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Rwanda Investor Perceptions Survey 2018

WORLD BANK GROUP
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Executive Summary

The World Bank Group with support from the UK's Department for Internatinoal Development (DFID), in collaboration with the Rwanda Development Board (RDB), the lead agency of the Government of Rwanda (GoR) for private sector development have undertake an in-depth study of investment perceptions and specific investment constraints faced by exporting firms and potential future investors in eight priority economic sectors - tea, horticulture, agro-processing, minerals, manufacturing, tourism, ICT/BPO and healthcare.

The objective of the survey is to research the perspectives of existing and potential investors in the priority sectors. With the study and approach differentiated for the internal "exsiting" Rwanda companies and external international "potential" investors.

For the international survey, a database of over 600 international companies in the target sectors based on a range of sources was built to allow for identification and profiling of the most relevant international potential investors. Companies were then qualified by phone and those qualifying were mailed the agreed questionnaire. A follow-up phone interview was then organised and the questionnaire completed. The survey received 59 responses, or approximately 10% of those contacted. For the Rwanda survey, face to face interviews were conducted among existing investors across all sectors. This resulted in the production of quantitative and qualitative data. A total of 66 responses were generated by the fieldwork team representing a mixed group of Rwandan and international shareholding structures.

Summary of Findings

Key findings among prospective investors are summarised below:

Recent investment in Africa

For FDI locations under consideration, Rwanda ranked 8th with 13% of respondents having considered investing in the country over the past 5 years. Kenya was the leading country for FDI ranked by where companies have current investments in SSA; 37% of companies who have an operation in SSA had an operation Kenya. South Africa was the second leading country (32%) followed by Nigeria and Tanzania (both 22%)

Key Location Drivers

The survey finds that international investors are attracted to African locations primarily by market opportunities, with 42% of companies citing size of the national market as a key location driver and 41% citing access to the African market.

Key Investment Risks

In terms of the regulatory environment and political risk related factors, companies citied that unpredictable and arbitrary conduct and breach of contract were the factors most impacting on the decision to invest overseas, with discrimination being the least impactful factor.

Potential future investment type

In terms of the types of FDI being considered, companies are considering all modes of market entry for Africa over half of companies are considering Greenfield FDI, while 43% are considering strategic partnerships with local companies

Investment plans in the coming 24 months

Over 70% of responding potential investors are considering FDI in Africa over the next 12-24 months, of which over one-third of companies (35%) have definite plans for near term FDI in Africa. However, overall, Africa is ranked as the fourth most important region for where companies are planning to invest in the next 12-24 months

Export plans for new location

Companies are primarily planning export-oriented FDI into Africa with nearly 60% of companies stating they would establish operations to export to other countries in Africa or to US/Europe

Perception of Rwanda –Strengths and Weaknesses

Almost 40% of companies' rate Rwanda as attractive or very attractive. This is similar to Tanzania and Uganda but lower than Kenya. However, 25% of respondents were unsure if Rwanda is attractive or unattractive.

Among potential international investors, the perceived strength of Rwanda is political stability/safety (38%), economic growth (28%), and ease of doing business (24%). The limited market size is the main deterrent for investing. Secondly, 19% of companies saw the geographic position as a weakness, as Rwanda is a land-locked country as opposed to land-linked.

Awareness of RDB and key services required

Most international respondents (86%) had not heard of the RDB. However, 80% of companies (47) were happy to be contacted by RDB to discuss FDI opportunities in Rwanda. Business partnering services (reflecting the strong focus on strategic partnerships and JVs as a mode of FDI) and market research are most important services that investors would like to receive and were cited by nearly 60% of companies

Key findings for Rwanda based investors are summarised below:

Key Location Drivers

Rwanda-based investors emphasise stability and regulatory environment when deciding locations on their investment. This is an indication of Rwanda's sustained performance in these areas in the eyes of investors; 56% of existing investing cited "Political/Economic stability" among their top three drivers for investment, followed by 52% having "Security" among top three drivers for investment

Comparative location rankings

Existing investors have quite similar perceptions about Africa in general, but considerably better perceptions about Rwanda as 91% find Rwanda "Attractive" or "Very attractive which is significantly more than for Kenya, Tanzania or Uganda.

Reasons to invest in Rwanda

The investors who choose to invest in Rwanda do so primarily because of the stability the country has registered. 81% of the respondents mentioned that that they chose to invest in Rwanda because of Rwanda's economic and political stability. In line with the general finding that companies that choose to invest in Africa do so because of the present market opportunity, 44% of respondents mentioned an attractive market opportunity in Rwanda as a reason for choosing to invest in Rwanda

Rwanda challenges

79% of investors with operations in Rwanda mentioned that Rwanda's market poses a big challenge mainly because of its small size followed by the fact that it is hard to access quality labour in Rwanda. 52% of investors based in Rwanda noted that high production costs resulting from high airfreight, financing and electric costs are the next big challenge especially in the manufacturing oriented sectors.

Further investment plans in Rwanda

No less than 92.4% of existing investors have plans to invest further in Rwanda. This indicates the importance of existing investors for increasing investment overall. Apart from being more inclined to invest, existing investors may be faster and more efficient in the implementation of an investment project given their prior knowledge of the country. The total estimated investment of the 28 projects was $320 million.

Existing investors view of new investment

Two thirds of companies are interested in partnering with a foreign/based company. 45% of existing investors are interested in expanding via a joint venture and 42% via a strategic partnership of some sort.

Investor Experience

Rwanda's Net Promoter Score (positive perceptions over negative perceptions) is relatively high at 32 and ranks it as a brand alongside Microsoft. In general, existing investors would recommend Rwanda to new investors

Constraints to growth

The most frequently perceived obstacles for current company growth are: shortage of qualified labour (70%); tax levels (68%); tax predictability (64%); and lack of power (64%). Working capital is a "severe" obstacle for 18% of respondents, and 17% find tax predictability a severe obstacle.

Perceptions of the RDB

Existing investors generally have good perceptions on the RDB's performance. On a 10-point scale, 33% rate RDB's performance at 9 or 10 (Very Good). 36% of respondents suggested that RDB focus more on aftercare services and 17% suggested that the RDB improve collaboration with other GoR institutions. Five percent mention specifically to increase the collaboration with RRA to ensure a good tax environment.

Trade

Few perceived barriers to export were considered severe or significant by existing investors. Most important are lack of ability to compete on quality or price and transport issues.

Summary of recommendations to RDB

The following paragraphs summarise the general recommendations for RDB. More detailed sector focused recommendations are contained in Chapter 7.

Strengthen Marketing and Communications

Rwanda has the weakest awareness amongst potential investors as an FDI location when compared to Kenya, Tanzania and Uganda. Furthermore, most companies had not heard of the RDB. It is very likely that Rwanda is not on the map of investors and is not being considered as a location for many companies planning operations in Africa/East Africa. The RDB needs to strengthen its awareness creation activities.

Organise overseas targeted events

RDB should consider organising its own "Invest in Rwanda" events in major source markets for FDI where events are proven to be an effective method of awareness creation and lead generation. Generally, events are most effective in Asian countries but can also work in selected other countries. They can be highly effective in Japan and China, in particular for African IPAs.

Value proposition marketing

The RDB needs to better understand its value proposition and should be able to present it convincingly to investors on its website, in marketing materials, and when presenting and meeting with investors. The starting point of developing a value proposition is benchmarking Rwanda against is key competitors and key current FDI location in Africa (e.g. Kenya, Ethiopia, South Africa, Tanzania and Nigeria) for each target sector.

Strengthen Lead Generation

The international potential investor survey showed that over 70% of companies are considering FDI in Africa over the next 12-24 months, three-quarters of companies would like a copy of the results of the survey, and 42% of companies that agreed to be contacted by the RDB. The results demonstrate the FDI opportunity for RDB and Rwanda to attract higher volumes of FDI over the coming years. The international survey also demonstrates how to identify companies for FDI in Rwanda through the development of highly targeted and qualified sector focused databases. This recommendation is particularly notable given that the RDB is in the process of strengthening this aspect through is investment accelerator.

In-market representatives

In the key source markets for FDI in Rwanda, and markets which are difficult for RDB to engage with from Rwanda (e.g. China), the RDB should consider appointing an in-market representative to assist it in targeting and attracting FDI from that market.

Define Services for "New Forms of Investment"

The international investor survey demonstrated foreign investors are considering multiple types of FDI when assessing how to invest in Africa; while over half of companies are considering Greenfield FDI, over 40% are considering Strategic Partnerships with local firms; over one-third of companies are considering JVs with a local firm; and nearly one-third of companies are considering M&A. RDB should adapt its services and marketing stance to understand and support these new investment forms.

Review "Aftercare" Programme

Over 90% of existing investors have plans for further investment. Responses received from 40% of respondents identified $320 millions of potential expansion projects, with the total amount likely to be closer to $600 million across all the major existing investors since 92% of domestic investors claimed to have expansion plans. When existing investors were asked what areas RDB should improve, the top response was aftercare, cited by nearly 40% of investors.

Develop a CRM

Procure a CRM for the RDB: It is not possible to be an effective economic development organisation without a CRM. A CRM is needed to manage the FDI sales pipeline and enquiries with potential foreign investors as well as to manager the sales pipeline and enquiries with existing investors. It essential for a well-functioning IPA or EDO to have a CRM.

Review the tax environment

Establish an expert commission to review the tax environment from the perspective of competitiveness taking all trade-off into account. The tax environment is the key factor that, according to existing investors, impacts growth and competitiveness. Predictability and the issue of arbitrary and sometimes unpredictable interpretation of the law are the key issue.

Assess current skills gaps and future demand

Apart from taxation, access to skills is the main inhibiting factor of business growth according to domestic firms.

Continue the push for regional integration and international market access

Most FDI in Africa is driven by access to national, regional and international markets. Rwanda's value proposition needs to clearly define the benefits of investing in Rwanda for access markets, especially as small market size and geographic positions are perceived by investors to be the key weaknesses of Rwanda.

Sector-level Recommendations

The report contains many sector specific recommendations to GoR by investors; we have listed these in Chapter 7.7 ranking them in terms of desirability and feasibility. These were reviewed by stakeholders at a validation workshop held in Kigali on 28 March 2018 (see section 7.8).

Structure of this report

The findings of the report differentiate for the international and domestic surveys, which sought to understand investor perceptions and constraints faced by exporting firms in Rwanda's priority economic sectors.

The final report is outlined as follows:

- Section 1 provides the background, objectives, and methodological approach to this study (including the two surveys). The questionnaires for both surveys are provided in Annex 1 and 2;
- Section 2 frames the context that serves as a backdrop to this study – namely, the Rwandan economy and the Rwandan private sector. Much of information here was presented in the Inception Report;
- Section 3 presents the findings from the International Survey;
- Section 4 presents the findings from the Domestic Survey;
- Section 5 compares the two surveys across the following thematic areas: future FDI plans; location determinants; location perceptions of Africa and Rwanda; investor experience in Rwanda; and perceptions of the RDB's Services;
- Section 6 compares the two surveys by sector;
- Section 7 offers 18 recommendations based on the conclusions centred around six themes: marketing and communications; lead generation; services for new forms of investments; aftercare; CRM; and policy advocacy. It ends by providing sector-specific recommendations based on what is feasible and desirable for the RDB to focus on.

1 Background and Methodological Approach

1.1 Background and Rationale to the Study

The World Bank Group has been working with the Government of Rwanda (GoR) on improving the investment environment since 2008. The current Rwanda Investment Climate Reform Program focuses on addressing macro level constraints in the business environment in Rwanda, including improving the effectiveness and efficiency of government to business services, and developing selected priority competitive sectors.

As part of this collaboration the WBG and RDB agreed to collaborate in undertaking an in-depth study of investment perceptions and specific investment constraints faced by exporting firms in eight priority economic sectors - tea, horticulture, agro-processing, minerals, manufacturing, tourism and ICT and healthcare.

1.2 Objectives of the Study

This perceptions survey had two core objectives:

(1) **Identify and understand investor perceptions as well as opportunities and constraints** (especially policy and regulatory oriented) that are limiting competitiveness and accelerated growth in the eight identified export sectors. The perceptions components should include perceptions regarding how Rwanda compares to its major competitors in the region (Kenya, Uganda, Tanzania and Ethiopia) in terms of opportunities and constraints. It should also cover perceptions of and investor satisfaction with the investor services delivered by the RDB and other investor-facing government agencies.

(2) **Generate new and deeper sector insights and make recommendations on actionable policy interventions in those priority export sectors**. These should build on expressed investor preferences and include to the extent possible examples of good practice based on regional and global experience. It is intended that the recommendations would be able to inform the strategic planning for the Business Intelligence and Competitiveness Department, RDB as well as other relevant government institutions; and

(3) **Develop tools and provide recommendations for the RDB to adopt and institutionalise the analytical approach and methodology in future years**. It is intended that going forward, the RDB would be able to run a similar analysis at regular intervals in order to track investor perceptions, understand persistent and new emerging economic constraints, as well as drive progress over time, including in the quality of government services to investors. Findings of this analysis would be used to inform strategic planning for the RDB and other institutions

1.3 General Approach

The study consisted in two surveys: an **International Survey** of companies that have not yet invested in Rwanda and a **Domestic Survey** targeting companies that are already operating in the country that are as similar as possible to the international investors that Rwanda would like to attract. This will allow for a comparison between expectations and wishes of international investors and the reality faced by companies that are already operating in the country.

The approaches for the international and domestic surveys will be aligned in goals and overarching expected objectives, but differentiated in terms of methodology, target respondents, and survey structure. Both surveys aim to identify and understand investor perceptions, opportunities and constraints for accelerated growth and competitiveness in the eight priority economic sectors (namely, agro-processing, horticulture, ICT/BPO, manufacturing, minerals, tea, healthcare, and tourism). In seeking to achieve this, they both cover perceptions of how Rwanda fares in comparison to major competitors in the region, identify the key location determinants for investors, and satisfaction around investor services in Rwanda.

On the domestic side, the survey additionally aims to identify policy issues that are relevant to attract more export-oriented investment and to compare the views of potential international investors to existing investors in Rwanda. On the international side, the survey broadly aims to understand corporate FDI strategies for Africa. The results of the survey will enable Rwanda to position itself better for more and increased FDI.

1.4 Sampling

The international study sample frame consists of 600 major companies within the 8 priority sectors which are likely to have considered investing in Africa. Key decision-makers were interviewed over the phone. The survey received 59 responses in total with India and the EU showing the highest number of responses. By sector, the survey was more successful at finding potential investors in manufacturing and ICT/BPO and did not manage to generate responses for horticulture and tourism (see Section 6 for more details).

Table 1: International Survey: Location of respondents and sectors

Location	No. Companies	Sector	No. Companies
India	14	Manufacturing	18
EU	13	ICT/BPO	12
USA	8	Agro-processing	7
Canada	4	Other	6
China	4	Healthcare	5
Malaysia	4	Minerals	4
South Korea	4	Tea	4
Others	7	Professional Services	3
Total	**59**	**Total**	**59**

The domestic study targeted existing investors in Rwanda (owned by foreign nationals as well as Rwandans) in order to compare perceptions to those of potential foreign investors. It covers perceptions of companies that are currently well-equipped to export and that resemble the participants from the international survey as much as possible. The sample was meant to cover perceptions of key players within the sectors. For agro-processing, manufacturing, tea and minerals the sampling frame was constructed from a database of the top 10 companies in Rwanda in terms of exports and revenues over the past year. In the remaining, emerging priority sectors, past performace data is less indicative for the firm's relevance vis-à-vis the purpose of the survey, so sampling was based on a tailored approach. For ICT, horticulture, healthcare and tourism we obtained lists of investments provided by the ICT Chamber, the Horticulture Sector Working Group, the Chamber of Tourism, and the RDB (specifically for tourism and healthcare). Specifically, healthcare, ICT and horitulcure databases include exhaustive lists for the relevant companies that are likely to export soon; moreover, for tourism, the database includes all of the large Meetings, Incentive, Conferences and Exhibitions (MICE) hotels in Kigali and significant tour operators. With a sampling frame of 90 companies the survey aimed at 45 responses. The end sample consisted of 66 companies distributed across the 8 priority sectors.

Table 2: Domestic Survey: Sample distribution by sector

Industry/Sector	Frequency
Agro-processing	9
Healthcare	5
Horticulture	8
ICT/BPO	8
Manufacturing	13
Mining	7
Tea	7
Tourism	9
Total	**66**

In terms of ownership nationality, 42% percent of the respondents have Rwandan majority ownership, while 59% are majority owned by foreigners (see Table 3).

Table 3: Domestic Survey: Sample distribution by ownership

Ownership	% Respondents
Fully Rwandan	36%
1-50% Foreign	5%
50.1-99.9% Foreign	19%
Fully Foreign	40%

1.5 Survey instruments and data collection

Two separate questionnaires were developed for the two surveys[1]. The international was designed for phone interviews and covers companies that are expected to have limited knowledge and experience with investing in Rwanda. The survey designed to identify what drives investment location decisions and what companies' current perceptions are of Rwanda. See Annex 1 for the questionnaire used.

The domestic study questionnaire (see Annex 2) was designed for company visits with more room for conversation and the collection of qualitative data. The overall aim was to profile investors that are currently well-equipped to export and that resemble the participants from the international survey as much as possible. Comparing successful companies that have already invested in Rwanda with potential investors will indicate which type of companies Rwanda could successfully attract. Moreover, this part of the study aimed to identify topics of current importance to the companies, spanning the following areas:

1. **Investor Experience in Rwanda:** this seeks to measure how Rwanda currently performs on key location criteria in the eyes of current investors in order to identify key topics for policy interventions and to get specific recommendations on how the investment climate can be improved from the perspective of investors.
2. **Trade:** this area identifies policy relevant topics specific to addressing trade barriers and maps trade partners, which is potentially relevant for further investment.
3. **Investment Process in Rwanda:** this covers investors' perceptions on the investment process – in particular, the performance of RDB and suggestions for improvement.

1.6 Analysis

The analysis of the two surveys is presented in this report. The report first presents the economic context of Rwanda and findings from previous surveys in Section 2. Sections 3 and 4 present the main findings from the international and domestic surveys, respectively. Section 5 compares the findings from the two surveys, while Section 6 goes into details at the sectoral level. Section 7 presents implications and recommendations for RDB.

[1] The methodologies for these surveys were provided in the Methodological Framework report.

2 Context: the Rwandan Economy and Private Sector

2.1 Rwandan Economic Performance

Development Performance

Rwanda is gradually transforming its economy from a low-income to a middle-income country. Since the turn of the century, Rwanda has seen its economy grow by 7.9% per year, such that it is currently more than 3.5 times larger than it was in 2000[2]. Meanwhile, there is an on-going structural shift in the economy from subsistence agriculture towards commercial sectors: Industry has grown by 9.8%[3] per year on average[4], Services by 9.4%5, and Agriculture, Livestock, Forestry, and Fishery by 5.3%. In the same period, GDP per capita has increased from $242 to $729[6] and poverty has reduced from 60.3% of the population to 39.1%[7]. Life expectancy at birth has increased from 48.2 years in 2000 to 64.5 years in 2015[8], while the child mortality rate dropped from 183/1000 to 42/1000[9]. The youth literacy rate increased from 7% in 2010 to 85% in 2015[10]. Financial inclusion increased from 48% in 2008 to 89% by 2016[11], while mobile phone owners increased from 6% to 65% between 2006 and 2014[12].

Several factors point toward expanded business opportunities in the future. Rwanda is located in one of the fastest growing regions in the world[13], and the growing domestic and regional markets present new market opportunities for both new and existing investors. A domestic and regional middle class is emerging, creating a market for an expanding array of goods and services. Opportunities also exist for growing the export base, specifically for high value agricultural products such as horticulture and agro-processing and for light-manufacturing, tourism, minerals, and traditional export crops. Furthermore, about half of Rwanda's population is younger than 19 years old[14], which opens the possibility for a demographic dividend from a growing working-age population and a lower dependency ratio. Rwanda's young population is likely to generate new businesses and take advantage of new technologies. The use of ICT can facilitate the entry of youth in SMEs and stimulate entrepreneurship and skills development.

The External Balance: Trade and FDI

The country is becoming increasingly "land-linked" rather than landlocked, thus increasing the likelihood of attracting investment, stimulating competitiveness and supporting Rwanda's transition from a subsistence-economy to a commercial-based, export-oriented economy. While maritime trade through the transport corridors have become cheaper and faster, new flight connections to high-end consumer markets have been established. For example, agricultural products are likely to fetch higher prices in resource-rich West-African countries or in European and Asian markets, to which more flight routes are currently being established. Furthermore, Rwanda has expanded its foreign market access by negotiating trade agreements such as EPA, AGOA and the Tripartite Agreement. As a result, imports and exports have increased their combined share of the economy from 36% in 2005 to 48% by 201615. Since 2011, imports grew on average by 4.8% per annum and exports by 8.4% (see Table 4).

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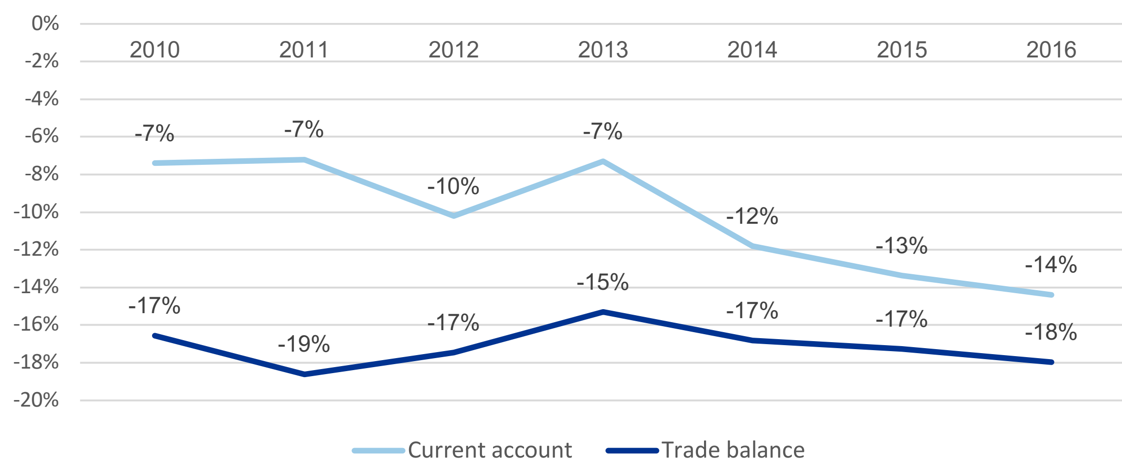
[2] NISR, National Accounts 2016
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] NISR, EICV 1-4
[8] WDI: http://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=RW&name_desc=true
[9] Ibid.
[10] Ibid.
[11] FinScope 2016
[12] EICV4
[13] Growth projections from the IMF World Economic Outlook suggest that the economies of the East African Region will grow by 6.3% in 2018 versus 4.8% for emerging and developing countries and 3.6% globally.
[14] NISR, RHPC4, 2012, Population Projections
[15] NISR, National Account, Resource Balance

Table 4: Rwandan trade performance 2011-2016, USD million[16]

	2011	2012	2013	2014	2015	2016	Av. growth rate 2010-2016
Goods Imports	1,891	2,199	2,247	2,387	2,320	2,248	2.9%
Services Imports[17]	530	425	472	517	886	958	10.4%
Informal imports	24	24	15	19	22	32	4.9%
Total Imports	**2,445**	**2,648**	**2,734**	**2,923**	**3,228**	**3,238**	**4.8%**
Formal goods Exports	387.3	468.9	574.6	598.9	558.5	599.3	7.5%
Services exports[18]	356	354	386	401	587[19]	597	9.0%
Informal exports	55.09	71.4	101.9	110.7	107.5	100.5	10.5%
Total Exports	**798.19**	**894**	**1062.6**	**1110.2**	**1253.2**	**1296.7**	**8.4%**
Trade Balance	**-1,647**	**-1,754**	**-1,671**	**-1,813**	**-1,975**	**-1,941**	**2.8%**

However, Rwanda has a significant trade deficit which affects the current account; the current trade deficit stands at 18% of GDP for 2016. This is a common feature for high-growth developing economies as there are high investments and little production and savings to supply inputs and finance. Net foreign transfers (ODA, remittances, grants, interest payment, etc.) mitigate this deficit with 4% of GDP such that the current account deficit is 14% of GDP, i.e. Rwandan households, firms, and institutions borrowed 14% of the national GDP in 2016. The trend in the trade balance has been downward trending since 2013[20], which puts downward pressure on the current account. Equally significant, net foreign transfers have declined as share of GDP, hence narrowing the gap between the trade deficit and the current account. While these deficits are not necessarily problematic if countered by future growth, short and medium term macro-economic stability may be at risk if the imbalances grow large. Consequently, there is a need to increase foreign investment and exports.

Figure 1: External Deficits as Shares of GDP[21]



Rwanda has seen a remarkable increase in recorded FDI inflows in recent years, going from $103 million in 2008 to $254 million by 2016 (Figure 2). This increment is a relatively new phenomenon in Rwanda, which historically has received low and stable levels of FDI up until 2005, when the trend shifted significantly upwards and became more volatile. Similar to many other developing countries, the international financial crisis caused the first instance of volatility in 2008-2010. Subsequent volatility is due to figures being driven by large individual projects. 320FDI inflows to Rwanda has been 24%

16 BNR, as reported in PSDS Draft 2

17 Excludes Government services and PKO

18 Excludes Government services and PKO

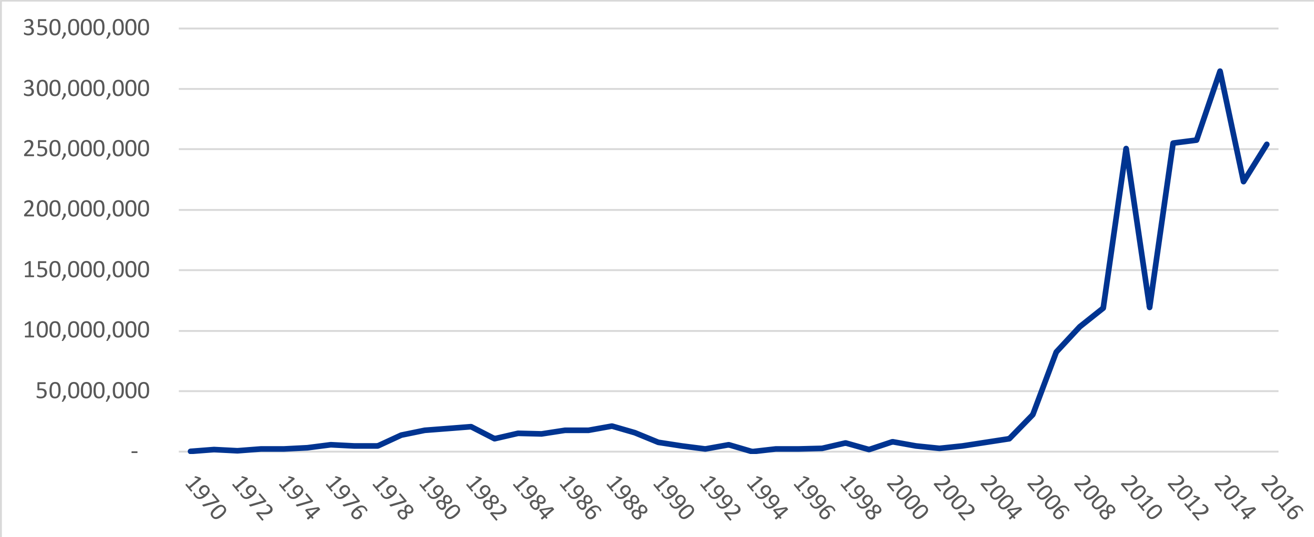
19 Revised up from $453m to $587m

20 Although there is indication for some trade balance correction in 2017 (BNR, Monetary Policy Statements, August 2017)

21 BNR, Balance of Payments; GDP from NISR, National Accounts

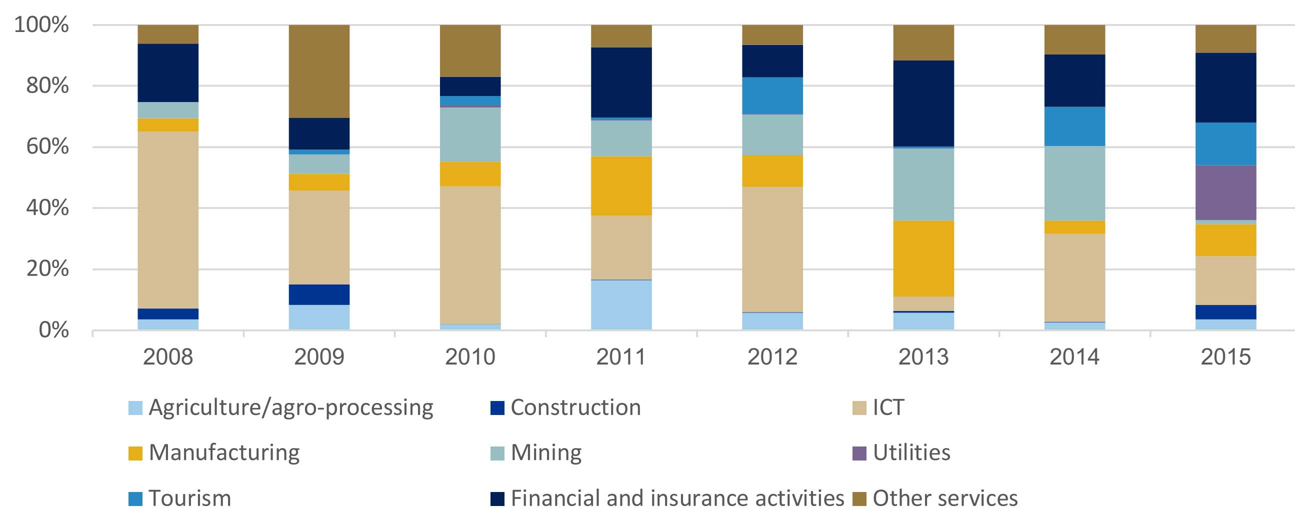
per year compared to 11% in Sub-Sahara Africa[22]. This reflects the fact that Rwanda has been catching up with other Sub-Saharan economies, which began to see FDI inflows increase substantially from around 1990.

Figure 2: Net FDI Inflows to Rwanda, USD[23]



Finance, mining, and ICT have been the largest sectors attracting FDI over the past few years, according to the Foreign Capital Census (a survey conducted on over 100 foreign companies that have invested). FDI to other sectors has been more sporadic and driven to a large extent by large individual projects.

Figure 3: FDI by sector[24]



Registered investments reached $1.3 billion in 2015/16, which is above the EDPRS II target of $1,254 million[25]. However, the investment level remains dependent on a few larger projects. The top 4 projects constituted over 26% of total registered investment. Projects of this size can quickly increase the level, but the number of investments needs to increase to sustain this level and increase resilience.

