investor conferences, road shows and cultural exhibitions which portray Rwanda as a good place for investment.
  - Bilateral and investment treaties that Rwandan Government signs with other countries are yet another important strategy to attract more foreign direct investors. Rwanda is signatory to some bilateral investment treaties such as with Belgium, Luxemburg, Germany, Mauritius, South Africa etc.

- FDI investors' perceptions about doing business in Rwanda were the following:

- Sixty one percent of respondents characterised Rwandan investment climate as either Excellent or very good. However, a significant remainder 39% termed it as only good or fair. This means that some more work still needs to be done to make Rwandan business arena fully attractive.

- The five factors most prefered by FDI investors as being the main motives for establishing their businesses in Rwanda are economic and political stability, thriving economy or economic growth, Ease of doing business and low absence of corruption, resources and Fiscal and financial incentives. These five factors accounted for a total of 67% of the respondents.
- About investors' acquaintance with Rwanda as an investment opportunity, most foreign investors (40%) were first informed about Rwanda and its business opportunities and potential through word-of-mouth communication. This means that they got the information from Rwandan or foreign friends, collegues and peers who were better informed about Rwanda.They were also informed through promotion campaigns (26%), public media (9%), internet serach (6%). Other sources of such information mentioned by respondents (3%) are direct contact (invitation) with Rwandan authorities and personal remark when on visit to Rwanda for other reasons.
- About labour force and skills needed, most of the respondents (64%) affirm that their operations are often negatively affected by the lack of required skilled labour force. This means that some FDI companies in Rwanda sometimes have to employ people with skills far less than would normally be required in case they are unable to outsource some of their business processes. A significant number of respondents also testify that they are required to hire staff from outside the country.
- Finally, Eighty one per cent of respondents responded that they expect to continue their operation for another ten years or more. In brief, foreign investors operating in Rwanda are very confident that their businesses will continue to flourish, which shows that they also believe in Rwandan institutions and economic growth in general ceteris parbus.

2.4. Recommendations

The Government needs to continue to accurately and consistently capture, and monitor FDI in-flows and to assess the impact of policies made in the area. There is also a need to sustain macroeconomic and political stability which continue to be major investors pull factors.

Comprehensive reforms in education system should be undertaken and there should be a special focus on strengthening technical, vocational and professional training geared to meeting the needs of investors in general and Foreign Direct Investors in particular.

Pre-investment-decision, implementation, and post-investment services to FD investors should be evaluated and constantly improved. Pre-investment-decision services include giving potential investors information about the country and about procedures required of investors. Instead of providing only very general information – often only macroeconomic data, detailed data, sometimes customized to the needs of particular kinds of investors should be given.

Rwanda's network of BITs is extremely limited. Additional BITs could reassure foreign investors unfamiliar with Rwanda and provide extra certainty in what is a frontier territory for most people. Home country measures, including political risk insurance could also be used to reduce risk and promote FDI.

Services in the implementation stage help investors through the process of building their projects. Being engaged with investors at this stage helps agencies to understand the problems that investors face. Thus, the investment promotion department should always monitor the performance of registered FDIs to know the kind of problems they are faced with and help them to overcome them.

More research could be done on investor choice by including foreign investors now operating in other countries in the region or on the continent and try to establish the reasons of not choosing Rwanda as their investment location. More extensive research is also needed to survey FDIs in Rwanda by comparing sector and area location of FDI and establish the divestment rate.

2.5. Conclusion

The aim of this research was to review Rwandan FDI promotion strategies, comparatively explore FDI policy and non-policy determinants, and examine the challenges faced by FDI companies in Rwanda and formulate recommendations on ways to overcome them. The review of literature showed that FDIs location factors and MNCs motivation and locational decision making process have been extensively studied and empirically researched. However, very limited work has so far been done on FDI in Rwanda despite its great contribution to economic development. Empirical research exclusively focused on FDI in Rwanda is quasi-inexistent. Surveys and research work done in Rwanda in this area do not distinguish FDI from other foreign investments or foreign capital flow.

The methodology for this research consisted mainly of using documentary and archival research, interview and questionnaire to collect data, and apply qualitative and quantitative analysis within the OLI framework to interpret the results. Using Dunning's MNCs investment location theory known as the eclectic paradigm as the basis for analysis, the researcher used a questionnaire to show FDI location determinants specific to Rwanda due to its particular natural micro and macroeconomic make-up.

The results of the research show various promotional strategies adopted by Rwandan government office of investment promotion department which include various investment incentives, promotion campaigns, meetings and conferences with potential investors, and bilateral investment treaties. On top of that, they highlight some of the most meaningful foreign investors' perceptions and challenges they are faced with.

Finally, policy implications consist of an attempt by the author to interpret the research results into policy and practical course of action to take in order for Rwanda to be able to attract more FDI. Some recommendations about creating adequate public relations aimed at earning positive publicity, consistently updating investment and business related rules and regulations that best suit the requirements of FDI, sustaining Rwandan political and economic stability and reforming education to suit the labour and skills requirements of investors are formulated and detailed here below.

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Appendices

Appendix I: Interview Guide

(for RDB officials in charge of investment promotion and regulation)

Interview guide questions

I am Mr. Vedaste Ndizera, MBA_Global Business student. I am doing research on "***Promoting Foreign Direct Investment in Rwanda: Implications for Policy and Practice.***" I have embarked on this research activity with the following objectives:

- Explore policy and non-policy determinants of FDI in Rwanda.
- Analyse the impact of investment promotion in attracting FDI.
- Explore Rwanda FDI disincentives and a way to eliminate them.
- Make recommendations for action to be taken to attract more FDI.

