NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

FOREIGN PRIVATE CAPITAL IN RWANDA

CENSUS REPORT – 2022

RWANDA DEVELOPMENT BOARD

NATIONAL INSTITUTE OF STATISTICS OF RWANDA

Foreword

This Foreign Private Capital (FPC) report presents the results of the annual foreign private investment census of 2022, providing information on foreign direct investments (FDI), private sector external debt (PSED), foreign affiliates trade in services (FATS) statistics, investor perception and all variables pertaining to private investment for the year 2021. This is the thirteenth in a series of annual FPC censuses conducted by the National Bank of Rwanda (NBR) in collaboration with Rwanda Development Board (RDB) and National Institute of Statistics of Rwanda (NISR).

The generated information is not only used as an input in the compilation of Balance of Payments Statistics, International Investment Position and the Systems of National Accounts, but also in other macroeconomic analyses. In addition, the FPC census is key for the Government of Rwanda in a sense that it contributes to the setting of policy measures that help in attracting FDI and improving the business climate.

Without the participation and cooperation of key stakeholders, including the private enterprises, key stakeholders and field staffs, this census would not have been successful. The National Bank of Rwanda wishes to acknowledge and appreciate the valuable contribution of all stakeholders and enterprises that were part of this exercise. We also acknowledge and appreciate the technical and financial support provided by partner institutions to make this exercise a success.

RWANGOMBWA John
Governor

EXECUTIVE SUMMARY

- The FPC 2022 census covered 305 enterprises, of which 245 responded, representing a response rate of 80.2 percent.
- Findings revealed that FPC inflows increased by 40.7 percent, up to USD 543.8 million in 2021 from USD 386.4 million in 2020, reflecting the recovery of economic activities and improvement in business environment.
- The FPC inflows were mainly driven by Direct Investment (USD 399.3 million), followed by Other Investment (USD 143.9 million) and Portfolio Investment (USD 0.6 million).
- In terms of sector composition, the financial sector led with 28.6 percent of share, followed by tourism (16.2 percent), construction (12.6 percent) and manufacturing sector (11.7 percent).
- The FPC by origin were led by Mauritius representing 32.4 percent of the total inflows, followed by China (15.9 percent), India (13.6 percent), Kenya (9.2 percent) and United States of America (5.8 percent).
- Looking at the return on investment, the net profit of the FPC companies increased by 29.3 percent in 2021, amounting to USD 189.2 million, from USD 146.3 million recorded in 2020.
- The FPC also discusses the private sector external debt (PSED), which includes external debt from related entities (which are considered as debt instrument and a part of FDI) and external debt from unrelated lenders (which are considered as other investments). In 2021 the PSED inflows grew by 46.6 percent up to USD 300.0 million, from USD 204.6 million registered in 2020.
- In other findings, the FPC 2022 census showed an increase in total FPC companies' turnover of 18.6 percent, amounting to USD 2,724.1 million in, from USD 2,297.1 million registered in 2020, and which represent 24.6 percent of country Nominal GDP of 2021.
- Lastly, the report summarizes the investors' perceptions about the business environment in Rwanda. These views help to inform policymakers about the need for improving the investment climate to attract foreign investments in the country. The findings show that the Investor Perception Index stood at an average of 78.5 percent, with higher improvement in legal framework, support services and incentive on taxation and investment framework indices.

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CHAPTER 1: INTRODUCTION

Rwanda's development strategy as enshrined in the 2017-2024 National Strategy for Transformation (NST1) aims at implementing reforms in pursuit of high and sustainable growth for Rwanda. Investment promotion remains one of the key policy strategies consistent with the overall macroeconomic targets. Priority area number 5 of the NST 1 clearly spells out the need to increase domestic savings and position of Rwanda as a hub for financial services in order to promote investment. In tandem with this, the government of Rwanda (GOR) has undertaken a series of policy reforms in a bid to improving Rwanda's investment climate and increase foreign direct Investment (FDI) and other private capital flows.

Due to these efforts, the Foreign Private Capital flows (FPC) have increased in the recent decades with diversified sources following continued globalization. Thus internationally harmonized, timely and reliable FPC statistics are key to the analysis of developments and trends in the capital flows at country, regional and global levels.

In our concept, FPC refers to foreign financial liabilities (inward investments); owed to non-residents in terms of equity and non-equity. The FPC is classified into three sub-categories, namely; Foreign Direct Investment (FDI), Portfolio Investment (PI) and Other Investments (OI). The FPC 2022 cycle records information for the year 2021 from all resident companies that hold foreign liabilities and/or foreign assets, and it provides inputs to Balance of Payments (BOP), International Investment Position (IIP) and National Account (NA) statistics compilation.

The questionnaire was administered to 305 enterprises with foreign capital out of which 245 responded to our questionnaire, translating into a response rate of 80.2 percent. This report presents the survey's findings on foreign inflows to Rwanda. The report provides highlights to the magnitude, types and direction of foreign private capital investment, Foreign Affiliates Trade in Services (FATS) as well as investor perceptions.

The rest of the report is organized as follows: chapter 2 discusses global and regional investment climate, chapters 3, 4 and 5 presents and analyses the quantitative and qualitative survey findings on foreign direct capital, private sector external debt, foreign affiliates as well as investors perception. Chapter 6 presents conclusion recommendation.

CHAPTER 2: GLOBAL AND REGIONAL INVESTMENT CLIMATE

2.1: Global and Regional FDI Trends

2.1.1: Global FDI Trends

According to UNCTAD's World Investment Report 2021[1] (WIR, 2011), the global Foreign Direct Investment (FDI) flows increased by 64 percent to USD 1.58 trillion in 2021 from USD 1 trillion in 2020. The recovery indicated significant rebound momentum, with booming merger and acquisition (M&A) markets and rapid growth in international project finance because of loose financing conditions and major infrastructure stimulus packages. However, the global environment for international business and cross-border investment have experienced a dramatic change in 2022 on the account of the Russia-Ukraine war compounding the lingering effects of the covid-19 pandemic, causing a triple food, fuel and finance crisis in many countries around the world.

For Africa, FDI flows reached USD 83 billion, from USD 39 billion in 2020. Most recipients recorded a moderate rise in FDI. The total FDI flows for the continent was inflated by a single large intrafirm financial transaction. Greenfield announcements remained depressed, but international project finance deals were up 26 per cent, with strong growth in extractive industries.

Figure 1: DI inflows, by Group of Economies, 2008-2021 (in USD & Percent)

Source: UNCTAD-WIR 2022

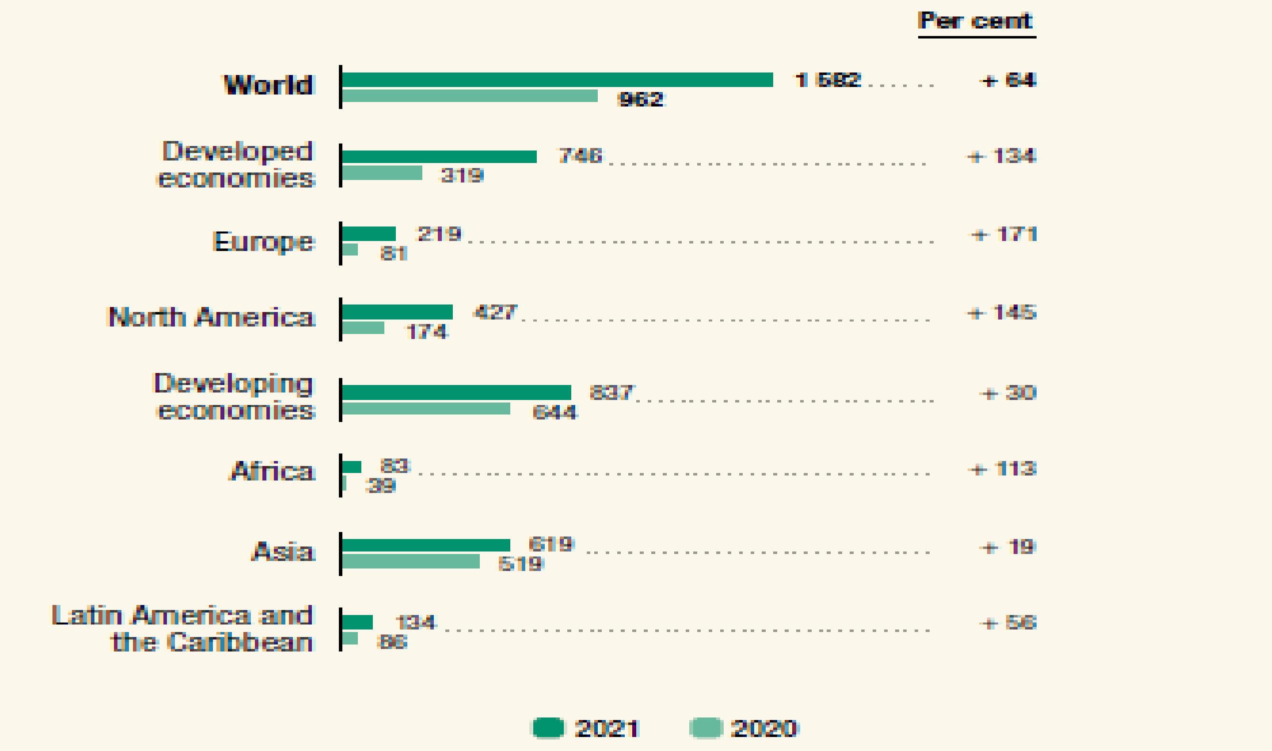
[1]UNCTAD World Investment Report 2021: International Tax Reforms and Sustainable Investment

2.1.2: Trends in FDI Inflows by Region

With regard to regional patterns, FDI trends varied significantly by region, FDI flows recorded a strong rebound in 2021 across all regions. The increase in FDI flows to developed economies recorded a growth of 134 percent from the exceptionally low values in 2020. Much of the registered comes from the developed economies. The high increase in developed economies indicate the effect of stimulus packages, resulting in record earnings for MNEs, and reflects the more volatile nature of FDI flows in developed markets because of the larger financial component. However, FDI flows to developing regions also increased significantly. FDI inflows to developing Asia increased by 19 per cent to reach a new high of USD 619 billion, driven mostly by East and South-East Asia. FDI flows to Latin America and the Caribbean increased by 56 per cent, recovering part of the ground lost in 2020.

FDI Flows to Africa more than doubled, but most of the increase was due to a single corporate transaction, without which they would have increased moderately. The share of global flows accounted for by developed countries returned to pre-pandemic levels, at about half of the total, from just one third in 2020. Structurally weak economies continued to attract only a small share of global FDI, at 2.5 per cent of the total.

Figure 2: FDI inflows, by region, 2020 – 2021 (USD Billions and Percent)



Source: UNCTAD-WIR 2022

2.1.3: Trends in FDI Inflows in Africa, disaggregated by Sub-region

In 2021, FDI flows to Africa reached USD 83 billion, a record level from USD 39 billion in 2020, accounting for 5.2 percent of global FDI. Southern Africa, East Africa and West Africa saw their flows rise; Central Africa remained flat and North Africa declined.