22 World Bank, WDI (Original data source: UNCTAD)
23 World Bank, World Development Indicators
24 NISR, BNR, RDB: Foreign Capital Census, 2015
25 RDB and EDPRS II document

2.2 The Rwandan Private Sector

Overview

The latest Establishment Census (2014)[26] recorded 154,236 operating establishments (i.e. not exclusive of small-to-medium companies) – up from 123,256 in 2011. Key findings were that:

- The micro and small, those employing not more than 3 people, account for 98.8% from 97% in 2011;
- Large companies account for only 0.2 % with 213 companies from 105 in 2011;
- In the informal sector, 91.7% of all businesses had at most 3 employees;
- Amongst the largest businesses (100 or more employees) 31% had been operating for less than 5 years, while 18% had been operating for 20 or more years;
- The estimated total number of workers in formal sector enterprises in 2014 was 175,244 working in estimated 9,251 enterprises;
- 54% of formal businesses were owned by a single individual, while around 18% were limited companies and 10% are cooperatives;
- 48% of employees in the formal business sector were based in Kigali;
- The manufacturing sector accounts for only 7% of total establishments and employs only 8%, while wholesale and retail trade as well as accommodation are the two big sectors accounting for close to 80% of total establishment;.
- 58% of businesses had been operating for less than 5 years, while 9% had been established for at least 20 years.

Therefore, the Rwandan private sector is primarily informal and dominated by small companies in services such as retail & wholesale and hotels/restaurants/bars that have been operating for less than 5 years. Transformation is expected to come from a very few large companies, which are formal, and to a large extent located in Kigali. These are the companies that are most similar to foreign companies that need to be attracted. Therefore, these companies are the target for the domestic survey. In addition, in order to get a comprehensive picture of the perceived and real challenges faced by investors, we have included potential investors in the sample as well.

Identified general challenges to private sector companies

Rwanda is characterised by an active ongoing dialogue between the private sector and the government, with investors having direct and frequent access to high-level government officials. The private sector is growing, but it remains possible for government officials to have an overview of what problems companies in key sectors are facing. Consequently, the GoR's perception of private sector problems may be relevant. The Private Sector Development Strategy, which is currently being drafted, aims to summarise the current knowledge of relevant private sector problems. The list below summarises **key GoR perceptions** of the problems faced by the private sector in Rwanda:

1. **Access to finance:** The prime interest rate is at 16-18%, making securing finance for all but the most lucrative ventures untenable. The savings rate is at 7.1%;
2. **Access to skills:** Wages in non-primary sectors appear competitive at face value around $40/month (31,300 RWF)[27]. However, almost 20% of firms report access to skills being a constraint to their business[28];
3. **Enforcing small business contracts:** A September 2016 MINICOM consultation found that a major constraint to especially small businesses is the inability to enforce business contracts.
4. **High cost of trade:** At an average $3,633 per container from Mombasa to Kigali, Rwanda remains one of the most expensive places for a container to reach. This is despite the figure having declined from around $5000 per container in 2015[29];
5. **Regulatory compliance:** At an estimated 3.1% of GDP, the cost of complying with regulatory requirements also remains high[30];
6. **Insufficient access to and quality of infrastructure:** Rwanda faces an infrastructure gap, hindering its economic transformation. Access to serviced land is a major constraint, often raised as the biggest challenge by foreign investors looking to set up operations in Rwanda;
7. **Internal market inefficiencies, both for raw materials and for final products:** Inefficient value chains and consumer markets lead to sub-optimal outcome for farmers, processors, traders, and consumers;
8. **Access to and cost of standards and technology:** While relatively little data is available about the average productivity of Rwandan firms, 32% of firms report that access to tools and machinery is a challenge (IBES, 2015). Furthermore, accessing export markets is challenging for smaller firms who lack the necessary standards.

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[26] The Establishment Census, NISR, June 2015. The 2017 Survey is currently being analysed and should be available later this year.

[27] 2016 Labour Force Survey pilot, NISR

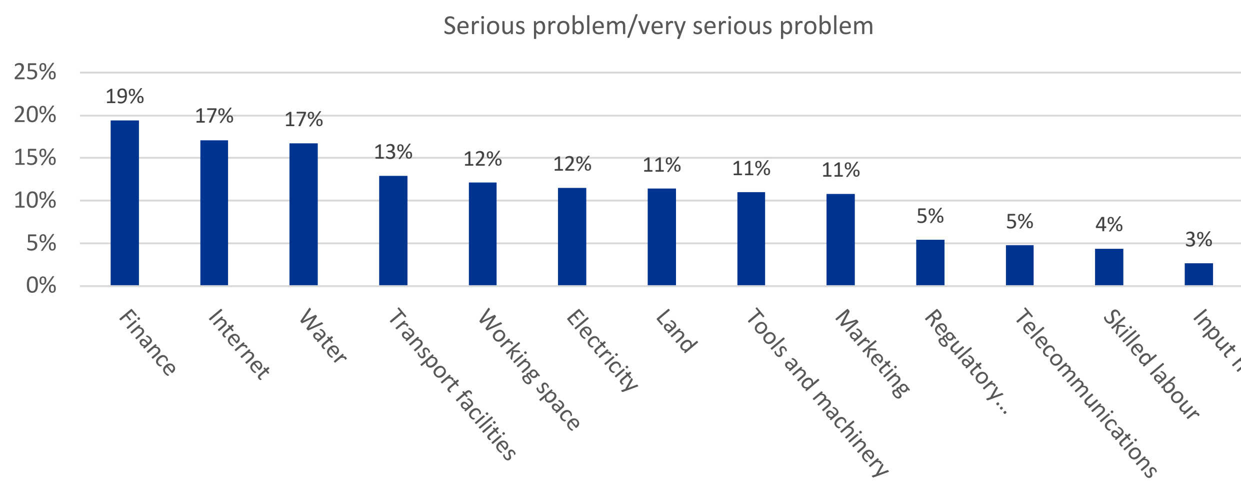
[28] 2015 Integrated Business and Enterprise Survey (IBES), NISR

[29] Knudsen, 2015: National Benefits from Reducing Time and Costs to Trade in Rwanda, TMEA

[30] Christensen, 2016: *Red Tape Assessment, Free State, South Africa*

As for private sector perceptions, they are normally captured in surveys. As of 2014, all business/enterprise surveys have been merged into the Integrated Business Enterprise Survey, conducted by NISR. The 2015 Survey published in 2017, includes data on the perceived business environment, with closed for question as to what extent a given factor is a problem for the business. For each factor, respondents could answer "Not a problem"; "Minor problem"; "Serious problem"; "Very serious problem"; or "Not applicable". Figure 4 displays the responses: access to finance is the most perceived problem followed by access to internet and water.

Figure 4: IBES perceived problem ranking, % of respondents



The IBES may provide unbiased perception estimates for all Rwandan enterprises. However, larger and/or foreign investors may have perceptions and problems that are significantly different from the average Rwandan enterprise, which tends to be small and informal. For example, a survey of the industrial companies in 2013 showed a marked difference between challenges faced by larger industrial companies and smaller industrial companies. While smaller companies face a broad range of problems including a lack of demand for their products, larger companies face more specific issues related to production inputs (power, raw materials, and qualified labour) and regulatory issues (taxes).

Table 5: Reported issues by size of company (2014) – text in red indicates figures above 40%[31]

Category	< RwF 100 m	RwF 100 m-1 bn	RwF 1-5 bn	> RwF 5 bn	All respondents
Response coverage of all firms	**11%**	**48%**	**92%**	**94%**	**25%**
Power	31%	46%	52%	64%	43%
Raw materials	39%	34%	52%	45%	40%
Roads	36%	28%	40%	36%	34%
Insufficient demand	51%	43%	40%	36%	45%
Taxes	33%	34%	40%	36%	35%
Lack of working capital	43%	36%	38%	36%	39%
Qualified labour	31%	22%	31%	36%	28%
Specialized technology	54%	34%	38%	32%	42%
Water	15%	27%	24%	23%	21%
Tax administration	29%	19%	29%	18%	25%
Old Equipment	43%	24%	26%	14%	31%
Meeting standards	18%	16%	26%	9%	18%

Considering this, it makes sense to consider a purposive sample of the Rwandan companies that are most similar to the targeted investors. Since the targeted foreign investors tend to be large, the target group for the survey group in Rwanda should be larger potentially foreign companies. In 2012, UNCTAD conducted one such survey on a sample of 103 FDI projects. Their results deviate from other previous surveys by highlighting components that have more to do with institutions and the regulatory setup. The primary identified problems among FDI investors were: 1) Interagency coordination; 2) Tax administration; 3) Understanding of business process; 4) Access to land; 5) Skills. The top 3 perceived problems points to institutional and regulatory topics rather than topics related to factor costs.

[31] MINICOM, Rwanda Industrial Survey 2013/14

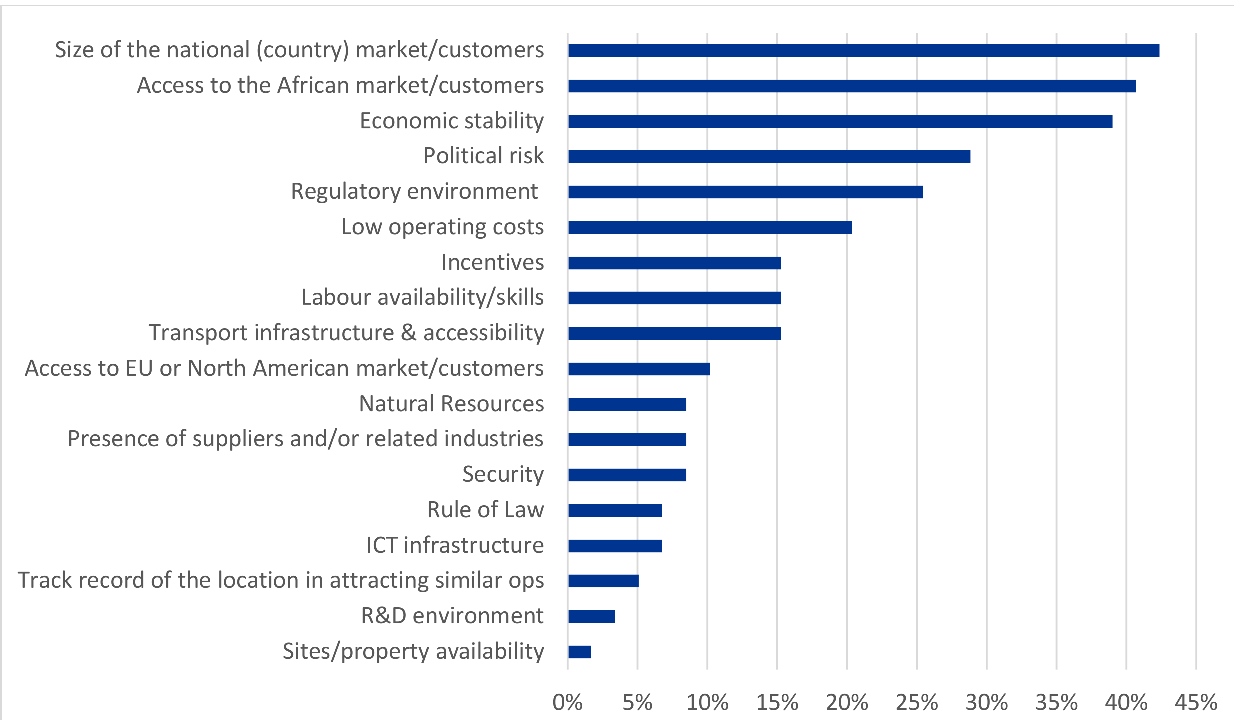
3 Results from the International Survey: responses from potential international investors

3.1 Location Selection for Potential International Investors

The survey finds that international investors are attracted to African locations primarily driven by market opportunities, with 42% of companies citing size of the national market as a key location driver and 41% citing access to the African market. This is very much in line with other evidence: according to fDi Markets in the first 10 months of 2017, 51% of companies cited access to African national markets as a key reason to invest in Africa (31% the global average)[32].

Following market driven factors, the survey results show that economic stability was the next most important location driver (cited by 39% of companies) followed by low political risk (29%) and the attractive regulatory environment (25% of companies). Low costs (20%) and incentives (15%) were the next most important drivers.

Figure 5: Potential investors' drivers to locate in Sub-Sharan Africa or to consider future investment (% of respondents citing driver)



Looking at drivers by sector shows different priorities among international investors. For agro-processing, national market size and market access are key drivers, while for healthcare economic stability and low political risk are most important, followed by low operating costs. For ICT/BPO, local and African markets drive company decisions as does the existence of a politically stable location. Professional services have similar requirements, although local market size is less important than access to the African market.

For manufacturing, no single driver dominates the decision process: national market access, African market access, transport infrastructure and economic stability are all ranked of similar importance. Interestingly, low operating costs are only ranked 5th as an investment driver for manufacturing.

For the Minerals sector companies, raw materials access is unsurprisingly the key driver, although a range of other factors including operating costs and political risk are supporting drivers. Existence of suppliers or related industries are not ranked

[32] Based on press releases from nearly 2,000 FDI projects globally

high by investors, though it can be of relative importance to companies in the minerals, tea and professional Services sectors.

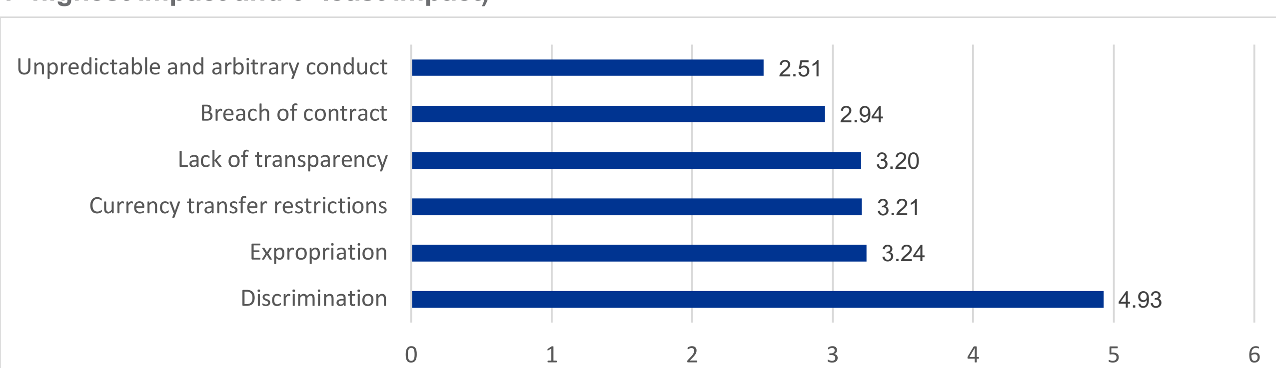
It would appear that, for this survey, investors across the board place market size and access above low operating costs, indicating that efficiency gains are not primary motivators. Given the sectors reviewed, it may be considered surprising that the availability of sites and property received no real importance. Since agro-processing, manufacturing and tea companies all need appropriate sites it can be concluded that, while land and property availability may not be a primary driver, it will inevitably influence a final decision for these and other sectors. An area where Rwanda can claim some standing is in relation to its regulatory environment; while not a principal driver for any sector, it is relatively highly rated for most sectors outside ICT and minerals.

Table 6: Drivers to locate in Sub-Sharan Africa or to consider future investment by sector

Sector	Agro-processing	Healthcare	ICT/BPO	Manufacturing	Minerals	Professional Services	Tea	All
Size of the national market	71.4%	20.0%	50.0%	38.9%	0.0%	33.3%	25.0%	42.4%
Access to the African market/customers	57.1%	20.0%	41.7%	38.9%	25.0%	66.7%	100.0%	40.7%
Economic stability	28.6%	60.0%	41.7%	38.9%	25.0%	66.7%	25.0%	39.0%
Political risk	28.6%	60.0%	16.7%	22.2%	25.0%	33.3%	25.0%	28.8%
Regulatory environment	42.9%	40.0%	16.7%	22.2%	0.0%	33.3%	75.0%	27.1%
Low operating costs	14.3%	40.0%	0.0%	27.8%	25.0%	0.0%	25.0%	20.3%
Incentives	28.6%	0.0%	0.0%	22.2%	25.0%	0.0%	25.0%	15.3%
Transport infrastructure & accessibility	28.6%	20.0%	0.0%	33.3%	0.0%	0.0%	0.0%	15.3%
Labour availability/skills	14.3%	20.0%	33.3%	5.6%	25.0%	33.3%	0.0%	15.3%
Access to EU or North American market/customers	0.0%	0.0%	16.7%	16.7%	0.0%	0.0%	25.0%	10.2%
Natural Resources	0.0%	0.0%	0.0%	5.6%	100.0%	0.0%	0.0%	10.2%
Presence of suppliers and/or related industries	14.3%	0.0%	0.0%	5.6%	25.0%	33.3%	25.0%	8.5%
Security	0.0%	0.0%	8.3%	16.7%	25.0%	0.0%	0.0%	8.5%
Rule of Law	14.3%	0.0%	8.3%	5.6%	0.0%	0.0%	0.0%	6.8%
ICT infrastructure	0.0%	0.0%	25.0%	5.6%	0.0%	0.0%	0.0%	6.8%
Track record of the location in attracting similar operations	0.0%	20.0%	16.7%	0.0%	0.0%	0.0%	0.0%	5.1%
R&D environment	0.0%	0.0%	8.3%	0.0%	25.0%	0.0%	0.0%	3.4%
Sites/property availability	0.0%	0.0%	0.0%	5.6%	0.0%	0.0%	0.0%	1.7%

In terms of the regulatory environment and political risk related factors, companies citied that unpredictable and arbitrary conduct and breach of contract were the factors most impacting on the decision to invest overseas, with discrimination being the least impactful factor.

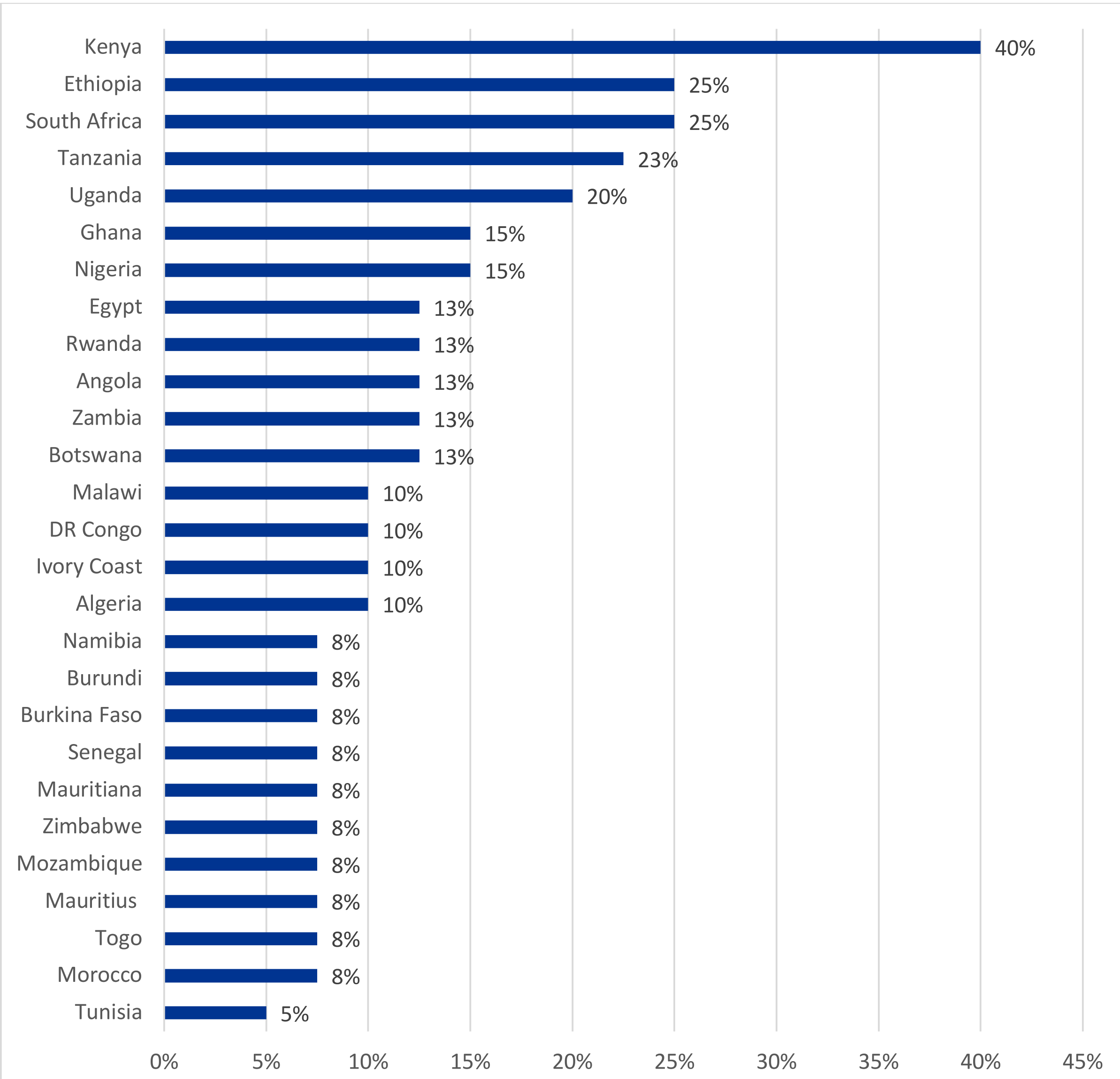
Figure 6: Factors impacting the decision to invest overseas (average rank given by respondents where 1=highest impact and 6=least impact)



3.2 Future investment plans

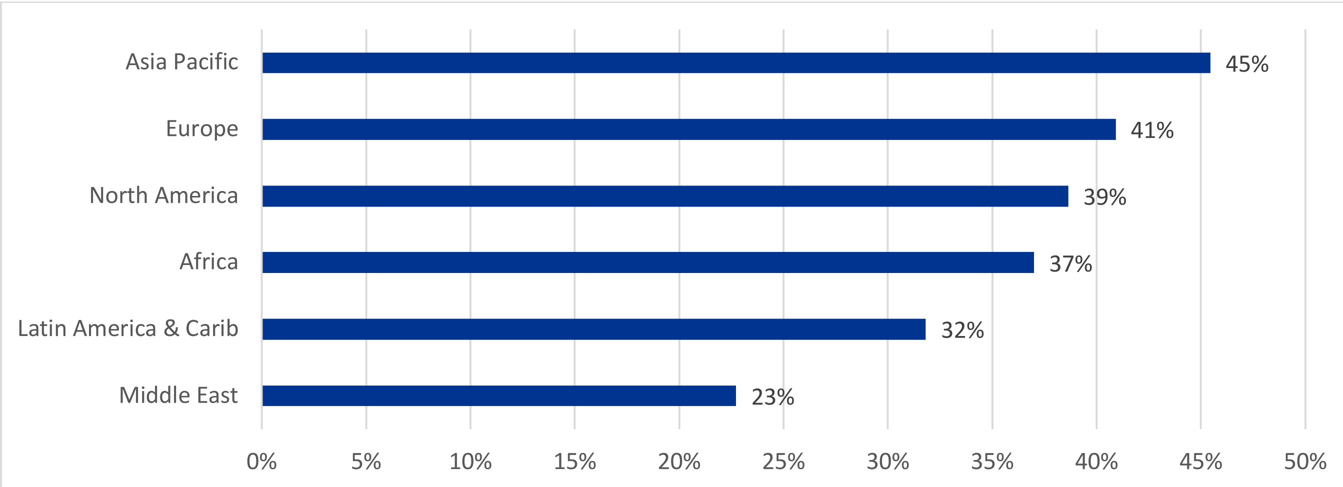
Among potential investors, over two-thirds (68%) of respondents have considered investing in Africa in the last 5 years. Kenya (40% of companies), Ethiopia (25%), South Africa (25%) and Tanzania (23%) have been most considered for FDI. Rwanda was the joint ninth country most considered location, with 13% of companies considering Rwanda for FDI in the last 5 years.

Figure 7: Countries that have been considered in the last 5 years for FDI (% of respondents citing country)



Overall, Africa is ranked as the fourth most important region for where companies are planning to invest in the next 12-24 months (see Figure 8). Asia-Pacific is the leading region, with 45% of companies planning to invest in Asia-Pacific followed by Europe (41%) and North America (39%).

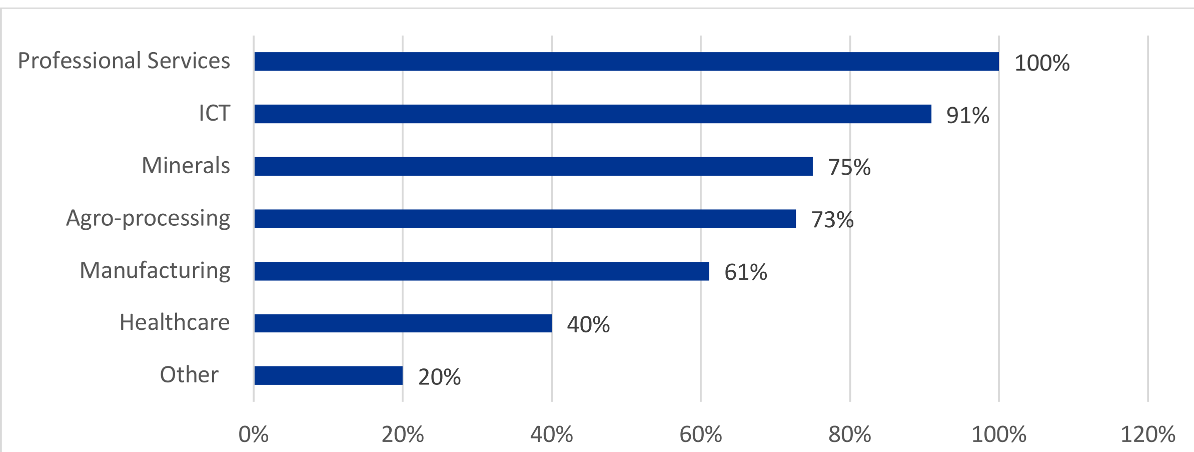
Figure 8: FDI expansion plans of respondents in the next 12-24 months by world region (% of respondents)



Over 70% of responding potential investors are considering FDI in Africa over the next 12-24 months, of which over one-third of companies (35%) have definite plans for near term FDI in Africa. This is a relatively high proportion given that Africa has only accounted for 5% of companies investing in Greenfield FDI projects in the first 10 months of 2017[33]. This indicates that the survey correctly focused on the sectors and specific companies with strong potential for FDI in Africa and, perhaps, that Africa is becoming increasingly attracting for FDI.

Across sectors, the reported interest for FDI plans in Africa is relatively higher in professional services and ICT/BPO, and relatively lower in healthcare.

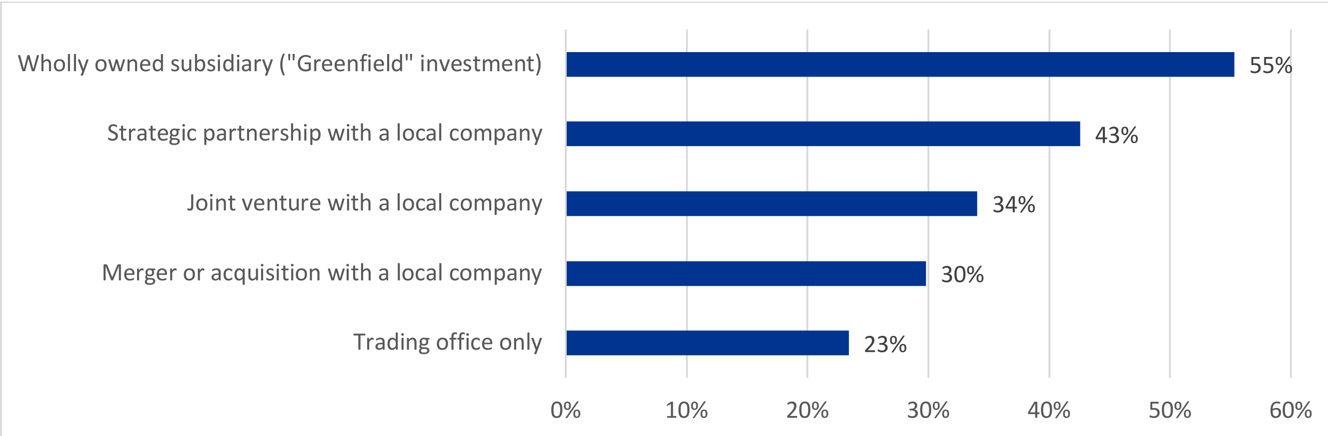
Figure 9: Percentage of companies that have FDI plans for Africa in the next 12-24 months by sector



In terms of the types of FDI being considered, companies are considering all modes of market entry for Africa: over half of companies are considering Greenfield FDI, while 43% are considering strategic partnerships with local companies (i.e. Non-Equity Modes or New Forms of Investment, as defined by the OECD). Over one-third of companies are considering Joint Ventures (JVs) with a local firm and nearly one-third of companies are considering M&A.

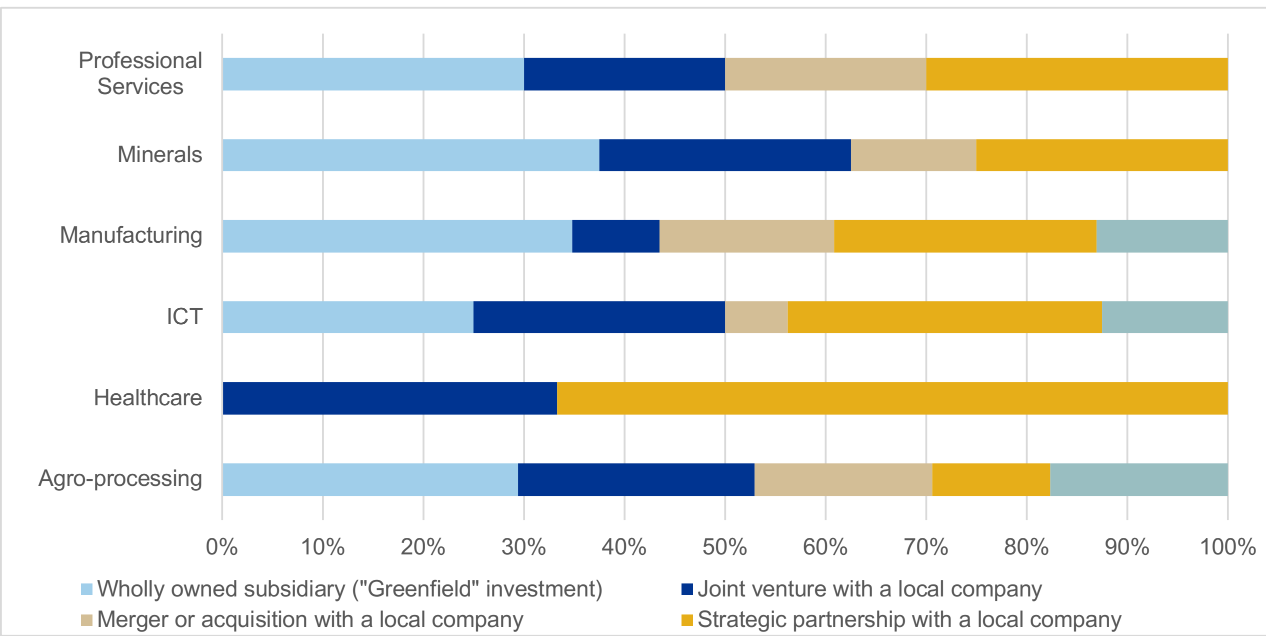
33 fDi Markets, Financial Times

Figure 10: Types of FDI being considered for FDI in Africa in the next 12-24 months (% of respondents citing type)



Sectors are quite similar in terms of the type of investment under consideration (see Figure 11). Healthcare stands out as a sector in which investors are only considering JVs or Strategic Partnerships. This may reflect that healthcare is highly dependent on the domestic market and domestic regulation.