Therefore, I'll be very grateful if you accept to provide me with the data related to FDI in Rwanda that I need for this research by answering the following questions and adding any other information that may not be covered by the questions.

Part I: General questions about FDI promotion in Rwanda

1. Which FDI incentives do you offer? Are they common to all foreign investors or each negotiates their own facilitation? Why (why not)?
   Which of these incentives do you offer?
   - **Regulatory incentives**:
     - Infrastructure subsidies
     - Job training subsidies
   - **Financial incentives:**
     - Relocation and expatriation support
     - Administrative assistance
     - Temporary wage subsidies
     - Credits to investors
     - Real estate

    - Cost participation
- **Fiscal incentives:**
    - Reduced direct corporate taxation such as:
        - Reduced rates of corporate income tax
        - Tax holidays
        - Special tax-privileged zones
    - Incentives for capital formation such as:
        - Incentives for capital formation
        - Investment tax credits
        - Tax credit for reinvested profits.
    - Reduced impediments to cross-border operation such as:
        - Withholding tax
        - Taxation of foreign trade
        - Taxation of employees
    - Other tax reductions

2. Do you have any competition strategies to attract FDI that could go to neighbouring countries or other countries? If yes which ones?
3. Are you interested in what other countries in terms of promoting FDI?
4. What other FDI promotion strategies do you have in place apart from incentives?
5. How many FD investors are so far registered in Rwanda? I f possible give detailed statistics (volume, per sector and per province...)
6. What are the main challenges do you face in promoting investment in general and FDI in particular?
7. Which sectors have received more FDI and which ones still need more of FDI? (Mining, Agriculture, Tourism, manufacturing...?)
8. What are the factors affecting the trend (increase or decrease) of FDI inflow to Rwanda?

   For ex: To what factor do you attribute the recent spectacular increase of FDI (2011, 2012) and the decrease in 2010?

9. To what extent does inv promotion contribute? And how do you measure this contribution?
10. How do Export Processing Zone (EPZ) and Special Processing Zone (SPZ) help in FDI promotion?
11. Does Rwandan integration into the EAC, COMESA, and Common Wealth etc contribute to promoting FDI in Rwanda? How?
12. What are the main complaints or requirements of foreign investors coming to Rwanda?

Thank you very much for your help!

Vedaste Ndizera

NUR MBA_Global Business student

Appendix II: Questionnaire for Foreign Business Owners, CEOs, MDs or CFOs

Questionnaire for FDI company owners, CEOs or CFOs (or any other person knowledgeable about investment decisions)

I am Mr. Vedaste Ndizera, MBA_Global Business student. I am doing research on "***Promoting Foreign Direct Investment in Rwanda: Implications for Policy and Practice.***" This research is an essential part required for the completion of my Masters in Global Business. I have embarked on this research activity with the following objectives:

- Explore policy and non-policy determinants of FDI in Rwanda.
- Analyse the impact of investment promotion activities in attracting FDI.
- To find out the factors which are impeding the FDI in Rwanda and suggest ways to overcome them.
- Make recommendations for action to be taken to attract more FDI.

Therefore, I'll be very grateful if you accept to provide me with the data related to your choice of Rwanda as an investment destination that I need for this research by answering the following questions and adding any other information that may not be covered by the questions. Please answer the questions in this questionnaire as instructed, save and send it back to me at vndizera@nur.ac.rw .

I give my undertaking that this information will be used strictly for my academic research purpose only and will never be used in any incriminating method against anyone.

Ndizera Vedaste, Signature:.

I accept to participate in this survey.

Name of the participant (optional) :..

Signature of the participant.. Date:.....................................

Name of business organisation:..

Part I: General question about investment location choice

1. When did you start operating in Rwanda? Year.............................
2. How do you describe investment conditions in Rwanda? Please use**" X"** for a tick or write "**Yes**" under the option of your choice.

Excellent	Very good	Good	Fair	Other (specify)

3. What were the main reasons your company was established in Rwanda rather than in any other country?

....

4. Choose at least 5 among the following which you think motivated the establishment of your company in Rwanda? (please write X after each sentence of your choice)
    a. resources (to access raw materials, labour force, and physical infrastructure resources),
    b. Ease of doing business and absence of corruption
    c. efficiency (vertical strategy to take advantage of lower labour costs)
    d. strategic-asset seeking (to access research and development, innovation, and advanced technology)
    e. Economic and political stability
    f. Thriving economy
    g. Export Processing Zones (EPZ);
    h. Sectoral or regional policies;
    i. Fiscal and financial incentives for FDI.
    j. Regional integration and trade agreements;
    k. Privatization of State enterprises

l. market size and potential (considering Regional integration),
m. Other...

5. Do you have an investment certificate from RDB? If yes, Please put its number.

....

6. What obstacles did you face while establishing your business in Rwanda for the first time? ....
....

7. Did you get any assistance from any government institutions? If yes, what kind of assistance?
....

8. How were you informed, in the first place, of the business opportunities in Rwanda? Please put X for a tick in the box under your choice.

a.Through Rwandan investment promotion campaigns	b.From my own research (internet ...)	c.Through word-of-mouth (from a friend, colleague ...)	d.From public media information	e.Other (please specify)

Other....................................

9. What possible improvements are needed to make Rwandan business environment more viable for foreign businesses such as yours? ....

....

10. Do you find in Rwanda adequate labour force trained to handle all work involved in your business processes? If not, which skills are most missing?
....

11. Do you outsource some of your business activities from outside Rwanda? If yes Which ones? ....

12. Do you expect your operations to go on in Rwanda for more than ten year ahead? If not please explain why not?

....

