

Appendix II: Nexuses

Agencies and Institutions Interview nexus

Interview nexus	
1. Land regulation:	
1.1 Organic Land Law	1x
1.2 Steps to get land	1x
1.3 By 2013 every landowner will be known	1x
1.4 Land expropriation law can be used by government	1x
1.5 Clear land law	1x
2. Costs of land:	
2.1 Leased by bidding [time period is between 55 – 99 years]	1x
3. Availability of skilled workers: :	
3.1 Lacking of experienced labor	4x
<i>Health</i>	
<i>Banking</i>	
<i>Mining</i>	
<i>Higher education sector</i>	
<i>Middle-level technicians</i>	
3.2 The gap is effectively addressed by Workforce Development Authority	2x
3.3 There are also other sorts of training facilities	2x
3.4 82% of the SME workers has only primary school qualification or none	1x
3.5 There is ambition to improve	1x
3.6 In the ICT sector, there is a sufficient basis of technicians	1x
3.7 The GoR focuses on ICT sector	1x
3.8 No obstacle due to importable skills from the region	1x
3.9 Prior to 1994 there was only 1 University, whereas there are over 30 now (including at least 17 State Universities)	1x
3.10 Skill development will be assessed to target the gaps	1x

4. Relative productivity of workers:	
4.1 Low productivity level	3x
4.2 Weak compared to neighboring countries such as Uganda and Kenya	2x
4.3 The interruption of the economy, due to the genocide	2x
4.4 Caused by the high energy costs	1x
4.5 A bad service mentality	1x
5. Influence of labor unions:	
5.1 There is an institutional arrangement (Employer, GoR, Institutions)	1x
5.2 There is only a weak influence of labor Unions	1x
5.3 They only have political influence (obliged by law to be consulted)	1x
5.4 A lack of financial resources	1x
6. Labor law:	
6.1 CESTRAR has a large influence on effectively protecting employees	3x
6.2 There is no substantial law	2x
6.3 The law is revised last year to improve business environment	1x
7. Openness to foreign employees:	
7.1 The country is open to foreign employees, as no work permit is needed for within EAC	3x
7.2 It is harder from outside the EAC, and the GoR tries to stop inflow	1x
8. Entrepreneurial spirit: MINTRIN:	
8.1 The entrepreneurial spirit is low	2x
8.2 The GoR is working hard to improve	1x
9. Dominance of FDI in sector:	
9.1 Low dominance (most investments from Rwanda itself)	1x
9.2 Significant	1x
10. Return on investment:	
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11. Improving access to finance:	
11.1 The system / institutions are obstructing development	2x
12. Management of inflation:	
12.1 Keeping inflation within the 1 digit range	1x
13. Government facilitation to FDI:	
13.1 There are private sector investor programs	1x
13.2 The GoR makes a strong effort to improve the current handicaps.	1x
13.3 Year plan	1x
13.4 ICT Park	1x
14. Ratio of SME vs. large enterprises:	
14.1 90% of enterprises are SMEs	1x
15. Future development of sectors:	
15.1 ICT	2x
15.2 Services in general	2x
15.3 Investing in dairy expertise	1x
15.4 Tourism	1x
15.5 Banking sector	1x
15.6 Electricity	1x
15.7 Water	1x
15.8 ICT 5-year plan	1x
16. Agreement with <i>Vision 2020</i>:	
16.1 <i>Vision 2020</i> provides a clear direction, and developments are in agreement	4x
16.2 The export hub is only feasible with the ICT sector	2x
16.3 The financial services sector is growing fastest	1x
16.4 Not in line for infrastructure	1x
16.5 Export hub might be too ambitious	1x