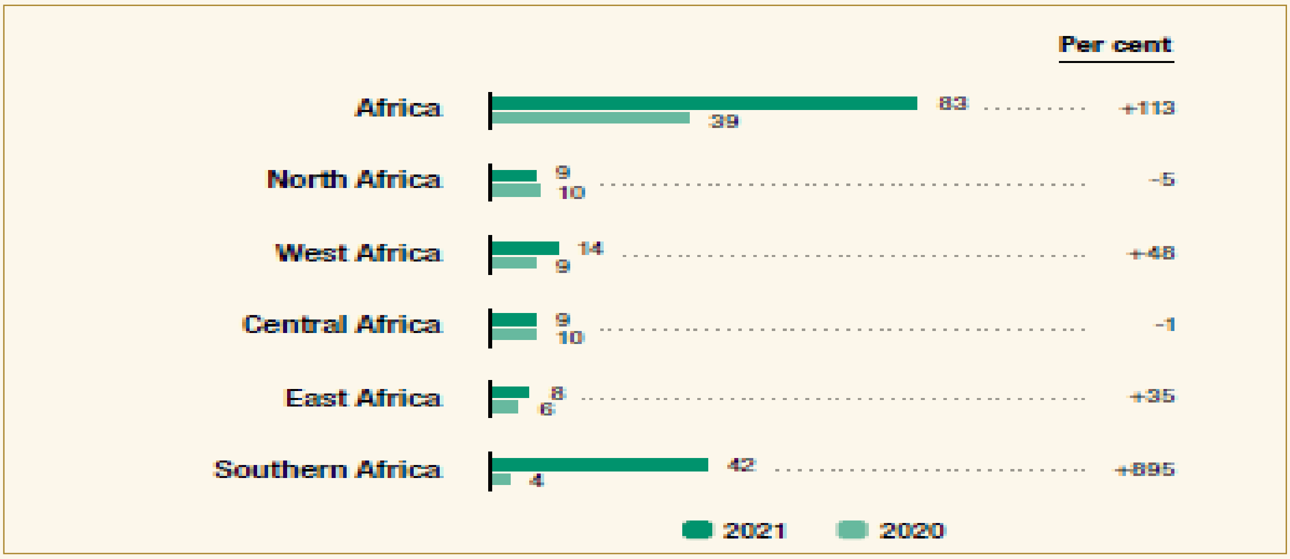
FDI Flows to North Africa declined by 5 per cent to USD 9.3 billion. Egypt recorded FDI drop of 12 percent as large investments in exploration and production agreements in extractive industries were not halted, while on the other hand flows to Morocco rose by 52 per cent to USD 2.2 billion.

FDI flows in West Africa increased by 48 per cent to USD 14 billion. Nigeria doubled its flows to USD 4.8 billion, mainly because of the resurgence in oil investment and expansion in gas. International project finance deals in the country increased to USD 7 billion, with some large projects in residential and commercial real estate.

FDI flows to Southern Africa countries jumped to USD 42 billion due to a large corporate reconfiguration in South Africa, where a total greenfield announcements remained subdued, at USD 39 billion, showing only a modest recovery from the low of USD 32 billion in 2020 (down from USD 77 billion in 2019).

In contrast, international project finance deals targeting Africa showed a rise of 26 percent in number (to 116) and a resurgence in value to USD 121 billion (after USD 36 billion in 2020). The rise was supported by strong investment by multilateral finance and capital market investors targeting power (USD 56 billion) and renewables (USD 26 billion). The largest project was the announcement in Mauritania of a power-to-x hydrogen project for USD 40 billion by CWP Renewables (Australia). European investors remain by far the largest holders of foreign assets in Africa, led by the United Kingdom (USD 65 billion) and France (USD 60 billion).

Figure 3: FDI Inflows in Africa, by Sub region 2020-2021 (USD Billions and Percent)



Source: UNCTAD-WIR 2022

2.2: Investment Opportunities in Rwanda

The year 2020 was an unusual year for the world with the novel Coronavirus (COVID-19) pandemic disrupting the entire global economy. Rwanda reported its first COVID-19 case in mid-March and the Government of Rwanda had a very quick and robust response to the pandemic from the very onset.

Having ensured that all safety and prevention measures were in place, the country safely eased the Covid19 restrictions through gradual reopening of businesses and borders in June and August 2020 respectively. The Government of Rwanda, together with the private sector, kick-started initiatives to hasten the recovery of the economy. These included the creation and roll out of the Economic Recovery Fund, the Manufacture and Build to Recover Program, and a tourism recovery strategy was developed and is currently being implemented. These initiatives aim to enable businesses sustain their operations, encourage further investments in Rwanda and create jobs.

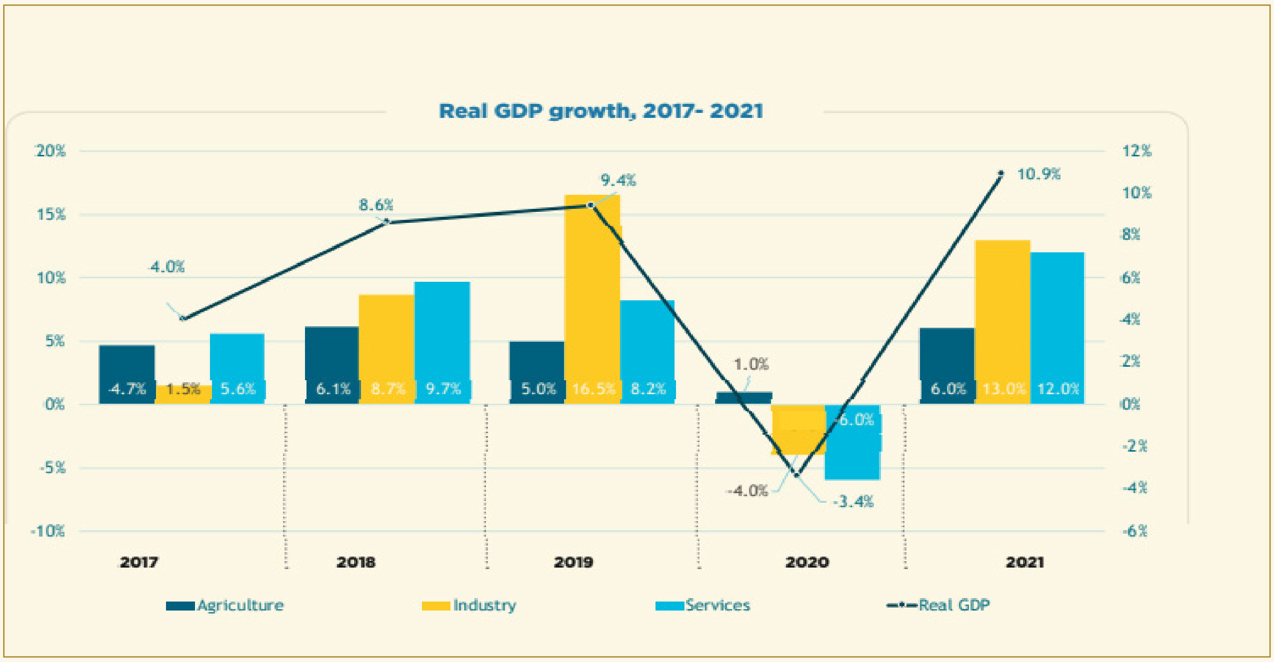
Rwanda's investment opportunities are driven by a conducive investment climate and major driving factors include growing demand in Rwanda and the region, readily available factors of production, supportive business environment, reputation for low corruption, Quality Infrastructure and IT innovations, competitive labour force and uniquely positioned to serve its neighbouring markets.

The country through Rwanda Development Board (RDB) presents a number of FDI opportunities, including manufacturing, infrastructure, energy distribution and transmission, off grid, agriculture and agro-processing; low cost, housing; tourism, services, information and communications technology (ICT) and green innovation. In addition, the Investment Code provides equal treatment between foreigners and nationals for certain operations, free transfer of funds, and compensation against expropriation; the 2008 U.S.-Rwanda Bilateral Investment Treaty (BIT) reinforced this treatment.

2.3: Recent Investment Promotion Efforts

The year 2021 has shown promise of economic recovery from the decline caused by the Covid-19 pandemic. The economy grew by 10.9 percent in 2021, a strong rebound from a 3.4 percent contraction in 2020. The recorded economic growth is largely driven by investment in different sectors of the economy following government initiatives such as economic recovery fund and manufacture and build to recover program that provides tax incentives to investors, thereby increasing both domestic and foreign investment.

Figure 4: GDP growth, 2017 - 2021



Source: RDB annual report 2021

In line with the strong recovery in economic activity, RDB registered investment commitments worth USD 3.7 billion in 2021, up from USD 1.3 billion in 2020. Jobs expected to be created by the new investments increased by 97 percent, from 24,703 in 2020 to 48,669 jobs in 2021. Significant investments were registered in the manufacturing, real estate and construction sectors.

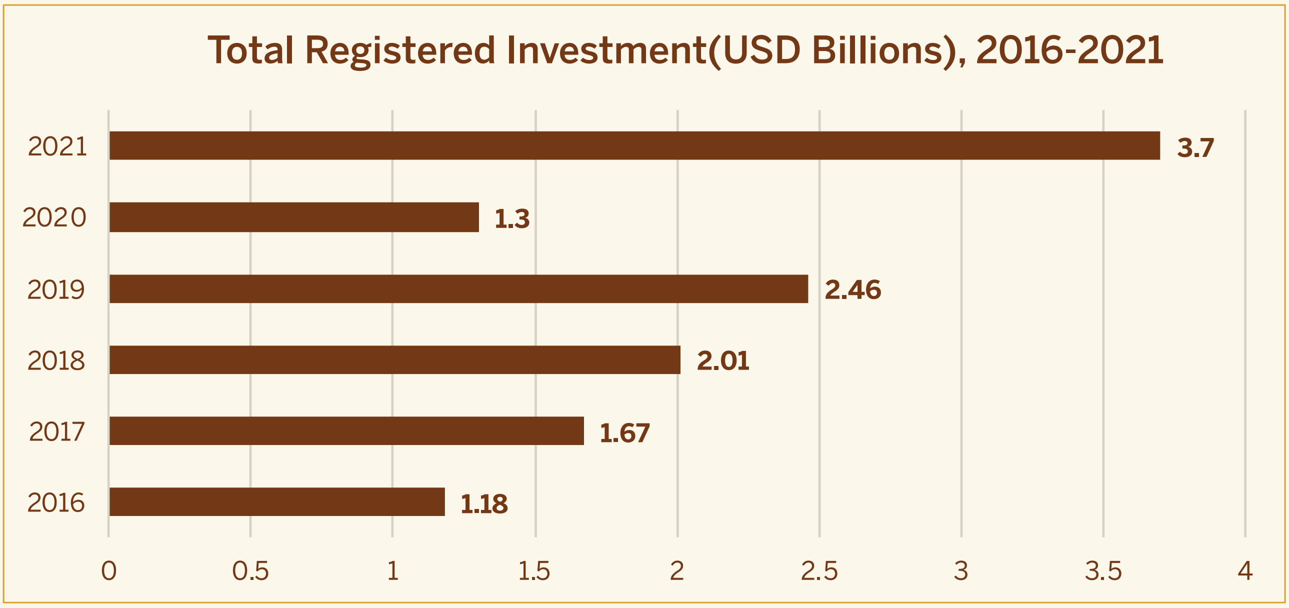
This is mainly attributed to the Manufacture and Build to Recover program that provided tax incentives to investors in these priority sectors. Investments worth USD1.2 billion were registered under the program as of end 2022.

It is gratifying to note that critical sectors such as tourism that were worst hit by the COVID-19 pandemic registered growth of 25 percent in 2021. The sector generated USD164 million in exports revenues, compared to USD131 million in 2020.

Total visitor arrivals increased by 2.8 percent during this period, from 498,000 in 2020 to 512,000 in 2021. In addition to other opportunities that accrue along the supply chain, growth in this sector has significant implications for maintaining and creating new jobs.

Growth of receipts from the export of goods and services is a strong indication of economic recovery. In 2021, the total value of goods and services increased by 9.4 percent up to USD 2.1 billion, from USD1.9 billion recorded in 2020, of which exports in goods increased by 8.8 percent and exports in service increased by 11.0 percent.

Figure 5: Total Registered Investment (USD billion, 2017-2020)



Source: RDB Annual Report 2021

Over the past decade, the GOR has undertaken a series of policy reforms intended to improve the investment climate and break the reliance of Rwandan economy from foreign assistance, and increase of FDI levels. New investors can register online at the RDB's website and receive a certificate in as fast as six hours, and the agency's "one-stop shop" helps investors secure required approvals, certificates, and work permits.