13. Did you benefit from investment incentives in Rwanda? Which ones?

....

14. Is Rwandan integration into the East African Community beneficial to your business? If yes, what are the benefits?

....

I sincerely appreciate the time you have taken to fill in this questionnaire. If you would like the research report to be shared with you, please write your e-mail address in the space provided below.

E-mail:...Date of submission:........................

Appendix III: List of FDI Companies Registered by RDB (2000-2012)

Source: RDB department of investment promotion and regulation

FDIs in 2000

Name of the Project	Est. Invest. In Rwf	Jobs	Sector of Activity	Country
SHELL RWANDA Sarl	1,169,100,000	135	Services	UK&Netherland
S.R Pharmaceutical Lab	50,000,000	40	Manufacturing	India
RWACOM Industry Sarl	80,000,000	25	Manufacturing	India
Tot	1,299,100,000			

FDIs in 2001

N°	Name of the Project	Est. Invest. In Rwf	Jobs	Sector of Activity	Type	Country
1	Investment Company in Rwa	44,310,000	21	Food processing	FDI	South Africa
2	SORWAL Sarl	235,000,000	26	Manufacturing	FDI	Belgium
3	Hôtel des Milles Collines SA	1,690,000,000	0	Hotel&restaurant	FDI	Belgium
4	Rwanda Golden Sacs Sarl	75,000,000	42	Manufacturing	FDI	South Korea
5	Global Beverages Sarl	200,000,000	76	Beverages	FDI	India
6	UKI Rwanda Limited Sarl	177,240,000	30	Manufacturing	FDI	India
7	BRALIRWA SA	21,268,800,000	250	Beverages	FDI renovat	Netherland
8	Metal Processing Association Sarl	275,138,514	48	Mining	FDI	South Africa
9	Dynamic Information Network Sarl	121,852,500	0	ICT	FDI	South Africa
10	Boucherie Charcuterie de Kigali	538,136,148	50	Food processing	FDI	Germany
11	Kabuye Sugar Works Sarl	5,317,200,000	4,055	Food processing	FDI	India
12	ROKO RWANDA Sarl	447,265,140	400	Property	FDI	Switzerland
13	DIONYSOS Bottling Co	355,477,174	16	Beverages	FDI	Greece
14	Kenya Wine Agencies Ltd	354,480,000	30	Services	FDI	Kenya

FDIs in 2002

N°	Name of the Project	Est. Invest. In Rwf	Jobs	Year	Sector of Activity	Type	Country of origin
1	JardinRwandais des Orchidées	556,116,800	10	2002	Agribusiness	FDI	Belgium
2	Massoud Group	195,550,000	30	2002	Manufacturing	FDI	Oman
3	NMC MétallurgieSarl	2,099,500,000	100	2002	Mining	FDI	Germany
4	TABARWANDA Sarl	1,300,000,000	24	2002	Agribusiness	FDI	UK&USA
5	MICKOR Hotel Holding	5,200,000,000	130	2002	Hotel&restaurant	FDI	South Africa
6	M.G.R (Pole technique)	118,709,360	34	2002	Services	FDI	France
7	Africa Motor (Pole Technique)	83,389,936	21	2002	Services	FDI	France
8	Electronic Tool Company	260,000,000	10	2002	ICT	FDI	USA
9	COSMOTEL	13,000,000,000	477	2002	ICT	FDI	South Korea
10	Planet Products Sarl	78,000,000	30	2002	Manufacturing	FDI	India&Tanzania

FDIs in 2003

N°	Name of the Project	Est. Invest. In Rwf	Jobs	Sector of Activity	Country
1	System Aluminium&GlassRda	290,000,000	70	Manufacturing	India
2	China Rda Prod. Wholes&Reexp Promotion Center	6,960,000,000	1,000	Services	China
3	GEOMAPS	2,610,000,000	258	Services	Kenya
4	ADMA International Limited	212,860,000	120	Food processing	Lebanon
5	MINIMEX S.A	1,798,721,674	37	Manufacturing	Canada
6	M.M Industry	97,588,461	18	Manufacturing	India
7	Fabric Couches pour bébés&Serv.San pour dames	29,919,780	23	Manufacturing	Canada
8	DACO Rwanda	54,000,000	120	Services	South Korea
9	EntrepriseRdaise de SignalisationSarl	108,127,080	12	Manufacturing	Belgium
10	WATSAN Solution	384,250,000	19	Manufacturing	India
11	TERRACOM Broadband Sarl	4,593,039,140	35	ICT	USA
		Total 17,138,506,135			

2004

N°	Name of the Project	Est. Invest. In Rwf	Jobs	Sector of Activity	Type	Country
1	RWANDA INDUSTRIES	146,250,000.00	15	Manufacturing	FDI	India
2	AFRICHIPS	81,075,000	65	Food processing	FDI	Belgium
3	RWAPAS	126,923,355	8	Printing&publ	FDI	Kenya
4	SULFO RWANDA (CONFISERIE)	669,002,985	50	Food processing	FDI	India
5	ZKR				FDI	Kenya
6	SAP AFRICA	585,000,000	3	ICT	FDI	South Africa

7	SULFO RWANDA (All departments)	399,000,000	0	Manufacturing	FDI	India
8	BMK Rwanda	87,750,000	20	Services	FDI	Uganda
9	Indian KHAZANA LIMITED	164,970,000	48	Hotel&restaurant	FDI	India
10	Kigali Alum. and Steel Works	214,695,000	28	Manufacturing	FDI	India
11	Pfunda tea factory	637,000,000	100	Agri-business	FDI	UK
12	BCR	3,600,000,000	160	Finance	FDI	