17. Trading partners and products:	
17.1 Partners:	
<i>Kenya</i>	1x
<i>Uganda</i>	1x
<i>Burundi</i>	1x
<i>Tanzania</i>	1x
<i>DRC</i>	1x
<i>US</i>	1x
<i>EU</i>	1x
17.2 Products:	
<i>Coffee</i>	1x
<i>Tea</i>	1x
<i>Pyrethrum</i>	1x
<i>Sopyrua</i>	1x
<i>Ivange</i>	1x
<i>Agro processing</i>	1x
<i>Silk</i>	1x
<i>Dairy</i>	1x
18. Barriers to export:	
18.1 Transport costs	2x
18.2 Shortage of land	1x
18.3 Disease control	1x
18.4 Non-tariff barriers	1x
18.5 Costs of business in Rwanda	1x
19. Improving transport:	
19.1 The largest airport in the region is being developed	1x
19.2 The roads are there	1x
20. Influence of EAC:	
20.1 EAC increases capital and labor mobility	2x
20.2 Increases foreign (skilled) labor inflow	1x
20.3 Depends on how Rwanda positions itself	1x
20.4 Expands the domestic market	1x

20.5 Customs Union	1x
20.6 Reduction of non-tariff barriers	1x
20.7 Free trade zone	1x
20.8 Possibility too good to be true	1x
20.9 Equal standards for all the EAC	1x
20.10 Depends on how Rwanda positions itself	1x
20.11 ICT hub	1x
20.12 Increases export	1x
20.13 Informal trade	1x
21. Products with competitive advantage:	
21.1 Services	3x
21.2 Tourism	3x
21.3 ICT (software applications)	3x
21.4 Niche products	1x
21.5 Exotic fruits	1x
21.6 Health sector	1x
21.7 Banking	1x
21.8 Distribution	1x
21.9 Tea	1x
21.10 Coffee	1x
21.11 Leather	1x
21.12 Handcrafts	1x
22. Opportunities for FDI:	
22.1 Agriculture (poultry, coffee, tea, beans, bananas, flowers)	11x
22.2 Dairy (UHK → long lasting milk)	6x
22.3 Tourism / Hotels	5x
22.4 Irrigation schemes	4x
22.5 Services	3x
22.6 Horticulture	3x
22.7 Bio-Energy	3x
<i>Hydro</i>	2x
<i>Solar</i>	2x

22.8 ICT		2x
<i>Training capacity in ICT</i>	1x	
22.9 Methane conversion		2x
22.10 Provision of equipment		2x
22.11 Infrastructure		2x
<i>Railway</i>	1x	
<i>Kigali International Airport</i>	2x	
<i>Rwandan airline</i>	1x	
22.12 Banking		1x
22.13 Manufacturing		1x
22.14 Education		1x
22.15 Travel agencies		1x
22.16 Construction		1x
22.17 Industrial		1x
22.18 Software development		1x
22.19 Processing factories		1x
22.20 Transport		1x
22.21 Packaging		1x
22.22 Bird-watching		1x
22.23 Cabling / Telecom		1x
22.24 Water management		1x
22.25 Regional market		1x
23. Greatest weakness:		
23.1 Electricity / Energy costs		6x
23.2 Lack of knowledge/skills/education		3x
23.3 Transport costs		2x
23.4 Lack of service mentality		1x
23.5 Infrastructure (roads)		1x
23.6 Lack of innovation in financial sector		1x
23.7 Quality of milk		1x
23.8 Strong competition from economies of scale		1x
24. Greatest strengths:		
24.1 Good governance		3x

24.2 Political stability	2x
24.3 Security	1x
24.4 Absence of natural resources drive focus on human capital	1x
24.5 Leadership	1x
24.6 Open capital account	1x
25. Expectations of FDI:	
25.1 Every investment is good, because it creates jobs, increases employment and goes together with capacity building	3x
25.2 FDI it is currently necessary for capital	2x
25.3 It is difficult to win the trust of Rwandans	1x
25.4 FDI is less effective than investment from within the country	1x
26. Most beneficial spill-over:	
26.1 Finance	1x
26.2 Services	1x
26.3 Health	1x
26.4 Agriculture	1x
26.5 Roads	1x
26.6 Tourism	1x
26.7 Rwanda is savings constrained which is limiting capital for investment, for which FDI is needed	1x
26.8 SMEs can profit from MNE's best practices because of a more competitive environment [better skills, higher quality output]	1x
27. Negative effects of FDI:	
27.1 Lack of ownership is not a problem	2x
27.2 Impact not always clear	1x
AFS, 2006	