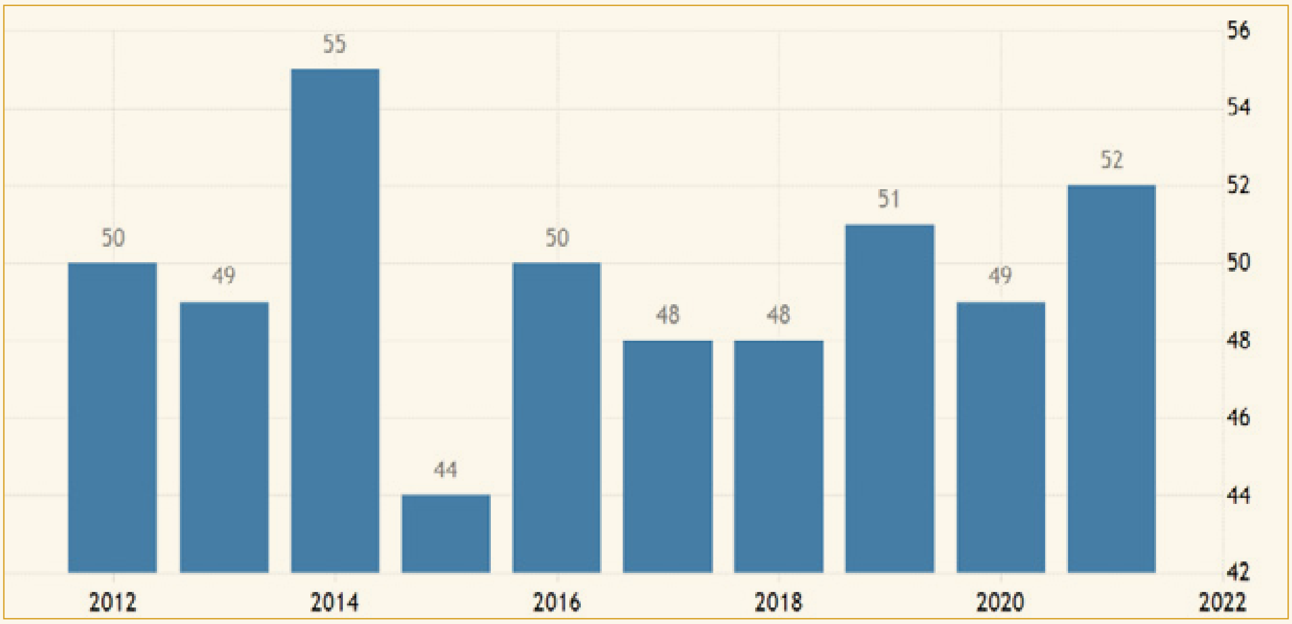
In addition, the GOR reduced the time to obtain water connections as well as facilitate construction permits and improve building controls by requiring construction professionals to obtain liability insurance. The country also upgraded its power grid infrastructure and improved its regulations on weekly rest, working hours, severance pay and reemployment priority rules. In efforts to increase competitiveness in attracting foreign investment, Rwanda has created an enabling investment environment:

A. Business-Friendly Regulations
   ✓ No.2 in Africa for Ease of Doing Business
   ✓ 7-year Corporate Income Tax (CIT) holiday for investors investing over USD 50M
   ✓ Business environment assessed annually resulting in new investor-friendly reforms each year
B. Multiple Incentives for Exports and Priority Sectors
   ✓ Preferential CIT rate: 15 percent if 50 percent of production is exported outside EAC or is in the priority sectors; 0 percent if regional headquarter is in Rwanda,
   ✓ Accelerated first year depreciation rate of 50 percent
   ✓ Exemption of capital gains on assets sold
   ✓ Duty-free imports of machinery and inputs within EAC
C. Efficient, Supported Processes
   ✓ Highly digitalized and efficient administration (6 hours to register a business)
   ✓ Free business registration
   ✓ One stop center for investors with a dedicated investment acceleration and aftercare team

D. Commitment to Foreign Ownership
   ✓ No restrictions on foreign ownership
   ✓ No restrictions on capital flows
   ✓ Capital gains exemption on sale or transfer of shares

With regard to global corruption perception index, Rwanda is 52nd least corrupt nation out of 180 countries as depicted by the figure below.

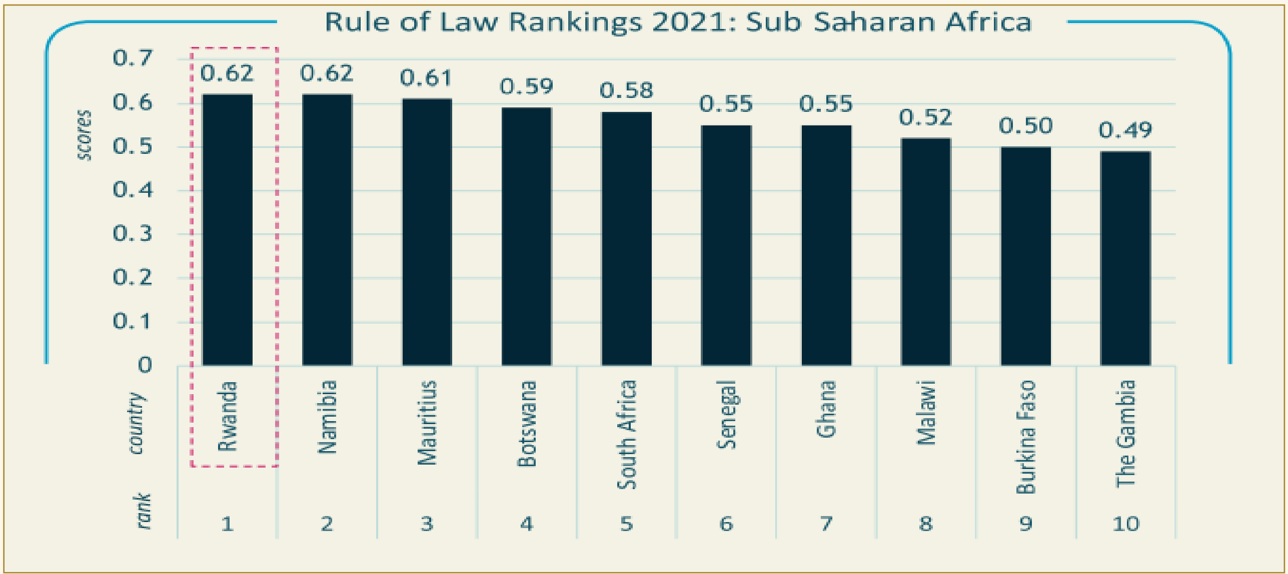
Figure 6: Global Corruption Perception Index



Source: Transparency International 2021

Rwanda ranks first in the rule of law in Sub-Saharan African Countries, with a score of 0.62, followed by Namibia (0.62) and Mauritius (0.61), while Burkina Faso and The Gambia come last in the best 10 with scores of 0.50 and 0.49, respectively.

Figure 7: Rule of Law Rankings 2021: Sub-Saharan Africa

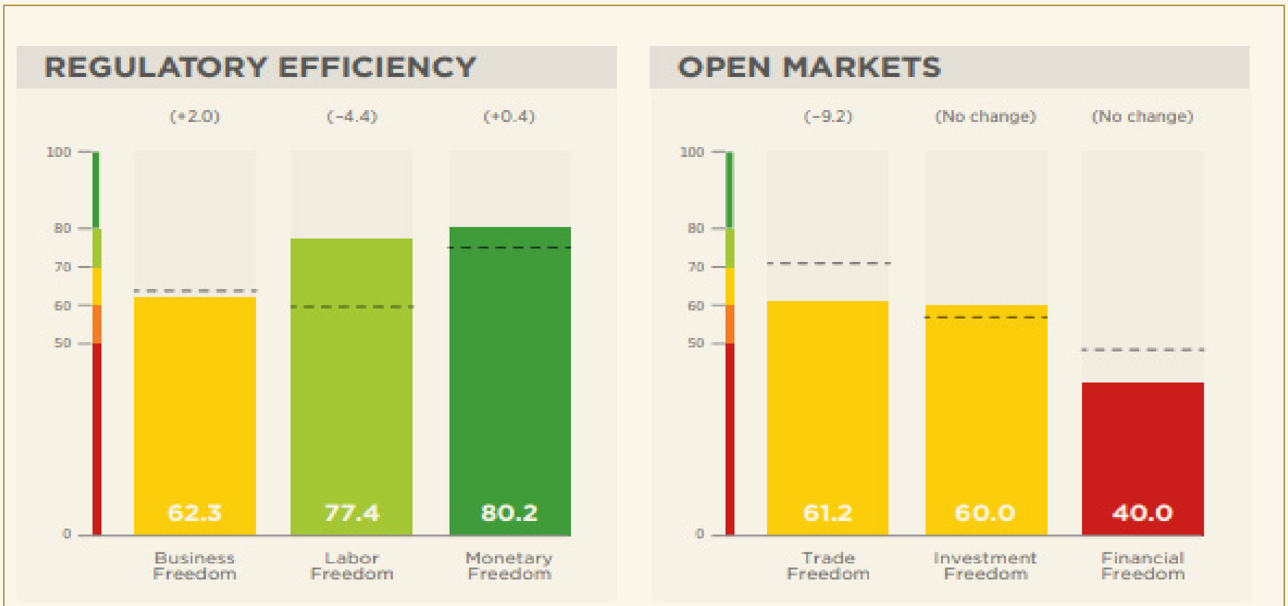


Source: The Heritage Foundation Report 2021 heritage.org/Index

The figure below; panel 1 indicates Regulatory Efficiency where Rwanda has eliminated the trading license tax for the first two years of operation for smaller enterprises. The time it takes to obtain a water and sewage connection has been reduced. Hiring a worker has become more difficult, however. The IMF has forecasted that government subsidies will consume 2.1 percent of GDP in 2020.

The panel 2 indicate that Rwanda has two preferential trade agreements in force. The trade-weighted average tariff rate is 14.4 percent, and 30 nontariff measures are in effect. Foreign investment is welcome, and the investment code provides for equal treatment of foreigners and nationals for many types of activity. The financial sector, dominated by banking, is expanding slowly. About 55 percent of adult Rwandans have access to an account with a formal banking institution.

Figure 8: Regulatory Efficiency and Open Markets



Source: Economic Freedom Index 2021

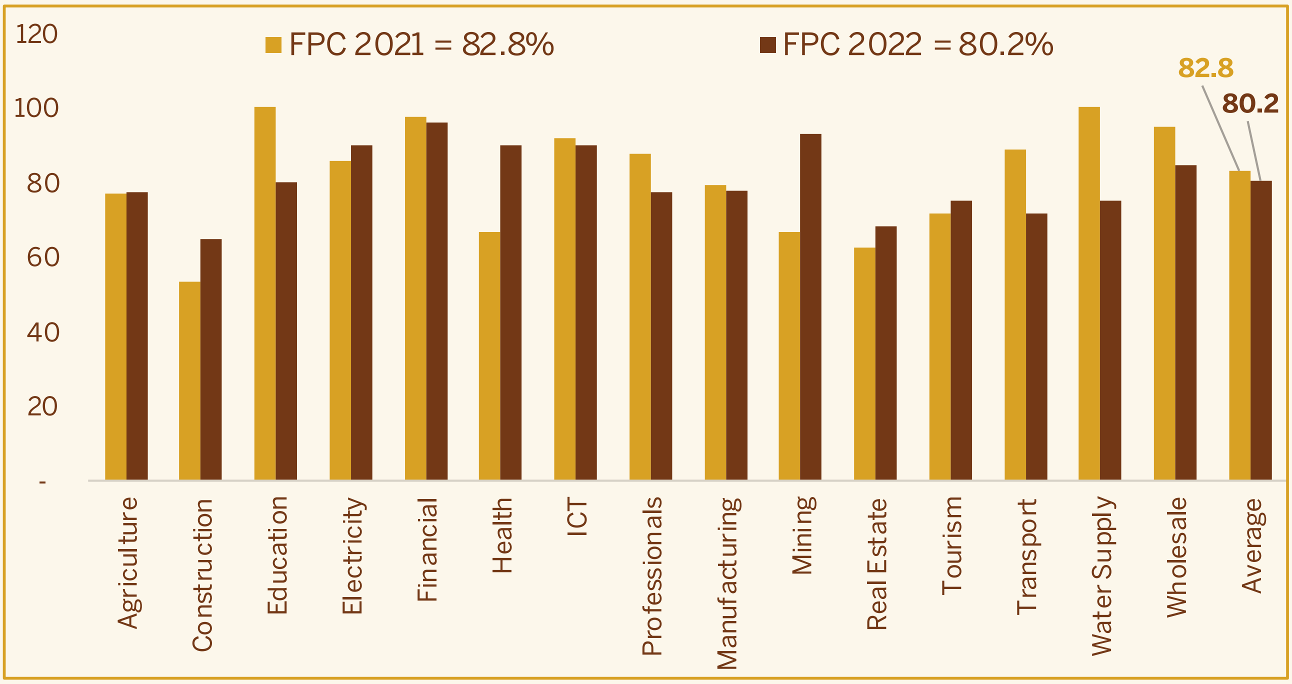
CHAPTER 3: FOREIGN PRIVATE CAPITAL IN RWANDA

3.1. Brief Methodology

This round, a new survey methodology was adopted, especially on the data collection processes, whereby the changes were majorly the inclusion of external additional enumerators, update and increase of the sample size, and other changes.