2005

No	Name of the Project	Project investment	Jobs	Sector of Activity	Type	Country
1	Black Gold Petrolium	74,880,000,000	50	Oil	FDI	Sudan
2	FINA BANK	1,500,000,000	-	Banking	FDI	Kenya
3	Fishing Limited Company	562,000,000	30	Hotel	FDI	Canada
4	Genesis Communications	377,000,000	50	Media/Radio	FDI	Uganda
5	IXORA Real Estates Development	78,336,000,000	150	Real Estates	FDI	Mouritus
6	JK Gorilla & Safari	171,229,100	15	Tourism	FDI	Kenya
7	Kibuye Power 1Limited	34,336,000,000	150	Energy	FDI	Norway
8	PAPYRUS COMPANY LIMITED	289,800,000	18	MANUFACTURING	FDI	Turkey
9	Tantalite Ore Trading Limited	2,697,600,000	500	Mining	FDI	South Africa
10	TECTANE&CANADA INC	30,800,000,000	50	Manufacturing	FDI	Canada
11	Terracom-Rwandatel	11,200,000,000	-	Telecommunication	FDI	USA
12	Transpaper Rwanda	129,260,000	11	Printing	FDI	Kenya
13	Zynmate	11,200,000,000	103	Oil	FDI	Kenya

2006

No	Name of the Project	Project investment	Jobs	Sector of Activity	Type	Country
1	AKAGERA MOTORS	1,512,300,160	100	Building	FDI	US
2	AZ RWANDA	5,040,000,000	68	Mining	FDI	Italy
3	CREAXION SARL	970,750,000	30	Media	FDI	Italy
4	ELEGANT AFRICA SARL	610,400,000	69	Hotel	FDI	South Africa
5	EUROTRADE			Mining	FDI	Israel

	INTERNATIONAL	2,240,000,000	20			
6	FAMILY CHRISTIAN NETWORK RADIOTV	5,600,000,000	50	Media	FDI	USA
7	GOVERNORS CAMP RWANDA LTD	392,000,000	14	Tourism	FDI	Kenya
8	ICM RWANDA RICE INDUSTRY	1,783,600,000	-	Agribusiness	FDI	Australia
9	IKIREZI NATURAL PRODUCTS	548,800,000	10	Agroprocessing	FDI	USA
10	IKORO VOLCANIC PROCESSING	5,158,200,000	-	Manufacturing	FDI	USA
11	KLR&ERT RWANDA LTD	212,049,600	11	Services	FDI	India
12	KOBIL PETROLEUM RWANDA	2,527,280,000	-	Petroleum	FDI	Kenya
13	LEGEND AFRICA	67,200,000	-	Hotel	FDI	Canada
14	NATURAL RESOURCES DEVELOPMENT LTD	22,120,000,000	150	Mining	FDI	Germany
15	OPPORTUNITY BANK INTERNATIONAL	3,292,800,000	153	Banking	FDI	USA
16	PEMBE FLOUR MILLS LTD	3,920,000,000	100	Food processing	FDI	Kenya
17	ROCKET 2020	1,120,000,000	300	ICT	FDI	USA
18	ROGI MINING	832,160,000	85	Mining	FDI	Russia
19	SA HOTEL GROUP	145,600,000	25	Hotel	FDI	India&UK
20	SAVITA BUILDERS	1,400,000,000	39	Building	FDI	India
21	SEYANI BROTHERS	325,584,000	76	Construction	FDI	India
22	SONAFI RWANDA	1,960,000,000	104	Construction	FDI	Cyprus
23	SOZANG COMPANY SARL	170,000,000	30	Manufacturing	FDI	Lebanon
24	STADTWERKE MAINZAG	1,112,070,707	-	Energy	FDI	Germany
25	SURGIPHARM	305,648,000	18	Health	FDI	Kenya
26	SWT INVESTMENT	672,000,000	80	Hides and skins	FDI	Pakistan
27	VALUE DATA RWANDA	1,120,000,000	23	ICT	FDI	Mauritius
28	WISOOMO WOOD FACTORY	75,600,000	56	Manufacturing	FDI	Canada
29	YAS COMPANY RWANDA	606,104,800	40	Manufacturing	FDI	Saudi Arabia

2007

No	Name of the Project	Project investment	Jobs	Sector of Activity	Country
1	African Primary Tungsten	108,620,144	7	Mining	Rwanda
2	ALEX STEWART	216,815,500	18	Mining Lab	U.K
3	Altech Stream Rwanda Ltd	726,000,000		Telecommunication	South Africa
4	ANIK RWANDA	238,000,000	20	Construction	India
5	Aqua Plumbing sarl	671,784,490	69	Property	Kenya
6	AQUA VIRUNGA /YUNGWE BIKORE	622,875,000	255	Water distribution	Netherlands
7	AutoXpress holding ltd	440,000,000	22	Garage services	Rwanda
8	BRALIRWA EXT.BREWERY	2,610,000,000		Food processing	Netherlands
9	CALDAR HOLDING LTD	1,139,600,000	5	Services	Switzerland
10	CCDTHA	11,275,000,000	25	Hotel	Canada
11	Colours Ltd	211,062,500		Printing	Kenya
12	continetal Discount House	1,140,000,000	16	Finance	South Africa
13	CONVENTION CENTRE	82,500,000,000	150	Hotel & tourism	LIBYA
14	Dalbit Petroleum	2,145,000,000	17	Petroleum	Kenya
15	East African Growers	95,700,000	10	Agroprocessing	Kenya
16	Eco- Bank	6,434,249,000		Bank	Togo
17	FishNext Studio	272,250,000	50	Entertainment (studio)	USA
18	Global Village	2,000,000,000		Property	Ireland
19	Golden Photo Lab	152,160,000	8	Service (photo Lab)	Japan
20	Kigali Cradle Clinick	2,376,000,000	61	Health	South Africa
21	LIU XinenSarl	285,046,420	43	Manufacturing	China
22	LOTTO LYDIA LUDIC	4,149,619,600	417	Services/gambling	Spain
23	MET TRADE OVERSEAS	3,210,000,000	20	Mining	India
24	MPA Gatumba	2,016,000,000		Mining	South Africa
25	Ragwan Construction	697,500,000	18	Construction	Rwanda
26	Rwanda Fabricators	167,442,000	29	Construction	Somalia
27	Rwanda Mayaga Coffee	735,819,150	65	Agroprocessing	USA
28	RWANDATEL	97,680,000,000		Telecommunication	LIBYA
29	Safintra Rwanda		24	Manufacturing	Uganda