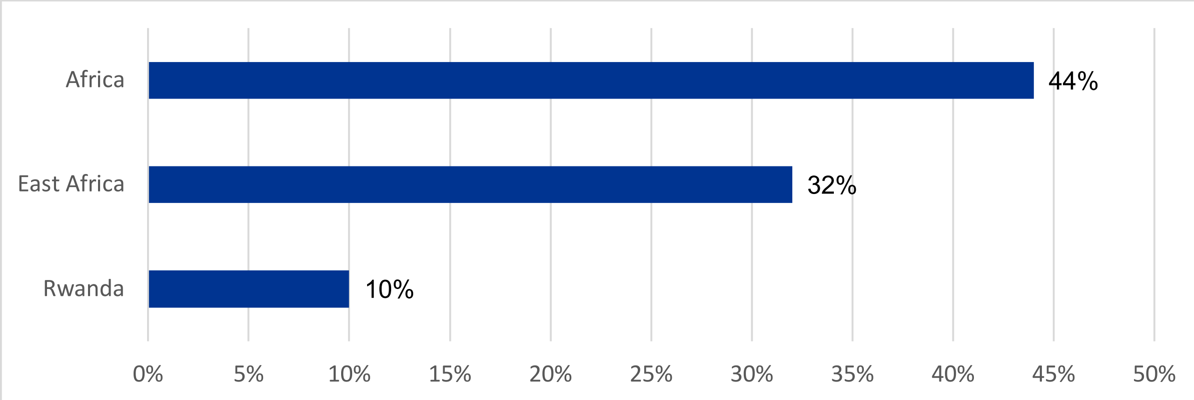
Figure 11: Types of FDI being considered for FDI in Africa by sector (%)



3.3 Trade

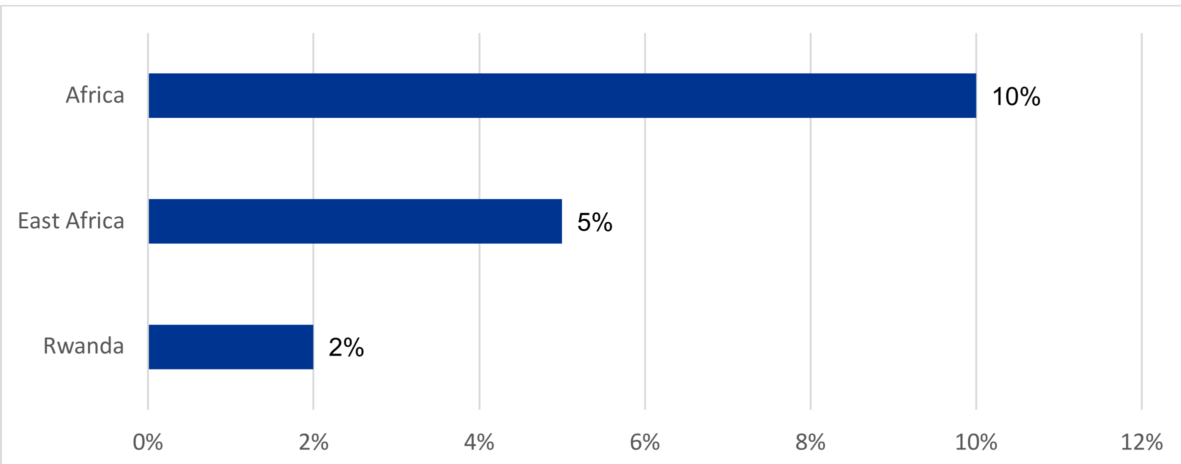
As seen in Figure 12, many of the companies responding to survey are already exporting to Africa, with 44% of companies exporting to Africa, 32% to East Africa, and 10% to Rwanda.

Figure 12: Percentage of respondents currently exporting to different regions (% of respondents)



While a high proportion of companies are exporting to Africa, Africa is generally not being used as an export platform; only 10% of companies are importing from Africa. This suggests that most companies are currently doing business in Africa to serve markets in Africa.

Figure 13: Percentage of respondents currently importing from different regions (% of respondents)



Companies are primarily planning export-oriented FDI into Africa with nearly 60% of companies stating they would establish operations to export to other countries in Africa or to US/Europe.

3.4 Perceptions of Rwanda (overall and by sector)

Ranking Rwanda versus other regional detsinations

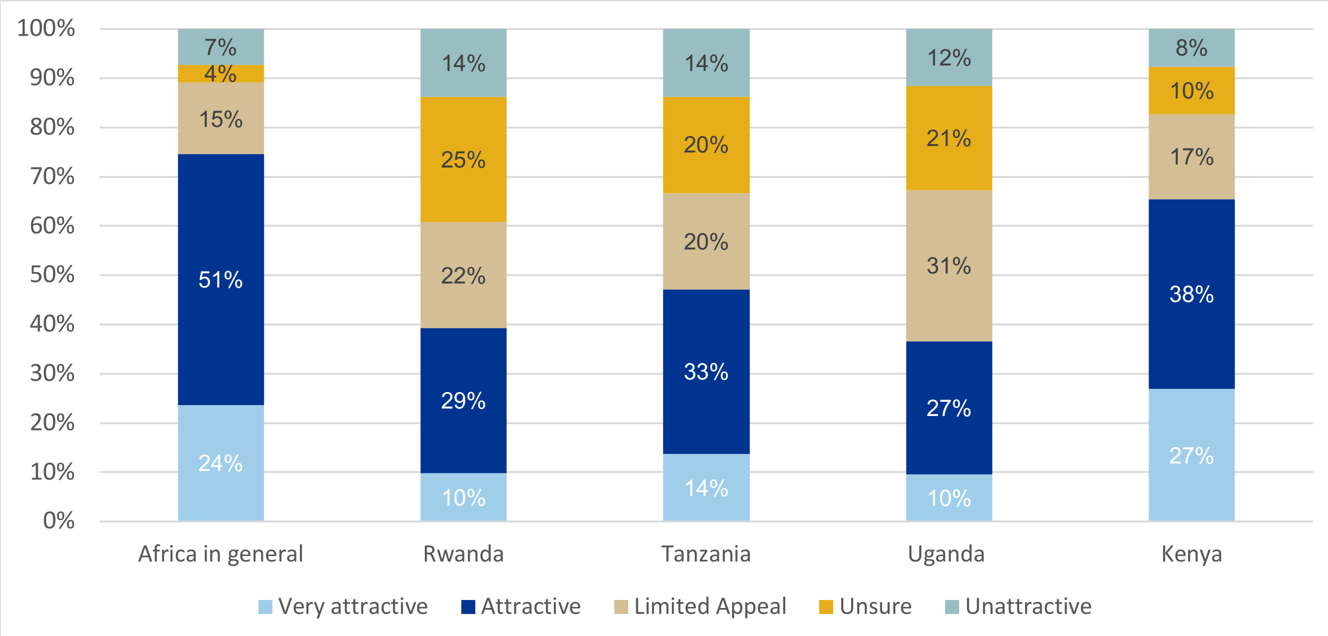
Overall, 75% of international respondents stated that Africa is attractive or very attractive as an FDI location, indicating the very strong investor interest in Africa. Only one in fourteen (7%) of companies said that Africa was unattractive as an FDI location.

In terms of Rwanda, 39% of companies stated that Rwanda is attractive or very attractive as an FDI location. This was similar to Uganda (37%) and Tanzania (47%), but significantly below Kenya (65%). Rwanda had the highest proportion of companies (20%) unsure about the country's attractiveness, compared to only 10% of companies being unsure about Kenya's attractiveness.

The percentage of companies seeing Rwanda as unattractive for FDI (14%) was similar to the other countries (Tanzania 14%; Uganda 12%; and Kenya 8%).

Interestingly Rwanda has the highest 'unsure' score, with 25% of respondents clearly in need of further information. Indeed, only Kenya appears to be well known as an investment location perhaps identifying a need for the EAC and member states to become more proactive in promoting this 'single market'. Countries from Asia scored highest in the 'unsure' category indicating a need to perhaps increase communications in this part of the world.

Figure 14: International investors' perception of attractiveness rating of Africa and East African countries as an FDI location (% respondents)



In terms of country ratings by different sectors Rwanda rates highest for professional services, as do Uganda and Tanzania. Agro-processing comes next; however, ICT/BPO is not very highly rated for Rwanda, which indicates a lag in image and awareness of this sector by international companies compared to the reality on the ground. Overall, Rwanda comes second or third for all sectors, other than for professional services.

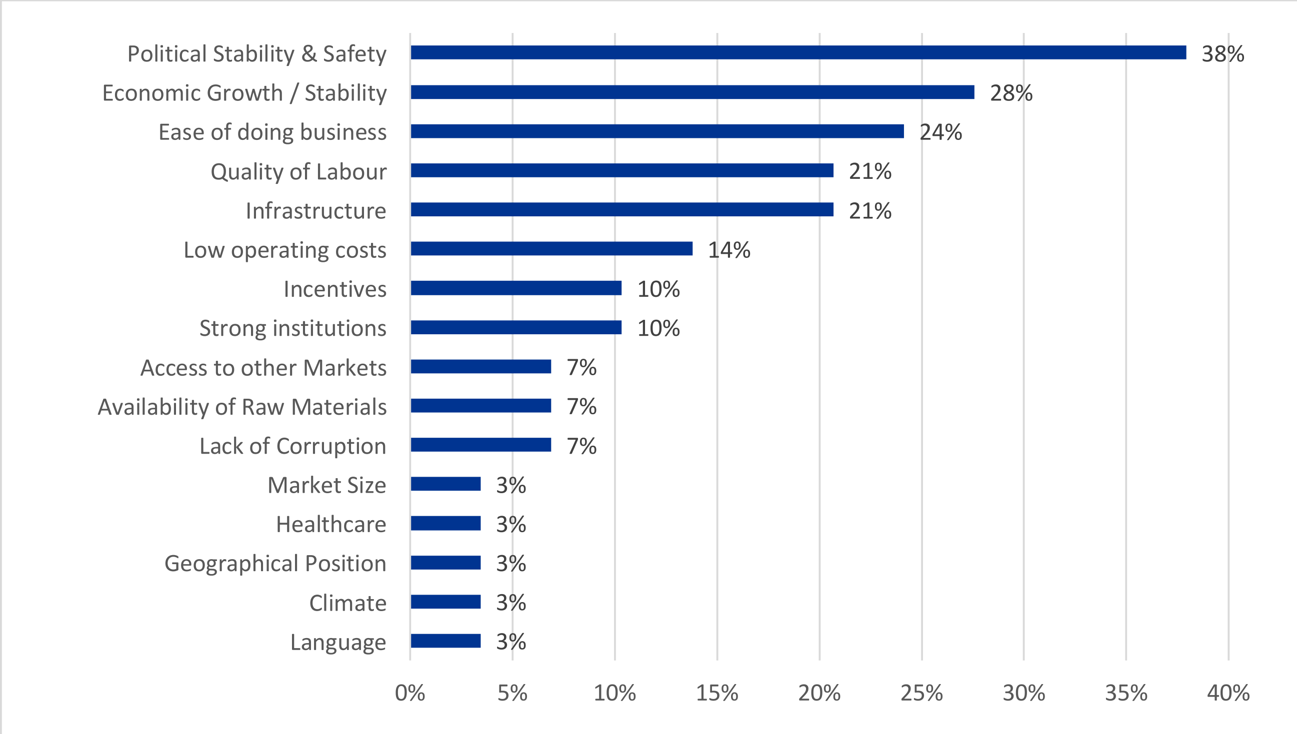
Table 7: Percentage of Respondents finding the countries "Attractive" or "Very Attractive" by sector

	Agro-processing	Healthcare	ICT/BPO	Manufacturing	Minerals	Professional Services	Tea	Total
Africa in general	100%	60%	73%	81%	25%	100%	100%	75%
Rwanda	60%	40%	30%	33%	25%	100%	25%	39%
Tanzania	80%	40%	40%	60%	0%	100%	25%	47%
Uganda	67%	40%	30%	13%	0%	100%	100%	37%
Kenya	33%	60%	60%	53%	75%	67%	75%	56%

Perceived Strengths of Rwanda versus other destinations in the region

Among potential international investors, the perceived strength of Rwanda is political stability/safety (38%), economic growth (28%), and ease of doing business (24%). Moreover, the quality of labour, infrastructure, and low operating costs are perceived strengths by investors that, interestingly, do not currently operate in the country.

Figure 15: International Respondents: strengths of Rwanda as an FDI location (% respondents)



Text Box 1: Example of feedback from companies on key strengths

"Rwanda has strong economic performance, with a long-term vision focusing on transforming the country into a service-oriented economy. It is one of the top rated African countries for ease of doing business, as reported by the World Bank" — **Financial Services Company, Egypt**

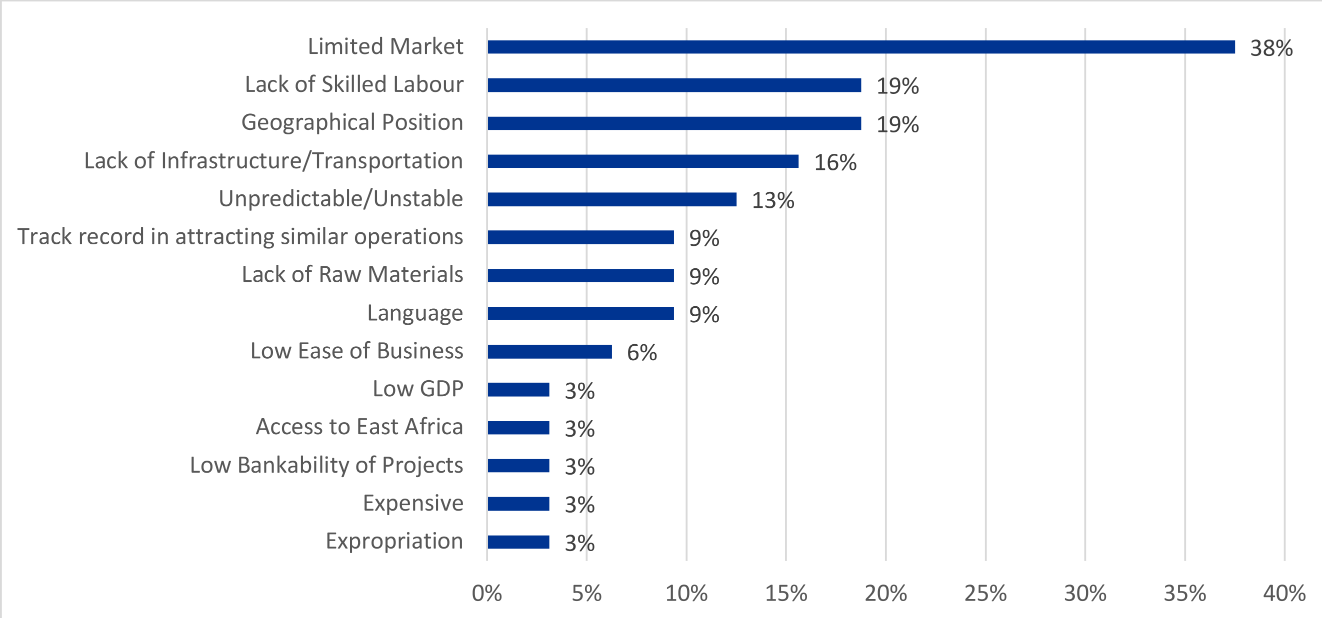
"Rwanda's key strengths are its political stability, visionary governmental leadership, very good security, improving infrastructure, reasonably strong institutions, and availability of local raw materials"— **Agri-Business Company, Netherlands**

"Stable Government, stringent law and order controls, transparent government policies, no corruption, and good infrastructure are the key strengths of Rwanda" — **Healthcare Company, India**

Perceived Weaknesses of Rwanda versus other destinations in the region

The international survey found that the limited market size is the main deterrent for investing. In second place, 19% of companies saw the geographic position as a weakness, since Rwanda is a land-locked country. This challenge is also reflected in 16% of respondents seeing transportation as a challenge. While 21% of investors found the quality of labour a relative strength, 19% of international investors consider it a weakness. Only 3% of companies saw the risk of expropriation as a key weakness, which further emphasises that investor perceive Rwanda as having a strong pro-business environment for FDI.

Figure 16: Key weaknesses of Rwanda as an FDI location (% respondents)

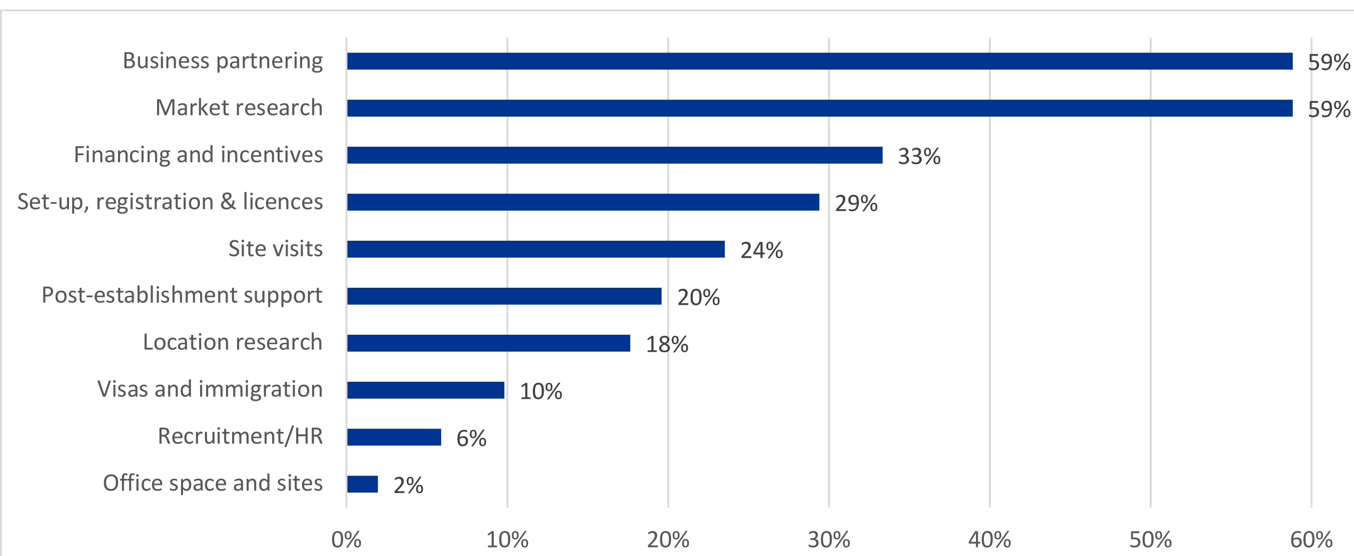


3.5 Perceptions of the RDB

Potential international investors were asked if they had heard of the Rwanda Development Board. Most respondents (86%) had not heard of the RDB. However, 42% of companies were happy to be contacted by RDB to discuss FDI opportunities in Rwanda.

Companies were asked what business support services would be most valuable. Business partnering services (reflecting the strong focus on strategic partnerships and JVs as a mode of FDI) and market research were seen as most important and were cited by nearly 60% of companies. Support for financing and incentives was the third most important business support service cited by one-third of companies followed by support for set-up (29% of companies) and site visits (24% of companies).

Figure 17: Which business support services would be most valuable for your company? (% respondents, each respondent could only select 3 services)



Overall, potential investors have similar expectations across sectors when it comes to requested services from RDB (see Table 8). Business partnering is requested across the board and market research is important for all sectors except for mining (which normally do not target the domestic market). Location search and site visits are important for agro-processors, tea producers, and manufacturers.

Table 8: Services requested from RDB

Sector	Agro-processing	Healthcare	ICT/BPO	Manufacturing	Minerals	Professional Services	Tea	All
Market research	57%	20%	42%	56%	0%	100%	50%	51%
Location research	29%	20%	8%	22%	0%	0%	25%	15%
Site visits	29%	20%	0%	44%	0%	0%	25%	20%
Office space and sites	0%	0%	0%	6%	0%	0%	0%	2%
Financing and incentives	0%	40%	17%	39%	50%	0%	50%	29%
Business partnering	29%	60%	33%	50%	50%	67%	75%	49%
Recruitment/HR	0%	0%	8%	6%	0%	0%	0%	5%
Setting up, registration & licenses	14%	20%	25%	22%	75%	33%	25%	25%
Visas and immigration	0%	40%	17%	0%	0%	0%	0%	8%
Post-establishment support	29%	0%	8%	17%	0%	0%	25%	17%

4 Results from the Domestic Study: Perceptions of Investors based in Rwanda

4.1 Location Attractiveness

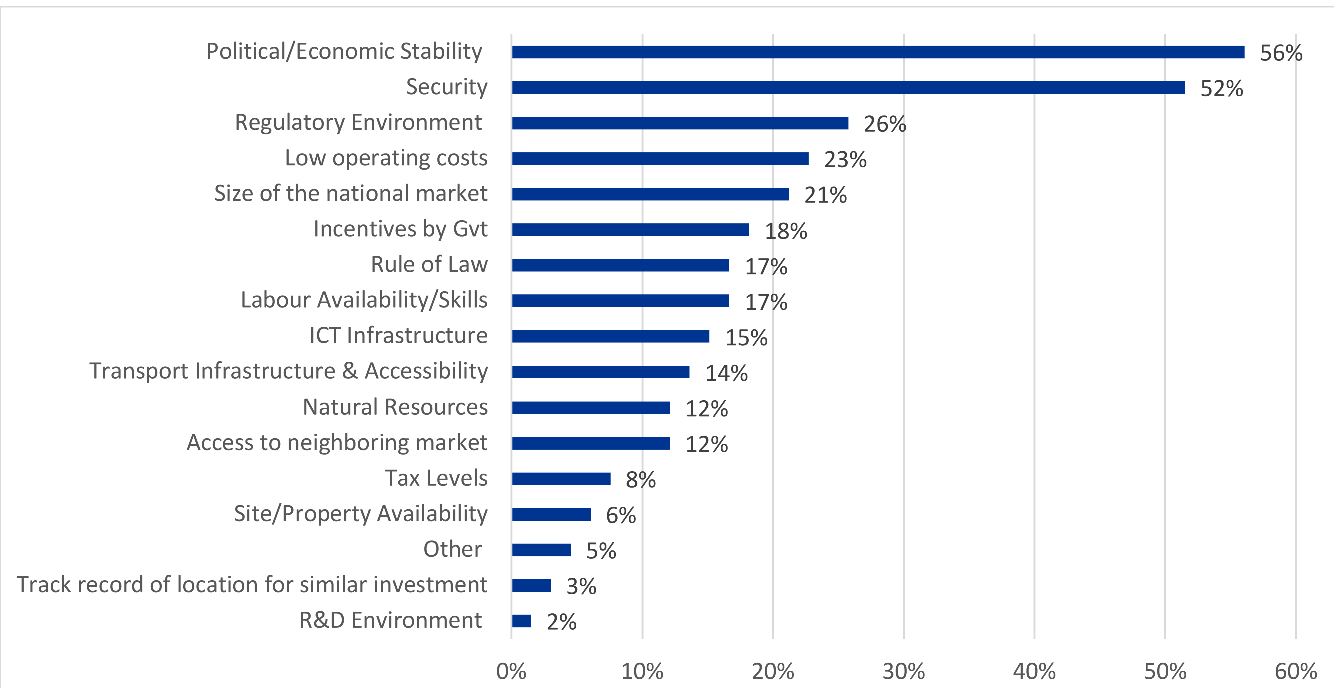
Investment Decision Drivers

In contrast to the potential international investors, Rwanda-based investors emphasise stability and the regulatory environment when deciding locations for their investments (Figure 6). This is an indication of Rwanda's sustained performance in these areas in the eyes of investors; 56% of existing investing cited "Political/Economic stability" among their top three drivers for investment, followed by 52% citing "Security" among the top three drivers for investment, and 26% for Regulatory Environment. Moreover, 18% and 17% cited "Incentives by the Government" and "Rule of Law", respectively, among the top three drivers. Efficiency drivers such as "Operating costs" and "Labour availability" are also high on the list with 23% and 17% of respondents, respectively, citing them among top three drivers.

Among the least important drivers for investors in Rwanda are "R&D environment" (2%), "Track record of the Location" (3%), "Site/Property Availability" (6%), and "Tax levels" (8%).

These findings indicate that the priorities of investors based in Rwanda are motivated by factors similar to Rwanda's general brand of being a stable country with a good business environment. They are relatively less motivated by the size of the national market.

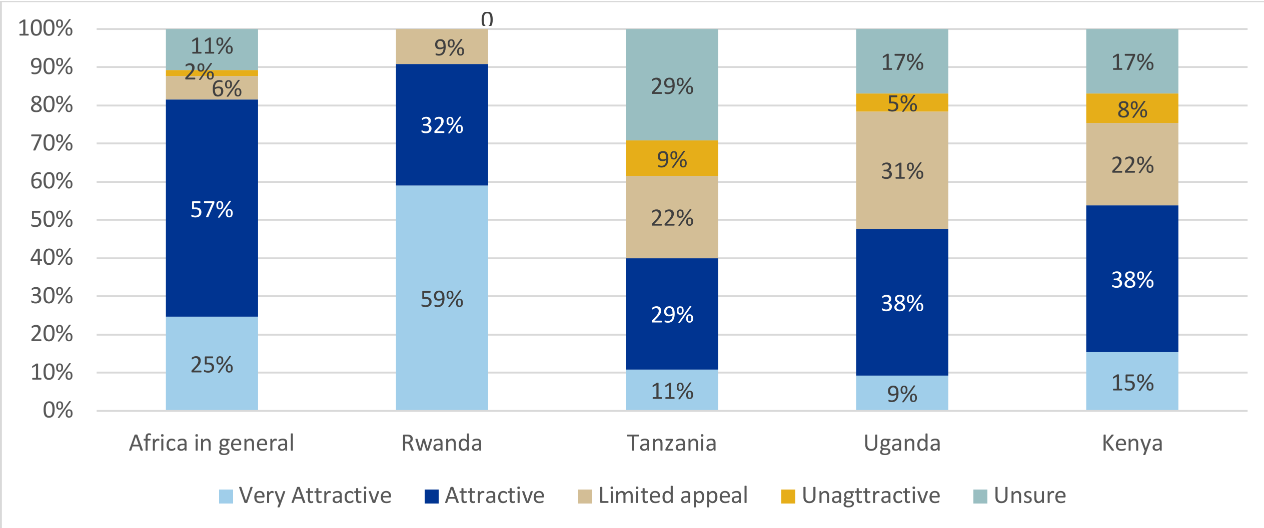
Figure 6: Key drivers of investment among companies with operations in Rwanda (% of respondents having them among top 3 drivers)



Ranking Comparative Locations in the Region

Existing investors have quite similar perceptions about Africa in general, but considerably better perceptions about Rwanda, as can be seen by the bar chart below (Figure 19): 91% find Rwanda "Attractive" or "Very attractive" as opposed to 39% in the International Survey. Kenya is still considered most attractive among the listed neighbouring countries with 53% finding the country "Attractive" or "Very attractive". Tanzania is considered least attractive with 40% positive response rate and 9% finding the country unattractive as an investment destination. Twenty-nine percent of respondents are "unsure" about Tanzania, compared to 17% being "unsure" about Uganda or Kenya.

Figure 7: Domestic investor perceptions of attractiveness rating of Africa and East African countries as an FDI location (% respondents)



For investors based in Rwanda, the main factors for determining the best location are “Enabling Business Environment”, “Stability”, and “Good Governance” (Figure 20). The main factors for determining the worst locations are “Instability”, “Lack of information on the location”, “Challenges with governance”, and “Unfavourable business environment” (Figure 21). These findings confirm the findings of Figure 18, showing that companies that have invested in Rwanda value the business environment and stability and are deterred by instability and governance challenges.