The FPC 2022 census covered 305 private companies that hold external investment from abroad in form of equity and / or non-equity financial investments from non-residents entities. Among them, 245 companies responded, representing a response rate of 80.2 percent, as summarized in the figure below, showing the response rates by sector of activities.

Figure 9: FPC 2021 Census's Distribution and Response Rate (in percent)



Source: FPC 2022 Census

Before the FPC 2022 fieldwork, the new enumerators were trained on the FPC's concepts, and the list of companies sampled was reviewed, based on the International Monetary Fund (IMF) Standard Classification of eligible company to be included in the FPC survey.

Then, the private companies received the FPC questionnaire, whereby the enumerators helped the respondents to fill them and collect the audited financial statements for later data validation and consistency checks. The questionnaire is designed based on the Balance of Payment Manual Six Edition (BPM6), published by the IMF, and it is meant to capture information on industrial classification, equity, non-equity, foreign affiliate trade statistics and investors' perception on Rwanda business environment.

Data entry and processing for foreign financial assets and liabilities (FAL) was done using the Private Capital Monitoring System (PCMS) developed by the Macroeconomic and Financial Management Institute for Eastern and Southern Africa countries (MEFMI), while the CsPro software was used for the data processing for the foreign affiliates statistics (FATS) and perception parts.

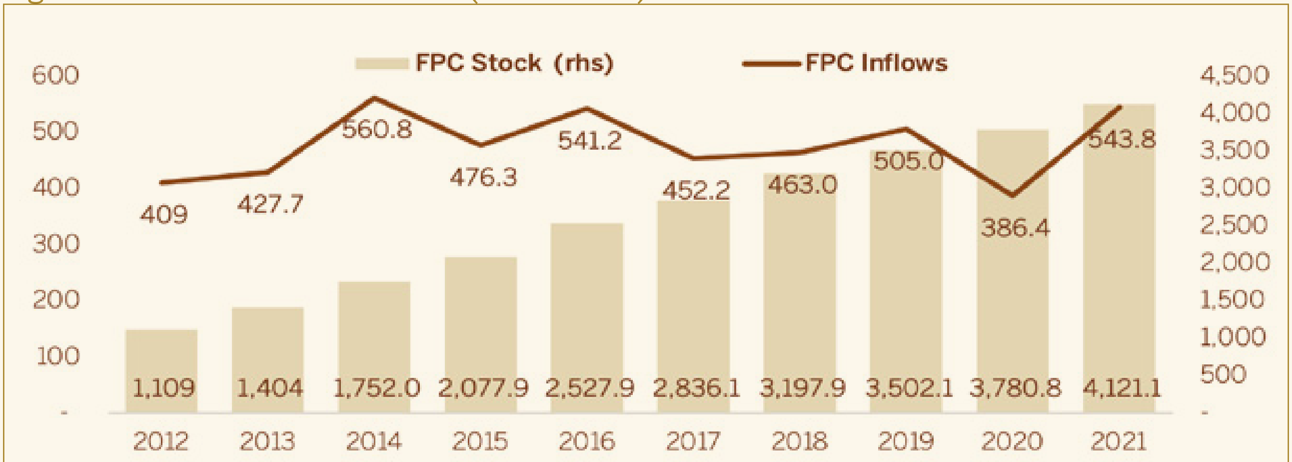
Lastly, to ensure the data quality, completeness, consistency and reliability, the technical team reviewed the collected data by comparing with other additional data from other public institutions in order to fill gaps and remove the inconsistencies, where they occur, as well as the comparison of the current data with the previous years' results.

3.2. Foreign Private Capital in Rwanda

The total Foreign Private Capital (FPC) inflows are classified into three categories. First, the Foreign Direct Investment (FDI) is composed of; equity investments from non-resident investors with a shareholding of at least 10 percent of the company's total capital; reinvested earnings and debts from affiliated investors. Second, the Portfolio Investment (PI) consists of tradable instruments with shareholding structure of less than 10 percent and finally, Other Investment (OI) comprises of; loan, trade credit and advances, currency and deposit, other equity and other account receivables and payables between non-affiliated/unrelated entities.

Rwanda capital inflows recovered strongly in 2021 soaring by 40.7 percent amounting to USD 543.8 million up from USD 386.4 million recorded in 2020. The increase in FPC inflows is attributable to recovery of economic activities from the covid-19 pandemic induced poor performance recorded in 2020. Specifically, the surge in FPC total inflows is mainly driven by FDI which rose by 45.7 percent and OI (30.6%), In terms of stock, Rwanda's total FPC stock stood at USD 4,121.1 million as of end December 2021, an increase of 9.0 percent from USD 3,780.8 million in 2020.

Figure 10: FPC Inflows and Stocks (USD Million)



Source: FPC 2022 Census

Regarding the composition of the FPC inflows by functional categories, in 2021 the FDI represented the largest share of 73.4 percent, followed by OI (26.5 percent) and PI (0.1 percent)

Table 1: FPC Inflows by Functional Categories (USD Million)

Sector	2016	2017	2018	2019	2020	2021	% Change	% Share
FDI	342.3	356.4	381.9	353.8	274.1	399.3	**45.7%**	**73.4%**
PI	3.0	0.3	5.9	0.2	2.0	0.6	**-71.4%**	**0.1%**
OI	195.9	95.4	75.2	151.0	110.2	143.9	**30.6%**	**26.5%**
FPC Inflows	541.2	452.2	463.0	505.0	386.4	543.8	**40.7%**	

Source: FPC 2022 Census

Similarly, in terms of stocks, the FDI remained the main component of the total FPC stocks sharing 71.3 percent at the end of 2021, followed by OI (25.9 percent) and PI (2.8 percent). Overall, the total FPC stock went up from USD 3,780.8 Million at end of 2020 to USD 4,121.1 Million, representing an increase of 9.0 percent.

Table 2: FPC Stocks by Functional Categories (USD Million)

Sector	2016	2017	2018	2019	2020	2021	% Change	% Share
FDI	1,680.3	1,959.3	2,283.7	2,546.9	2,707.1	2,937.8	**8.5%**	**71.3%**
PI	100.5	103.9	109.3	109.5	113.3	115.8	**2.1%**	**2.8%**
OI	747.1	772.8	804.9	845.8	960.3	1,067.5	**11.2%**	**25.9%**
FPC Stock	**2,527.9**	**2,836.1**	**3,197.9**	**3,502.1**	**3,780.8**	**4,121.1**	**9.0%**	

Source: FPC 2022 Census

3.2.1 FPC by Sector of Economic Activity

Regarding the distribution of FPC inflows by economic sector, in 2021, the financial sector attracted the highest inflows amounting to USD 155.3 million, representing 28.6 percent of the total FPC followed by tourism with USD 87.9 million or 16.2 percent of share, construction (USD 68.4 million or 12.6 percent share) and manufacturing (USD 63.8 million or 11.7 percent). The increase inflows from tourism sector reflects the recovery of this sector after a sharp drop in 2020, due to travel restrictions imposed by countries in order to reduce the spread of Covid-19 pandemic.

Similarly, in terms of stock, the financial sector leads, accounting for 26.9 percent of the total FPC stock, followed by ICT (20.7 percent), manufacturing (13.6 percent) and electricity (12.8 percent). Due to higher inflows recorded in 2021, the share of the tourism sector to total FPC stock soared to 7.0 percent in 2021, up from 6.1 percent recorded in 2020.

Table 3: FPC Inflows and Stocks by Sector of Activities (USD Million)

	2019	2020	2021	% Share		2019	2020	2021	% Share
FPC Inflows					FPC Stocks				
Total	505.0	386.4	543.8		Total	3,502.1	3,780.8	4,121.1	
Financial	151.9	179.3	155.3	28.6	Financial	876.8	1,022.5	1,109.4	26.9
Tourism	4.9	4.7	87.9	16.2	ICT	866.2	868.0	854.1	20.7
Construction	1.1	3.0	68.4	12.6	Manufacturing	500.7	521.5	561.9	13.6
Manufacturing	53.4	41.8	63.8	11.7	Electricity	423.8	490.9	529.0	12.8
Electricity	57.4	46.2	42.6	7.8	Tourism	230.8	230.5	286.7	7.0
ICT	121.8	50.1	42.4	7.8	Wholesale	219.0	222.9	260.1	6.3
Wholesale	80.5	7.2	40.6	7.5	Agriculture	130.4	157.2	181.0	4.4
Agriculture	18.1	38.3	25.6	4.7	Construction	25.6	28.0	87.1	2.1
Transportation	8.6	9.3	10.6	1.9	Transportation	60.0	68.8	76.5	1.9
Others	7.5	6.4	6.6	1.2	Others	168.8	170.5	175.3	4.3

Source: FPC 2022 Census

3.2.2. FPC by Origins and Regions

Mauritius continue to be the major source of Rwanda's FPC inflows. In 2021, FPC inflows from Mauritius totalled to USD 176.1 million, representing an increase of 32.4 percent, up from USD 136.0 million registered in 2020. Inflows from Mauritius are invested most in financial, electricity and energy, ICT and tourism sectors. Inflows from China skyrocketed in 2021 to USD 86.6 million or 15.9 percent of the total FPC inflows mostly invested in tourism and manufacturing. Similarly, inflows from India soared to USD 73.9 million with a share of 13.6 percent of the total FPC. Inflows from India and China are driven by the transactions of specific corporations, without which the increase would have been moderate.

In terms of FPC stocks, investments from Mauritius takes the lead, accounting for 25.1 percent of total followed by Kenya (9.2 percent), USA (6.3 percent), Netherlands (5.8 percent) and South Africa (4.7 percent). Due to increased disbursements from India and China, their share to total FPC stock more than doubled accounting for 3.3 percent and 1.8 percent respectively.

Table 4: FPC Inflows and Stocks by Origin (USD Million)

	2019	2020	2021	% Share		2019	2020	2021	% Share
FPC Inflows					FPC Stocks				
Total	505.0	386.4	543.8		Total	3,502.1	3,780.8	4,121.1	
Mauritius	168.7	136.0	176.1	32.4	Mauritius	883.3	953.0	1,035.3	25.1
China	9.9	7.8	86.6	15.9	Kenya	308.9	335.8	380.8	9.2
India	6.5	4.7	73.9	13.6	US	184.5	229.6	258.4	6.3
Kenya	73.6	33.3	50.1	9.2	Netherlands	207.1	229.1	237.2	5.8
USA	2.8	49.1	31.8	5.8	South Africa	184.1	185.5	195.0	4.7
Netherlands	1.0	22.5	15.2	2.8	United Kingdom	127.4	144.6	145.8	3.5
UAE	14.5	11.3	13.2	2.4	India	61.1	64.5	136.7	3.3
South Africa	0.7	4.2	10.7	2.0	PTA	127.2	135.5	135.5	3.3
UK	76.0	19.6	47.8	8.8	China	52.6	58.6	105.9	2.6
Others	151.2	98.0	38.2	7.0	Others	1,366.0	1,444.4	1,490.5	36.2

Source: FPC 2022 Census

Regarding the sources of FPC inflows by regions, the results show that COMESA, SADC and Asia had the largest share, constituting 42.2 percent, 34.8 percent and 32.7 percent respectively of the total FPC, mainly due to inflow from Mauritius, China, India and Kenya. OECD, EAC and International Organizations and Banks follow, accounting for 14.8 percent, 9.8 percent and 9.4 percent, respectively.