		495,099,000			
30	SDV INLAND CONTAINER DEPOT	867,664,000	43	Services	Belgium
31	SERENA Hotel	6,050,000,000		Hotel	Kenya
32	Sorwathe	1,185,000,000	40	Agroprocessing	USA
33	Star Communication	10,893,135,000	31	Telecommunication	China
34	TexFarmsarl (Faine Africa Ltd)	1,697,496,900	60	Agroprocessing	Rwanda
35	Thomas &Piron/Real Estates Gacur+Kibagabaga	5,098,818,132		Real Estates	Belgium
36	THOMAS AND PIRON GRANDS LACS	3,000,000,000		Construction&real estates	Belgium
37	Total- Rwanda	311,216,724		Petroleum	France
38	UNIVERSAL TRADING	199,961,000	32	Manufacturing	Tanzania
39	WOLFRAM COMPANY	1,962,800,000		Mining	Kazakstan

Total

2008

No	Name of the Project	Project investment	Jobs	Sector of Activity	Country
1	AMAZING GRACE RADIO	173,660,296	16	Media/Radio	USA
2	AMBITIONS CONSTRUCTION CO	277,973,850	51	Construction	Kenya&India
3	AMCON BUILDERS LTD	550,000,000	100	Construction	Kenya
4	BAY VIEW GROUP RWANDA LTD	2,935,212,500	11	Mining	USA
5	BIOLANDES RWANDA	1,100,000,000	11	Agribusiness	France
6	CASINO GAMES RWANDA LTD	797,500,000	124	Services/Gambling	Bulgaria
7	DUBAI WORLD RWANDA/AKAGERA GAME LODGE		-	Hotel	UAE
8	DUBAI WORLD RWANDA/GORILLA NEST LODGE		-	Hotel	UAE
9	DUBAI WORLD RWANDA/NYUNGWE LODGE LTD		-	Hotel	UAE
10	HASHI IMPEX LIMITED	1,616,450,000	15	Services	Kenya
11	HUAWEI TECHNOLOGIES RWANDA	550,000,000	20	Telecommunication	China
12	KIGALI LIMOUSINE VIP TOURS TRAVEL	130,100,126	18	Transport	Belgium
13	KIVU GOLD RWANDA	797,500,000	97	Mining	Canada
14	LEAPSTREAM RWANDA LTD	550,000,000	79	Construction	USA
15	MINERALS SUPPLY AFRICA LTD	385,000,000	16	Mining	UK&Belgium
16	MURIKA LTD	660,000,000	30	Energy	USA
17	NAKUMATT RWANDA	6,160,845,350	200	Services/supermarket	Kenya
18	ORGANIC SOLUTIONS LTD	330,000,000	15	Manufacturing	Japan
19	PRAYOSHA ENTERPRISES LTD	175,450,000	40	Construction	Kenya&India
20	RAICON RWANDA LTD	555,500,000	79	Construction	India

21	RWANDA RUDNIKI	7,548,750,000	194	Mining	Japan
22	RWANDA TOOTHPASTE COMPANY LIMITED	180,122,500	28	Manufacturing	China
23	SIMBA SUPER MARKET	825,000,000	200	Services	Erythrea-Rda
24	SKENIA MOTORS	825,000,000	15	Garage services	Kenya
25	STARBUCKS FARMERS SUPPORT CENTER	253,866,250	-	Agribusiness	Switzerland
26	STEELRWA INDUSTRIES LTD	2,923,910,000	280	Manufacturing	Canada
27	TRANSAFRICA	6,973,450,000		Mining	Belgium
28	UBY INTERNATIONAL (RWANDA)	365,750,000	6	Construction	Israel
29	URUHU CENTER	4,400,000,000	100	Leather	Italy
30	GREAT LAKES REFINERY SARL	412,500,000	6	Minerals Refinery	China
31	LEE GONG INTERNATIONAL LTD	327,093,580	60	Construction	South Korea
32	KCB	128,421,421,361	121	Finance	Kenya
33	CLOCK CITY	137,500,000	4	Services/advert	Germany
Tot		171,339,555,813			