Firm Interview nexus

Interview nexus	
1. Type of investment:	
1.1 Greenfield investment	8x
1.2 Acquisition	4x
1.3 Quick market access	1x
1.4 Presidential invitation	1x
1.5 Joint venture	1x
2. Product/service:	
2.1 IT department	2x
2.2 Banking	1x
2.3 Consultancy	1x
2.4 Insurance	1x
2.5 Architectural design	1x
2.6 Construction	1x
2.7 Equipment installation	1x
2.5 Extract methane gas from Kivu lake/ transform gas to energy and electricity	1x
2.6 Maize & processing	1x
2.7 Wireless Pay-TV	1x
2.8 Wireless internet system operation	1x
2.9 Value-added business joint operation	1x
2.10 Research and Development	1x
2.11 Manufacture and sales of tungsten concentrates and mid-products	1x
2.12 Refining & Marketing of petroleum and petroleum-based products	1x
2.13 Retail services	1x
2.14 Restructuring rice production	1x
2.15 Raising productivity, profitability and quality	1x

2.16 Hotel	1x
2.17 Agricultural (Dried fruits and vegetables, cereal flour, cassava processing)	1x
2.18 Engineering Consultancy in water supply, irrigation, and drink water supply	1x
2.19 Water supply	1x
2.20 Juices	1x
2.21 Soda/Beer	1x
2.22 Pilli Pilli	1x
3. Sector:	
3.1 Agriculture / Agri-processing	3x
3.2 Energy	2x
3.3 ICT	2x
3.4 Infrastructure	2x
3.5 Banking	1x
3.6 Financial Services	1x
3.7 Construction	1x
3.8 Mining	1x
3.9 Tourism	1x
3.10 Food processing	1x
3.11 Manufacturing	1x
4. Profitability:	
4.1 Yes	7x
<i>Yes, though hard at the beginning</i>	1x
<i>Yes, net profit 8%</i>	1x
<i>Yes, profit levels of 15%</i>	1x
<i>Yes, slightly more than break-even</i>	1x
<i>Good return (not specified)</i>	1x
<i>Yes, 60% return on investment</i>	1x
4.2 Limited profits because of lack of finance to expand business	1x
4.3 No	1x
5. Costs:	
5.1 Staff / Labor wages	5x

5.2 Energy / Electricity	2x
5.3 Local supplies	2x
5.4 Skilled employees from China	1x
5.5 Machines	1x
5.6 Interest rates	1x
5.7 Equipment imports	1x
5.8 Service station rent	1x
5.9 Land in Kigali	1x
5.10 Transport over land	1x
5.11 Airfreight	1x
5.12 Imports	1x
6. Exporting:	
6.1 No	8x
6.2 Japan, South Africa, Europe and America, etc.	2x
6.3 Only to other Engen stations in neighboring countries (no profit)	1x
6.4 Belgium	1x
6.5 EAC	1x
6.6 Little bit	1x
7. Reasons to invest:	
7.1 Market seeking	8x
7.2 The language	2x
7.3 Political stability	2x
7.4 Special program Rabobank Development, roots of the bank (agriculture)	1x
7.5 Clients were there already	1x
7.6 Rwandese roots	1x
7.7 Government incentives	1x
7.8 Resource seeking	1x
7.9 Helping Rwanda / Presidential Invitation	1x
7.10 Investment climate	1x
7.11 Food crops going to waste (perishing unused)	1x
7.12 Colonial ties	1x
7.13 Deficient water supplies	1x

7.14 Government stimulates privatization of water supply	1x
7.15 Family ties	1x
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8. Opportunities in market:	
8.1 Expand in market / current operation	6x
8.2 Real estate	2x
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8.3 Mobile banking especially also in rural areas	1x
8.4 Tourism	1x
8.5 Electricity	1x
8.6 Power (gas, fuel, peat) and other energy products	1x
8.7 Machines that are used to exploit the energy resources	1x
8.8 Diversification	1x
8.9 Mining processing	1x
8.10 Building new hotels	1x
8.11 Convention centre will boost hotelroom demands	1x
8.12 Construction	1x
8.13 Food processing	1x
8.14 2020 Vision government	1x
8.15 Horticulture	1x
8.16 Expansion of water supply projects	1x
8.17 Large number of people near legal drinking age	1x
9. Opportunities in other markets:	
9.1 Tourism	4x
9.2 IT	3x
9.3 Agriculture: dairy products processing and distribution	3x
9.4 Horticulture sector	2x
9.5 Farming	2x
9.6 Real estate	2x
9.7 Banking: Semi-micro credits	1x
9.8 Big hotels	1x
9.9 Convention Center of East Africa	1x
9.10 Food processing	1x