Figure 8: Factors determining choice of best location

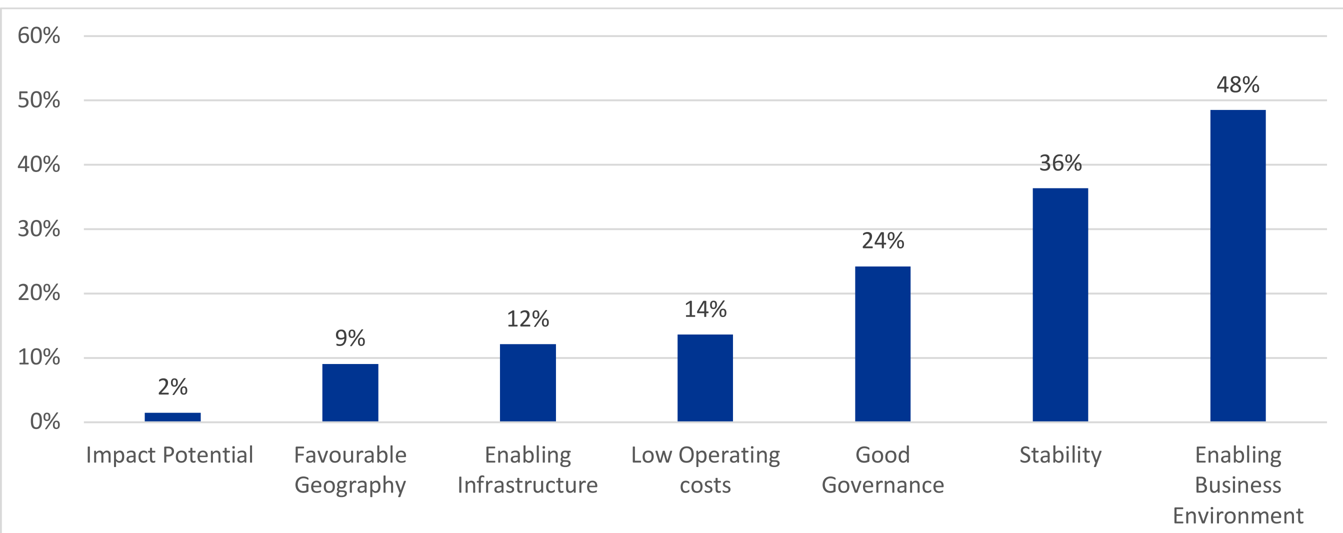
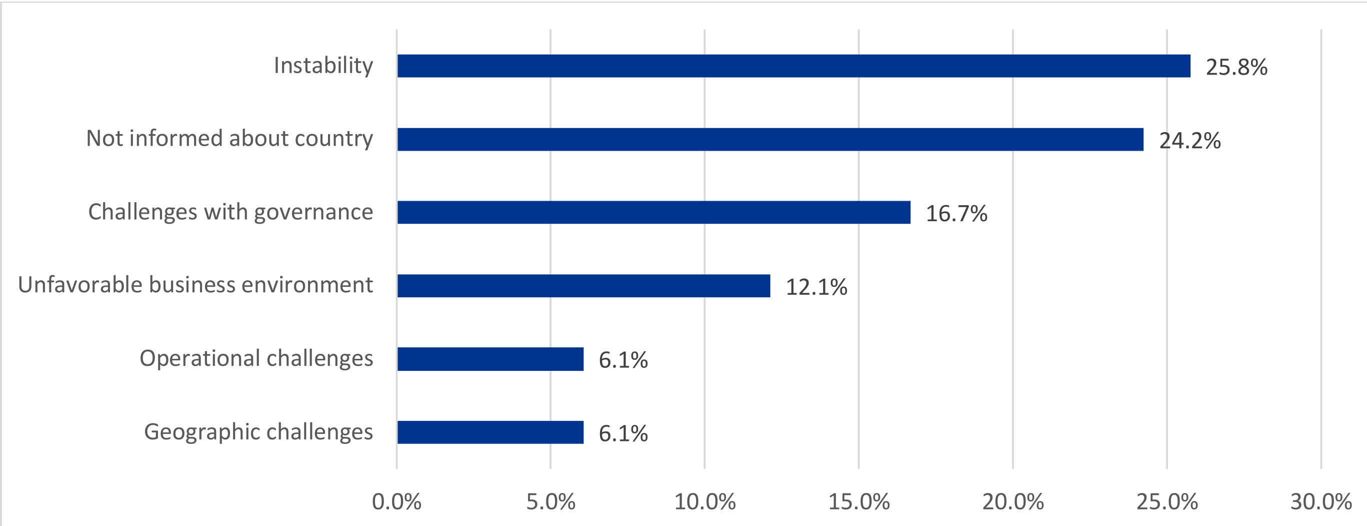


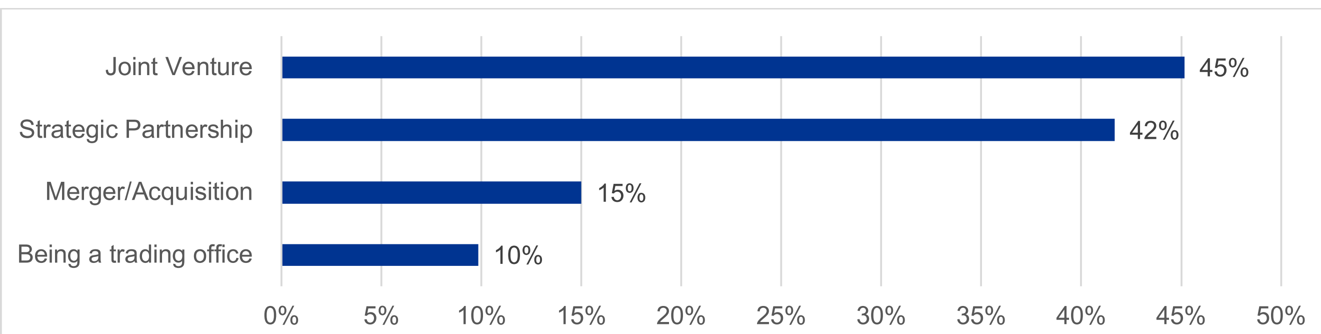
Figure 9: Factors determining choice of worst location



Investment Plans

Among existing investors, 66% would be interested in a foreign investment to their company. The types of investment respondents are interested in are JVs and Strategic Partnerships rather than Mergers & Acquisition (M&As) or enlisting as a Trading Office.

Figure 10: Types of investment existing investors are interested in



No less than 92.4% of existing investors have plans to invest further in Rwanda. This indicates the importance of existing investors for increasing investment overall. Apart from being more inclined to invest, existing investors may be faster and more efficient in the implementation of an investment project given their prior knowledge of the country.

Of the 66 domestic investors that stated they have investment plans, 28 were willing to give an estimated amount for their investments. With a few exceptions, most of the amounts were relatively small compared to typical international FDI projects, which reflects that most of the plans were re-investments into existing facilities and limited needs for construction. The total estimated investment of the 28 projects was $320 million. Table 9 shows the specific answers highlights some examples from each sector.

Table 9: Specifics on investment plan per sector

Agro-Processing:
• Expanding the capacity of processing plant, which will cost 100 million USD and start by 2020. It will include distilled and green energy power in the new capacity; • Expand our production capacity and more diversified products $10 million; • Tea processing facility that will cost about $5 million; • Expand our production capacity by modernizing our industrial equipment. This will cost us $5 million.
Healthcare
• We have reserved about RWF 1 Billion that we are yet to invest in one of the projects among many that we have under consideration;

• Invest $24 M in hospital refurbishment.	

Mining
• We want to partner with Chinese investors so that we can construct a coltan smelting factory of $3-5 million; • Additional 3 million $ USD in mining processing technology. Processing plant was installed in 2017 but we will expand; • The company is diversifying its operations to agriculture. In addition to mining, the company has invested in export oriented horticultural products.
Manufacturing
• We plan to expand our factory with about $10 M which will enable us to provide more innovative products; • We as one of the largest industrial companies in the country, will continue investing in our brand, people and assets to continue driving our business performance; • We plan to invest $5 million in expanding our ability to manufacture more military uniforms; • About $5 M to invest in a new technology assembling plant; • We want to invest in assembling TVs in Rwanda. We hope to invest about $5 M in the project; • We have just invested $4 million in new buildings in the Economic Zone; • We have reserved $6 million that we plan to invest in the next 6 months; • Invest RWF 6 Billion in cooking oil and oil products processing.
ICT/BPO
• We have just made an investment of several million USD; • Investor plans to expand our company by injecting about $270,000 in the next year; • Improve on software development capacity, and the budget is $500,000; • We plan to invest $100,000 in a data centre by 2020 and in nano-technology and robots by 2025. The latter investment will cost about $1 million.
Tourism
• Two safari vehicles at $35,000 each and a Safaris lodge at $200,000; • We plan to invest in online marketing. This investment will be around $15,000; • We plan to open another hotel property but we cannot specify the value amount that it will cost us; • We plan to invest more in parks conservation although we do not know how much that will cost us; • The company plans to expand its product offerings in Rwanda. The investment would not be less than $1.5 M.
Horticulture
• Up-scale investment from initial $1M to $5 M, increasing flowers production area from 4 ha to 300ha in 5 years; • We are looking forward to expand with about $2 M and we are still trying to find good projects; • The company has applied for a $100,000 loan from BRD and it plans on making an investment between $500,000 and $1M which it could use to expand its flowers range; • About $750,000 in agricultural food processing; • We plan to invest in an avocado orchard so that we can export the avocados to Europe and the Middle East; • The investor plans to acquire 10 to 20 hectares of land to further develop his flower plantations with a total investment of $1-2 million; • The company is diversifying its operations to agriculture. So far the company has invested in red peppers, flowers and vanilla production.

4.2 Current Investor Experiences

Rwanda’s Net Promoter Score

The Net Promoter Score (NPS) assesses the extent to which a respondent would recommend a certain company, product or service to their friends, relatives or colleagues. The respondents were asked how likely they are to recommend investing in Rwanda to a friend or a colleague on a scale from 0 to 10. The NPS is calculated as described in Text Box 3. The resulting NPS is 31.2 on a scale from -100 to 100. This is a relatively high score, which indicates that there are more existing investors that are likely to promote Rwanda for investment than to deter other investors.

Table 10: Rwanda NPS response

Score	% of respondents
Detractors (score 0-6)	15.2%
Neutral (score 7-8)	38.9%
Promoters (score 9-10)	47.0%
Total	**100%**

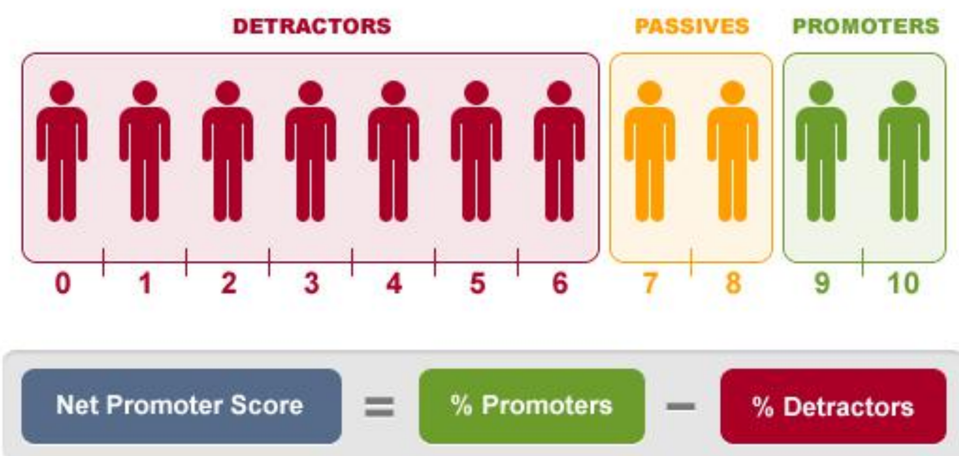
Text Box 3: Net Promoter Score Concept

Depending on the score that is given to the Net Promoter question, three categories of people can be distinguished:

Promoters = respondents giving a 9 or 10 score

Passives = respondents giving a 7 or 8 score

Detractors = respondents giving a 0 to 6 score



The Net Promoter Score is calculated as the difference between the percentage of Promoters and Detractors. The **NPS** is not expressed as a percentage but as an **absolute number** lying between -100 and +100. A positive NPS (>0) is generally considered as good.

Rwanda's current Net Promoter Promotor Score is calculated as the share of Promotors min

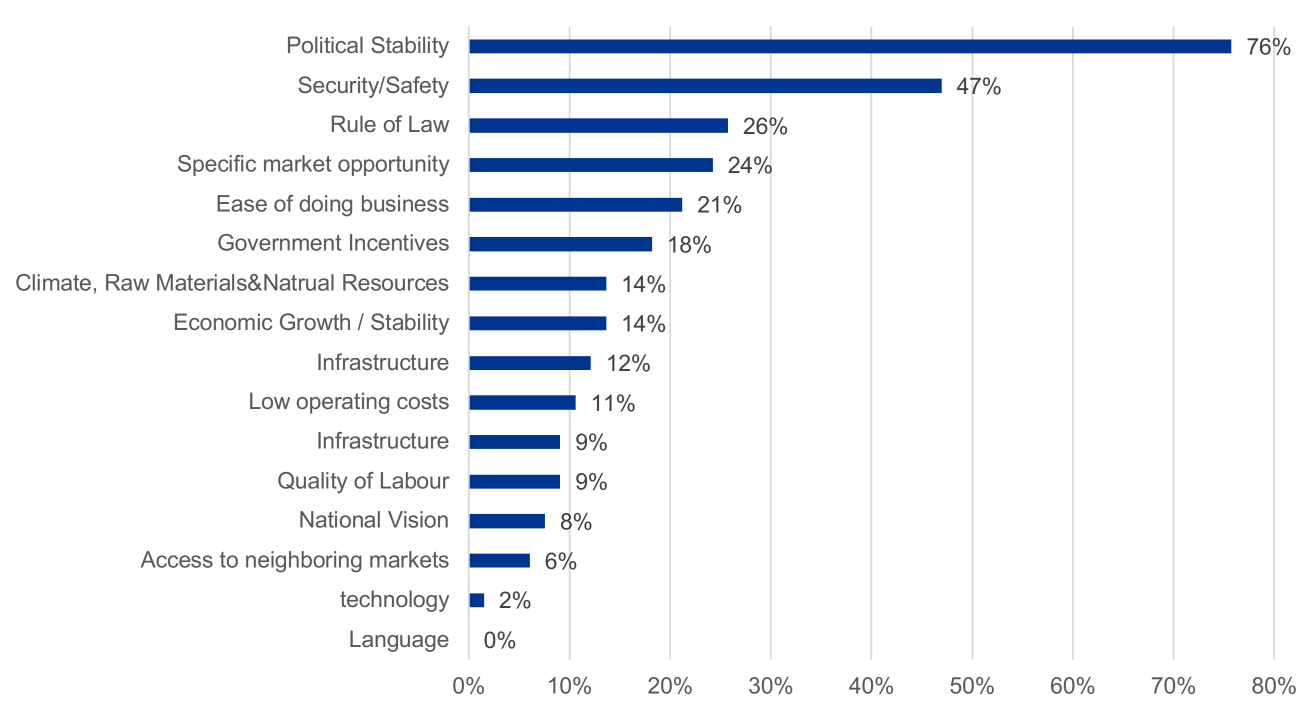
Net Promoter Score = 47 - 15.2 = **31.2** on a scale from -100 to 100.

Main Reasons For Investing in Rwanda

The investors who choose to invest in Rwanda do so primarily because of the stability the country: 76% of the respondents mentioned that that they chose to invest in Rwanda because of its political stability. Relatedly, Security (47%) and Rule of Law (26%) are the two following most cited reasons. Twenty four percent of investors cited a specific market opportunity for investing in Rwanda and these are: 1) access to the Eastern DRC market and EAC; 2) in certain sectors there is limited competition in the domestic market are thus relatively shielded from global competition; and 3) while a small domestic market is generally a disadvantage, it also requires a limited investment – Rwanda is therefore viewed as suitable for testing out ideas and concepts in a safe environment before scaling up to regional or overseas markets.

Furthermore, this third point is related to the growing economy, cited by 14% as one of the top three reasons: capturing the market early while it is still small is an advantage in the bigger future market. No investor was cited for saying they came for the size of the domestic market, which must be considered a weakness given that 44% of potential investors placed capturing the domestic market among their key drivers. Ease of doing business was a key reason for 21%. This could be considered surprisingly low given Rwanda's high ranking internationally. It may indicate that the majority of investors look considerably beyond the Doing Business rankings when making investment decisions.

Figure 11: Strengths: percentage among top 3 reasons for investing in Rwanda (%)



Domestic investors have come to Rwanda for same main reasons regardless of the sector: political stability, safety/security, and rule of law. Specific market opportunities was a factor for agro-processors (targeting domestic and regional markets) and ICT/BPO. Infrastructure was mainly a driver for ICT/BPO and tourism rather than the industrial sectors. Low operating costs is confined to Horticulture, while quality of labour is a factor for tea processors only.

In some sectors respondents provide resource-driven reasons: mining, tourism, and horticultural investors mentioned specific natural conditions as reasons for investing. Sectors where market-driven reasons dominate are: agro-processing, manufacturing, healthcare, and ICT/BPO. The main productivity-driven arguments relate to the enabling business environment. However, comparatively low labour costs and language skills are also mentioned for BPO specifically. Finally, Rwanda is mentioned as having a good environment for innovative start-ups aiming at subsequent regional expansion because the required cost for a pilot is small and it is a good testing environment before taking on the larger and more challenging markets in the region.

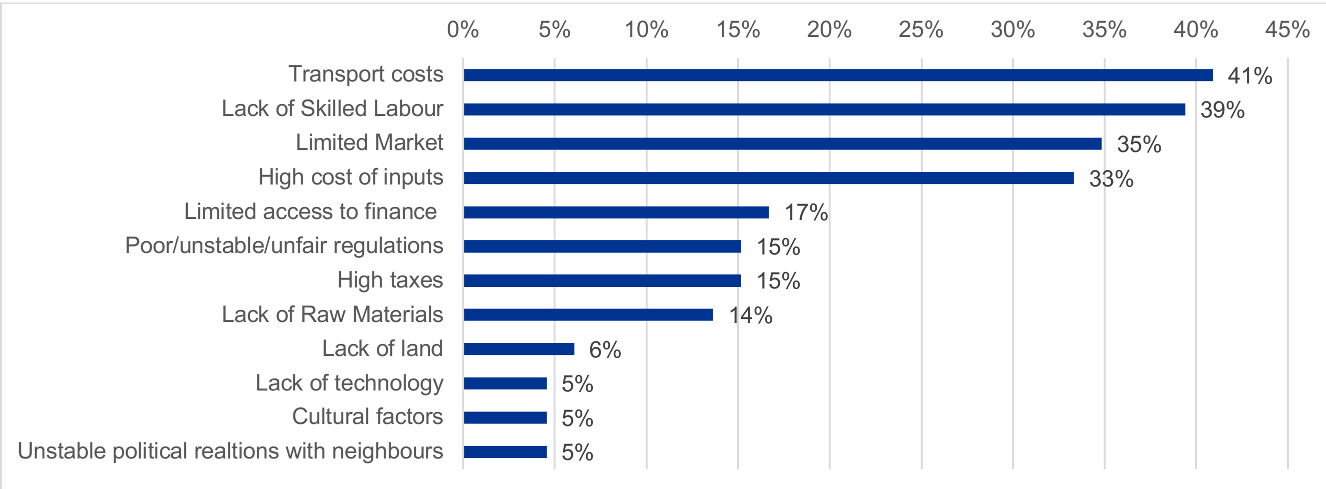
Table 11: Strengths: percentage among top 3 reasons for investing in Rwanda by sector (%)

	Agro-processing	Healthcare	Horticulture	ICT/ BPO	Manufacturing	Mining	Tea	Tourism	All
Political Stability	89%	60%	63%	63%	100%	86%	71%	56%	76%
Security/Safety	44%	60%	63%	38%	23%	57%	71%	44%	47%
Rule of Law	22%	40%	13%	13%	31%	43%	29%	22%	26%
Specific market opportunity	44%	20%	13%	38%	31%	14%	29%	0%	24%
Ease of doing business	22%	20%	25%	13%	46%	0%	0%	22%	21%
Government Incentives	44%	0%	25%	13%	15%	14%	0%	22%	18%
Economic Growth/ Stability	11%	20%	25%	0%	15%	0%	0%	33%	14%
Climate, Raw Materials & Natural Resources	11%	0%	38%	0%	0%	43%	14%	11%	14%
Infrastructure	0%	0%	0%	25%	15%	14%	0%	33%	12%
Low operating costs	0%	0%	38%	13%	15%	0%	14%	0%	11%
Quality of Labour	0%	0%	13%	0%	8%	14%	29%	11%	9%
Infrastructure	11%	20%	13%	25%	0%	14%	0%	0%	9%
National Vision	0%	20%	0%	0%	23%	0%	14%	0%	8%
Access to neighbouring markets	11%	0%	0%	13%	8%	0%	0%	11%	6%

Main Weaknesses of Rwanda versus other regional destinations from the company's perspective

The main weaknesses according to Rwanda-based investors are transport costs (41%), lack of skilled labour (39%), limited market (35%), and high input costs (33%). Poor/unfair/unstable regulations where highlighted by 15% of the respondents, as there is a wide-spread practice of giving exemptions from regulations to specific companies. Some of the examples provided include the enforcement of: import taxes, standards and the plastic packaging ban.

Figure 12: Weaknesses: percentage cited among top 3



From a sector perspective, transport is deemed to be a pertinent weakness in the industrial sectors, but less so in services. Lack of skilled labour is a particular issue in mining, horticulture, ICT/BPO, and tourism. Limited market is an issue in all sectors, except for the two that export almost solely to global markets: mining and tea. Limited access to finance is a particular issue in mining, while access to raw materials is confined to agro-processing. Two out of five healthcare investors have reported concerns in the regulatory environment.

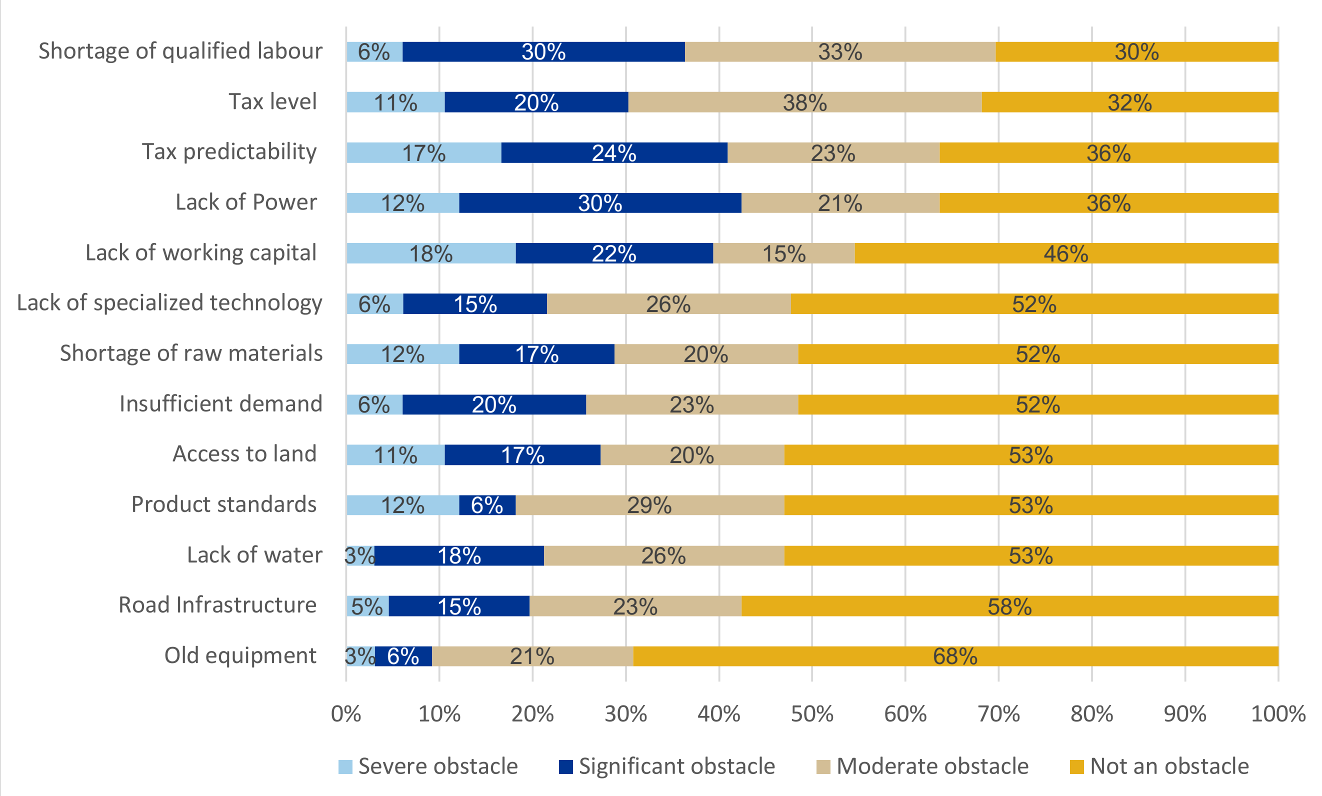
Table 12: Weaknesses: percentage cited among top 3 by sector

Sector	Agro-processing	Healthcare	Horticulture	ICT/ BPO	Manufacturing	Mining	Tea	Tourism	Total
Transport costs	56%	20%	50%	0%	54%	29%	86%	22%	41%
Lack of Skilled Labour	11%	20%	63%	63%	15%	71%	29%	56%	39%
Limited Market	33%	20%	50%	63%	38%	0%	0%	56%	35%
High cost of inputs	44%	0%	13%	13%	54%	29%	57%	33%	33%
Limited access to finance	0%	0%	25%	13%	15%	71%	14%	0%	17%
Poor/unstable/unfair regulations	0%	40%	25%	13%	23%	14%	14%	0%	15%
High taxes	11%	20%	0%	13%	31%	29%	14%	0%	15%
Lack of Raw Materials	56%	0%	13%	0%	8%	0%	0%	22%	14%
Lack of land	11%	20%	13%	0%	0%	0%	14%	0%	6%

Key Factors Currently Limiting Growth and Production

The most frequently perceived obstacles for current company growth are: shortage of qualified labour (70%); tax levels (68%); tax predictability (64%); and lack of power (64%). Working capital is a "severe" obstacle for 18% of respondents, and 17% find tax predictability a severe obstacle.

Figure 13: Obstacles currently limiting production



Somme obstacles to business growth are quite sector specific (Table 13). Power/electricity is particularly pertinent in the industrial sectors: 78% of agro-processors see it as an obstacle, compared to mining (86%), tea factories (71%), and manufacturing (54%). Tax predictability is cross-cutting, but especially reported in the mineral sector and ICT/BPO.

Table 13: Obstacles currently limiting production by sector

	Agro-processing	Healthcare	Horticulture	ICT/BPO	Manufacturing	Mining	Tea	Tourism	All
Lack of power/electricity	78%	40%	13%	0%	54%	86%	71%	0%	42%
Tax predictability	44%	0%	25%	63%	38%	86%	29%	33%	41%
Lack of working capital	22%	0%	50%	63%	38%	86%	29%	22%	39%
Shortage of qualified labour	22%	40%	50%	50%	38%	29%	29%	33%	36%
Tax level	67%	20%	13%	25%	54%	29%	14%	0%	30%
Shortage of raw materials	78%	20%	25%	25%	31%	0%	43%	0%	29%
Access to land	56%	20%	38%	0%	8%	43%	71%	0%	27%
Insufficient demand	33%	0%	13%	38%	62%	0%	0%	22%	26%
Lack of specialised technology	22%	0%	38%	25%	23%	43%	0%	22%	23%
Lack of water	33%	40%	25%	13%	0%	57%	14%	11%	21%
Road Infrastructure	22%	20%	0%	13%	8%	14%	86%	11%	20%
Product standards	22%	0%	25%	13%	23%	0%	14%	33%	18%
Old equipment	11%	0%	25%	0%	15%	14%	0%	11%	11%

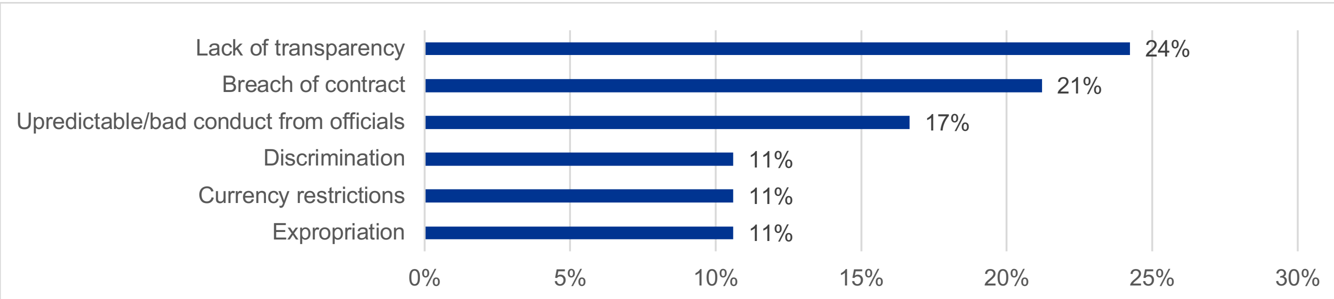
Specific Challenges Encountered with GoR Institutions

As mentioned in the findings above, Rwanda has a good reputation in terms of governance and business environment among investors. However, given the country's high ambitions in the area of good governance, there may still be room for improvement in these aspects. Domestic investors were therefore asked whether they had encountered any of the following when interacting with Rwandan institutions: 1) Lack of Transparency; 2) Discrimination; 3) Currency restrictions; 4)

Unpredictable/bad conduct from officials; 5) Breach of Contract; and 6) Expropriation. The results are displayed in Figure 26.

A recent IFC survey (Global Investment Competitiveness Report 2017/18 (IFC) found that 76% of global investors have experienced political risk when investing in developing countries. About half of respondents had experienced lack of transparency when dealing with developing country governments, compared to only 24% in Rwanda; and 40% had encountered restrictions in transferring and converting currency, compared to 11% in Rwanda. Generally, we can say that the figures for Rwanda are relatively low compared to the IFC Survey, as seen in Figure 26. The only exceptions – though the variation is not so large – is expropriation (5% globally and 11% in Rwanda) as well as breach of contract (13% globally and 21% in Rwanda).

Figure 14: Percentage of investors that encountered any of the following (%)



For the sake of clarification, respondents were asked to elaborate on their responses. The following paints a general picture of what the respondents have reported:

- **Lack of regulatory clarity has been encountered by 24% of respondents:** in the interviews that were carried out, respondents referred to (i) instances in which investors reported a lack of clarity in certain regulations; (ii) cases where investors received conflicting information from different officials in one government department; and (iii) occurrences in which investors were not given information on the reason why certain decisions were taken by policy makers. On the lack of clarity in regulations, investors in the tourism industry reported that the value added tax for the tourism industry (and services in general) is not clear. Similarly, investors in the manufacturing industry reported that the tax exemption policy is unclear.

- **Breach of contract (21%):** investors who were interviewed reported that sometimes the government breaks the promises it makes to them and does not help companies to enforce contracts they sign with other companies. During the interviews, one company in the horticulture industry reported that the government has not given it land as was promised when the company was still setting up. Another company in ICT reported that the government does not pay for services rendered to it on time, which causes some losses to the company.

- **Unpredictable/bad conduct from officials (17%):** unpredictable/bad conduct from officials reported in the interviews refer to cases in which investors were not treated fairly by government officials. Investors reported that when government officials change policy and need companies to relocate, companies are offered a short time to react to the new announcements.

- **Discrimination (11%):** When dealing with the government, investors reported that they are not treated equally and characterised this behaviour by government officials as discrimination. A company in the agro-processing sector reported that while it is not allowed to advertise nutritious food for infants, other companies do the same and no measures are taken against them. In the healthcare industry, a private hospital reported that insurers do not pay for services of the hospital which limits its ability conduct business as local residents do not have enough money to afford their services without the help of insurance schemes.

- **Currency restrictions (11%):** investors who were interviewed reported that some currency regulations slow down the pace at which they can do business. Investors reported three regulations that challenge their ability to do business locally. The first regulation is one that limits investors to transact in dollars locally. The second regulation sets a ceiling on the foreign currency that can leave the country per day, which delays investors to make their payments to foreign suppliers when the currency limit has been reached. The third regulation limits companies to send money outside the country beyond a certain threshold before government regulators approve it.