2009

No	Company	Invest/Rwf	Jobs	Sector	Country
1	AROMA'S COFFEE LTD	285,000,000	15	RESTAURANT	USA+CANADA
2	Bakhresa Garin Milling Rwanda ltd	9,520,000,000	167	Agroprocessing	Tanzania
3	BOMANITE	128,098,300	7	CONSTRUCTION MANUFACTURING	Kenya
4	CHINESE LEISURE CLUB	171,000,000	30	RESTAURANT	CHINA
5	CRAMONI RWANDA LTD	318,470,400	40	CONSTRUCTION	CYPRUS
6	DN INTERNATIONAL/GREENPARK	1,097,000,000	164	REAL ESTATES	KENYA
7	FADAR LTD	239,400,000	40	ICT/MOBILE PHONE ASSEMBLING	CHINA
8	Fossil fuels Rwanda Ltd	898,012,500	36	Petroleum	Kenya
9	LAKE SIDE FISH FARM	570,000,000	30	Fishery	USA
10	KHAZANA E. KHAAS	195,849,000	63	RESTAURANT	Indian
11	KIVU WATT LTD	171,000,000,000	220	Energy	USA+NETHERLAND
12	KOB INTERNATIONAL CO LTD	2,401,866,000	130	Construction	SOUTH KOREA
13	LODESTAR CONSTRUCTION, LLC	530,167,830	39	CONSTRUCTION MANUFACTURING	USA
14	OIL CITY Ltd	855,000,000	7	PETROLEUM&LPG	Kenya
15	PIVOTEC COMPANY LTD	1,639,590,750	50	Construction	Tanzania
16	ReberoShoping mall	1,318,930,996	4	Property	Canada
17	ROTO SARL	1,685,600,000	60	MANUFACTURING	Indian
18	SGC, SUZERAIN RWANDA	228,000,000	121	Education	USA
19	Tigo Rwanda	68,000,000,000	45	Telecommunication	Luxembourg
20	TMS RWANDA LTD	181,830,000	33	Construction	FRANCE
21	TUSKER MATRESSES	800,800,000	15	SHOPING MOLL SERVICES	Kenya
22	Victoria Motors Rwanda Ltd	672,000,000	6	GARAGE SERVICES	Kenya

23	ZAYKA LTD	472,700,000	60	Hotel	INDIA
24	CORMORAN LODGE SARL	477,100,000	32	Hotel	Belgium
25	KOLIBRI PARADISE	161,653,800		Property	Belgium
26	BCEG RWANDA LTD	5,700,000,000	1200	Construction	CHINA
27	SAG RWANDA	5,589,000,000	82	Electrical construction	GERMANY
28	BROTHERS CHINESE RESTAURANT	138,975,000	34	RESTAURANT	CHINA
29	HULU TRADING CO LTD	155,952,000	10	TRANSPORT SERVICES	AUSTRALIA
30	RUTONGO MINES LTD	3,918,750,000	150	MINING	SOUTH AFRICA
31	FOEYES HOTEL	575,433,810	60	Hotel	Tanzania
32	ABBALCI INT'L PETROLEUM LTD	1,276,006,560	21	Petroleum	SUDAN
33	DATA ENVIRONMENT RWANDA LTD	1,459,705,494	50	Construction	FRANCE
	Total	282,466,043,440			

2010

No	Company	Invest/Rwf	Jobs	Sector	Country
1	FABRICAM	288,715,000	10	C – Manufacturing	DIASPORA BELGIUM
2	WAY INVEST RWANDA TRACTOR	3,420,000,000	23	C – Manufacturing	SLOVAKIA
3	RWANDA TRADING COMPANY	3,705,000,000	25	C1 - Manufacturing – AGRI	USA
4	SOCABELEC-RWANDA	690,922,650	24	F – Construction	BELGIUM
5	SOLITON TELMEC LTD	684,000,000	7	J - Information and communication	KENYA
6	NORDIC PARTNER E.A LTD	161,890,859	5	C – Manufacturing	KENYA
7	ENGEN RWANDA LTD	4,275,000,000	148	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	MAURITIUS
8	PLYWOOD PROJECT	290,000,000	18	C – Manufacturing	CHINA
9	MT KENYA UNIVERSITY	158,976,986	5	P – Education	KENYA
10	BBOX LTD	406,000,000	15	D - Electricity, gas, steam and air conditioning supply	UK
11	TOLIRWA S.A(TUBES+PIPES LINE)	197,739,400	5	C – Manufacturing	INDIA
12	ATLAS WINDOWS	849,919,100	43	C – Manufacturing	IRAN
13	HUGO'S INTERNATIONAL SCHOOL	354,000,000	20	P – Education	SOUTH KOREA
14	EVERLASTING LTD	4,847,522,260	200	L - Real estate activities	CHINA
15	MARINO MANUFACTURING LTD	580,000,000	26	C – Manufacturing	CHINA
16	TRACTAFRIC GRANDS LACS LTD	273,760,000	65	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	FRANCE
17	FLEXI FOAMS LTD	174,000,000	26	C – Manufacturing	TANZANIA
18	M.H.I RWANDA LTD	166,970,000	10	B - Mining and quarrying	USA+SA
19	KALKA&PARTNERS	111,000,000	11	F – Construction	GERMANY
20	TOURISM PROMOTION SERVICES-SERENA EXPANSION	1,494,419,880	0	I - Accommodation and food services activities	KENYA
21	FALCON OIL STORAGE LIMITED	16,520,000,000	26	G - Wholesale and retail	MAURITIUS

				trade; repair of motor vehicles and motorcycles	
22	OIL COM	6,048,378,620	35	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	TANZANIA
23	NURU EAST AFRICA LTD	245,050,000	1000	D - Electricity, gas, steam and air conditioning supply	CANADA
24	HUNTER PROFILE LTD	126,459,450	27	C – Manufacturing	KENYA
25	REFAD RUKARARA+MUSHISHIRO	6,414,979,140	11	D - Electricity, gas, steam and air conditioning supply	SWITZERLAND
26	IMPALA CORPORATION RWANDA LTD	178,500,000	15	C – Manufacturing	GERMANY
	Total	52,663,203,345			