Table 4: FPC Inflows and Stocks by Region (USD Million)

	2019	2020	2021	% Share	2019	2020	2021	% Share
	FPC Inflows				FPC Stocks			
TOTAL FPC	505.0	386.4	543.8		3,502.1	3,780.8	4,121.1	
EAC	78.4	37.9	53.5	9.8	392.1	418.6	461.3	11.2
COMESA	248.7	181.2	229.3	42.2	1,407.5	1,512.1	1,641.4	39.8
SADC	178.2	148.8	189.2	34.8	1,173.9	1,241.6	1,330.9	32.3
OECD	146.4	74.6	80.5	14.8	893.7	956.4	1,009.3	24.5
EU	130.2	56.1	28.7	5.3	676.2	725.2	732.1	17.8
ASIA	48.1	27.2	177.9	32.7	420.9	439.3	572.0	13.9
INT. ORG & BANKS	46.0	40.2	50.9	9.4	436.3	473.4	501.6	12.2

Source: FPC 2022 Census

3.3. Foreign Direct Investment in Rwanda

In 2021, the total FDI inflows in Rwanda increased by 45.7 percent to USD 399.3 million from USD 274.1 million registered in 2020. The increase in FDI was driven by both debt and equity instruments, as shown in the table below.

The new equity investment inflows recorded an increase of 19.6 percent, amounting to USD 59.4 million in 2021 from USD 49.7 million registered of 2020. The new equity investment inflows were mainly from the financial, manufacturing, construction and wholesale sectors. Owing to increase of profitability on improving demand as Covid19 restriction measures reduce, inflows from retained earnings increased by 41.4 percent to USD 183.8 million from USD 130.0 million registered in 2020. On the other hand, borrowings from affiliated investors increased by 65.3 percent, standing at USD 156.1 million from USD 94.4 million recorded in 2020.

The increase in FDI inflows was accompanied by a surge in FDI stocks by 8.5 percent to USD 2,937.8 million in 2021, of which borrowings from affiliated companies account for the largest share of 45.4 percent, followed by equity capital (35.6 percent) and retained earnings (19.0 percent).

Table 5: FDI Inflows and Stocks by Category (USD Million)

	2016	2017	2018	2019	2020	2021	% Change	% Share
FDI Inflows								
Total	342.3	356.4	381.9	353.8	274.1	399.3	**45.7**	
Equity	83.6	78.2	137.3	45.6	49.7	59.4	**19.6**	**14.9**
RE	126.6	153.5	94.7	141.8	130.0	183.8	**41.4**	**46.0**
Loans	132.2	124.8	149.9	166.5	94.4	156.1	**65.3**	**39.1**
FDI Stocks								
Total	1,680.3	1,959.3	2,283.7	2,546.9	2,707.1	2,937.8	**8.5**	
Equity	701.8	786.3	890.9	935.6	988.6	1,046.0	**5.8**	**35.6**
RE	170.8	282.2	378.8	485.1	518.9	558.6	**7.7**	**19.0**
Loans	807.7	890.7	1,014.1	1,126.2	1,199.7	1,333.2	**11.1**	**45.4**

Source: FPC 2022 Census

3.3.1. FDI Inflows and Stocks by Sector

The 2022 FPC findings showed that the financial sector received the most FDI inflows in 2021 accounting for 26.2 percent of the total, followed by construction (16.7 percent), tourism (16.1 percent), manufacturing (13.6 percent) and ICT (7.3 percent).

In terms of stock, the FDI remain concentrated in the ICT sector with a share of 24.6 percent, followed by the financial sector (23.4 percent), the manufacturing sector (12.3 percent), and electricity sector (10.9 percent). The surge in FDI in these leading sectors reflects contribution of various government policies to increase investments such as manufacturing and industrialization, through the Made in Rwanda program, digitization, financial sector and universal access to electricity programs.

Table 6: FDI Inflows and Stocks by Sector (USD Million)

	2019	2020	2021	% Share		2019	2020	2021	% Share
FDI Inflows					**FDI Stocks**				
TOTAL	353.8	274.1	399.3		TOTAL	2,546.9	2,707.1	2,937.8	
Financial	108.3	108.9	104.4	**26.2**	ICT	750.2	749.7	722.6	**24.6**
Construction	1.1	1.8	66.6	**16.7**	Financial	542.6	619.1	687.0	**23.4**
Tourism	3.9	4.4	64.3	**16.1**	Manufacturing	310.4	330.1	362.7	**12.3**
Manufacturing	13.0	31.6	54.2	**13.6**	Electricity	277.1	305.0	319.6	**10.9**
ICT	120.4	47.7	29.2	**7.3**	Tourism	198.7	198.1	230.7	**7.9**
Wholesale	27.7	5.8	23.8	**6.0**	Wholesale	206.6	209.1	230.6	**7.9**
Agriculture	17.9	36.6	23.2	**5.8**	Agriculture	73.6	100.3	121.6	**4.1**
Electricity	46.7	25.0	19.1	**4.8**	Mining	86.5	86.1	86.2	**2.9**
Others	14.9	12.2	14.5	**3.6**	Others	101.0	109.6	176.7	**6.0**

Source: FPC 2022 Census

3.3.2. FDI Inflows and Stocks by Origin

Regarding the origin of FDI inflows, Mauritius leads with a large share of 30.5 percent, mainly invested in financial, ICT, manufacturing and electricity sectors. The FDI from India come on second position with a share of 17.9 percent, mostly invested in construction, followed by China, with a share of 17.6 percent invested in tourism and manufacturing, as shown in the table below.

In terms of FDI stocks by origin, Mauritius, Kenya, South Africa, USA, and India remain the major sources, with a combined share of 60.3 percent of the total FDI stock

Table 7: FDI Inflows and Stocks by Origin (USD million)

	2019	2020	2021	% Share		2019	2020	2021	% Share
Total	353.8	274.1	399.3		Total	2,546.9	2,707.1	2,937.8	
Mauritius	168.8	110.2	121.6	**30.5**	Mauritius	911.3	955.0	983.0	**33.5**
India	6.5	4.1	71.6	**17.9**	Kenya	242.0	267.7	308.1	**10.5**
China	8.5	6.6	70.3	**17.6**	South Africa	180.1	181.5	191.9	**6.5**
Kenya	62.9	32.0	42.0	**10.5**	USA	110.5	131.6	156.1	**5.3**
USA	2.8	25.5	27.7	**6.9**	India	58.9	61.8	132.3	**4.5**
Netherlands	1.0	7.4	15.2	**3.8**	Netherlands	106.8	113.3	121.3	**4.1**
South Africa	0.7	4.2	10.4	**2.6**	Panama	94.9	94.9	94.9	**3.2**
UAE	10.6	6.8	8.8	**2.2**	UAE	60.4	65.6	72.8	**2.5**
Others	92.0	77.3	31.6	**7.9**	Others	782.0	835.8	877.5	**29.9**

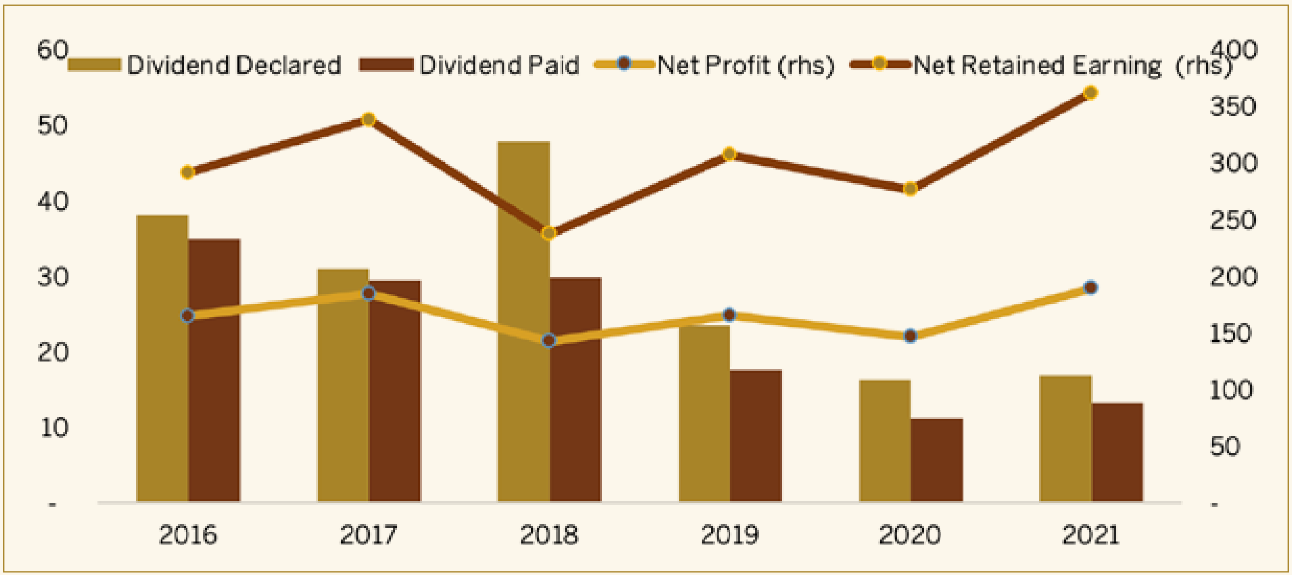
Source: FPC 2022 Census

3.3.3. Income on Equity

In 2021, the overall net profit of private companies increased by 29.3 percent, amounting to USD 189.2 million from USD 146.3 million of 2020, due to the improvement of business environment after the ease of Covid-19 pandemic and lockdown periods.

The results showed that the net retained earnings increased by 33.6 percent, standing at USD 172.3 million, which represent 91.1 percent of the total profit and they were retained to safeguard capital and liquidity of the private sector's businesses in order to improve the business activities and investment. In addition, the dividends declared increased by 3.6 percent, amounting to USD 16.9 million, while the dividend distributed to shareholders also increased by 18.3 percent amounting at USD 13.2 million.

Figure 11: Income on Investment (USD million)



Source: FPC 2022 Census

3.3.4. Return on Equity

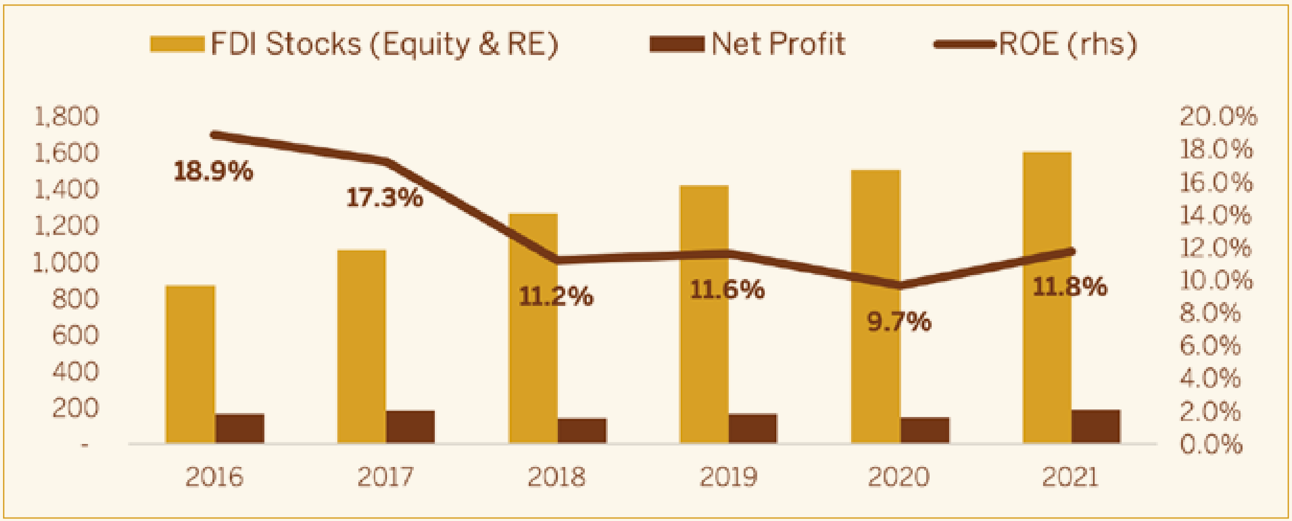
The ROE is the amount of net income returned as a ratio of a shareholder's equity. It measures the company's profitability by revealing how much profit a company generates from shareholders' investment. The net profit is the net income of the year before dividends are distributed to shareholders while the FDI stocks include the accumulated amount of equity capital and retained earnings.