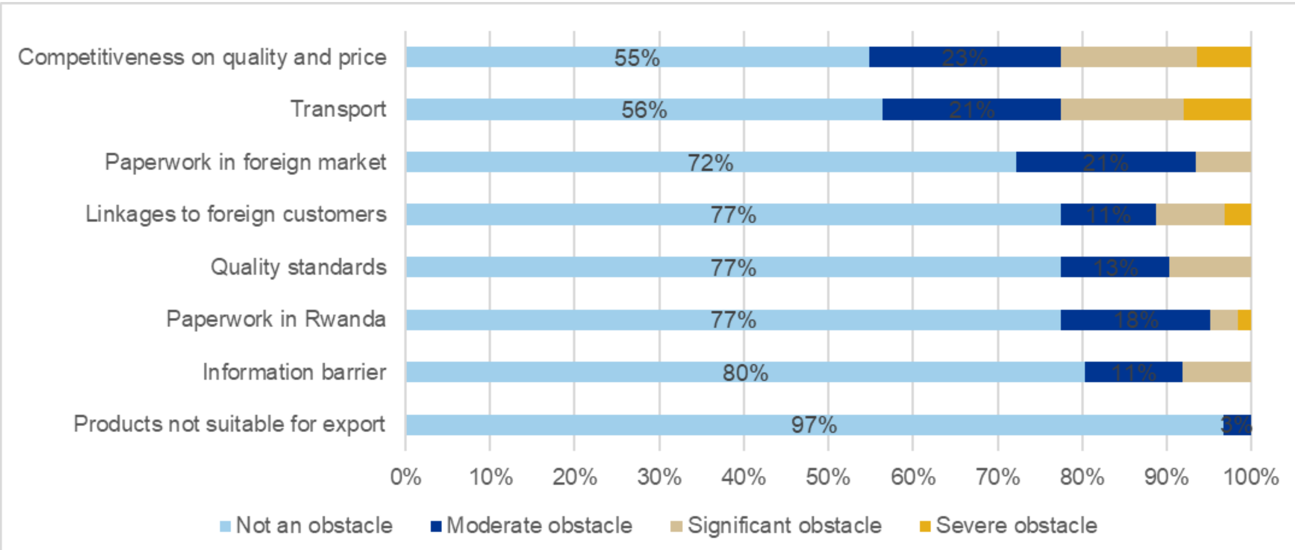
- **Expropriation (11%):** some investors reported cases in which their land property was seized by the government against the investor's wishes. There were two expropriation cases reported by investors in mining. The investors reported that the government expropriated land where their mines were located and gave it to citizens who had disputed their ownership of the land. There was also a case in which an ICT company's offices were taken by the government due to a road construction project that had been planned in the area.

4.3 Trade Issues

Perceived Obstacles To Export

The two main reported barriers to export from Rwanda are quality and price competitiveness in foreign markets (45% -- dark blue) and transport (44% -- dark blue) (Figure 27). Other barriers are observed by relatively few key investors in the 8 priority export sectors.

Figure 15: Perceived barriers to exports



There is a clear divide between sectors that export goods across borders and sectors providing services in Rwanda. The former tend to face expected barriers, such as competitiveness in foreign markets, transport, and paperwork. Within this group, a few sector-specific topics emerge: Agricultural exports targeting overseas markets (horticulture and tea) face problems with quality standards in foreign markets in addition to transport, which is the other main barrier. Mining is particularly barred by paperwork in Rwanda, reflecting the regulations in the sector, which to a large extent are imposed internationally. Service sectors have relatively higher tendency to face barriers in information and linkages in foreign markets compared to goods exporters.

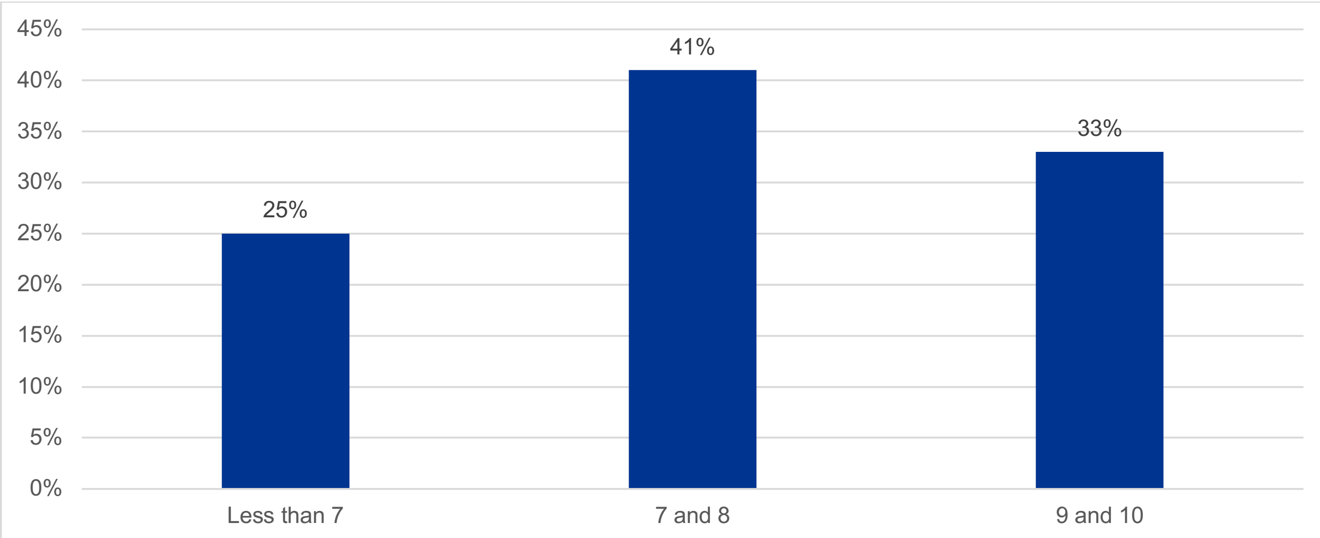
Table 14: Export Barriers by sector (% moderate to severe)

	Agro-processing	Healthcare	Horticulture	ICT/BPO	Manufacturing	Mining	Tea	Tourism	All
Competitiveness on quality and price	67%	20%	88%	0%	54%	71%	29%	44%	48%
Transport	56%	40%	63%	0%	46%	71%	86%	22%	47%
Paperwork in Rwanda	11%	20%	38%	0%	31%	71%	29%	22%	27%
Paperwork in foreign market	67%	20%	25%	0%	54%	29%	29%	22%	33%
Quality standards	11%	20%	63%	0%	31%	29%	43%	22%	27%
Information barrier	44%	20%	50%	13%	23%	0%	29%	22%	26%
Linkages to foreign customers	33%	40%	38%	13%	31%	0%	43%	22%	27%
Products not suitable for export	0%	20%	25%	0%	15%	0%	0%	22%	11%

4.4 Perceptions of the RDB

Existing investors generally have good perceptions of RDB's performance. On a 10-point scale, 33% of respondents rate RDB's performance at 9 or 10 (Very Good), while 25% find the performance is below 7 (Bad).

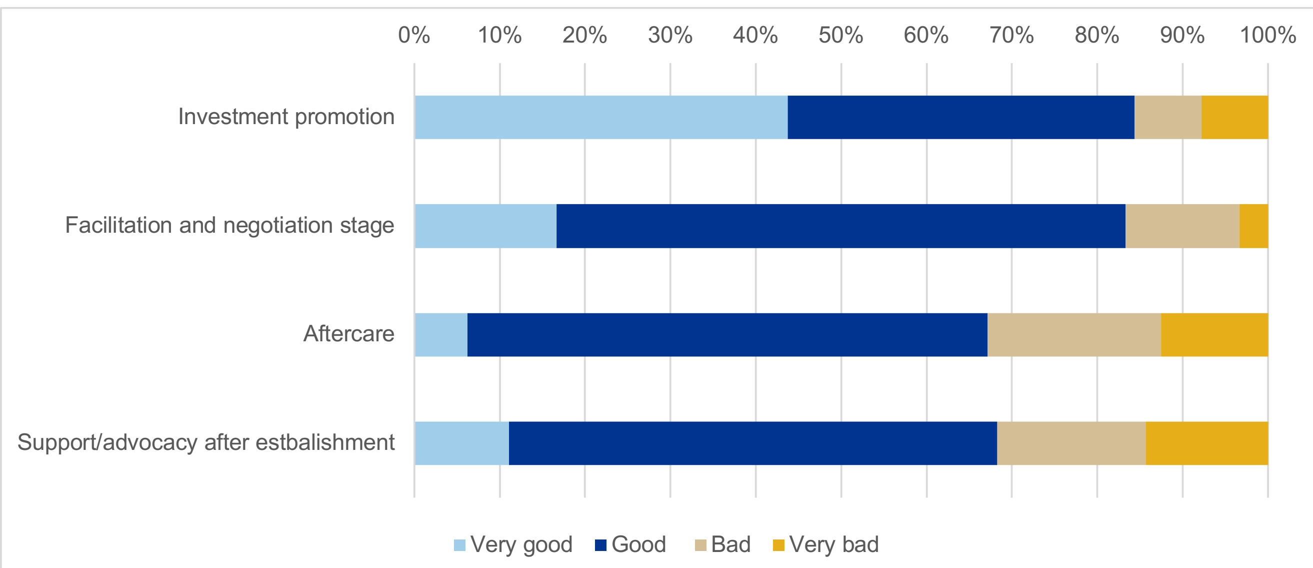
Figure 16: Existing Investor perception of RDB's performance (Scale 0-10)



Perceptions of RDB Performance on Specific Services

Perceived performance is considerably better for early stage functions (promotion and negotiation) compared to the later stages in investment promotion (aftercare and support to established companies) (see Figure).

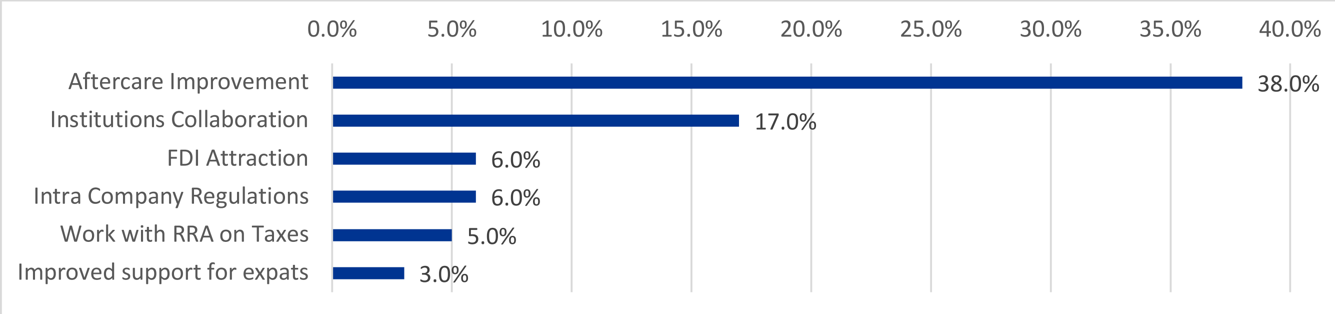
Figure 17: Perceived RDB performance in specific function



Suggestions for Improvements to the RDB

To this open-ended question in the survey on suggestions for improvements to the RDB, 36% of respondents suggested that it focus more on aftercare services and 17% suggested that the RDB improve collaboration with other GoR institutions. Five percent mention specifically to increase the collaboration with RRA to ensure a good tax environment.

Figure 18: Suggested improvements to the RDB



Remarkably, 19% of existing investors proposed that RDB establish a Follow-Up Unit, provide Investor Support Services and Export Promotion. This indicates a need for raising awareness of the Aftercare Unit and the services that the RDB are currently providing among investors in these areas. Moreover, 8% of respondents proposed the establishment of a taxation unit, highlighting that several investors consider this an important intervention area for the RDB.

Figure 19: Categorised suggestions to the RDB

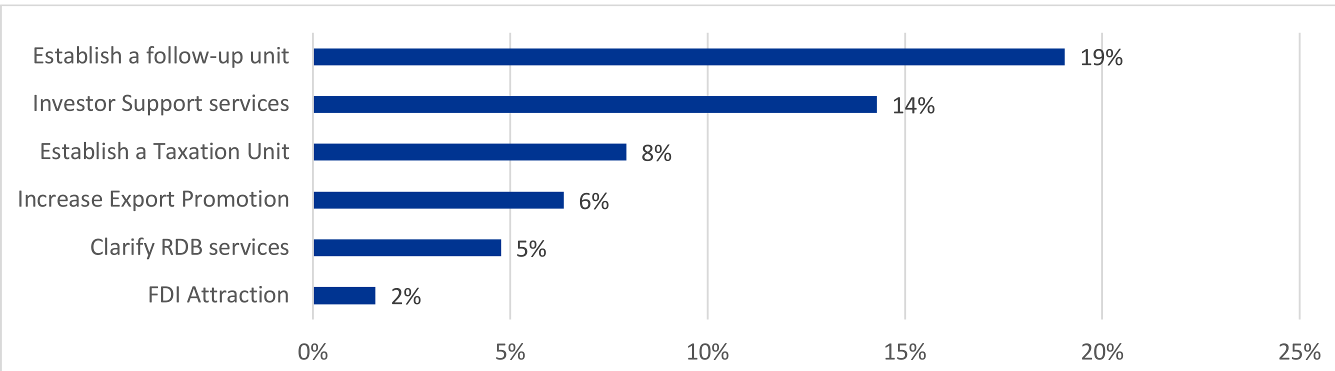


Table 15 provides a few quotes from respondents as background on the above findings. The general picture is that investors wish to have more engagement with the RDB in the aftercare phase, including getting routine visits rather than being invited to big conferences. Several companies would like to have routine visits from the RDB and to advocate on their behalf. This also includes expanded guidance on regulations in the implementation phase. The wish for improved communication and collaboration between government institutions is also highlighted by several investors. For suggested new services, several investors state that they should focus on their core mandate rather than expanding with new initiatives. Others wish to have more specific guidance and advice in navigating taxes. Investors also highlighted the desire to be linked up with other companies and foreign investors to conduct trade and investment. Finally, some respondents would like the RDB to hire staff with background in their industry to better understand and advocate on sector-specific challenges.

Table 15: Respondent quotes on how the RDB can improve performance

Respondent Quotes
How can the RDB improve its current services: • **Improved after-care services** - "RDB should be clear on their mandate. As it is now, it is as if RDB does not concern itself with helping investors resolve problems once they start operations." - "Make routinely individualised follow up sessions with established businesses to assess their challenges rather than organising big conferences." - "Focus on shortening the time it takes to solve business challenge."" • **Better information and communication with businesses** - "Provide clearer instructions to new businesses so that they understand the regulatory environment" - "RDB should reply to e-mails." - "Find more export opportunities for Rwanda's businesses." - "RDB should support start-ups on how to comply with the tax and labour law." • **Improve communication among institutions.** - "We imported some equipment under government promotion to import it duty free. Now, after three years, RRA is saying that we need to pay tax and we are supposed to pay it, we take it contraction among institution and not focused and inconsistence in decision made."

- "Sometimes RDB needs a certain document and another office needs a different document but they do not work on setting up offices close by each other so that it would be easy for investors to do their paper work."

Suggested new services for RDB to provide:

- "Linking industries for trade and investment. Partner with local businesses that need capital."
- "Developing an Intellectual Property Law with inputs from the private sector."
- "They should have a program to help Investors navigate the tax scene."
- "Create awareness around the hospitality industry so that local people can consume the product."
- "RDB should hire people from the industry so that people who understand the challenges of the industry can help solve them!"
- "They need to produce an annual report on how businesses are performing."
- "RDB should advertise what its different offices can do to help investors."
- "Nothing, RDB should start from the basics. Rwanda risks to lose investors who are disappointed after seeing good investment promotion and no help in the country."
- "RDB should first focus on doing a good job at facilitating businesses to succeed after establishment."

4.5 Findings in the Context of Existing Knowledge

Findings versus Existing Knowledge

This section explores to what extent the findings correspond to existing knowledge on the Rwandan private sector from recent years. Previous surveys have, to a large extent, been focused on identifying challenges of businesses in order to inform topics for advocacy and improve the business environment. The Private Sector Development Strategy from 2017 (PSDS 2) presents a current GoR view point on the challenges and highlights 8 challenges for companies based in Rwanda (see also section 2.2). These are based on analyses conducted over the past years and a number of surveys. Table 16 compares the findings of the domestic survey against conclusions from the PSDS 2 and previous surveys.

Generally, the findings corroborate findings from previous surveys, which indicates that the challenges perceived by the private sector are relatively constant and require to be addressed on a continuous basis. Two findings from the Integrated Business Enterprise Survey (IBES) – that access to internet and work space are significant challenges – are not corroborated by the survey. This is most likely because IBES is designed to cover a sample representative of all Rwandan companies that are predominantly SMEs, while this survey is designed to cover major investors in key export sectors. This is also the case for the PSDS 2 statement that regulatory compliance is an issue.

Table 16: IPS findings on business challenges versus existing knowledge

Private Sector Development Strategy II Challenge	Highlighted in Reports	Investor Perceptions Survey (IPS) Findings
Access to Finance	PSDS 2[34], IBES[35], BICS[36], SME[37], ES[38]	The findings corroborate this. 18% of the respondents find that access to working capital is a severe constraint on business growth. Another 37% find it moderate to severe. The finding comes out to smaller extent than in most other surveys given that focus on larger investors with export potential.
Access to Skills	PSDS2, UNCTAD[39], IPI[40], FPCC[41]	Corroborated. 70% of respondents find this a constraint on business development.
Enforcing Contracts	PSDS2	Corroborated. In an open-ended question, 21% of the respondents state that they have experienced breach of contracts. Moreover, in an open-ended question, 6% of respondents suggest that the RDB intervene in disputes between companies.

[34] Private Sector Development Strategy 2 (MINICOM, 2017)
[35] Integrated Business Enterprise Survey (NISR, 2016)
[36] Business Investment Climate Survey (PSF, 2013)
[37] Rwanda SME Survey (MINICOM, 2013)
[38] Enterprise Survey (The World Bank, 2011)
[39] A Study of Foreign Investors' Perceptions of Rwanda (UNCTAD, 2012)
[40] Investor Perceptions Index (MINICOM, 2011)
[41] Foreign Private Capital Census (BNR, 2011)

High Cost of Trade	PSDS2, UNCTAD, IBES, FPCC	Corroborated. The landlocked location is mentioned as a top 3 weakness by 38% of the respondents. This is despite decreased time and cost to trade a container through regional ports over the recent years.
Regulatory Compliance	PSDS2	Not corroborated. The respondents do not mention this as an inhibiting factor nor a weakness versus their countries. This could be because regulatory compliance has several fixed costs, hence hits smaller companies harder than the larger companies, which this survey covers.
Insufficient access to and quality of Infrastructure	PSDS2, IBES, RIS[42], BICS, IPI, ES	Corroborated. The survey finds that access to reliable power is an obstacle to 64% of the respondents, and water is an obstacle to 47%.
Access to and cost of standards and technology	PSDS2, RIS, SME	Somewhat corroborated. 48% of respondents see technology as an obstacle to business growth (though a severe obstacle to only 6%). Moreover, 23% find that quality standard requirements in foreign markets is a barrier to export.
Internal market inefficiencies and access to raw materials	PSDS2, RIS, SME	Somewhat corroborated. 48% percent find that access to raw materials is an obstacle to business growth. However, it is a more predominant finding in surveys that have a focus on industrial companies.
Access to internet	IBES	Not corroborated. This may be because the IBES is designed to cover a sample representative of all Rwandan companies which are predominantly SMEs, while this survey is designed to cover major investors in key export sectors. While a large expense for SMEs, access to internet is a smaller concern for larger companies.
Access to working space	IBES	Not corroborated. This likely has the same reason as for access to internet.
Access to land	IBES, BICS, UNCTAD, IPI, FPCC	Corroborated. Access to land is primarily deemed an obstacle to business growth for 48% of the respondents. In most sectors, companies typically require access to serviced land near an urban centre where they can get skilled labour.
Markets	RIS, BICS	Corroborated. The size of the domestic market is deemed among the top 3 weaknesses to attract investment by 79% percent of companies. Moreover, 48% of respondents find that lack of demand in an obstacle to business growth.
Taxes	BICS, SME, UNCTAD, IPI, ES	Corroborated. 68% of the respondents find the tax level an obstacle to business growth. Furthermore, 64% of respondents find tax predictability an obstacle.
Interagency Coordination	UNCTAD	Corroborated. In an open-ended question, 17% of respondents suggest that RDB should focus on improving coordination between institutions.
Understanding of investment/business process	UNCTAD	Somewhat corroborated. In an open-ended question, 38% of respondents suggest RDB to improve aftercare. The qualitative answers point to respondents highlighting confusion regarding the after-care process and the enforcement of regulation (especially taxes).

New Findings

In contrast to the majority of other surveys, this survey targets investment specifically (only the UNCTAD study from 2011 has a similar narrow focus). Consequently, the survey presents some findings that were not covered in other surveys from recent years:

1. In terms of attracting investment, Rwanda is perceived to have a comparative advantage in terms of its stability and business environment in the region;
2. The key comparative disadvantage in the region is the size of the domestic market;
3. Investors in Rwanda generally report satisfaction with their investment experience, which is indicated by a positive Net Promoter Score (31.2);
4. Despite the comparatively good business environment, a number of investors report to have experienced challenges in this area: lack of transparency (25%); breach of contract (21.9%); unpredictable conduct from officials (17.2%); discrimination (10.9%); currency restrictions (10.9%); and expropriation (10.9%);

[42] Rwanda Industrial Survey (MINICOM, 2014)

5. There is a relatively large appetite among domestically based companies to collaborate with investors from abroad (66%). They are primarily interested in JVs and Strategic Partnerships;
6. More than 92% of Rwandan investors report to have plans for further investment soon;
7. Domestic investors find that the RDB does better in the promotion and negotiation stages than in the after-care and advocacy stages. Several investors highlight the need for better coordination between RDB and other GoR institutions.

5 Comparison of findings from the two surveys

5.1 Future FDI Plans for Africa

International Potential Investors

A very high percentage of companies (over 70%) are considering FDI in Africa over the next 12-24 months. In terms of the types of FDI being considered, companies are considering all modes of market entry for Africa. Over half of companies are considering Greenfield FDI, while over 40% are considering Strategic Partnerships with local firms; over one-third of companies are considering JVs with a local firm; and nearly one-third of companies are considering M&As.

Companies are planning to invest in Africa for export-oriented FDI to serve the African and US/European markets. In fact, nearly 60% of companies are planning export-oriented FDI. Companies are primarily driven by market access and market size as location determinants for FDI. They are also attracted to countries that have economic stability, low political risk and a pro-business regulatory environment. Low costs and incentives are also important location drivers cited by companies.

Existing Domestic Investors

No less than 92.4% of existing investors have plans for further investment in Rwanda. The total amount mentioned among the 66 respondents is $320 million, with the largest amounts in the agro-processing, mining, tea, and manufacturing sectors. This indicates the importance of existing investors for increasing investment overall.

Apart from being more inclined to invest, existing investors may be faster and more efficient in the implementation of an investment project given their prior knowledge of the country.

On the other hand, finance may be a limiting factor, which raises the possibility of FDI into the company. Among the respondents, 66% percent were interested in additional foreign investment – mainly through JVs and Strategic Partnerships.

This opens the opportunity to match domestic investors with foreign investors, letting each party use their comparative advantage in the investment process.

5.2 Location Determinants

Potential international investors primarily look for markets and stability when choosing a location in Sub-Saharan Africa, followed by regulatory environment and low operating costs. Investors that have invested in Rwanda have a similar profile with the exception that they put less emphasis on the size of the market and relatively more on stability and security.

Table 17: Domestic vs International Location Determinants

Potential International Investors	Existing Rwandan-based Investors
• Size of national market (42%)	• Political/economic stability (56%)
• Access to African/regional market (41%)	• Security (52%)
• Economic stability (39%)	• Regulatory environment (26%)
• Low political risk (29%)	• Low operating costs (23%)
• Regulatory environment (25%)	• Size of national market (21%)
• Low operating Costs (20%)	• Incentives by government (18%)

5.3 Location Perceptions of Africa and Rwanda

Ranking Against Regional Peers

Overall, three-quarters of international potential companies stated that Africa is “Attractive” or “Very Attractive” as an FDI location, indicating the very strong investor interest in Africa.

In terms of Rwanda’s performance, companies that are already operating in the country have a better perception than the potential investors: 91% of domestic investors find Rwanda “Attractive” or “Very attractive”, whereas the equivalent figure among potential investors is 39%. Existing investors see Rwanda as the most attractive location among its East African peers, while the potential investors see it the least attractive country – primarily because 20% of respondents said they are "unsure" about Rwanda's attractiveness, indicating little knowledge of the country. International investors consider the largest market, Kenya, the most attractive in the region.

Rwanda's Strengths

Potential and existing investors agree that stability is Rwanda's key strength. Existing investors are relatively more in agreement: 81% of domestic respondents cite stability among the top three strengths, whereas the figure among potential investors is 38%.

The second most cited strength among domestic investors is the market opportunity. In these cases, reference was made to Rwanda being a landlocked, the proximity to regional markets as well as investors seeing Rwanda's limited market size as a good testing ground/foothold for entering regional markets. In contrast, international potential investors do not cite the market opportunity among the top strengths, but they do refer to stable economic growth, which generates a growing market.

About a quarter of respondents in both surveys also cite the ease of doing business and infrastructure.

On the other hand, existing investors do not see the quality of labour among Rwanda's strengths, whereas 21% of international investors perceive it as such. The two surveys also contrast on the perception of government incentives: 37% of domestic investors see it as a strength, while international investors do not.

Table 18: Domestic vs International Perceptions on Rwanda's Strengths

Potential International Investors	Existing Rwandan-based Investors
• Stability (38%) • Economic growth (28%) • Ease of doing business (24%) • Quality of labour (21%) • Infrastructure (21%)	• Stability (81%) • Market opportunity (44%) • Government incentives (37%) • Enabling infrastructure (25%) • Ease of doing business (25%)

Rwanda's Weaknesses

Both surveys agree that the main weakness is the limited size of the market. While some investors are attracted to the relatively small size, which offers a good testing ground for expanding in the region, the majority of investors are deterred by the limited size of the national market. Economies of scale are limited and other countries in the region offer a larger consumer base.

The two surveys also agree that the geography and landlocked position are major constraints. Whilst the cost of transporting a container to and from the regional ports have come down in recent years[43], it remains higher than Rwanda's regional peers.

Furthermore, the domestic investors cite the cost of production as a weakness. This is, among other factors, a result of the landlocked location. International investors cite lack of skilled labour.

Table 19: Domestic vs International Perceptions on Rwanda's Weaknesses

Potential International Investors	Existing Rwandan-based Investors
• Limited market size (38%) • Lack of skilled labour (19%) • Geographic position (19%)	• Challenging market (79%) • High cost of production (52%) • Geography (38%)

5.4 Investor Experience in Rwanda

The domestic survey finds that the Net Promoter Score is currently 31.2, which indicates that there are more investors that are highly likely to recommend investing in Rwanda than unlikely to do so.

The most frequently perceived obstacles for current company growth are: shortage of qualified labour (70%); tax levels (68%); tax predictability (64%); and lack of power (64%). Working capital is a "severe" obstacle for 18% of respondents,

[43] Office of the President of the Republic of Rwanda, 2017: "Measuring the economic and social impact of Northern Corridor Integration Projects (NCIP) in Rwanda"

and 17% find tax predictability a severe obstacle. These findings corroborate the findings of previous surveys such as BICS and RIS.

These factors are all cross-cutting, but affect sectors to various degrees. Skills are a main limitation in the service-oriented sectors such as tourism, healthcare, and ICT/BPO. Power is primarily a challenge in the industrial sectors such as manufacturing and agro-processing. Working capital and the tax environment affects all sectors equally.

The international survey cites three factors that have the most impact on their investment decision: 1) unpredictable and arbitrary conduct; 2) breach of contract; and 3) lack of transparency.

These three factors are the most prevalently encountered among domestic investors. Hence, to improve perceptions, there is continued need for improving the predictability in the relations between investors and government. Particularly, to manage investors' expectations, there is a need to avoid making false promises in the negotiation stage and to ensure that resolutions are implemented in a timely fashion.

Table 20: International Impact on Investment Decision vs Domestic Experience on Political Risks

Factors impacting the decision to invest overseas (average rank given by respondents where 1=highest impact and 6=least impact)	Percentage of Domestic
• Unpredictable and arbitrary conduct (2.51) • Breach of contract (2.94) • Lack of transparency (3.20) • Currency transfer restrictions (3.21) • Expropriation (3.24) • Discrimination (4.93)	• Lack of transparency (25%) • Breach of contract (21.9%) • Unpredictable/bad conduct from officials (17.2%) • Discrimination (10.9%) • Currency restriction (10.9%) • Expropriation (10.9%)

5.5 Perceptions of the RDB's Services

Existing investors generally have good perceptions on the RDB's performance. On a 10-point scale, 33% of respondents rate the RDB's performance at 9 or 10 (Very Good), while 25% find the performance is below 7 (Bad). Among potential investors, 86% of companies have not heard of the RDB, but 42% are happy to be contacted by the RDB to discuss FDI opportunities in Rwanda.

Among existing investors, there is a perception that the RDB does better in the promotion and negotiation stages than they do in the aftercare phase. When asked what the RDB should improve on, the top two responses among existing investors are: aftercare (38%) and collaboration with other institutions (17%).

When asked what services they would like to get from the RDB, nearly 60% of international investors cited business partnering services as well as market research. This reflects the strong focus on Strategic Partnerships and JVs as a mode of FDI among potential investors. Support for financing and incentives was the third most important business support service cited by one-third of companies, followed by support for set-up (29% of companies) and site visits (24% of companies).

When asked what new initiatives the RDB could take, existing investors largely suggested to focus on and improve the core services that the RDB already provides. Again, improving aftercare comes out as the strongest suggestion, followed by supporting new investors more. Among the new suggestions, a taxation unit is suggested. Interestingly, several companies from the international survey suggested "new" RDB services that are, incidentally, already provided, indicating the little knowledge about the RDB among potential investors.

6 Sectoral Analysis

6.1 Manufacturing

Location determinants

International investors in manufacturing have more spread in the factors that matter, indicating that the more factors need to be satisfactorily achieved to attract investment. Only agro-processing has higher spread. Moreover, manufacturers have relatively higher tendency toward being motivated by efficiency measures, such as low operating costs and transport infrastructure.

International Drivers – all sectors		International Drivers in the Manufacturing Sector	
Size of the national market	42%	Size of the national market	39%
Access to the African market/customers	41%	Access to the African market/customers	39%
Economic stability	39%	Economic stability	39%
Political risk	29%	Transport infrastructure & accessibility	33%
Regulatory environment	27%	Low operating costs	28%

Potential Investors' Perceptions

Ranking for Rwanda

Relatively more manufacturers find Rwanda an appealing investment destination compared to other sectors. That is also the case for Africa in general and Tanzania (by a large margin.)

Potential Investors – all sectors		Potential Manufacturing Investors	
Africa in general	75%	Africa in general	91%
Kenya	56%	Kenya	53%
Tanzania	47%	Tanzania	80%
Rwanda	39%	Rwanda	47%
Uganda	37%	Uganda	39%

Perceived Strengths

Potential manufacturer investors have better perceptions on labour, stability, and infrastructure compared to other sectors, yet worse perceptions on the economy and stability of Rwanda.

Potential Investors – all sectors		Potential Manufacturing Investors	
Political stability & safety	19%	Quality of labour	28%
Economic growth/stability	14%	Political stability & safety	17%
Ease of doing business	12%	Infrastructure	11%
Infrastructure	10%	Economic growth/stability	6%
Quality of labour	10%	Lack of corruption	6%

Perceived Weaknesses

Manufacturers see transportation/infrastructure as the main weakness. Lack of skilled labour and language barriers are relatively more noted by manufacturing investors compared to other sectors.