2011

No	Company	Invest/Rwf	Jobs	Sector	Country	Year
1	SRB INVESTMENTS (RWANDA) PLC LTD	208,250,000	22	C – Manufacturing	INDIA	13-Jan-11
2	CHINA STAR CONSTRUCTION CO.LTD	500,000,000	100	F – Construction	CHINA	17-Jan-11
3	MYUNGSUNG INTLDEVELOPMENT	1,332,205,000	72	A - Agriculture, forestry and fishing	KOREA	20-Jan-11
4	EAST AFRICAN MANUFACTURERS LTD	3,570,000,000	80	C – Manufacturing	TURKEY	27-Jan-11
5	OPULENT(R) LTD	17,522,750,000	225	I - Accommodation and food service activities	TANZANIA	7-Feb-11
6	TALMLED MANUFACTURING LTD	814,200,000	63	C – Manufacturing	CHINA	16-Feb-11
7	JKK INTERNATIONAL (AFRICA) LTD	672,687,600	48	C – Manufacturing	INDIA	29-Mar-11
8	INYENYERI LTD	180,000,000	300	C – Manufacturing	USA	5-Apr-11
9	NAKUMATT (KCT)EXTENSION LTD	758,347,680	100	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	KENYA	19-Apr-11
10	EXECUTIVE INVESTMENTS LTD	3,300,000,000	0	L - Real estate activities	KENYA	26-Apr-11
11	INZU LODGE LTD	286,070,129	5	I - Accommodation and food service activities	CANADA	27-Apr-11
12	EQUITY BANK RWANDA LTD	5,000,000,000	1,206	K - Financial and insurance activities	KENYA	6-May-11
13	DOHEL INDUSTRIES LTD	173,400,000	35	C – Manufacturing	INDIA	9-May-11
14	GISOVU TEA COMPANY LTD	3,990,600,000	26	C1 - Manufacturing - AGRI	INDIA	11-May-11
15	NEW CENTURY DVPT:Construction LTD	1,725,885,000	50	I - Accommodation and food service activities	CHINA	11-May-11
16	KZ NOIR LTD	220,200,000	700	C1 - Manufacturing - AGRI	MAURITIUS	2-Jun-11
17	PARADISE HILLS LTD	11,245,159,800	15	I - Accommodation and food service activities	MAURITIUS	10-Jun-11

18	RWANDAN ADVENTURES LTD	194,238,000	55	C – Manufacturing	UNITED KINGDOM	14-Jun-11
19	UNIVERSAL MANUFACTURE RWANDA LTD	306,000,000	32	C – Manufacturing	TANZANIA+INDIA	1-Aug-11
20	BHAVESH OVERSEAS LTD	259,200,000	50	C – Manufacturing	MAURITIUS	11-Aug-11
21	IMANA STEEL RWANDA LTD	5,520,000,000	100	C – Manufacturing	INDIA	22-Aug-11
22	DEACONS RWANDA LTD	816,634,000	19	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	KENYA	6-Oct-11
23	FRESHCO MACADAMIA LTD	234,000,000	107	C1 - Manufacturing - AGRI	KENYA	12-Oct-11
24	AIRTEL RWANDA LTD	61,200,000,000	35	J - Information and communication	INDIA	17-Oct-11
25	LA BOLIVITA LTD	159,858,000	15	I - Accommodation and food service activities	DIASPORA(BELGIUM)	27-Oct-11
26	EXECUTIVE INVESTMENTS LTD/CIVIL CONTRACTORS	180,000,000	22	N - Administrative and support service activities	KENYA	2-Nov-11
27	SAFE FOOD AFRICA(SAFOA)SERVICES LTD	150,000,000	12	S - Other service activities	USA	4-Nov-11
28	NEW FORESTS RWANDA LTD	34,785,176,400	614	A - Agriculture, forestry and fishing	UK	18-Nov-11
29	MIKOANI TRADERS LTD	3,566,400,000.00	28	C1 - Manufacturing - AGRI	TANZANIA	8-Dec-11
30	FENLY LTD	600,000,000.00	150	C1 - Manufacturing - AGRI	CHINA	8-Dec-11
31	CHINA CERAMICA CITY RWANDA LTD	297,026,400.00	53	C – Manufacturing	CHINA	14-Dec-11
32	PRAISE ENTERPRISES LTD/APARTMENTS AT NYARUGUNGA/NONKO	2,521,571,577.00	6	I - Accommodation and food service activities	RWANDA	15-Dec-11
33	PHENICIA TRADING LTD	118,800,000	38	C – Manufacturing	TANZANIA+LEBANON	15-Dec-11
34	TOWN NICE VIEW HOTEL LTD	1,440,720,000	13	I - Accommodation and food service activities	RWANDA	15-Dec-11
35	AUGERE RWANDA LTD	1,491,600,000	31	J - Information and communication	INDIA	15-Dec-11
36	NATION HOLDINGS LTD	240,000,000	32	J - Information and communication	KENYA	20-Dec-11
37	FADAR LTD/TV ASSEMBLING PLANT	600,000,000	40	C – Manufacturing	CHINA	20-Dec-11
	Total	166,180,979,586				