The analysis of ROE is linked to the incentive to invest in an economy. It is calculated as follow:

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

Looking at the graph below, we see that in 2021 the ROE increased to 11.8 percent, from 9.7 percent recorded in 2020, and it shows that Rwanda's ROE is still much higher above the world ROE average, beside the pandemic impact.

Figure 12: ROE on FDI (Ratio in Percentage)



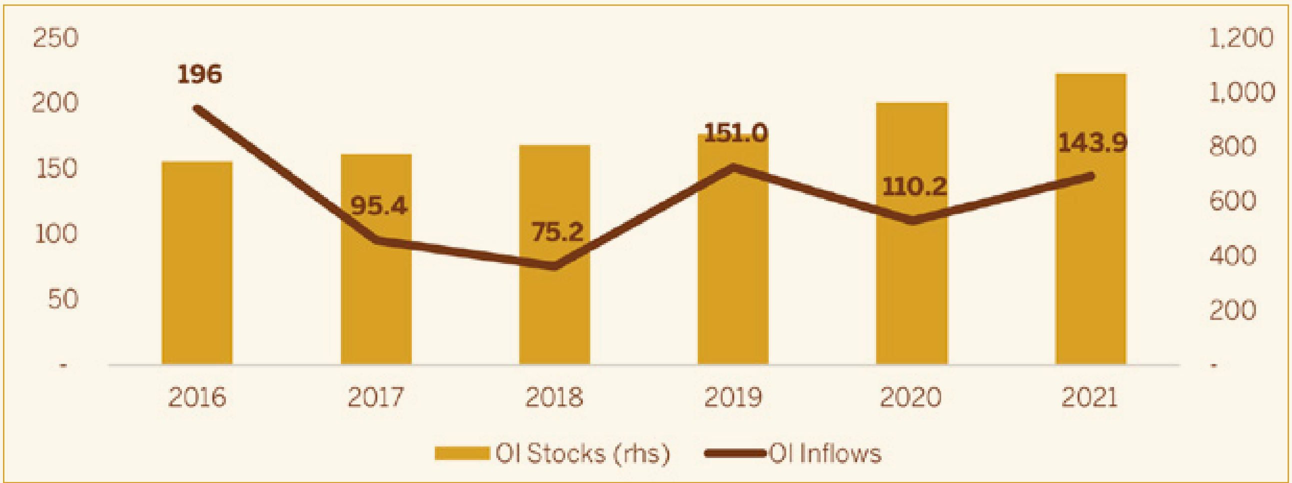
Source: FPC 2022 Census

3.4. Other Investment

Other investment (OI) is a non-equity investment, not included in direct investment, portfolio investment, financial derivatives and employee stock options, and reserve assets. It is comprised of; loans, trade credit and advances, currency and deposits, and other accounts receivables/ payables between unrelated entities.

In 2021, the OI inflows increased by 30.6 percent standing at USD 143.9 million from USD 110.2 million registered in 2020. In terms of stocks, the OI rose by 11.2 percent, from USD 960.3 million in 2020 to USD 1,067.5 million registered in 2021.

Figure 13: Other Investment Inflows and Stocks (USD million)



Source: FPC 2022 Census

3.4.1. Other Investment Inflows and Stocks by Sector

The major recipient sector of OI inflows during the year 2021 is the financial sector, which received USD 50.6 million or 35.2 percent of total OI inflows, followed by tourism (16.4 percent) and electricity sector (16.1 percent), as shown in the table below.

In terms of OI stock, the financial sector leads with a share accounting for 33.8 percent of total OI stock followed by ICT (15.7 percent), manufacturing (15.2 percent) and electricity (7.4 percent).

Table 8: OI Inflows and Stocks by Sector (USD million)

	2019	2020	2021	% Share		2019	2020	2021	% Share
OI Inflows					OI Inflows				
Total	151.0	110.2	143.9		Total	845.8	960.3	1,067.5	
Financial	43.3	68.6	50.6	**35.2**	Financial	275.7	343.0	361.2	**33.8**
Tourism	0.0	0.3	23.6	**16.4**	ICT	152.6	154.9	168.1	**15.7**
Electricity	-	21.2	23.2	**16.1**	Manufacturing	156.5	155.7	161.9	**15.2**
Wholesale	51.1	1.4	16.8	**11.7**	Electricity	17.1	56.3	79.5	**7.4**
ICT	1.4	2.3	13.2	**9.2**	Tourism	52.3	52.6	76.2	**7.1**
Manufacturing	42.1	9.9	9.6	**6.7**	Agriculture	67.2	67.3	69.8	**6.5**
Others	13.0	6.4	6.9	**4.8**	Others	124.5	130.5	150.7	**14.1**

Source: FPC 2022 Census

3.4.2. OI Inflows and Stocks by Origin

In terms of the origin of OI inflows, Mauritius leads with a share of 37.5 percent, mainly invested in tourism and electricity sectors, followed by the European Investment Bank (EIB) and China, with shares of 21.7 percent and 11.3 percent, respectively.

Regarding OI stocks, PTA remained the major lender with a share of 11.9 percent, followed by UK, Mauritius, EIB, IFC, Germany and Kenya, as shown in the table below.

Table 9: OI Inflows and Stocks by Origin (USD million)

Country	2019	2020	2021	% Share		2019	2020	2021	% Share
OI Inflows					OI Inflows				
Total	151.0	110.2	143.9		Total	845.8	960.3	1,067.5	
Mauritius	-	24.9	54.0	**37.5**	PTA	118.3	126.6	126.6	**11.9**
EIB	16.5	-	31.2	**21.7**	UK	86.6	86.7	86.4	**8.1**
China	1.4	1.1	16.3	**11.3**	Mauritius	(0.9)	24.0	77.6	**7.3**
Kenya	10.5	1.3	8.2	**5.7**	EIB	56.5	56.5	73.3	**6.9**
UAE	3.9	4.5	4.4	**3.0**	IFC	63.7	67.2	67.5	**6.3**
USA	0.0	23.6	4.1	**2.9**	Germany	65.1	65.1	65.1	**6.1**
India	0.1	0.4	2.3	**1.6**	Kenya	39.9	39.9	44.3	**4.1**
Others	118.5	54.4	23.5	**16.3**	Others	416.6	494.4	526.7	**49.3**

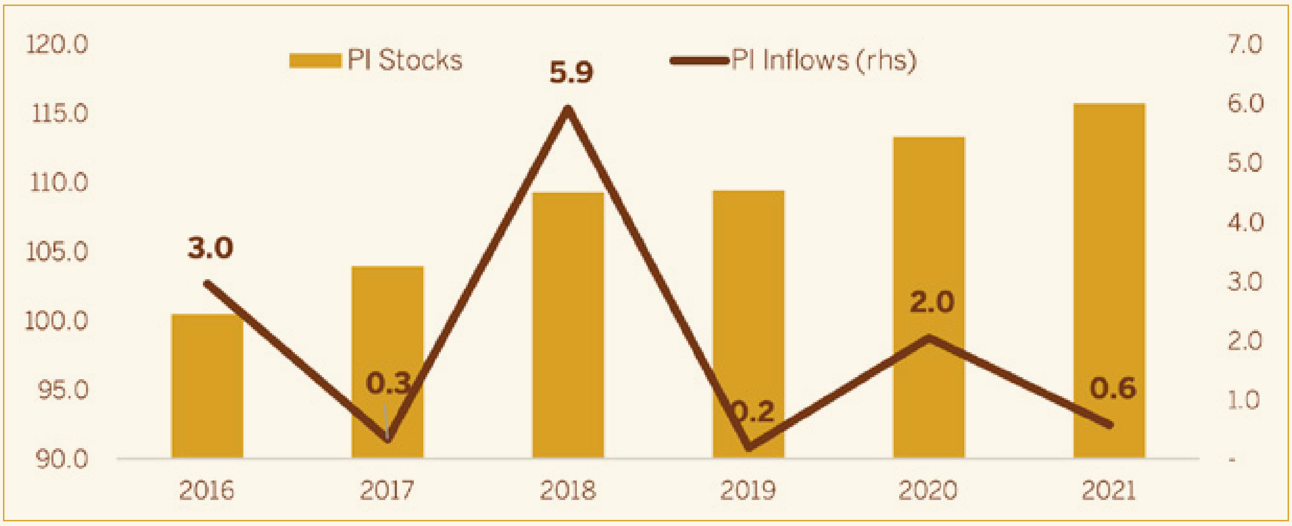
Source: FPC 2022 Census

3.5. Portfolio Investment

The PI is composed of tradable equity investments with a shareholding of less than 10 percent of the company's equity. The inflows from PI amounted to $ 0.6 million in 2021, down from $ 2.0 million recorded in 2020, mainly invested in financial, electricity and manufacturing sectors.

On the other hand, the PI stock increased by 2.1 percent, up to USD 115.8 million in 2021 from USD 113.3 million of 2020. And in terms of sector of activities, the financial sector is the major recipient accounting for 52.6 percent of total PI stock as of end 2021 followed by manufacturing (45.1 percent), electricity (2.0 percent) and ICT (0.3 percent).

Figure 14: Portfolio Investment, Inflows and Stocks (USD million)



Source: FPC 2022 Census

CHAPTER 4: PRIVATE SECTOR EXTERNAL DEBT (PSED)

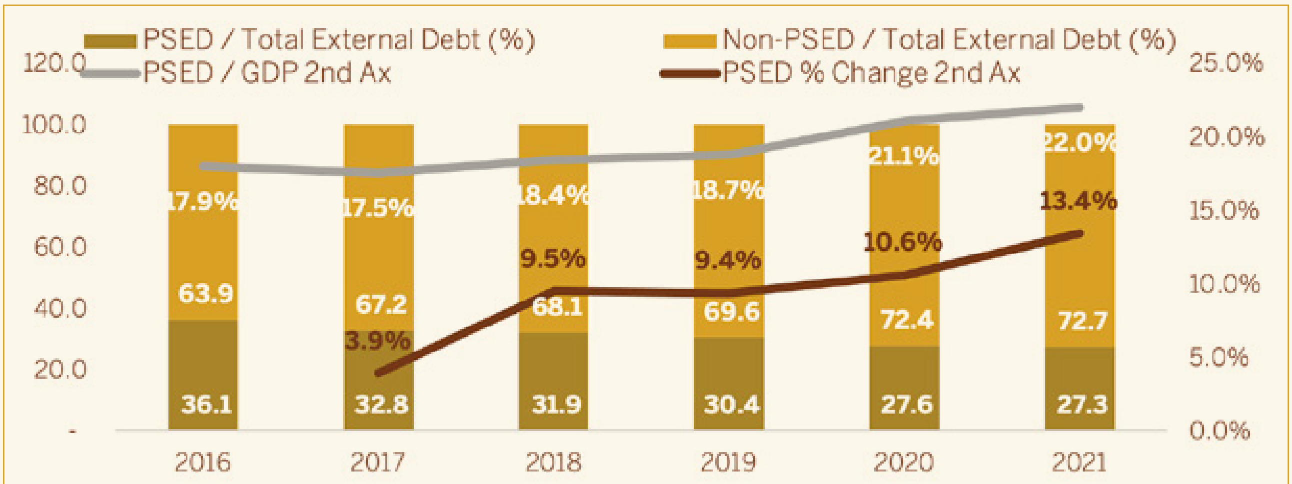
This chapter discusses the private external borrowing from related and unrelated non-resident entities, which is composed by non-equity investment inflows by maturity, sector and origin.