Potential Investors – all sectors		Potential Manufacturing Investors	
Limited Market	20%	Lack of Infrastructure/Transportation	22%
Geographical Position	10%	Limited Market	17%
Lack of Skilled Labour	10%	Lack of Skilled Labour	17%
Lack of Infrastructure/Transportation	8%	Geographical Position	11%
Unpredictable/Unstable	7%	Language	11%

Existing Investors' Experience

Rwanda-based manufacturers' likelihood of recommending Rwanda on a scale from 0-10 is at 8.1, which is just above the average for all sectors at 8.0.

Perceived Strengths for Rwanda as an Investment Destination

Manufacturers have higher tendency to perceive stability, ease of doing business, rule of law and specific market opportunities as important strengths of Rwanda. Responses from the qualitative areas of the survey also highlighted: less competition in the Rwandan market; minimal corruption and an enabling business environment; the "Made in Rwanda" strategy; low labour costs; and good employee attitudes.

Existing Investors – all sectors		Existing Manufacturing Investors	
Political stability	76%	Political stability	100%
Ease of doing business	47%	Ease of doing business	46%
Rule of law	26%	Rule of law	31%
Specific market opportunity	24%	Specific market opportunity	31%
Ease of doing business	21%	Security/safety	23%

Perceived Weaknesses for Rwanda as an Investment Destination

The weaknesses are similar to other sectors, but high taxes and poor or unstable regulations appear as important for investment locations.

Existing Investors – all sectors		Existing Manufacturing Investors	
Transport costs	41%	Transport costs	54%
Lack of skilled labour	39%	High cost of inputs	54%
Limited market	35%	Limited market	38%
High cost of inputs	33%	High taxes	31%
Limited access to finance	17%	Poor/unstable/unfair regulations	23%

Responses from the qualitative areas of the survey included the following perceived weaknesses:

- Landlocked and high transport costs
- Small market size and purchasing power
- Punitive and unpredictable tax regime
- Energy costs
- Poor policy communication and implementation
- Limited skilled labour causing lower productivity
- Expensive finance
- Poor R&D environment

Current factors limiting production

Rwanda-based manufacturers generally have a higher tendency to report obstacles to production compared to other sectors in the survey. Insufficient demand is the highest reported obstacle, which is an indication of competition being an issue. Power and taxes come out high, considerably above responses for other sectors.

Existing Investors – all sectors		Existing Manufacturing Investors	
Lack of power/electricity	42%	Insufficient demand	62%
Tax predictability	41%	Lack of power/electricity	54%
Lack of working capital	39%	Tax level	54%
Shortage of qualified labour	36%	Tax predictability	38%
Tax level	30%	Lack of working capital	38%
Shortage of raw materials	29%	Shortage of qualified labour	38%
Access to land	27%	Shortage of raw materials	31%
Insufficient demand	26%	Lack of specialized technology	23%
Lack of specialized technology	23%	Product standards	23%

Barriers to Export

In manufacturing, 77% of respondents are facing export barriers, which is above the average of 59%. Like in other sectors, competitiveness is the main driver for this, and transport comes out high as well. Paper work in foreign markets is relatively higher compared to other sectors.

Existing Investors – all sectors		Existing Manufacturing Investors	
Competitiveness on quality and price	48%	Competitiveness on quality and price	54%
Transport	47%	Paperwork in foreign market	54%
Paperwork in foreign market	33%	Transport	46%
Paperwork in Rwanda	27%	Paperwork in Rwanda	31%
Quality standards	27%	Quality standards	31%
Linkages to foreign customers	27%	Linkages to foreign customers	31%
Information barrier	26%	Information barrier	23%
Products not suitable for export	11%	Products not suitable for export	15%

Political Risk Factors

Manufacturers have in higher proportions reported the experience of a lack of transparency and breach of contract, which is at 46% in this sector.

Risk factor	All sectors, % experienced	Existing Manufacturing Investors, % experienced
Lack of transparency	24%	31%
Breach of contract	21%	46%
Unpredictable/bad conduct from officials	17%	8%
Expropriation	11%	15%
Currency restrictions	11%	8%
Discrimination	11%	15%

Specific recommendations to GoR from the respondents

Respondents in the manufacturing sector provided the following recommendations to the GoR:

Specific recommendations from investors to GoR

- Transportation costs:
  - Build a railway that can connect Kigali to the port;
  - Invest in logistics infrastructure.
- Finance: reduce bank interest rates for growing businesses.
- Regulatory Environment: provide are more stable and lenient environment. Many regulations are strict, but many exemptions are given.
- Taxes: change the tax system on manufactured drinks from ad valorem to a volume specific tax scheme.
- Power: increase electric power penetration and reduce its cost for manufacturers.
- Standards inspection: follow-up more on Standards Regulations – especially imported products.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings from this study.

Inception Hypotheses Sector Constraints	Findings in IPS
High transport cost due to Rwanda being landlocked.	**Corroborated.** Highlighted as a main challenge for exporting manufactured goods.
Energy and water cost and availability: despite the recent energy tariff reduction issues remain: • Some small scale industrial firms have reported that they have not benefited from the newly adopted tariff as they are forced to operate in shifts which increases labour costs.	**Corroborated.** Power is highlighted as a major production obstacle both in the quantitative and qualitative findings.

• There is an issue of voltage fluctuation which hugely affects the performance of manufacturers	
Packaging: the availability of packaging in Rwanda is a critical issue for the local manufacturing industry. Ever since the ban on the use of plastic bags for environmental reasons, most materials for packaging are imported from the region and abroad.	**Not corroborated.** The packaging issue was mentioned in a few interviews, but not to a significant extent. It appears that investors may have found solutions by now.
Limited access to finance: firms in Rwanda struggle to mobilise finance for their operations.	**Corroborated.** Access to working capital is highlighted as a production obstacle by 38% of respondents.
Non-tariff barriers that continue to impede trade among EAC partners.	**Somewhat corroborated.** Paperwork in foreign countries is highlighted.
Access to skilled staff: both technical and managerial are needed. Technical skills requirements are often highly specialised and in limited supply.	**Corroborated.** 38% report limited access to skilled labour as an obstacle to their production.
Strong regional competition: neighbouring countries tend to have lower factor costs than Rwanda.	**Corroborated.** Competition is mentioned as the main export barrier and lack of demand is highlighted as the main obstacle to production.

6.2 Agro-Processing

Location determinants

Agro-processors are relatively more driven by markets and a good regulatory environment. They are relatively less driven by economic stability and political risk.

International Drivers – all sectors		International Agro-processing Drivers	
Size of the national market	42%	Size of the national market	71.4%
Access to the African market/customers	41%	Access to the African market/customers	57.1%
Economic stability	39%	Regulatory environment	42.9%
Political risk	29%	Economic stability	28.6%
Regulatory environment	27%	Political risk	28.6%

Potential Investors' Perceptions

Ranking

Relatively more manufacturers find Rwanda an appealing investment destination compared to other sectors. That is also the case for Africa in general, Kenya, and Uganda.

	Potential Investors – all sectors	Potential Agro-processing Drivers
Africa in general	75%	100%
Kenya	56%	80%
Tanzania	47%	33%
Rwanda	39%	60%
Uganda	37%	67%

Perceived Strengths

Potential agro-processing investors have a higher tendency to see the political and economic stability as important strengths for Rwanda compared to other sectors.

Potential Investors – all sectors		Potential Agro-processing Investors	
Political stability & safety	19%	Political stability & safety	57%
Economic growth/stability	14%	Economic growth/stability	43%
Ease of doing business	12%	Infrastructure	14%
Infrastructure	10%	Ease of doing business	14%
Quality of Labour	10%	Strong institutions	14%

Perceived Weaknesses

Forty-three percent of agro-processors in the international survey did not state a perception of Rwanda's weaknesses. Limited market comes out on top, as is the case for sectors in general.

Potential Investors – all sectors		Potential Agro-processing Investors	
Limited Market	20%	Limited Market	29%
Geographical Position	10%	Geographical Position	14%
Lack of Skilled Labour	10%	Political risk	14%
Lack of Infrastructure/Transportation	8%	High costs	14%
Unpredictable/Unstable	7%	N/A	0%

Existing Investors' Experience

Rwanda-based agro-processors reported on average 7.0 out of 10 on the likelihood of recommending Rwanda as a place to invest. This is below the 8.0 average for all sectors and the lowest among the surveyed sectors.

Perceived Strengths for Rwanda as an Investment Destination

Agro-processors have similar perceptions to existing investors from other sectors, albeit more concentration on market opportunity and government incentives.

Existing Investors – all sectors		Existing Agro-processing Investors	
Political stability	76%	Political stability	89%
Security/safety	47%	Security/safety	44%
Rule of law	26%	Specific market opportunity	44%
Specific market opportunity	24%	Government incentives	44%
Ease of doing business	21%	Rule of law	22%

Responses from the qualitative areas of the survey included the following perceived strengths:

- Security, political stability and rule of law
- Zero tolerance of corruption
- Easy to start up business in Rwanda
- Ensured market
- Good business facilitation
- Possibility of assistance from donors

Perceived Weaknesses for Rwanda as an Investment Destination

Geography is a larger constraint to agro-processors, reflecting the limited land-size to get raw materials and their reliance on transportation.

Existing Investors – all sectors		Existing Agro-processing Investors	
Transport costs	41%	Transport costs	56%
Lack of skilled labour	39%	Lack of raw materials	56%
Limited market	35%	High cost of inputs	44%
High cost of inputs	33%	Limited Market	33%
Limited access to finance	17%	Lack of skilled labour	11%

Responses from the qualitative areas of the survey included the following perceived weaknesses:

- Limited access to raw materials

- Limited land
- High cost of electricity
- Small market size
- Landlocked
- Limited manufacturing technologies
- Punitive and stringed taxation policies – 60% for any delay which affects cash/flow
- Low skilled labour and communication in English is limited
- High costs of water
- Limited access to finance

Current factors limiting production

Rwandan agro-processors generally have a higher tendency to report obstacles to production compared to other sectors in the survey. Lack of power and shortage raw materials are highlighted by almost 4 out of 5 agro-processors. Taxes and land also come out higher relative to other sectors.

Existing Investors – all sectors		Existing Agro-processing Investors	
Lack of power/electricity	42%	Lack of power/electricity	78%
Tax predictability	41%	Shortage of raw materials	78%
Lack of working capital	39%	Tax level	67%
Shortage of qualified labour	36%	Access to land	56%
Tax level	30%	Tax predictability	44%
Shortage of raw materials	29%	Insufficient demand	33%
Access to land	27%	Lack of water	33%
Insufficient demand	26%	Lack of working capital	22%
Lack of specialized technology	23%	Shortage of qualified labour	22%

Barriers to export

In agro-processing, 78% of respondents are facing export barriers, which is above the average of 59%. Like in other sectors, competitiveness is the main driver for this. Paper work in foreign markets is relatively higher compared to other sectors, most likely reflecting the SPS (food safety) requirements.

Existing Investors – all sectors		Existing Ago-processing Investors	
Competitiveness on quality and price	48%	Competitiveness on quality and price	67%
Transport	47%	Paperwork in foreign market	67%
Paperwork in foreign market	33%	Transport	56%
Paperwork in Rwanda	27%	Information barrier	44%
Quality standards	27%	Linkages to foreign customers	33%
Linkages to foreign customers	27%	Paperwork in Rwanda	11%
Information barrier	26%	Quality standards	11%
Products not suitable for export	11%	Products not suitable for export	0%

Political Risk Factors

Agro-processors have in higher proportions reported experiencing currency restrictions, which occurred to 33% of investors in this sector as opposed to 11% in general. This could be because several business models need foreign currency to import raw materials despite the fact that they sell their products at the local/regional market.

Risk factor	All sectors, % experienced	Agro-processing, % experienced
Lack of transparency	24%	11%
Breach of contract	21%	22%
Unpredictable/bad conduct from officials	17%	22%
Expropriation	11%	11%
Currency restrictions	11%	33%
Discrimination	11%	0%

Specific recommendations to GoR from respondents

Respondents in the agro-processing sector provided the following recommendations to the GoR:

Specific recommendations from Agro-processing investors to GoR

- Make taxes friendly to business growth:
  - Reduce taxes on imported raw materials to address problem with raw materials and expand production;
  - Provide grace period on taxes and more facilities when introducing innovative agricultural products;
  - Stabilise the tax regime and avoid contradiction among institutions as to whether taxes should be applied, and where tax is supposed to be exempted and not exempted.
- Craft stable business policies that are applied equally to all market players. Stop having a system with strict policies and many exemptions.
- Finance: put in place affordable mechanisms to finance industrial sectors.
- Negotiate Rwandan tea standards on European and USA markets: when this is accomplished we will get higher profits.
- Expand road infrastructure in rural areas.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings from this study.

Inception Hypotheses Sector Constraints	Findings in IPS
Access to finance: the cost of long-term investment finance is very high in Rwanda and its access limited.	**Somewhat corroborated.** 22% of respondents report working capital as an obstacle to production. In interviews, some respondents highlight it as a particular constraint.
Lack of local raw materials: this is related to Rwanda's continued reliance on small-scale subsistence farming. This affects the quality of production at the farm and the challenges of aggregation along the value chains.	**Corroborated.** 78% highlight this as an obstacle to production, while 56% mention access to land as an obstacle.
Inadequate rural roads: rural roads network, which is the main channel of transporting crops to processing firms, are still inadequate and in poor condition.	**Somewhat corroborated.** This is interlinked with access to raw materials. Although it is not covered as a tick box in the questionnaire (which covers 8 sectors), it was highlighted in the discussions.
Expensive packaging material: this is difficult to obtain in Rwanda and hence needs to be imported.	**Not corroborated.** The packaging issue was mentioned in a few interviews, but not to a significant extent.
Non-tariff barriers that continue to impede trade among EAC partners.	**Somewhat corroborated.** Paperwork in foreign countries is highlighted.
High transport cost due to Rwanda being a landlocked country.	**Corroborated.** 56% of respondents note transport as inhibiting exports.
Energy and water cost and availability: despite the recent energy tariff reduction issues still remain: • Some small-scale industrial firms have reported that they have not benefited from the newly adopted tariff, as they are forced to operate in shift which increases labour costs. • There is an issue of inconsistency in voltage which hugely affects the performance of manufacturers.	**Corroborated.** 78% cite power as an obstacle to production.

6.3 Mining

Location determinants

International investors in the mining sector all report the existence of natural resources as the key factor determining location. In subsequent order, they consider security, political risk, and incentives.

International Drivers – all sectors		International Mining Sector Drivers	
Size of the national market	42%	Natural Resources	100.0%
Access to the African market/customers	41%	Security	25.0%
Economic stability	39%	Economic stability	25.0%
Political risk	29%	Political risk	25.0%
Regulatory environment	27%	Incentives	25.0%

Potential Investors' Perceptions

Ranking

Three out of four mineral investors perceive Tanzania as an attractive destination for FDI, while fewer find Rwanda attractive.

	% potential investors attracted – all sectors	% potential Mining investors attracted
Africa in general	75%	25%
Kenya	56%	0%
Tanzania	47%	75%
Rwanda	39%	25%
Uganda	37%	0%

Perceived Strengths

Only stability and availability of raw materials were mentioned among the four responses as key strengths.

Potential Investors – all sectors		Potential Mining Investors	
Political Stability & Safety	19%	Economic Growth / Stability	25%
Economic Growth / Stability	14%	Availability of Raw Materials	25%

Perceived weaknesses

The same two factors mentioned as strengths were cited as weaknesses out of four international responses for this sector. If anything, this indicates that these are the two most crucial factors.

Potential Investors – all sectors		Potential Mining Investors	
Limited Market	20%	Lack of Raw Materials	25%
Geographical Position	10%	Unpredictable/Unstable	25%

Existing Investors' Experience

Rwanda-based mining investors reported on average 7.4 out of 10 to recommend Rwanda as a place to invest. This is below the 8.0 average for all sectors and the second lowest among the surveyed sectors.

Perceived Strengths for Rwanda as an Investment Destination

Existing mining investors highlight similar strengths as for the average across all sectors (stability, security and safety, and rule of law). The data also reflects that mining investors do not come for the domestic market, but rather they invest based on the availability of natural resources.

Potential Investors – all sectors		Existing Mining Investors	
Political Stability	76%	Political Stability	86%
Security/Safety	47%	Security/Safety	57%
Rule of Law	26%	Rule of Law	43%
Specific market opportunity	24%	Climate, Raw Materials & Natural Resources	43%
Ease of doing business	21%	Specific market opportunity	14%

The qualitative responses fell in three categories:

- Availability of minerals
- Political and economic Stability to efficiently process minerals
- Low level of corruption

Perceived Weaknesses of Rwanda as an Investment Destination

Domestic miners find that lack of skilled labour and limited access to finance are the two main weaknesses. The latter is most likely due to international regulations affecting minerals extracted from Rwanda.

Existing Investors – all sectors		Existing Mining Investors	
Transport costs	41%	Lack of skilled Labour	71%
Lack of skilled labour	39%	Limited access to finance	71%
Limited market	35%	Transport costs	29%
High cost of inputs	33%	High cost of inputs	29%
Limited access to finance	17%	High taxes	29%

The qualitative responses from mining investors are:

- Expensive finance and banks have limited knowledge in mining
- Tax policies that are not adapted to the mining sector
- Lack of specialised skills in mining
- Water does not effectively reach mining facilities
- High production costs – electricity needed to invest in mining
- Lack of mining skills
- Landlocked country

Current factors limiting production

Rwandan-based mineral investors generally have a higher tendency to report obstacles to production compared to other sectors in the survey, but the top three obstacles remain the same: lack of power, tax predictability, and lack of working capital. Insufficient water, land, and technology are more pertinent in mining than other sectors.

Existing Investors – all sectors		Existing Mining Investors	
Lack of power/electricity	42%	Lack of power/electricity	86%
Tax predictability	41%	Tax predictability	86%
Lack of working capital	39%	Lack of working capital	86%
Shortage of qualified labour	36%	Lack of water	57%
Tax level	30%	Access to land	43%
Shortage of raw materials	29%	Lack of specialised technology	43%
Access to land	27%	Tax level	29%
Insufficient demand	26%	Shortage of qualified labour	29%
Lack of specialised technology	23%	Road Infrastructure	14%

Barriers to export

In Mining, 57% of respondents are facing export barriers, which is slightly below the average of 59%, yet more concentrated on a few issues. Like in other sectors, competitiveness, transport, and paperwork are the main challenges.

Existing Investors – all sectors		Existing Mining Investors	
Competitiveness on quality and price	48%	Competitiveness on quality and price	71%
Transport	47%	Transport	71%
Paperwork in foreign market	33%	Paperwork in Rwanda	71%
Paperwork in Rwanda	27%	Paperwork in foreign market	29%
Quality standards	27%	Quality standards	29%
Linkages to foreign customers	27%	Information barrier	0%
Information barrier	26%	Linkages to foreign customers	0%
Products not suitable for export	11%	Products not suitable for export	0%

Political Risk Factors

Among mineral investors, 29% state that they have faced expropriation and another 29% faced discrimination.

Risk factor	All sectors, % experienced	Mining sector, % experienced
Lack of transparency	24%	29%
Breach of contract	21%	14%
Unpredictable/bad conduct from officials	17%	0%
Expropriation	11%	29%
Currency restrictions	11%	14%
Discrimination	11%	29%

Specific recommendations to GoR from respondents

Respondents in the mining sector provided the following recommendations to the GoR:

Specific recommendations from Mining investors to GoR
• De-risk investment: map minerals so that independent minerals explorers can know where to invest. • Review repatriation policy to increase investment. • Revise double taxation policy and tax traders at local prices instead of their selling price. • Provide more efficient communication about government policies: give time to react. • Introduce expedited government services to handle commercial needs. • Reduce the cost of mineral traceability. • Government investments in a fund to facilitate investors in the mining sector.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings from this study.

Inception Hypotheses Sector Constraints	Findings in IPS
Access to skills: the growth of the extractives industry and its contribution to economic growth is constrained by the limited availably of human capital, especially geologists, mining engineers, geophysicists, geochemists, mineral economists and middle-level mining technicians.	**Somewhat corroborated**. 29% cite access to skills as an obstacle to doing business.
Little knowledge about mineral resources and mineral reserves: little exploration works and mineral surveys have been carried out, which leads to the country's reliance on three traditional minerals commodities (tin, tungsten and tantalum) and low levels of foreign direct investment flowing in the Rwandan mining sector.	**Corroborated**. While this was not directly asked in the qualitative part of the questionnaire, several respondents propose the government de-risk investment by funding exploration.
Value addition within Rwanda remains a challenge: there is currently one smelting plant in Rwanda that is not currently operating. While there may be some opportunity to re-operationalise the plant, without sufficient power quality and availability it will not be viable. One potentially new development is a new coltan processing plant planned by a local investor.	**Corroborated**. While this was not directly asked in the qualitative part of the questionnaire, this was highlighted by a respondent.
Access to finance: the problem of accessibility to loans by mining companies and cooperatives is hindering the mechanisation and thus modernisation of the mining industry. This leads to low production levels, low level mineral recovery rates and environmental degradation.	**Somewhat corroborated:** 86% of respondents cite lack of working capital as an obstacle to their business, though no specific mention was made to mechanisation, low productivity levels, low level mineral recovery rates and environmental degradation.

Instability in neighbouring countries and conflict mineral association has tarnished the image of the Rwanda's mineral sector and increased the perception that minerals from Rwanda are conflict minerals. This remains a major challenge and is a hindrance to investment in value added production. Once minerals have been processed, traceability is no longer possible as the geo-tagging process is negated. The implication being that there is currently no secure market for Rwandan minerals were they to be processed. Access to European and US markets are also under jeopardy as a result of the Dodd-Frank Act.	**Corroborated.** While this was not directly asked in the questionnaire, it was highlighted by respondents.

6.4 Tea

Location determinants

The international sample covers only four potential tea investors. All of them would invest in Africa in order to gain access to the regional market.

International Drivers – all sectors		International Drivers in Tea Sector	
Size of the national market	42%	Access to the African market/customers	100.0%
Access to the African market/customers	41%	Regulatory environment	75.0%
Economic stability	39%	Economic stability	25.0%
Political risk	29%	Political risk	25.0%
Regulatory environment	27%	Incentives	25.0%

Potential Investors' Perceptions

Ranking

While all of the four international tea investors found Africa and Uganda attractive, one of the respondents perceived Rwanda to be an attractive location for investment. International investors did not comment on perceived strengths and weaknesses of Rwanda as an FDI destination.

	Potential Investors – all sectors	Potential Tea Investors
Africa in general	75%	100%
Kenya	56%	25%
Tanzania	47%	75%
Rwanda	39%	25%
Uganda	37%	100%

Existing Investors' Experience

Rwanda-based tea exporters' likelihood of recommending Rwanda on a scale from 0-10 is 9.0, which is the highest among the surveyed sectors.

Perceived Strengths for Rwanda as an Investment Destination

The existing tea producers uniformly view stability, safety and security as key strengths for attracting FDI, an essential factor for resource-driven investment. The quality of local labour and suppliers of raw materials are also deemed important.

Existing Investors – all sectors		Existing Tea Investors	
Political stability	76%	Political stability	71%
Security/Safety	47%	Security/Safety	71%
Rule of law	26%	Rule of law	29%
Specific market opportunity	24%	Specific market opportunity	29%

Ease of doing business	21%	Quality of labour	29%

Perceived Weaknesses for Rwanda as an Investment Destination

Rwanda-based tea producers agree that transportation costs is the biggest weakness for Rwanda, followed by the high cost of inputs and lack of skilled labour.

Existing Investors – all sectors		Existing Tea Investors	
Transport costs	41%	Transport costs	86%
Lack of skilled labour	39%	High cost of inputs	57%
Limited market	35%	Lack of skilled labour	29%
High cost of inputs	33%	Limited access to finance	14%
Limited access to finance	17%	High taxes	14%

The qualitative responses further highlighted the following weaknesses:

- Landlocked and high transport costs
- Small market size and purchasing power
- Punitive and unpredictable tax regime
- Energy costs
- Poor policy communication and implementation
- Limited skilled labour causing lower productivity
- Expensive finance
- Poor R&D environment

Current factors limiting production

Rwanda-based tea producers perceive road infrastructure as the main obstacle for the establishment of an efficient tea supply chain. Lack of power and limited access to land are also main concerns for existing investors in the sector.

Existing Investors – all sectors		Existing Tea Investors	
Lack of power/electricity	42%	Road infrastructure	86%
Tax predictability	41%	Lack of power	71%
Lack of working capital	39%	Access to land	71%
Shortage of qualified labour	36%	Shortage of raw materials	43%
Tax level	30%	Tax predictability	29%
Shortage of raw materials	29%	Lack of working capital	29%
Access to land	27%	Shortage of qualified labour	29%
Insufficient demand	26%	Tax level	14%
Lack of specialised technology	23%	Product standards	14%

Barriers to export

In the tea sector, transport represents a main barrier to export for 86% of respondents, linked to the perceived poor road infrastructure which limits production (see table above). Quality standards and linkages to foreign customers are important barriers for 43% of surveyed Rwanda-based investors, appearing as more relevant challenges than in other sectors (with an average of 27%). Competitiveness on quality and price comes relatively lower than in other sectors. Paperwork in Rwanda and information barriers have slightly higher importance when compared to the average in all sectors.

Existing Investors – all sectors		Existing Tea Investors	
Competitiveness on quality and price	48%	Transport	86%
Transport	47%	Quality standards	43%
Paperwork in foreign market	33%	Linkages to foreign customers	43%
Paperwork in Rwanda	27%	Competitiveness on quality and price	29%
Quality standards	27%	Paperwork in Rwanda	29%
Linkages to foreign customers	27%	Paperwork in foreign market	29%
Information barrier	26%	Information barrier	29%
Products not suitable for export	11%	Products not suitable for export	0%

Political Risk Factors

Tea producers have reported breach of contract as the main political risk factor (29%), followed by lack of transparency, unpredictable/bad conduct from officials and currency restrictions (14%).

Risk factor	All sectors, % experienced	Tea sector, % experienced

Lack of transparency	24%	14%
Breach of contract	21%	29%
Unpredictable/bad conduct from officials	17%	14%
Expropriation	11%	0%
Currency restrictions	11%	14%
Discrimination	11%	0%

Specific recommendations to GoR from respondents

Respondents in the tea sector provided the following recommendations to the GoR:

Specific recommendations from investors to GoR
• The GoR could negotiate and brand Rwandan tea on the European and USA markets • Through BRD, the GoR should support loans for working capital at lower rates • Get accredited labs at RSB and NARB for analysis of tea, so that producers can save money and have quicker analysis compared to the present situation where they use foreign labs • Allow factories to acquire more land for industrial blocks to increase capacity utilisation

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings of this study.

Inception Hypotheses Sector Constraints	Findings in IPS
High cost for fertilisers: fertiliser costs in Rwanda are higher than in neighbouring countries (e.g. 50% higher than in Kenya), increasing overall production costs.	**Corroborated**. 43% of existing investors in the tea sector in Rwanda perceive production costs as high.
Inadequate use of fertilisers: fertilisers are not adapted to specific soil needs nor applied regularly.	**Not corroborated.** This information was not pointed at nor highlighted by any of the respondents, but further research may reveal inadequate use of fertilisers by poorly trained farmers.
Growers trade off quantity ahead of quality: farmers may produce lower quality tea due to lack of resources such as skills, capital and knowledge.	**Corroborated**. 43% of respondents considered current quality standards to be a main barrier to export tea. This relates to the fact that, at the moment, more quantity of tea is preferred over quality by growers and investments are needed to meet demanded quality standards.
Lower yields due to poor plucking and pruning: poor harvesting practices by unqualified/untrained labour may lead to lower yields and lower product quality.	**Somewhat corroborated.** Quality standards were highlighted by 43% of respondents as a main barrier to export, and 29% of respondents agreed on the existence of a shortage of qualified labour, which could relate to poor plucking and pruning and thus do lower yields.
Inconsistent green leaf quality standards: low resources and poor harvesting and handling practices by growers may lead to differing quality in the final product, challenging aggregation and product uniformity.	**Not corroborated.** The survey did not cover specific details on quality and agricultural practices and thus the hypothesis cannot be confirmed as such. However, quality standards are highlighted as a main barrier to export, reflecting current quality inconsistency.
Poor road infrastructure and transport: low quality of roads and overloading of lorries of cooperatives reduces quality.	**Corroborated.** Poor road infrastructure as well as transport were identified for 86% of the respondents as a main factor limiting production and a main barrier to export, respectively.
Overuse of factory lines: abuse of factory manufacturing capacity may affect final product quality.	**Not corroborated.** The survey did not cover this aspect in particular and it was not highlighted by any of the respondents.
High cost of international transport: lack of adequate transportation available in Rwanda may add high costs along the tea supply chain, including logistics within the country and for export.	**Corroborated.** Transport was perceived as the main barrier to export for 86% of the survey respondents.

Overdependence on Mombasa: research data shows that Rwanda is very dependent on Mombasa as the main market for tea exports.	**Not corroborated.** The survey did not cover this aspect in particular and it was not brought up by any of the respondents.
Lack of marketing and branding of Rwanda tea: absence of quality or certification schemes decreases opportunities for export and commercial agreements.	**Somewhat corroborated.** Although this statement was not specifically addressed in the survey, 43% of respondents pointed out that poor linkages to foreign customers are a main barrier to export, which can be attributed to insufficient marketing and branding as well as certification of quality and other standards. Moreover, 29% of surveyed companies responded that competitiveness on quality and price represents a barrier to export, which can also be linked to poor marketing and branding.
There is currently no quality mark for Rwandan tea: lack of quality certification marks makes it difficult to attract buyers looking to import differentiated/added-value products.	**Somewhat corroborated.** Although this statement was not specifically addressed in the survey, 43% of respondents pointed out that poor linkages to foreign customers are a main barrier to export, which can be attributed to insufficient marketing and branding as well as certification of quality and other standards. Moreover, 29% of surveyed companies responded that competitiveness on quality and price represents a barrier to export, which can also be linked to poor marketing and branding.

6.5 Horticulture

Existing Investors' Experience

Perceived Strengths for Rwanda as an Investment Destination

The existing horticultural sector investors perceive political stability, security and safety as the main strengths for investment. Climate, raw materials and natural resources together with low operating costs are also key factors for determining location.

Existing Investors – all sectors		Existing Horticulture Investors	
Political Stability	76%	Political Stability	63%
Security/Safety	47%	Security/Safety	63%
Rule of Law	26%	Climate, Raw Materials & Natural Resources	38%
Specific market opportunity	24%	Low operating costs	38%
Ease of doing business	21%	Ease of doing business	25%

The qualitative responses highlighted the following strengths:

- Natural conditions/climate and seasonal patterns
- Low operating costs: "Labour costs in Rwanda are half of Kenya and Ethiopia"
- Predictable business environment and growing economy
- Political stability: good for long-term investment
- Incentives
- Easy to test ideas because relatively smaller investments are required in Rwanda compared to, for example, Kenya

Perceived Weaknesses for Rwanda as an Investment Destination

The horticultural sector investors perceive lack of skilled labour as the main weakness in Rwanda, followed by transport costs and limited market.