2012

No	Company	Invest/Rwf	Sector	Country of origin
1	NYARUTARAMA PLAZA LTD	3,411,120,455	L - Real estate activities	Rwanda Diaspora / Canada
2	DIMENSION DATA SOLUTIONS LTD	840,000,000	J - Information and communication	Kenya
3	NEWO PARKO LTD	900,000,000	C1 - Manufacturing - AGRI	China
4	DORMANS COFFEE LTD	813,870,000	C1 - Manufacturing - AGRI	Kenya
5	LANOR INTERNATIONAL LTD	2,400,000,000	S - Other service activities	Kenya
6	BAMBOO RESTAURANT AND HOTEL LTD	180,000,000	I - Accommodation and food service activities	China
7	ORBIT HEALTH CARE SERVICES LTD	1,200,000,000	Q - Human health and social work activities	India
8	ABERDEEN HOUSE LTD	576,028,200	I - Accommodation and food service activities	Turkish
9	EAST AFRICAN FOODS AND BEVERAGES LTD	216,000,000	C1 - Manufacturing - AGRI	India
10	RWANDA STONES & CONSTRUCTION LTD/EXPANSION	1,082,349,000	B - Mining and quarrying	India
11	PRECIOUS MINING LTD	16,800,000,000	B - Mining and quarrying	India
12	SAHASRA ELECTRONICS PVT LTD	1,200,000,000	C - Manufacturing	India
13	COMFORT HOME KIGALI LTD	3,365,194,171	L - Real estate activities	Netherlands
14	EAST AFRICA SEED COMPANY	1,560,000,000	A - Agriculture, forestry and fishing	United States of America
15	GAMING INTERNATIONAL LTD	1,200,000,000	R - Arts, entertainment and recreation	Uganda+Swedan
16	DRISTEX RWANDA LTD	200,000,000	C - Manufacturing	Rwanda Diaspora / Canada
17	NYAGATARE AGRO VENTURE RWANDA LTD	2,790,000,000	C1 - Manufacturing - AGRI	India
18	MODECO CONSTRUCTION COMPANY LTD	350,000,000	N - Administrative and support service activities	Rwanda diaspora/Canada
19	RWANDA HONEY LTD	216,000,000	C1 - Manufacturing - AGRI	Singapore
20	T.G.F (R) LTD	159,000,000	C - Manufacturing	Eritrea
21	*RECA LTD*	*256,200,000*	*P - Education*	*Turkey*
22	*RUPOSH BANGLA INVESTMENT LTD*	*600,000,000*	*C - Manufacturing*	*Bangladesh*
23	SUSTAINABLE HEALTH VENTURES LTD	360,000,000	C - Manufacturing	United States of America
24	VIVA PRODUCTS LTD	1,733,160,000	C - Manufacturing	Seychelles+Tanzania
25	CHINA NATIONAL-AERO TECHNOLOGY INTERNATIONAL ENGINEERING CORPORATION/CATIC	2,173,182,600	N - Administrative and support service activities	CHINA
26	CHINA STAR CONSTRUCTION/ALUMINIUM MANUFACTURING PLANT	3,000,000,000	C - Manufacturing	CHINA

27	NMI LTD	98,430,000	C - Manufacturing	Rwanda
28	GUANGDONG HAO HE ENGINEERING AND CONSTRUCTION	120,000,000	N - Administrative and support service activities	CHINA
29	ME COFFEE WORLD LTD	386,232,000	I - Accommodation and food service activities	Italy
30	ALPHA CHOICE RWANDA LTD	391,376,400	C1 - Manufacturing - AGRI	India
31	BLANCOMET AA MINERALS LTD	174,000,000	B - Mining and quarrying	Lithuania
32	KAMEREM COMPANY LTD	324,353,400	C - Manufacturing	Diaspora Canada
33	PAYODA AFRICA LTD	1,200,000,000	J - Information and communication	India
34	NEXMOTORS LTD	450,000,000	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	S. Korea
35	CITYBLUE HOTELS RWANDA LTD	240,000,000	I - Accommodation and food service activities	Mauritius
36	AQUA-SAN LTD/HDPE MANUFACTURING PLANT	1,200,000,000	C - Manufacturing	India
37	RUDOLF RWANDA LTD	672,000,000	C - Manufacturing	China
38	SPECK MINERALS LTD	1,020,000,000	B - Mining and quarrying	Canada
39	EAST AFRICA EXCHANGE LTD	5,460,000,000	K - Financial and insurance activities	United States of America
40	ASILI NATURAL OILS LTD	183,301,800	C1 - Manufacturing - AGRI	United States of America
41	MOBICASH LTD	613,200,000	K - Financial and insurance activities	Mauritius
42	HOPE HAVEN ® LTD	600,000,000	P - Education	United States of America
43	VIA VENETO LTD	85,000,000	I - Accommodation and food service activities	Rwandan Diaspora/Italy
44	WATER BREEZE LTD	651,000,000	E - Water supply; sewerage, waste management and remediation activities	Russia
45	CENTURY PARK HOTEL & RESIDENCES LTD	54,996,000,000	I - Accommodation and food service activities	China
46	ASL RWANDA LTD	1,800,000,000	S - Other service activities	Nigeria
47	MINOR METALS MINING COMPANY LTD	2,336,400,000	B - Mining and quarrying	Canada
48	RWANDA NUT COMPANY LTD	1,339,038,000	C1 - Manufacturing - AGRI	Singapore
49	WOLFRAM M & P LTD/MUSHA	3,498,000,000	B - Mining and quarrying	Kazakhstan
50	GEM SMITH PRIVATE LTD	151,800,000	B - Mining and quarrying	USA
51	MAGERWA- KIGALI LOGISTICS CENTER LTD	4,895,269,800	H - Transportation and storage	Singapore
52	WOLFRAM M & P LTD/RWINKWAVU	1,920,000,000	B - Mining and quarrying	Kazakhstan
53	GIGAWATT GLOBAL RWANDA LTD	15,600,000,000	D - Electricity, gas, steam and air conditioning supply	Israel
54	PREMIER MEDICAL RWANDA LTD	2,700,000,000	C - Manufacturing	India