4.1. Private Sector External Debt Trend

In our context, the PSED is composed of external debt, i.e. excluding equity investment, from related and unrelated investors, invested in private sector for both financial and non-financial sectors, and non-PSED is composed of external borrowings for both General Government and Central Bank (namely the National Bank of Rwanda).

The results show that the stock of PSED increased by 13.4 percent, standing at 22.0 percent of GDP recorded in 2021, compared to 21.1 percent of GDP of 2020. In addition, the PSED stock contribute up to 27.3 percent in 2021 of the total Rwanda's external sector debt stocks, down from 27.6 percent share recorded in 2020, and lower than the average of 31.0 percent of the last 6 years, as summarized in the graph below.

Figure 15: PSED, Ratio and Percent Changes



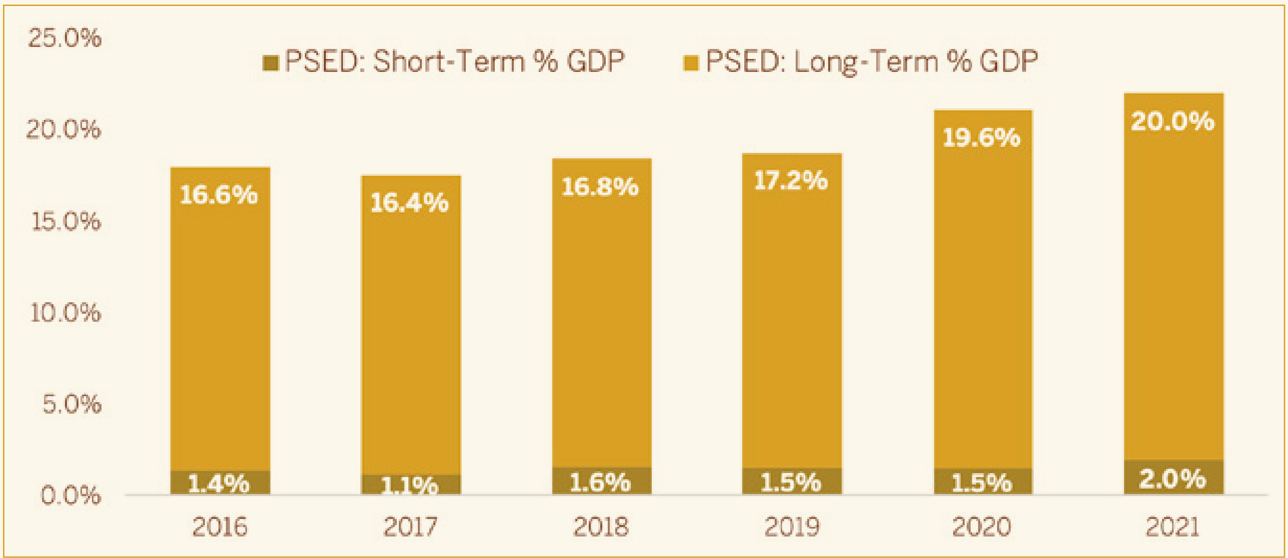
Source: FPC 2022 Census

4.2 Private Sector External Debt by Maturity

In 2021, the PSED long-term stocks increased by 11.1 percent, representing 20.0 percent of GDP, compared to 19.6 percent of GDP recorded in 2020. on the other hand, the PSED short-term stocks increased by 42.9 percent, representing 2.0 percent of GDP, from 1.5 percent of GDP recorded in previous year.

The result also shows that the 6 years' average stock of PSED short-term remained at 1.5 percent of GDP, while for the PSED long-term has increased up to 17.8 percent of GDP recorded in 2021, up from 17.3 percent of GDP recorded the previous year.

Figure 16: PSED by Maturity (USD million)



Source: FPC 2022 Census

4.3. Private Sector External Debt by Investor Relationship

The results show that the PSED inflows increased by 46.6 percent, amounting at USD 300 million in 2021, up from USD 204.6 million received in 2020. This increase is attributed to external debt inflows from both related and unrelated lenders. On one hand, the results below summarize that the PSED from related lenders increased by 65.3 percent, amounting at USD 156.1 million in 2021, from USD 94.4 million, while on the other hand, the PSED from unrelated parties increased by 30.6 percent, standing at USD 143.9 million, from USD 110.2 million registered in 2020.

As a results, the stock of PSED from related lenders keep recording the highest share of 55.5 percent of the total country's external debt stock, compared to 44.5 percent of share of the non-related lenders.

Table 10: PSED Inflows and Stocks (USD Million)

	2016	2017	2018	2019	2020	2021	% Change	% Share
Inflows								
PSED from Related	132.2	124.8	149.9	166.5	94.4	156.1	65.3	52.0
PSED from Unrelated	195.9	95.4	75.2	151.0	110.2	143.9	30.6	48.0
Total PSED Inflows	328.1	220.2	225.1	317.5	204.6	300.0	46.6	
Stocks								
PSED from Related	807.7	890.7	1,014.1	1,126.2	1,199.7	1,333.2	11.1	55.5
PSED from Unrelated	747.1	772.8	804.9	845.8	960.3	1,067.5	11.2	44.5
Total PSED Stocks	1,554.8	1,663.6	1,819.0	1,971.9	2,160.0	2,400.7	11.1	

Source: FPC 2022 Census

4.4. Private Sector External Debt by Sector

In 2021, the private external borrowings from the tourism sector represent 24.1 percent of the total PSED, a significant increase compared to the previous year when the financial sector's share were the largest. The construction sector follows with a share of 22.0 percent, followed by financial, electricity, ICT and wholesale sectors, accounting for 16.9 percent, 8.3 percent, 7.1 percent and 6.9 percent, respectively.

Table 11: PSED by Sector (USD Million)

	2019	2020	2021	% Change	% Share
Total	317.5	204.6	300.0	46.6	
Tourism	2.1	3.6	78.2	2,099.6	26.1
Construction	0.01	3.5	65.9	1,796.8	22.0
Financial	44.1	70.1	50.6	-27.8	16.9
Electricity	50.9	36.4	25.0	-31.5	8.3
ICT	101.8	32.3	21.2	-34.4	7.1
Wholesale	66.8	2.0	20.6	936.8	6.9
Manufacturing	43.6	17.6	17.6	-0.4	5.9
Agriculture	2.3	31.2	17.5	-43.7	5.8
Others	5.9	8.0	3.4	-57.0	1.1

Source: FPC 2022 Census

4.5. Private Sector External Debt by Origin

The PSED inflows from China took the largest share of 24.0 percent of the total private external debt inflows, standing at USD 72.0 million in 2021, up from USD 5.1 percent, mainly invested in tourism and manufacturing sectors, followed by Mauritius (22.8 percent) and India (21.7 percent, invested in construction).

Table 12: PSED by Origin (USD million)

	2019	2020	2021	% Change	% Share
Total	317.5	204.6	300.0	46.6	
China	9.2	5.1	72.0	1,310.4	24.0
Mauritius	90.9	64.2	68.4	6.5	22.8
India	5.5	0.4	65.2	14,918.2	21.7
EIB	16.5	-	31.2	100.0	10.4
USA	0.1	45.1	21.0	-53.4	7.0
Kenya	20.2	3.2	9.3	187.2	3.1
UAE	14.4	4.5	5.0	11.4	1.7
Others	160.8	82.2	28.0	-65.9	9.3

Source: FPC 2022 Census

CHAPTER 5. FOREIGN AFFILIATES STATISTICS

This chapter summarizes other findings related to investment performance in Rwanda, other than financial investment discussed above. It includes some investment performances like turnovers, employment and compensation of employees and the contribution to the external trade flows from the private companies that received foreign investment of either equity and/or non-equity investment forms.

5.1. Turnover

The private entities included in the FPC census registered a total turnover increase of 18.6 percent amounting at USD 2,724.1 million in 2021, up from USD 2,297.1 million of 2020, of which the manufacturing, financial and wholesale and retail trade sectors represent a combined share of 65.5 percent.

In 2021, the financial, tourism, construction and agriculture sectors registered higher increases in turnover of 45.9 percent, 36.2 percent, 32.5 percent and 25.6 percent, respectively, outweighing the sectors that registered lower or negative increases.

The total turnovers of FPC companies account for 24.6 percent of GDP in 2021 up from 22.6 percent registered in 2020, reflecting the improvement in domestic economic activities.

Table 13: Entity Turnovers by Sector ($ millions)

Sector	2016	2017	2018	2019	2020	2021	% change	% share
Agriculture	135.8	181.6	173.4	161.6	71.8	90.1	25.6	3.3
Education	9.3	8.2	10.2	31.8	2.2	2.5	11.4	0.1
Construction	37.8	24.4	24.2	29.6	131.3	174.0	32.5	6.4
Financial	450.0	497.7	522.6	547.0	426.4	622.3	45.9	22.8
ICT	376.0	430.4	472.3	546.5	113.9	120.7	6.0	4.4
Manufacturing	290.7	300.3	498.8	589.4	730.4	765.0	4.7	28.1
Mining	64.7	66.5	79.8	70.3	79.7	86.6	8.7	3.2
Tourism	55.9	67.6	63.7	73.2	23.0	31.3	36.2	1.1
Transportation	64.2	53.2	50.8	62.9	185.7	195.3	5.2	7.2
Wholesale	251.6	253.5	316.9	377.7	334.9	396.1	18.3	14.5
Other sectors	398.0	200.7	233.8	278.9	198.0	240.1	21.2	8.8
Total	2,134.0	2,084.1	2,446.5	2,768.9	2,297.1	2,724.1	18.6	
% to GDP	**24.6**	**22.5**	**25.4**	**26.7**	**22.6**	**24.6**		

Source: FPC 2022 Census

5.1. Compensation of Employees

In terms of employment, FPC registered an increase of employees by 37.8 percent to 45,984 in 2021, up from 33,367 employees in 2020, as summarized in the table below.

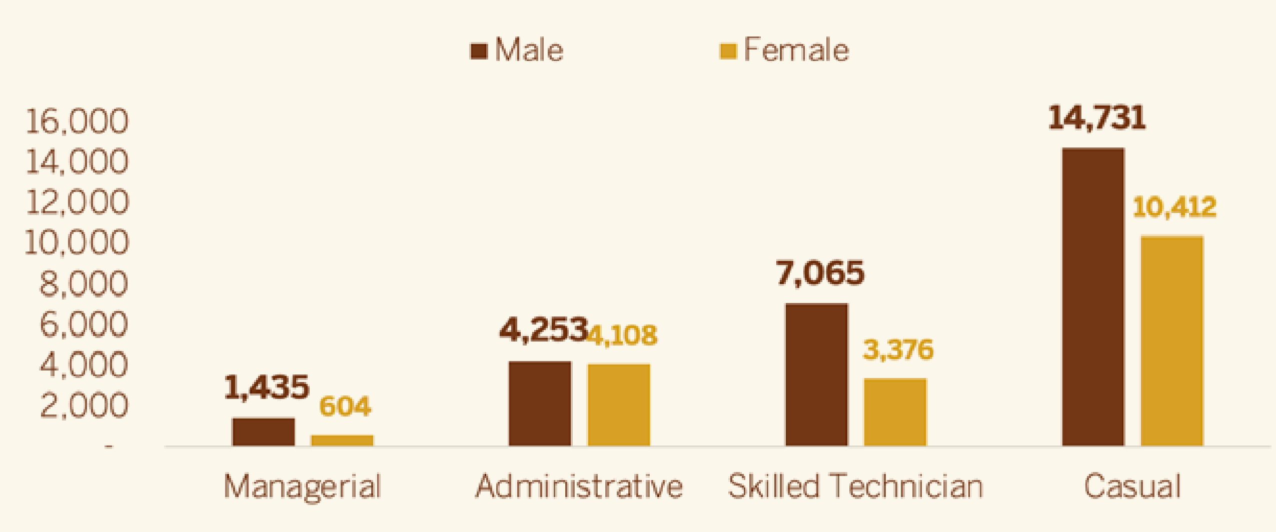
Table 14: FPC Census Employment by Position in 2021

POSITION	LOCAL	FOREIGN ST	FOREIGN LT	TOTAL
Managerial	1,414	52	573	2,039
Administrative	8,057	169	135	8,361
Skilled Technician	8,745	404	1,292	10,441
Casual	25,051	44	48	25,143
Total	**43,267**	**669**	**2,048**	**45,984**

Source: FPC 2022 Census

By gender, male employees constitute 59.8 percent of the total employment compared to 40.2 percent of females. Regarding the type of employment, the administrative positions are more composed of females accounting for 49 percent, mostly concentrated in the financial sector.