Existing Investors, all sectors		Existing Horticulture Investors	
Transport costs	41%	Lack of skilled labour	63%
Lack of skilled labour	39%	Transport costs	50%
Limited market	35%	Limited market	50%
High cost of inputs	33%	Limited access to finance	25%
Limited access to finance	17%	Poor/unstable/unfair regulations	25%

The qualitative responses further highlighted the following weaknesses:

- High airfreight costs compared to neighbouring countries and few airlines working in Rwanda

- The government's priorities are short-sighted: in agriculture, 5 years is a short time, but government want to see results within 1 year
- Expensive financing and few products available for agricultural financing
- Skills: lack of agricultural experts
- Bureaucracy and lack of customer care from civil servants
- The government does not allow investors to import flowers seeds it does not know about
- Small market
- Lack of agricultural certifications specifically organic certifications they obtain from EU
- Lack of local buying power
- It is hard to access financing from banks in our sector; banks do not have enough information about our sector

Current Factors limiting production

Rwanda-based horticultural producers perceive lack of working capital and shortage of qualified labour as the main limiting factors to establish a successful horticultural supply chain. Limited access to land and lack of specialised technology are the following constraining factors.

Existing Investors – all sectors		Existing Horticulture Investors	
Lack of Power	42%	Lack of working capital	50%
Tax predictability	41%	Shortage of qualified labour	50%
Lack of working capital	39%	Access to land	38%
Shortage of qualified labour	36%	Lack of specialised technology	38%
Tax level	30%	Tax predictability	25%

Barriers to export

In the horticultural sector, competitiveness on quality and price represent the biggest barrier for 88% of the respondents (in comparison to the 48% for all sectors). Transport and quality standards are equally important as the second highest barriers limiting exports.

Existing Investors – all sectors		Existing Horticulture Investors	
Competitiveness on quality and price	48%	Competitiveness on quality and price	88%
Transport	47%	Transport	63%
Paperwork in foreign market	33%	Quality standards	63%
Paperwork in Rwanda	27%	Information barrier	50%
Quality standards	27%	Linkages to foreign customers	38%

Political Risk Factors

Horticulture sector investors have reported lack of transparency, unpredictable or bad conduct from officials and expropriation as the main political risks factor (25%), followed by breach of contract (13% of affirmative responses).

Risk factor	All sectors, % experienced	Horticulture sector, % experienced
Lack of transparency	24%	25%
Breach of contract	21%	13%
Unpredictable/bad conduct from officials	17%	25%
Expropriation	11%	25%
Currency restrictions	11%	0%
Discrimination	11%	0%

Specific recommendations to GoR from respondents

Respondents in the horticulture sector provided the following recommendations to the GoR:

Specific recommendations from investors to GoR

• Finance: - Put in place a bank that supports investors in the agricultural sector, which offer working capital at affordable interest rates; - Improve/change the Export Growth Fund: "Currently, the program chooses the support it can give to businesses instead of letting the investor decide the help you need." (The investor was told that he could get funding help with business branding in Rwanda but not funding in acquiring an ideal location in the export market). • Regulatory environment: - Improve capacity to evaluate and certify seeds (RALIS): currently, some seeds are not recognised for importation, so the business cannot produce optimally; - Reduce bureaucracy to get an investment certificate: RDB should work with RRA, and other governmental offices; - The government should ease taxation of agricultural machinery like cold rooms to help companies produce efficiently; - Make it possible for investors to get organic certificates in the country: this would ensure that investors do not have to go to the EU to obtain the certificates; - Put in place an option of foreigners leasing land for longer periods of time (5 years+) so that they can plan to stay in the country for a longer period of time; - Reduce taxes on imported goods as long as they cannot be sourced in Rwanda; - Ease the process of getting export certificates. • Infrastructure: - Provide more packing houses with machinery that can scan produce for infections; - The government should invest in irrigation schemes and logistics training; - The GoR should invest in labs to find out what diseases Rwandese seeds get: this will increase the likelihood of the investor importing seeds from other countries. Currently government officials say that Rwandese seeds are perfect and have no diseases. This makes it hard for the investor to get seeds verification from other countries where the investor imports the seeds from; • Skills: increase education capacity. GoR should pay for 1 year worth of salaries when employers are training students in specialised skills.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings of this study.

Inception Hypotheses Sector Constraints	Findings in IPS
Insufficient agricultural inputs and inadequate logistics: insufficient availability of proper seeds and cold chains in the production areas hinder the improvement of production of fruits and vegetables.	**Corroborated.** 63% of horticulture sector investors based in Rwanda stated that poor transport is a main barrier to export, whereas 38% of respondents considered lack of specialised technology as a limiting production factor.
Lack of sufficient land for extensive farming: Rwanda is constrained by a lack of sufficient land for extensive farming compared to other countries in the region.	**Somewhat corroborated.** Access to land is considered by 38% of respondents to be a limiting production factor.
Inadequate agricultural equipment: farmers still lack the proper agricultural equipment for farming.	**Somewhat corroborated.** 38% of respondents considered lack of specialised technology to be limiting production factor.
Limited experience of extension workers: extension workers face the challenge of insufficient know-how to be able to improve farming practices.	**Corroborated.** 63% of respondents considered lack of skilled labour as a main weakness hindering the horticultural sector investment in Rwanda. Additionally, shortage of qualified labour was identified by 50% of respondents as a limiting production factor.
Limited skills of farmers to handle the harvest: horticultural products need to be well handled during harvesting to ensure that the quality of the products is maintained. However, farmers do not have the required skills for proper handling of the harvest.	**Corroborated.** 63% of respondents considered lack of skilled labour as a main weakness hindering the horticultural sector investment in Rwanda. Additionally, shortage of qualified labour was identified by 50% of respondents as a limiting production factor.
High air transport cost: airfreight costs for Rwandan exporters are much higher than for their regional competitors.	**Corroborated.** Qualitative responses highlighted high airfreight costs compared to neighbouring countries and few airlines working in Rwanda. Moreover, 50% of respondents placed transport costs as the main weakness for investment and 63% of respondents considered poor transport a main barrier for export.

6.6 Tourism

Existing Investors' Experience

Perceived Strengths for Rwanda as an Investment Destination

The existing tourism sector investors highlight similar strengths as for the average across all sectors (political stability, and security and safety). The data also reflects that tourism investors consider economic growth and infrastructure conditions relevant advantages for investment in Rwanda.

Existing Investors – all sectors		Existing Tourism Investors	
Political Stability	76%	Political Stability	56%
Security/Safety	47%	Security/Safety	44%
Rule of Law	26%	Economic Growth /Stability	33%
Specific market opportunity	24%	Infrastructure	33%
Ease of doing business	21%	Rule of Law	22%

The qualitative responses further included the following strengths:

- Political stability and security
- Rwanda has great wild life
- Government support
- Good technology and developed infrastructure
- Growing economy and consumer base (also in the region)
- Ease of doing business, mainly in setting up businesses

Perceived Weaknesses of Rwanda as an Investment Destination

Domestic tourism investors consider the lack of skilled labour and the limited market as bigger weaknesses compared to investors across sectors. The high cost of inputs is perceived as a weakness by 33% of respondents in both tourism sector and across all sectors.

Existing Investors – all sectors		Existing Tourism Investors	
Transport costs	41%	Lack of skilled labour	56%
Lack of skilled Labour	39%	Limited market	56%
Limited market	35%	High cost of inputs	33%
High cost of inputs	33%	Transport costs	22%
Limited access to finance	17%	Lack of raw materials	22%

The qualitative responses further included the following weaknesses:

- Rwanda is expensive compared to other destinations in Africa
- Limited skilled labour in tourism and weak school curriculum
- Difficult to access quality goods to offer
- Low spending power in the local market

Current factors limiting production

Rwanda-based tourism investors consider tax predictability, shortage of qualified labour and product standards as equally important factors limiting production (33% for all three categories).

Existing Investors – all sectors		Existing Tourism Investors	
Lack of power/electricity	42%	Tax predictability	33%
Tax predictability	41%	Shortage of qualified labour	33%
Lack of working capital	39%	Product standards	33%
Shortage of qualified labour	36%	Lack of working capital	22%
Tax level	30%	Insufficient demand	22%

Barriers to export

The major barrier to export tourism services (or offer such services abroad) is linked to the competitiveness on quality and price in the tourism industry, with a 44% of affirmative responses. This relates to the high cost of tourism attractions and services in Rwanda when compared to similar ones in neighbouring countries.

Existing Investors – all sectors		Existing Tourism Investors	
Competitiveness on quality and price	48%	Competitiveness on quality and price	44%
Transport	47%	Transport	22%
Paperwork in foreign market	33%	Quality standards	22%
Paperwork in Rwanda	27%	Information barrier	22%
Quality standards	27%	Linkages to foreign customers	22%

Political Risk Factors

Political risk factors appear significantly less relevant than in other sectors. The strongest risk factor in the tourism sector is the perceived lack of transparency, with a 33% of affirmative responses from surveyed investors.

Risk factor	All sectors, % experienced	Tourism sector, % experienced
Lack of transparency	24%	33%
Breach of contract	21%	0%
Unpredictable/bad conduct from officials	17%	22%
Expropriation	11%	11%
Currency restrictions	11%	0%
Discrimination	11%	0%

Specific recommendations to GoR from respondents

Respondents in the tourism sector provided the following recommendations to the GoR:

Specific recommendations from Tourism investors to GoR

- Regulatory environment:
  - When rules change, give investors time so that they can adapt to the new reality. Seek the advice of the private sector before increasing fees like that of the Gorilla Trekking activities;
  - Make people in the tourism industry key stakeholders to give inputs in government decisions. Seek the advice of the private sector before increasing fees like that of the Gorilla Trekking activities;
  - Communicate more effectively on progress on regional initiatives so that we can effectively plan for our businesses;
  - Reduce the Gorilla permit rate or give a 30% discount for Rwandese operators all year round;
  - Quicken the import process so we can access quality goods, as it takes a long time to receive imported goods. Then we will be able to provide a standardised service.
- Skills: improve English and hospitality education so that we can hire more local staff. Currently it is hard to offer great service without qualified staff.
- Finance: provide affordable financing to local investors.
- Infrastructure:
  - Continue improving the road infrastructure in key tourist areas;
  - Make sure there is constant electricity.
- Promotion:
  - Market the tourism industry in Rwanda so that we become competitive;
  - Draw international travellers out of the Gorilla trekking activities;
- Reward investors who abide by rules by promoting them.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings of this study.

Inception Hypotheses Sector Constraints	Findings in IPS
International visitors to Rwanda spend little time in the country: at present, most of high-value international visitors to Rwanda spend one week on average in the country. Little additional revenue is generated for Rwanda as a general tourist	**Not corroborated.** The survey did not cover this aspect in particular and it was not highlighted by any of the respondents.

destination which is hampered by the perception of the country and visa requirements.	
Lack of diversity in tourist attractions: an estimated 90% of the sector's earning is driven by mountain gorilla tours.	**Corroborated.** Competitiveness on quality and price was considered by 44% of the respondents as a barrier to attract foreign clients. This could be explained by the much higher prices in Rwanda for mountain gorilla tours when compared to Uganda or DRC.
Rwanda's destination brand is still weak and undefined: branding to attract tourists still needs to flourish. However, Rwanda has many touristic attractions in the area of MICE, nature and wildlife. Rwanda has six volcanoes, twenty-three lakes and numerous rivers. The Rwanda Tourism Master Plan of identified a number of 'Destination Management Areas' to focus on growth in tourism.	**Not corroborated.** This was not directly addressed in the questionnaire nor highlighted by respondents.
Low skills base among workers in the sector: limited number of well-educated and trained professionals to work in the tourist sector.	**Corroborated.** Lack of skilled labour was the most ranked weakness in the touristic sector (56% of the respondents). Additionally, qualitative responses stressed limited skilled labour in tourism and weak school curriculum as main weaknesses in the sector.
Infrastructure challenge to connect some tourist sites: Limited mobility with certain transport vehicles and low offer of comfortable options for high-class tourism.	**Not corroborated.** 33% of respondents identified infrastructure as a main strength in the touristic sector in Rwanda.

6.7 ICT/BPO

Location determinants

International investors in the ICT/BPO sector in Rwanda align with three main priorities of investors across all sectors: size of the national market, access to continental market and customers, and economic stability.

International Drivers – all sectors		International Drivers in ICT/BPO	
Size of the national market	42%	Size of the national market	50,0%
Access to the African market/customers	41%	Access to the African market/customers	41,7%
Economic stability	39%	Economic stability	41,7%
Political risk	29%	Labour availability/skills	33,3%
Regulatory environment	27%	ICT infrastructure	25,0%

Potential Investors' Perceptions

Ranking

For the ICT/BPO sector, preferences in investments in selected East African countries follow the same order, with Rwanda placed as the least preferred together with Uganda.

Potential Investors – all sectors		Potential ICT/BPO Investors	
Africa in general	75%	Africa in general	73%
Kenya	56%	Kenya	60%
Tanzania	47%	Tanzania	40%
Rwanda	39%	Rwanda	30%
Uganda	37%	Uganda	30%

Perceived Strengths

Responses from ICT/BPO investors show that there are not strong perceived strengths in Rwanda for investment, with very low affirmative responses in general. Quality of labour, political stability and safety, and infrastructure are the top responses counting only with a low 8% each.

Potential Investors – all sectors		Potential ICT/BPO Investors	
Political stability & safety	19%	Quality of labour	8%
Economic growth / stability	14%	Political stability & safety	8%
Ease of doing business	12%	Infrastructure	8%
Infrastructure	10%	Economic growth / stability	0%
Quality of labour	10%	Lack of corruption	0%

Perceived Weaknesses

The main weakness in the ICT/BPO sector seems to be the lack of raw materials, with a 25% of positive responses; however, percentages for other categories are too low to draw significant conclusions.

Potential Investors – all sectors		Potential ICT/BPO Investors	
Limited market	20%	Lack of raw materials	25%
Geographical position	10%	Unpredictable/Unstable	8%
Lack of skilled labour	10%	Limited market	8%
Lack of Infrastructure/transportation	8%	Geographical position	0%
Unpredictable/unstable	7%	Expropriation	0%

Existing Investors' Experience

Perceived Strengths for Rwanda as an Investment Destination

Rwanda-based ICT/BPO investors perceive political stability as the biggest Rwandan strength (63%), followed by security and safety (33%), specific market opportunities (33%), infrastructure (25%) and rule of Law (13%).

Existing Investors – all sectors		Existing ICT/BPO Investors	
Political stability	76%	Political stability	63%
Ease of doing business	47%	Security/Safety	38%
Rule of aw	26%	Specific market opportunity	38%
Specific market opportunity	24%	Infrastructure	25%
Ease of doing business	21%	Rule of Law	13%

The qualitative responses further included the following strengths:

- Good piloting country for business models
- Market penetration: office in Kenya and South Africa would not be viable for French speaking countries
- ICT infrastructure
- Low labour costs
- Rule of law
- Low corruption
- Economic stability and ease of doing business
- Government incentives
- Security

Perceived Weaknesses for Rwanda as an Investment Destination

The two main weaknesses perceived by existing ICT/BPO investors in Rwanda include lack of skilled labour and limited market (63%), followed by unstable political relations with neighbours (25%).

Existing Investors – all sectors		Existing ICT/BPO Investors	
Transport costs	41%	Lack of skilled labour	63%
Lack of skilled labour	39%	Limited market	63%
Limited market	35%	Unstable political relations with neighbours	25%
High cost of inputs	33%	High cost of inputs	13%
Limited access to finance	17%	Limited access to finance	13%

The qualitative responses included the following weaknesses:

- Low skills of local labour
- Small local market

- High-energy costs compared to countries like Ethiopia
- Access to finance

Current factors limiting production

In the ICT/BPO sector, investors appear more concerned about tax predictability issues, lack of working capital and shortage of qualified labour when compared to other sectors. Additionally, these factors are followed by insufficient demand and lack of specialised technology, elements not appearing as main limiting factors in other sectors.

Existing Investors – all sectors		Existing ICT/BPO Investors	
Lack of power/electricity	42%	Tax predictability	63%
Tax predictability	41%	Lack of working capital	63%
Lack of working capital	39%	Shortage of qualified labour	50%
Shortage of qualified labour	36%	Insufficient demand	38%
Tax level	30%	Lack of specialised technology	25%

Barriers to export

As in the strengths and weaknesses sections, responses show that no strong barrier to export is identified by respondents. This could be explained by the interest of companies to market ICT/BPO services exclusively in Rwanda. Information barriers and linkages to foreign countries represent the only stated barriers with only a 13% of affirmative responses in both cases.

Existing Investors – all sectors		Existing ICT/BPO Investors	
Competitiveness on quality and price	48%	Information barrier	13%
Transport	47%	Linkages to foreign customers	13%
Paperwork in foreign market	33%	Competitiveness on quality and price	0%
Paperwork in Rwanda	27%	Transport	0%
Quality standards	27%	Quality standards	0%

Political Risk Factors

The highest perceived risk factors for the ICT/BPO sector include lack of transparency, unpredictable/bad conduct from officials and discrimination, with 25% of respondents noting these risks.

Risk factor	All sectors, % experienced	Existing ICT/BPO Investors, % experienced
Lack of transparency	24%	25%
Breach of contract	21%	13%
Unpredictable/bad conduct from officials	17%	25%
Expropriation	11%	13%
Currency restrictions	11%	13%
Discrimination	11%	25%

Specific recommendations to GoR from respondents

Respondents in the ICT/BPO sector provided the following recommendations to the GoR:

Specific recommendations from investors to GoR
• Continue improving on the availability of electricity and the internet. • Skills: - "Invest heavily in the workforce so that young people are ready for the job market: Currently, students who come for interviews cannot even write a full page of a report." - "The government should subsidize institutions of higher learning so that they can afford qualified professors to train highly skilled ICT personnel." - Government to pay private sector supplier on time. - Invite foreign talent (from top schools globally) to come here and open innovative businesses: "Rwanda is a perfect test laboratory for testing new business ideas. It is safe and very liveable; it provides a relatively "clean" business environment with low corruption; and it requires relatively little capital for a pilot. Attracting this talent would generate a healthy competitive environment where businesses and people continuously improve." • Taxes: - "Avoid withholding 15% tax on salary payments to consultants abroad. As a business you can't get everything in the country, which makes it important to hire external services. If the government wants to

become a regional business hub, it should avoid these tax withholdings. Otherwise, investors will move elsewhere."
  - Reform tax environment: punitive fines on late payment put serious strains on cash-flows at times when cash is already low.
  - Better and early communication about taxes.
- Facilitate entrepreneurship: "The government should work with K-Lab to create a roadmap that new start-ups can follow to succeed."
- Investment process:
  - Provide a simplified document of checkboxes for taxes and other key things investors should know about when they start businesses in Rwanda.
  - Provide updated webpages of ministries that easily portray industry and tax regulations.
- Regional integration: harmonize regulations with the whole East Africa so that it becomes easy to expand.
- Put in place intellectual property law.

Findings compared to hypothesis at inception

In the Inception Report, we presented some hypotheses based on findings from previous surveys and studies in each sector in Rwanda. Here we present how they compare to the findings of this study.

Inception Hypotheses Sector Constraints	Findings in IPS
Rwanda has insufficient skilled personnel in the ICT field to drive ICT development: while many graduates are entering the job market each year there is a general perception amongst businesses in this sector that they are not of sufficient quality. This impacts the sectors ability to grow both domestically and its ability to sell cross-border services. Furthermore, the government often relies on foreign service providers to provide ICT services, thus undermining the development of the local sector	**Corroborated.** There is a strong perception by existing investors that lack of skilled labour is the main weakness for ICT investors in Rwanda. Moreover, 50% of respondents considered shortage of qualified labour as an important limiting production factor.
Limited access to finance: lending for ICT companies is constrained by costs and risks arising from several factors, including: lack of adequate collateral, crowding out by government bonds, asymmetrical information (caused in part by limited private credit registries), and inadequate skills to assess and manage risk.	**Poorly corroborated.** Limited access to finance was only listed as a weakness in the sector by 13% of the respondents.
Proposal in recent budget to increase the tariff on imported ICT equipment from 0% to 25%: the ICT sector in Rwanda sees itself specialising in software as opposed to hardware design and the increased tariff on hardware will negatively impact the competitiveness of the sector.	**Not corroborated.** This was not directly addressed in the qualitative part of the questionnaire nor highlighted by respondents.
Energy access and high costs are major impediment to the Rwanda's ICT industry.	**Somewhat corroborated.** Qualitative responses referred to the high costs of energy compared to other countries like Ethiopia, and 13% of respondents linked the high costs of inputs to a main weakness in the sector.
Tax incentives: there is little incentive for service providers to repatriate their profits from the country where the service is provided back to Rwanda because taxes are viewed as higher.	**Corroborated.** Lack of tax predictability was considered as the main limiting production factor for 63% of the respondents. Complaints about high taxes and tax punishments were also part of the qualitative responses.

6.8 Healthcare

Location determinants

International investors in the healthcare sector in Rwanda view economic stability and political risk as main determinants, followed by regulatory environment, low operating cost and size of the national market.

International Drivers – all sectors		International Drivers in the Healthcare Sector	
Size of the national market	42%	Economic stability	60,0%
Access to the African market/customers	41%	Political risk	60,0%
Economic stability	39%	Regulatory environment	40,0%
Political risk	29%	Low operating costs	40,0%
Regulatory environment	27%	Size of the national market	20,0%

Potential Investors' Perceptions

Ranking

For the healthcare sector, Kenya is the most preferred country for investment followed by Tanzania, Rwanda and Uganda in equal shares.

Potential Investors – all sectors		Potential Healthcare Investors	
Africa in general	75%	Africa in general	60%
Kenya	56%	Kenya	60%
Tanzania	47%	Tanzania	40%
Rwanda	39%	Rwanda	40%
Uganda	37%	Uganda	40%

Perceived Strengths

International healthcare investors consider ease of doing business and infrastructure in Rwanda to be the main strengths of the sector, which is a considerable higher percentage than the average of this two components for all sectors.

Potential Investors – all sectors		Potential Healthcare Investors	
Political Stability & Safety	19%	Ease of doing business	40%
Economic Growth / Stability	14%	Infrastructure	40%
Ease of doing business	12%	Political Stability & Safety	20%
Infrastructure	10%	Economic Growth / Stability	20%
Quality of Labour	10%	Strong institutions	20%

Perceived Weaknesses

Lack of raw materials and unpredictable or unstable events at the country level are the major weaknesses perceived by potential healthcare investors.

Potential Investors – all sectors		Potential Healthcare Investors	
Limited Market	20%	Lack of Raw Materials	40%
Geographical Position	10%	Unpredictable/Unstable	40%
Lack of Skilled Labour	10%	Limited Market	20%
Lack of Infrastructure/Transportation	8%	Geographical Position	20%
Unpredictable/Unstable	7%	Expropriation	20%

Existing Investors' Experience

Perceived Strengths for Rwanda as an Investment Destination

The healthcare sector investors perceive political stability as the biggest Rwandan strength (60%), followed by security and safety (60%), Rule of Law (40%), specific market opportunities (20%), and infrastructure (20%).

Existing Investors – all sectors		Existing Healthcare Investors	
Political Stability	76%	Political Stability	60%
Ease of doing business	47%	Security/Safety	60%
Rule of Law	26%	Rule of Law	40%
Specific market opportunity	24%	Specific market opportunity	20%
Ease of doing business	21%	Infrastructure	20%

The qualitative responses further included the following strengths:

- Stability and Security

- Ease of establishing business
- Low corruption
- Economic growth and growing regional market
- Infrastructure and technology

Perceived Weaknesses for Rwanda as an Investment Destination

Existing Investors – all sectors		Existing Healthcare Investors	
Transport costs	41%	Poor/unstable/unfair regulations	40%
Lack of Skilled Labour	39%	Lack of Skilled Labour	20%
Limited Market	35%	Limited Market	20%
High cost of inputs	33%	High taxes	20%
Limited access to finance	17%	Transport costs	20%

The qualitative responses further included the following weaknesses:

- Rwanda is a small country with a small market to service
- Low government willingness to partner with the private sector and slow decision-making
- Low customer care/low skills

Current factors limiting production

Existing Investors – all sectors		Existing Healthcare Investors	
Lack of power/electricity	42%	Shortage of qualified labour	40%
Tax predictability	41%	Lack of water	40%
Lack of working capital	39%	Lack of power/electricity	40%
Shortage of qualified labour	36%	Tax level	20%
Tax level	30%	Shortage of raw materials	20%

Barriers to export

Existing Investors – all sectors		Existing Healthcare Investors	
Competitiveness on quality and price	48%	Linkages to foreign customers	40%
Transport	47%	Transport	40%
Paperwork in foreign market	33%	Information barrier	20%
Paperwork in Rwanda	27%	Competitiveness on quality and price	20%
Quality standards	27%	Quality standards	20%

Political Risk Factors

Risk factor	All sectors, % experienced	Existing Healthcare Investors, % experienced
Lack of transparency	24%	20%
Breach of contract	21%	20%
Unpredictable/bad conduct from officials	17%	20%
Expropriation	11%	0%
Currency restrictions	11%	0%
Discrimination	11%	20%

Specific recommendation to GoR from respondents

Respondents in the healthcare sector provided the following recommendations to the GoR:

Specific recommendations from investors to GoR
• Treat all hospitals alike: enable private hospitals to partner with government insurers. • Create a program to enable patients to visit specialized hospitals. • Reduce the cost of electricity for healthcare providers.

7 Implications for the RDB

7.1 Strengthen Marketing and Communications

Rwanda has the weakest awareness amongst potential investors as an FDI location when compared to Kenya, Tanzania and Uganda. Furthermore, most companies had not heard of the RDB. It is very likely that Rwanda is not on the map of investors and is not being considered as a location for many companies planning operations in Africa/East Africa. The RDB needs to strengthen its awareness creation activities. Provided below are some options for how RDB could strengthen its marketing and communications:

1. **Website upgrade:** The current website is oriented towards investment facilitation rather than investment promotion. A full review of the website is needed together with an examination of the top IPA websites so that RDB can implement best practices. The website is the most effective marketing tool an IPA has based on recent investor surveys[44].

2. **Media strategy:** The current strategy is focused mainly on PR and press trips rather than a targeted media strategy. The RDB should consider developing a media strategy that can be implement in-house on a continuous basis. Not only would this ensure that Rwanda and the RDB are promoted to key media organisations, but it is also far more cost-effective than PR. A basic media strategy would include:

   – Identifying the leading media organisations and journalists, making initial contact with them, and then feeding them key news-worthy updates on Rwanda to achieve free media coverage. The current approach of press trips is also not effective for certain organisations, e.g. the Financial Times is not allowed to accept paid-for travels, so that eliminates one of the world's top two business publications and the world's leading FDI publication.

   – Ensuring the RDB is invited to participate in key studies and rankings, which are influential with investors, and put strong submissions in so that the RDB and Rwanda are as highly ranked as possible, e.g. fDi Magazine's "African Countries of the Future".

   – Feeding key FDI databases used by investors and site selectors is also a totally free, yet effective strategy, e.g. feeding fDi Markets quarterly updates on FDI project announcements in Rwanda. Leading IPAs around the world are doing this as it has a big impact on FDI publications, rankings, and site selectors. Major companies use the data: for example, 3 million people have download the UNCTAD World Investment Report, which uses data from fDi Markets so the RDB can directly and easily influence the statistics and rankings for Rwanda.

3. **Overseas events:** The RDB should consider organising its own "Invest in Rwanda" events in major source markets for FDI where events are proven to be an effective method of awareness creation and lead generation. Generally, events are most effective in Asian countries but can also work in selected other countries (they can be highly effective in Japan and China in particular, especially for African IPAs). The type of event that would be most effective for RDB is likely to be a half-day investment seminar (e.g. an after-work event) with around 30-40 companies attending (50-60 participants). Seminars should be organised around a lead generation and Government-2-Business (G2B) meeting programme and targeted to high potential investors and with PR around the seminar. Such a seminar can have a big impact on investor awareness and generate high quality FDI prospects and site visits to Rwanda

4. **Value proposition marketing:** The RDB needs to better understand its value proposition and should be able to present it convincingly to investors on its website, in marketing materials, and when presenting and meeting with investors. The starting point of developing a value proposition is benchmarking Rwanda against is key competitors and key current FDI location in Africa (e.g. Kenya, Ethiopia, South Africa, Tanzania and Nigeria) for each target sector. This will enable the RDB to understand its competitive position and differentiated unique selling points / key selling messages vis-à-vis competitors so that Rwanda can be positioned as an alternative location solution for companies. The benchmarking study provides key content to support the development of proposition-based marketing collateral. We believe it is essential for the RDB to do this so that Rwanda can be promoted effectively.

7.2 Strengthen Lead Generation

The international potential investor survey showed that over 70% of companies are considering FDI in Africa over the next 12-24 months, three-quarters of companies would like a copy of the results of the survey, and 42% of

[44] DCI, Winning Strategies, 2017

companies that agreed to be contacted by the RDB. The results demonstrate the FDI opportunity for RDB and Rwanda to attract higher volumes of FDI over the coming years. The international survey also demonstrates how to identify target companies for FDI in Rwanda. The target database developed for the survey followed a “lead generation” methodology by first identifying key sector and sub-sectors where Rwanda has clear investment opportunities and competitive position and then identifying companies in these sectors and sub-sectors that, based on key indicators including size of the company, previous track record in FDI, and intelligence on the company’s strategy, would likely have the best potential for FDI into Africa and FDI into Rwanda.

The survey, while uncovering a significant number of FDI leads for RDB, was only a short-term campaign to target companies. If RDB was to strengthen its lead generation activities, which are currently primarily trade-show driven and focused on a very small number of target companies, and adopt a strategic investor targeting approach then a very strong pipeline of new FDI opportunities could be generated on a continuous basis. This would have a significant impact on the FDI that Rwanda attracts in the medium to long-term. The key challenge for the RDB is around: (1) identifying the right target companies and (2) how best to engage with these companies. The challenge will be particularly acute for Asian markets (due to language, time zones, business culture – focused much more on face-to-face meetings) and some European countries. The below options take these challenges into consideration and provide recommendations:

5. **In-market representatives**: In the key source markets for FDI in Rwanda, and markets which are difficult for RDB to engage with from Rwanda (e.g. China), the RDB should consider appointing an in-market representative to assist it in targeting and attracting FDI from that market. According to UNCTAD, the biggest trend in IPAs is outsourcing representation and lead generation; by hiring a specialist in-market FDI lead generation firm, the RDB can immediately benefit from the company’s contacts in companies it has previously worked with and will immediately have local and experienced team. This approach is far more cost and time effective than the RDB trying to build its own in-house team.

   We would expect that in-market representatives would be needed for a maximum of 3 countries. The in-market representatives would conduct continuous lead generation for Rwanda, assist the RDB in follow-up of leads, as well as organise road shows, trade shows, and seminars in the market for the RDB.