Figure 17: Distribution of Employment by Gender in 2021



Source: FPC 2022 Census

The total compensation of employees paid has increased by 45.7 percent, amounting to USD 273.8 thousands in 2021 up from USD 188.0 thousands recorded in 2020, of which the financial, manufacturing and transport sectors had the highest shares, with a combined share of 87.6 percent of the total.

Table 15: Compensation of Employees by sector (USD thousands)

Sectors	2016	2017	2018	2019	2020	2021	% change	% Share
Financial	108.4	118.9	100.4	102.3	36.1	103.2	185.9	37.7
ICT	36.2	39.8	63.0	56.1	10.5	14.3	36.1	5.2
Manufacturing	114.8	127.1	137.4	150.3	59.0	59.8	1.4	21.9
Mining	98.2	107.1	96.4	81.2	3.3	5.6	68.4	2.0
Tourism	1.5	1.6	2.9	3.1	3.9	4.9	25.0	1.8
Transportation	0.3	0.3	3.4	2.0	21.4	40.7	90.0	14.8
Wholesale	10.0	10.7	12.7	14.7	8.4	9.3	10.8	3.4
Other sectors	41.0	44.7	62.4	75.1	45.4	36.1	-20.4	13.2
Total	**410.4**	**450.2**	**478.6**	**484.8**	**188.0**	**273.8**	**45.7**	

Source: FPC 2022 Census

5.2. Contribution to International Trade

The FPC related companies exported goods and services worth USD 23.9 million in 2021, representing 19.8 percent of total exports and 3.8 percent of GDP. Exports of goods and services from wholesale and retail trade, manufacturing, electricity and energy, financial and tourism sectors dominated with a combined share of 94.1 percent of the total FPC export of goods and services in 2021.

On the other hand, imports of goods and services by these FPC companies reached USD 824.3 million in 2021, representing 21.4 percent of the total country's imports and 7.4 percent of GDP. These imports were mainly driven by wholesale and retail trade, manufacturing, electricity and energy as well as mining sectors, which had a combined share of 79.3 percent of the total FPC imports of goods and services in 2021.

As result, the FPC companies recorded a trade deficit of USD 406.8 million in 2021, representing 23.3 percent of the total country's trade deficit in goods and services and 3.7 percent of GDP. FPC companies' exports cover 50.7 percent of their imports, indicating the high contribution of foreign investment to an increase in domestic production and exports, and hence reduce the country's trade deficit.

Table 16: FPC 2022 Exports – Imports of Goods and Service in 2020 ($ Millions)

	Exports of G&S	Imports of G&S	Net Exports
Agriculture	2.8	21.8	-19.0
Construction	5.0	13.7	-8.7
Electricity	38.0	106.6	-68.6
Financial	29.3	53.2	-23.9
ICT	8.8	42.2	-33.3
Manufacturing	80.7	209.2	-128.5
Mining	2.3	90.7	-88.4
Tourism	19.6	22.2	-2.7
Wholesale	225.3	246.9	-21.7
Others	5.8	17.8	-12.0
Total	417.6	824.3	-406.8
% of Total Trade	19.8	21.4	23.3
% GDP	**3.8**	**7.4**	**-3.7**

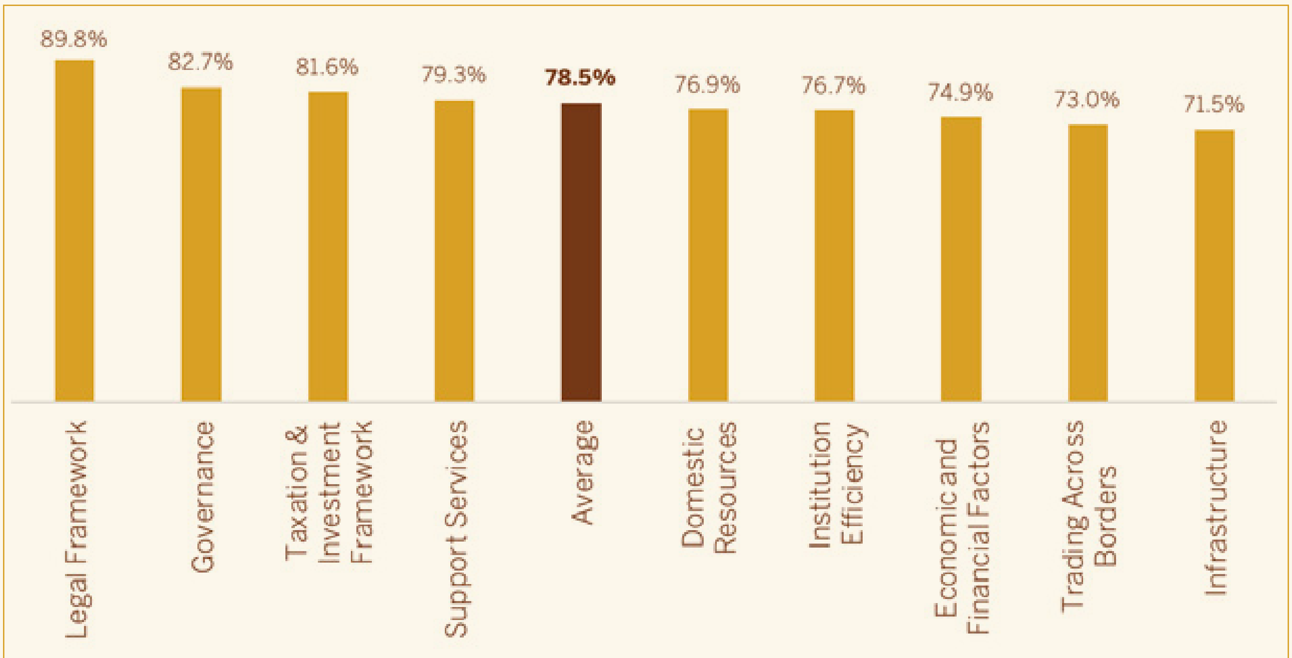
Source: FPC 2022 Census

CHAPTER 6: INVESTORS' PERCEPTION

The FPC census also collect data about the country's business environment, in order to help the policymakers to monitor the investor's perception, and help to improve the country's business climate. Therefore, this chapter summarises the collected data on different aspects, discussed here below, and classified based on the Investors' perception index framework (IPI).

The results show that the Rwandan business environment keeps improving with an IPI average score of 78.5 percent, from 78.0 percent recorded in the previous survey. As shown by the figure below, the Legal Framework leads with and IPI of 89.8 percent, followed by Governance (82.7 percent) and Incentive of taxation and Investment Framework (81.6 percent).

Figure 18: Investor Perception Index



Source: FPC 2022 Census

The legal framework recorded a higher IPI of 89.8 percent, thanks to ability to legal institutions to enforce existing national laws and legal framework for accounting and auditing as well as ease of purchasing / registering land and property.

The governance followed with an IPI of 82.7 percent, following records made by the political stability, the reliability of Government delivers, but respondents affirm that the effort made by the Rwandan Government to promote private business with putting in place measures against Corruption at the central and local levels as well as in Judiciary institutions is not yet enough.

Taxation and investment framework recorded and IPI of 81.6 percent, due to the ease of remitting revenue on investment, the quality of tax incentives of exports, investments, and imports of capital and intermediary goods that are inputs in the production processes.

The support services recorded an IPI of 79.3 percent of enterprises that are satisfied with the high record in company registration in the concerned institution and in the procedure to obtain operation permits, thanks to facilitations put in place, such as online services, revision of some policies to ease the operationalization of foreign companies in Rwanda.

Domestic resources registered an IPI of 76.9 percent, with higher score recorded in availability of skilled labour and in competitiveness of labour cost, thanks to the effort done by MINEDUC & WDA in increasing skills acquired from the education and training system.

Institution efficiency recorded an IPI of 76.7 percent, thanks to the public sector framework, to ease domestic business and improve the public services to private investors.

Economic and financial factor recorded an IPI of 74.9 percent, mainly due to market size and availability of finances to fund the business activities.

The trading across borders recorded an IPI of 73.0 percent, thanks to the ease to import and export in regional (EAC) and out of EAC as well as the efficient length of time taken to obtain export certification.

The infrastructure component recorded an IPI of 71.5, thanks to the availability of telephone, electricity, internet, and transport, though their costs are still very high.

CONCLUSION

The FPC 2021 census shows that Rwanda remains attractive to foreign investment. The census covered 305 companies that hold foreign investment in Rwanda, in form of financial equity and non-equity, of which 245 companies responded, representing 80.2 percent response rate.

The census showed that FPC inflows increased by 40.7 percent to USD 543.8 million from USD 386.4 million recorded in 2020, mainly due to recovery of business environment after the impact of Covid-19 pandemic.

The FPC inflows were mainly driven by Direct Investment with a share of 73.4 percent, followed by Other Investment (26.5 percent) and Portfolio Investment (0.1 percent).

In terms of FPC inflows origins, Mauritius led with a share of 32.4 percent mainly invested in financial, ICT and manufacturing sectors. Investments from China, India, Kenya and USA follow, with shares of 15.9 percent, 13.6 percent, 9.2 percent and 5.8 percent, respectively, and mostly invested in tourism, financial and construction sectors.

The census also shows that the Private Sector External Debt inflows increased by 46.6 percent up to USD 300.0 million from USD 204.6 million registered in 2020, mostly driven by external debt from related investors, with a share of 52.0 percent.

In regards to investor perception, the findings show that the Investor Perception Index stood at 78.5 percent, with higher improvement in legal framework, support services and incentive on taxation and investment framework in Rwanda.

In order to improve the country's investment potential, the Government of Rwanda should continue to offer incentives to both domestic and foreign investors through the Rwanda Development Board, in form of fiscal and non-fiscal incentives. These incentives should keep the country's external competitiveness on a good track, such as macroeconomic stability, capital market growth and reforms to respond on the investors' perceptions. In addition, the Government should improve policy interventions in specific leading sectors, in order to boost investors' confidence.

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List of Acronyms

NBR	National Bank of Rwanda
BOP	Balance of Payments
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
FDI	Foreign Direct Investment
FPC	Foreign Private Capital
GDP	Gross Domestic Product
ICT	Information Communication and Technology
MEFMI	Macroeconomic and Financial Management Institute
NISR	National Institute of Statistics of Rwanda
PCMS	Private Capital Monitoring System
PSED	Private Sector External Debt
PSF	Private Sector Federation
PTA	Preferential Trade Area
RDB	Rwanda Development Board
FRW	Rwandan Franc
SADC	Southern African Development Community
UNCTAD	United Nations for Commerce Trade and Development
WEF	World Economic Forum
WIR	World Investment Report

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