6. **Road shows and trade-shows**: The RDB has a fairly comprehensive and well-designed international promotion plan for attending trade-shows and meeting companies. However, the plan is targeting only a very small number of companies (which are not enough to build a strong FDI pipeline) and is not focused on all the major source markets for FDI in target sectors, so is undoubtedly missing opportunities.

   The RDB should consider appointing a specialist FDI lead generation firm to assist with its trade missions and road shows (G2B meeting programs) so that it can engage with a much higher number of companies on overseas missions.

7. **Follow-up of FDI leads:** Key to the success of lead generation is sustained and professional follow-up of companies.

   - This is only possible with a fit-for-purpose CRM to record FDI leads and track follow-up (see 6.5 below);
   - The RDB should also consider organising its lead generation activities on a geographic basis so that there are regional/country sales managers/directors responsible for spear-heading lead generation activities in their overseas markets and for the follow-up of leads, with the industry teams generally only taking a lead role once the company is coming on site visits and is making their investments – and for post-investment services (see Section 6.4 below).

7.3 Define Services for “New Forms of Investment”

The international investor survey demonstrated foreign investors are considering multiple types of FDI when assessing how to invest in Africa; while over half of companies are considering Greenfield FDI, over 40% are considering Strategic Partnerships with local firms; over one-third of companies are considering JVs with a local firm; and nearly one-third of companies are considering M&A. Providing a business partnering support service was seen by foreign companies to be the most important service they need.

At the same time, 66% of existing investors are interested in additional foreign investment – mainly JVs and Strategic Partnerships. The RDB should review its services for non-greenfield types of FDI – what the OECD defines as New Forms of Investment (NFI). A service for NFI would enable RDB to engage fully with potential investors and also strengthen local firms. Options for providing a business partnering service include:

8. **Sign-posting service:** The RDB could offer to sign-post potential investors looking for NFI to professional service providers (e.g. The “Big 4”) who could facilitate these services. The RDB could consider developing a “market research” service for potential investors by working with local professional services who would agree to a number of hours free service to potential investor in exchange for the business referral.

9. **Market research service:** The RDB could offer its own market research service (this was the second most important service potential foreign investors said they needed in the international survey).

10. **Partnering service for foreign investors and for local firms:** The RDB could offer a partnering service for foreign investors where they would go one step further than market research by facilitating meetings between foreign investors and local firms. Similarly, the RDB could also consider providing a service to local firms to help them find foreign partners. This is a resource-intensive service but is exactly the type of service that an integrated economic development agency should be able to provide as it combines local enterprise support service with FDI attraction service.

11. **Online partner database:** The RDB could consider developing an online database (on its website) for foreign companies to find local suppliers and partners. Even if not used extensively by foreign investors, it would be an excellent NFI service and aftercare resource for the RDB so that it can store and update profiles of local firms looking for foreign partners and quickly find local partners when they have enquiries from a foreign investor. It would also raise the overall professional image of the RDB.

7.4 Review “Aftercare” Programme

Over 90% of existing investors have plans for further investment. Responses received from 40% of respondents identified $320 millions of potential expansion projects, with the total amount likely to be closer to $600 million across all the major existing investors based on the fact that 92% of domestic investors have expansion plans. When existing investors were asked what areas RDB should improve, the top response was aftercare, cited by nearly 40% of investors. There is therefore a key opportunity for RDB to strengthen its aftercare program and secure significant numbers of re-investment and expansion projects in Rwanda. To strengthen RDB’s aftercare services several options are provided below:

12. **Strengthen key account management:** The RDB should review its list of aftercare clients to identify and categorise existing investors into different levels of priority and service levels for the RDB’s aftercare programme. “Strategic key accounts” should be identified, which are the most important investors in Rwanda and/or have the biggest potential for growth and sustainable development. A proactive plan should be put in place for each strategic key account, ideally agreed with other relevant government departments so that there is government-wide support for these investors. The number maybe very small (e.g. maximum 25), but the current and future impact on Rwanda very high.

13. **Track existing investors and aftercare service delivery:** The RDB should have a fit-for-purpose CRM (see Section 6.5 below) so that every foreign investors and key accounts (including domestic investors) are on the CRM and their initial investment, expansion plans, and re-investment projects can be tracked. This would also record interactions with investors and the services that the RDB is providing.

14. **Training in aftercare:** It could be beneficial for the RDB and relevant government departments and stakeholders to receive a specialised training program in aftercare.

7.5 Develop CRM

15. **Procure a CRM for the RDB:** It is not possible to be an effective economic development organisation without a CRM. A CRM is needed to manage the FDI sales pipeline and enquiries with potential foreign investors as well as to manager the sales pipeline and enquiries with existing investors. It essential for a well-functioning IPA or EDO to have a CRM.

    There are many options for procuring a CRM. Most IPAs license a cloud-based, software as a service (SaaS) CRM, with market leaders being Salesforce.com and Zoho amongst others. There are also specialist SaaS CRMs designed specifically for IPAs, as well as bespoke custom-built systems (from Microsoft, Sage, Oracle, SAP), which are generally more for investment facilitation (licensing, permitting, incentives, etc.). The most important aspect is that the CRM is fit-for-purpose and easy-to-use, otherwise it will not get buy-in from users in the RDB. Alongside this point on buy-in is the importance of driving behavioural change within the RDB to champion, implement, and maintain the technical solution that is a CRM system.

Currently, the World Bank is working on the development of an integrated CRM solution with the RDB that is linked to OSS services. Based on the outline of the SIRM and integrated CRM products reviewed by the team, the proposed functionality aims to handle both front-end promotion as well as facilitation and aftercare services. While the system is being put into place, RDB should work on its institutional organisation, operation procedures and processes, including its standard operating procedures spelling out who does what, when, and how, in terms of collecting data, maintaining the systems, putting the systems to use for maximum value. This should go hand-in-hand with a behaviour change initiative to ensure roles and responsibilities enable the effective use of a CRM. The RDB can also start keeping track of the initial investment, expansion plans, and re-investment projects in Excel sheets and then graduate to the ICT tool.

7.6 Policy Advocacy

16. **Establish an expert commission to review the tax environment from the perspective of competitiveness taking all trade-off into account:** The tax environment is the key factor that, according to existing investors, impacts growth and competitiveness. Tax (un) predictability has been raised an important factor for investment decisions. While taxes are necessary for providing public services, it is relevant to consider how the tax environment can enable competitiveness and investment.

17. **Assess current skills gaps and future demand:** Apart from taxation, access to skills is reported as the main inhibiting factor of business growth according to domestic firms. Skills are also an important driver for new FDI. Therefore, it could be useful to work with the Workforce Development Authority to assess current gaps, future demand, as well as conduct a review of policies on education/training and immigration from an investor perspective.

18. **Continue the push for regional integration and international market access as well as promoting the EAC as a single market:** Most FDI in Africa is driven by access to national, regional and international markets. Rwanda's value proposition needs to clearly define the benefits of investing in Rwanda for access markets, especially as small market size and geographic positions are perceived by investors to be the key weaknesses of Rwanda. Rwanda must convincingly demonstrate market access to be on the long-list for most FDI projects going to the region. If Rwanda can demonstrate its capacity for facilitating regional and international market access it has the potential to see significant growth as an FDI location due to the next four most important location drivers (economic stability, low political risk, a pro-business regulatory environment, and low costs). Rwanda has key strengths compared to competitor locations.

7.7 Sector-level Recommendations

Below we provide our sector-level recommendations and responses to the suggestions presented by the investors across the 8 priority sectors.

Yes
To some extent
No

Respondents' propositions	Desirable?	Feasible?	Comment
Manufacturing			
Build a railway that can connect Kigali to the port.	Yes	To some extent	Financing is being sought.
Invest in logistics infrastructure.	Yes	Yes	KLP underway.
Finance: reduce bank interest rates for growing businesses.	Yes	No	Some initiatives such as Export Guarantee Facility have been established but the general demand for cheaper finance is high.
Provide are more stable and lenient environment. Many regulations are strict, but many exemptions are given.	Yes	Yes	Predictable regulations are desirable and feasible through effective consultations with the private sector and prohibition of discreet regulations.
Change the tax system on manufactured drinks from ad valorem to a volume specific tax scheme.	To some extent	To some extent	This suggestion would need further assessment with RRA data.
Increase electric power penetration and reduce its cost for manufacturers.	Yes	To some extent	Industrial tariffs have been lowered recently.
Standards inspection: follow-up more on Standards Regulations – especially imported products.	Yes	Yes	This has been a recurrent theme, especially among manufacturers and agro-processors. Initiatives are underway.
Agro-processing			
Reduce taxes on imported raw materials to address problem with raw materials and expand production.	Yes	To some extent	While food security and incomes would likely improve with cheaper imported agricultural products, taxes and the trade balance would decrease at least in the short run, until agricultural production

			and related inputs has been restructured toward Rwanda's comparative advantage
Provide a grace period on taxes and more facilities when introducing innovative agricultural products.			MINAGRI is currently planning an Agricultural Development Fund to provide financing for innovation in agriculture.
Stabilise tax regime and avoid contradiction among institutions as to whether taxes should be applied, and where tax is supposed to be exempted and not exempted.			Predictable taxes are desirable and feasibility.
Craft stable business policies which are applied equally to all market players. Stop having a system with strict policies and many exemptions.			Predictable regulations are desirable and feasible through effective consultations with the private sector and prohibition of discreet regulations.
Finance: put in place affordable mechanisms to finance industrial sectors.			Some initiatives such as Export Guarantee Facility have been established, but the general demand for cheaper finance is high.
Expand road infrastructure in rural areas.			Rural road infrastructure and feeder roads are under continuous improvement though MININFRA and MINAGRI.
Mining			
De-risk investment: map minerals so that independent minerals explorers can know where to invest.			Public funds could subsidise exploration, but it would be costly.
Review repatriation policy to increase investment.			While this might increase investment, it would reduce tax revenues. The cost/benefits would require further assessment.
Revise double taxation policy and tax traders at local prices instead of their selling price.			While this might increase investment, it would reduce tax revenues. The cost/benefits would require further assessment.
Provide more efficient communication about government policies: give time to react.			This would improve stability and security for investors and is feasible.
Introduce expedited government services to handle commercial needs.			Initiatives to reduce bureaucracy when exporting are continuously ongoing, for example, through the Electronic Single Window. However, it takes time to improve the systems.
Reduce the cost of mineral traceability.			While it would be desirable it is uncertain how that can be done.
Government investments in a fund to facilitate investors in the mining sector.			Finance is a particular concern in the mining sector so more funds would be desirable. However, it should be weighed against competing uses of public funds.
Tea			
Negotiate Rwanda tea standards on European and USA markets: when this is accomplished we will get higher profits.			This would require further assessment.
Through BRD, the GoR should support loans for working capital at lower rates.			Some initiatives such as Export Guarantee Facility have been established,

			but the general demand for cheaper finance is high.
Get accredited labs at RSB and NAEB for analysis of tea, so that producers can save money and have quicker analysis compared to the present situation where they use foreign labs.			NAEB has recently received accreditations.
Allow factories to acquire more land for industrial blocks to increase capacity utilisation.			The land available around most tea plantations is limited.
Horticulture			
Put in place a bank that supports investors in the agricultural sector, which offer working capital at affordable interest rates			Some initiatives such as Export Guarantee Facility have been established, but the general demand for cheaper finance is high.
Improve/change the Export Growth Fund: "Currently, the program chooses the support it can give to businesses instead of letting the investor decide the help you need." (The investor was told that he could get funding help with business branding in Rwanda but not funding in acquiring an ideal location in the export market).			The EGF is currently undergoing revisions.
Improve the capacity to evaluate and certify seeds (RALIS): currently, some seeds are not recognised for importation, so the business cannot produce optimally.			This is an important issue which could potentially be resolved with improved regional collaboration.
Reduce bureaucracy to get an investment certificate: RDB should work with RRA, and other governmental offices.			RDB should be truly a one-stop-shop,
The government should ease taxation of agricultural machinery like cold rooms to help companies produce efficiently.			This could potentially be covered under the planned Agricultural Development Fund.
Make it possible for investors to get organic certificates in the country: this would ensure that investors do not have to go to the EU to obtain the certificates.			This will require domestic assurers and accreditors.
Put in place an option of foreigners leasing land for longer periods of time (5 years+) so that they can plan to stay in the country for a longer period of time.			Several crops take longer than 5 years to make profitable. With only 5 years lease-guarantee, investors may be deterred.
Reduce taxes on imported goods as long as they cannot be sourced in Rwanda.			Import tariffs are determined by the EAC CET. Depending on the input, some provision can be granted.
Ease the process of getting export certificates.			This would likely be possible and reduce bureaucracy.
Provide more packing houses with machinery that can scan produce for infections			This is planned for in MINAGRI, but may still be insufficient given the demand.
The government should invest in irrigation schemes and logistics training.			This is planned for in MINAGRI.
The GoR should invest in labs to find out what diseases Rwandese seeds get: this will increase the likelihood of investors importing seeds from other countries. Currently,			While there is a policy to increase domestic seed production, the immediate benefits in terms of higher agricultural production from using imported

government officials say that Rwandese seeds are perfect and have no diseases. This makes it hard for the investor to get seeds verification from countries where the investor imports the seeds from.			improved seeds dwarf any potential benefit from building a domestic seeds industry.
Skills: increase education capacity. GoR should pay for 1 year worth of salaries when employers are training students in specialised skills.			WDA could focus industrial attachments in this emerging export value chain.
Tourism			
When rules change, give investors time so that they can adapt to the new reality.			Under normal circumstances regulation is supposed to be introduced after due notice.
Seek the advice of the private sector before increasing fees like that of the Gorilla Trekking activities.			Regulatory changes at cabinet level are normally done in consultation with all relevant stakeholders. At institutional level, wide consultations are desirable.
Communicate more effectively on the progress of regional initiatives to enable investors to effectively plan for our businesses.			This could be done through the Chamber of Tourism under PSF.
Reduce the Gorilla permit rate or give a 30% discount for Rwandese operators all year round.			While this may increase tourism, it may reduce revenues. Further analysis would be required.
Quicken the import process to ensure investors can access quality goods, as it takes a long time to receive imported goods.			Constant efforts are put towards reducing the time to clear goods, while ensuring a proper process.
Skills: improve English and hospitality education to enable hiring more local staff. Currently, it is hard to offer great service without qualified staff.			This undertaking will come though general education.
Finance: provide affordable financing to local investors.			To our knowledge, there are no current initiatives to lower financing costs in tourism.
Continue improving the road infrastructure in key tourist areas; make sure there is constant electricity.			These are ongoing investments.
Market the tourism industry in Rwanda so that the sector becomes more competitive.			These are ongoing investments.
Draw international travellers out of the Gorilla trekking activities,			These are ongoing investments, for example: safari, Kivu Belt Masterplan, MICE, religious tourism, etc.
Reward investors who abide by rules by promoting them.			This could be done through an annual award system.
ICT/BPO			
Invest heavily in the workforce so that young people are ready for the job market: Currently, students who come for interviews cannot even write a full page of a report.			This undertaking will come though general education.
The government should subsidise institutions of higher learning so that they can afford qualified professors to train highly skilled ICT personnel.			This undertaking will come though general education.

Government to pay private sector suppliers on time.			This should be standard procedure to avoid business closures. Most private businesses need working capital to operate.
Invite foreign talent (from top schools globally) to come here and open innovative businesses: "Rwanda is a perfect test laboratory for testing new business ideas. It is safe and very liveable; it provides a relatively "clean" business environment with low corruption; and it requires relatively little capital for a pilot. Attracting this talent would generate a healthy competitive environment where businesses and people continuously improve."			Rwanda is blessed with a liveable and interesting capital city, which could attract global talent under the right circumstances.
Avoid withholding 15% tax on salary payments to consultants abroad. As a business you cannot get everything in the country, which makes it important to hire external services. If the government wants to become a regional business hub, it should avoid these tax withholdings. Otherwise, investors will move elsewhere.			Rwanda-based service companies are disadvantaged on taxes when compared to regional peers.
Reform the tax environment: punitive fines on late payment put serious strains on cash-flows at times when cash is already low.			Tax fines are very significant for minor delays and can easily cause business closures.
Better and early communication about taxes.			The tax regime could be made more transparent with better written down guidance.
Facilitate entrepreneurship: "The government should work with K-Lab to create a roadmap that new start-ups can follow to succeed."			K-lab and MyICT are in contact.
Provide a simplified document of checkboxes for taxes and other key things investors should know about when they start businesses in Rwanda. Provide updated webpages of ministries that easily portray industry and tax regulations.			Many start-ups struggle to find reliable accountants and information on taxes and other regulations.
Regional integration: harmonise regulations with the whole East Africa so that it becomes easy to expand.			Rwanda is already promoting regional integration and should continue to do so.
Put in place intellectual property law.			This would increase incentives for innovation.
Healthcare			
Treat all hospitals alike: enable private hospitals to partner with government insurers.			This would create a level playing field.
Create a program to enable patients to visit specialised hospitals.			This is highly desirable, but may be costly.
Reduce the cost of electricity for healthcare providers.			While lower tariffs for healthcare providers would be desirable, there is little argument for healthcare getting lower prices than other sectors.

7.8 Additional Sector-level Recommendations

As part of the validation workshop that occurred on 28 March 2018, 40 participants were asked to review the survey outputs listed in section 7.7 above and provide additional suggestions and insights. Three groups were created focusing on Mining, Tourism, ICT/BPO, and Manufacturing & Agro-processing. Participants in general were pleased to have been consulted and it is hoped that this form of interaction between RDB and its stakeholders will continue.

The comments received are summarised below:

Mining

The breakout group on mining agreed that the most relevant proposals for action and sector improvement were the following:

- *Formulate clear definition of resources required to enter the mining business*: this includes level of skills, capacity building, duties and procedures for import of equipment (especially for underground mining), and current options for access to finance from government and country-based banks.
- *Monitor and control illegal mining and selling*: side-selling affects cost and ease of business in the traceability of minerals, fluctuation of mineral costs, and enforcement of taxation policy and sector consolidation.
- *Reduce the cost of mining*: through a revision of tax regulations, changing trader and miner employment and capacitating requirements as well as mineral traceability costs.

Tourism

The breakout group focusing on tourism put forward the following recommendations:

- *Strengthen backward linkages and promote supplier development:* this includes improvements in supplier services to increase overall performance of tourism players and client satisfaction. This relates especially to hotels.
- *Conduct a post-evaluation of new gorilla permit prices:* this entails an assessment of the new gorilla permit revenue and how the increase of prices may have affected the overall tourism industry revenue.
- *Promote targeted skills and training program for tourism/BPO operators*: this would reduce the gap in skills for hospitality, business and overall customer service in the country.

ICT/BPO

According to the group discussing ICT, the most pressing areas to tackle in the sector cover the following:

- *Review tax policies to benefit investors in the sector and incentivise international talent to stay in Rwanda:* for instance, taxes on employers' salary could be decreased to retain talent in the country, and tax environment and regimes could be improved through transparency, good access to clear information, and guidance support.
- *Formalise internship programmes in schools:* such internships would target students in ICT schools. Acquisition of industry experience would build their practical skills and facilitate their entrance in the job market after graduation.
- *Turn Rwanda into the test lab of Africa:* put incentives in place to attract investors who want to pilot their ideas in the continent.

Manufacturing & Agro-Processing (including Tea and Horticulture)

The working group formed by professionals in the manufacturing and agro-processing sectors set forth the following key recommendations:

- *Address the 'silo effect' generated by the diversity of institutions and the lack of decision-makers:* lack of communication and coordination among key agencies (RRA, RDB, MINAGRI, etc.) leads to poor institutional decision-making, which generates bottlenecks for businesses (e.g. unclear land use agreements).
- *Offer clear understanding of and guidance on standards and regulation affecting the sector:* lack of clear communication and divergent information among agencies and within them regarding compliance of standards and regulations increases unexpected costs and delays for businesses.
- *Invest in logistics infrastructure and reliable high-quality energy supply:* this includes roads connecting key trade locations, the establishment of a Kigali Logistics Platform, provision of affordable cargo transport, and a steady supply of reliable energy in strategic economic zones (there is a great need to decrease power cuts).

Annex 1: International Investors Questionnaire

RDB | RWANDA DEVELOPMENT BOARD

WORLD BANK GROUP

THE WORLD BANK IBRD • IDA | IFC International Finance Corporation

Rwanda Investor Perceptions Survey

Background information

Are you familiar with your company's investment strategy for Africa or its operations in the region?

Yes ☐ No ☐

Yes, please continue
No, please can you recommend who we should speak to you in your company

Company Contact Data

Company name:

Country of global headquarters:

Head office address for Africa:

Contact person:

Position:

Telephone number:

E-mail address:

Website address:

Company Profile

1. Nature of business of your company:

Agro-processing	☐	1. Minerals	☐
Horticulture	☐	Tea	☐
ICT	☐	Tourism	☐

Manufacturing	☐	Healthcare	☐
Specific sector		______________________	

2. **Revenues (sales)band (USD):**

<$10m	☐	2. $100-250m	☐
$10-50m	☐	$251-500m	☐
$50-100m	☐	>$500m	☐

International operations

3. **Has your company considered investing in Africa in the last 5 years?**

Yes ☐ No ☐

a. **If yes, which country(s)?** ______________________________

Location criteria

4. **What are the principal drivers in your decision to locate in Sub-Sharan Africa or to consider future investment (please tick the <u>3 most important criteria only</u>)?**

Size of the national (country) market/customers	☐	3. Political risk	☐
Access to EU or North American market/customers	☐	4. Economic stability	☐
Access to the African market/customers	☐	Regulatory environment (ease of setting-up and operating a business in terms of procedures, time, hassle, and cost)	☐
Low operating costs	☐	Incentives	☐
Transport infrastructure & accessibility	☐	Sites/property availability	☐

ICT infrastructure	☐	Track record of the location in attracting similar operations	☐
Labour availability/skills	☐	Presence of suppliers and/or related industries	☐
Security	☐	R&D environment	☐
Rule of Law	☐	Natural Resources	☐

Other location driver ______________________

5. **Please rank the following factors (1-6) in terms of their impact on decision to invest overseas? (1=highest impact, 6= lowest)**

Expropriation	☐	5. Breach of contract	☐
Unpredictable and arbitrary conduct	☐	6. Lack of transparency	☐
Currency transfer restrictions	☐	Discrimination	☐

6. **In which SUB-SAHARAN AFRICAN countries does your organisation have physical operations? Please indicate type of operation in each country where possible.**

Kenya	☐	South Africa	☐
Tanzania	☐	Nigeria	☐
Rwanda	☐	Ethiopia	☐
Uganda	☐	Botswana	☐
Ethiopia	☐	Zambia	☐
DR Congo	☐	Sudan	☐
Burundi	☐	Ghana	☐
South Sudan	☐	Other (state)	☐

Operation Type (if applicable)

7. **Have you any foreign direct investment plans within Africa in the next 12-24 months?**

Yes ☐ No ☐ Possibly ☐

8. **If you are considering investing in Africa, which of the following types of investment wold you consider**

Investment type	Tick if yes
Wholly owned subsidiary ("Greenfield" investment)	
Joint venture with a local company	
Strategic partnership with a local company	
Merger or acquisition with a local company	
Trading office only	

9. **Have you any FDI expansion plans in other regions in the next 12-24 months?**

Asia Pacific ☐ Europe ☐ Latin America & Carib. ☐ Middle East ☐ North America ☐

Please indicate project type (if applicable)

10. **Does your company currently export to (check applicable boxes):**

Rwanda ☐ East Africa ☐ Africa ☐

11. **Does your company currently import from (check applicable boxes):**

Rwanda ☐ East Africa ☐ Africa ☐

12. **For your next investment in Africa, which region would the new operation export to? (tick options applicable)**

No exports ☐ Africa ☐ U.S, Europe, other ☐

Perceptions of Rwanda

13. Based on your perceptions how would you rate the following locations FDI destinations?

Rating	Africa in general	Rwanda	Tanzania	Uganda	Kenya
Very attractive					
Attractive					
Limited Appeal					
Unattractive					
Unsure					

14. In your perception, what are the key strengths of Rwanda versus other destinations in Africa?

15. In your perception, what are the key weaknesses of Rwanda versus other destinations in Africa?

Business support for your investments

16. Have you heard of The Rwanda Development Board?

Yes ☐ No ☐

If yes, please specify how:

17. Which type of business support services would be most valuable for your company? (Select up to 3 answers)

Market research	☐	Set-up, registration & licences
Location research	☐	Visas and immigration
Site visits	☐	Recruitment/HR
Business partnering	☐	Office space and sites
Post-establishment support	☐	Financing and incentives

Other support service ______________________

18. Would you like to receive a copy of the results and findings of the study?

Yes ☐ No ☐

19. Data protection

Would you like for your personal information to be passed to The Rwanda Development Board so they can contact you to discuss how they can help invest in Rwanda or advise on any business opportunities in Rwanda?

Yes ☐ No ☐

May we take this opportunity to thank you for your time and kind cooperation

Annex 2: Domestic Investors Questionnaire

Company Profile

1. **Nature of business of your company:**

Agro-processing	☐	Minerals	☐
Horticulture	☐	Tea	☐
ICT	☐	Tourism	☐
Manufacturing	☐	Healthcare	☐
Specific sector		______________________	

Please provide some details about the products of the company and (briefly) the business model.

____
____
____
____
____

2. **Please indicate your company's turnover band for the last financial year (USD):**

<$100,000	☐	$100,001-500,000	☐
$500,001-1m	☐	$1m-5m	☐
$5m-10m	☐	>$10m	☐

3. **Which year and month did you did you <u>register</u> your company in Rwanda? Y______ M_______**

   Which year and month did you did you <u>start operations</u> in Rwanda? Y______ M_______

4. **Approximately, what ownership share of your company is held by foreigners?**

	Foreign	Rwandan
Ownership share %		
From which countries, mainly?		

5. **Number of Employees:**

	November 2017
Full time employees	
Casual/consultants	

6. **Besides Rwanda, in which countries does your organisation have physical operations? Please indicate type of operation in each country where possible.**

Location criteria

7. **What are the principal drivers in your decision to locate your investment or to consider future investment (please tick the <u>3 most important criteria only</u>)?**

Size of the national (country) market/customers	
Access to neighbouring market/customers	
Low operating costs	
Transport infrastructure & accessibility	
ICT infrastructure	
Labour availability/skills	
Security	
Rule of Law	
Other factor:	

Political/economic stability	
Regulatory environment (ease of setting-up and operating a business in terms of procedures, time, hassle, and cost)	
Incentives provided by the government	
Sites/property availability	
Track-record of the location in attracting similar operations	
R&D environment	
Natural Resources	
Tax levels	
Other factor:	

8. **Based on your perceptions how would you rate the following locations FDI destinations?**

Rating	Africa in general	Rwanda	Tanzania	Uganda	Kenya

Very attractive					
Attractive					
Limited Appeal					
Unattractive					
Unsure					

What is attractive about the best location? _______________________________?

What is unattractive about the worst location? _______________________________?

9. Do you have any plans to invest further in Rwanda Yes___ No____
If yes, what's the anticipated investment (activity and value)

10. Would you be interested in receiving foreign investment to your company? Yes____ No __________

Investment type	**Tick if yes**
Joint venture with a foreign company	
Strategic partnership with a foreign company	
Merger or acquisition with a foreign company	
Being a trading office for foreign products only	
Other (describe):	

Investor experience in Rwanda

11. On a scale from 1-10, how likely is it that you would recommend investing in Rwanda to a friend or colleague?

Very unlikely **Very Likely**

0	1	2	3	4	5	6	7	8	9	10

12. What was the 3 main positive factors for your decision to invest in Rwanda?

	Description

1	
2	
3	

13. **In your perception, what are the 3 key weaknesses of Rwanda versus other destinations in Africa?**

	Description
1	
2	
3	

14. **What main factors are currently limiting your production?**

Limiting factors	Not an obstacle	Moderate obstacle	Significant obstacle	Severe obstacle
Insufficient demand				
Shortage of qualified labour force				
Shortage of raw materials				
Power (electricity)				
Power availability				
Water				
Road infrastructure				
Lack of specialized technology,				
Lack of working capital (credit)				
Old equipment				
Tax level				
Tax predictability				
Access to land				
Standards				
Other regulation (specify)				
Other factor (specify)				

Please add a few details on the key obstacles:

15. **Have you encountered any of the following problems in Rwanda?**

Expropriation	☐	Breach of contract	☐
Unpredictable and arbitrary conduct From officials	☐	Lack of transparency	☐
Currency transfer restrictions	☐	Discrimination	☐

If yes to any, please add a few details and describe some of the economic consequences for your business:

16. **Is there any particular action(s) the government could take to improve your business situation, increase the likelihood of you investing further in Rwanda, or increasing the likelihood of you recommending a friend or colleague to invest in Rwanda?**

    Specific advice to the Government of Rwanda:

Challenge/opportunity	Details	Suggested intervention	Potential benefit from intervention
Example: Access to standards	*Example: We are competitive at the European market for honey, but Rwanda currently needs to be certified by EU.*	*Example:Work with RSB to obtain the EU standardfor honey*	*Example: We expect our capacity utilization to increase by 20 percentage points. We will export worth 100 million to the EU the first year and employ 15 more workers.*
1.			
2.			
3.			

Trade

17. Which countr(ies) does your company currently export to from Rwanda:

____

____

18. How significant are the following (and other) barriers to **exporting** for you?				
Export Barriers	**Not a barrier**	**Moderate barrier**	**Significant barrier**	**Severe Barrier**
1. Products are not suitable for exports				
2. Transportation to export				
3. Paper work needed by foreign authorities to export from Rwanda				
4. Paperwork needed by Rwandan authorities to export from Rwanda				
5. Quality standards required in export markets				
6. Linkages with foreign customers				
7. Export market information				
8. Quality and Price competitiveness in foreign markets				
Others:				

19. Which countries does your company currently import from:

____

____

____

20. Is there any input you do not import due to high tariffs? Yes_______ No________

If yes, which inputs would you import if tariffs were lower?

____

____

21. Is there any input you do not import due to regulatory restrictions Yes_______ No________

If yes, which inputs and which regulation?

____

____

Investment Process in Rwanda

22. On a scale from 1 to 10 what is your perception of RDB's overall performance?

Very bad **Very Good**

0	1	2	3	4	5	6	7	8	9	10

23. **How do you rate the performance of RDB in the following phases of your investment:**

Rating	Very bad	Bad	Good	Very Good
Investment promotion				
Facilitation and negotiation stage				
Aftercare (resolving issues during implementation phase)				
Support/advocacy to the company after establishment				

24. **Is there anything RDB can do to improve their services or GoR services in general to investors? Is there any additional services you would like RDB to provide?**

Company Contact Data

Company name (Full Name; also include acronyms if relevant):

Country of global headquarters:

Head office address for Rwanda:

Contact person:

Position:

Telephone number:

E-mail address:

Website address:

Would you like to receive a copy of the results and findings of the study?

Yes ☐ No ☐

We sincerely thank you for your time and kind cooperation!

WORLD BANK GROUP
THE WORLD BANK IBRD · IDA
IFC International Finance Corporation

RDB RWANDA DEVELOPMENT BOARD

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