9.11 Regional hub for energy and ICT	1x
9.12 Education	1x
9.13 Logistic industry	1x
9.14 Supermarket	1x
9.15 Fertilizer	1x
9.16 Electricity	1x
9.17 Government seeking to facilitate investors	1x
9.18 Urban development	1x
9.19 Services	1x
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10. Contribution of investment:	
10.1 Employment	9x
10.2 Technology and knowledge spillovers	8x
10.3 Taxes	7x
10.4 Upgrading quality and productivity	2x
10.5 Training local staff	1x
10.6 Capacity-building	1x
10.7 Infrastructure	1x
10.8 Research seed quality, aiming for self-sustaining high quality production	1x
10.9 Improves credit, access to finance	1x
10.10 Reliable high-quality water supply	1x
11. Negative effects of investment:	
11.1 None	7x
11.2 Possibly crowding-out (if GoR does not develop local companies)	2x
11.3 Inflation	1x
11.4 Loss of cultural values	1x
12. Vision on FDI & development:	
12.1 FDI is crucial for boosting the economy	3x
12.2 FDI brings capital, technology and expertise	2x
12.3 Rwanda is growing fast	1x
12.4 The government is heading in right direction	1x

12.5 <i>2020 vision</i> is clear	1x
12.6 Creates jobs	1x
12.7 Increases purchasing power	1x
12.8 Raises competition among banks	1x
12.9 FDI is helping Rwanda	1x
12.10 FDI is conducive for the business expansion	1x
12.11 Rwanda will realize Television Signal Digitalization in 2012	1x
12.12 Manufacturing sector should be the prioritized sector for importing advanced technologies	1x
12.13 <i>Vision 2020</i> helps to make middle-term business plans, 80% of government plans fulfilled	1x
12.14 <i>Vision 2020</i> is reaching for the sky	1x
12.15 Country is well led, the achievements so far incredible	1x
12.16 Positive	1x
12.17 The company provides Rwanda with services that are needed	1x

Appendix III: Documentation of interviews

General findings

From the interviews taken during the field trip in Rwanda it became apparent that the Rwandan government makes significant efforts to develop the country economically. Through its *Vision 2020*, Rwanda is planning on becoming an ICT hub for the region, accompanied by high skilled workers in the majority of the sectors. Moreover, a national export strategy aims to improve the country's competitiveness and make it a strong export country for the region with regard to the East African Community. According to public agencies, Rwanda could serve its neighboring countries on different markets such as ICT, tourism and agricultural products. Besides, for setting up a business, Rwanda offers good facilities. Registration is done in a relatively short time, though finding a financial source has proven to be difficult. With respect to the Rwandan workers, productivity is increasing, though according to independent agencies it is still not high enough. On the other hand, although the level of skill is perceived as an obstacle for private firms, they are generally satisfied with their workers.

The main reasons for firms to invest in Rwanda concern the stable political climate with a low corruption rate, market seeking and strong family ties. Most firms in the country started their business in order to serve the Rwandan market or expand their production to foreign markets. It has also become apparent that a large part of these firms were already active in other African or neighboring countries. Rwanda is often perceived by investors as a stable country, open for business in the region and convenient for expanding business from other countries. Several firms state that it is easy to do business in Rwanda, whereas other firms point at factors such as limited access to finance, low level of skills among local workers and high energy costs that hinder business. However, in general all firms are positive about Rwanda as a country to invest in, and the main part of these firms are making profit.

Agencies & Institutions

Ministry of Trade and Industry

The Ministry of Trade and Industry formulates important policies with regard to investment in Rwanda. It cooperates with the Rwandan Development Board which is responsible for the implementation of industry policies.

According to the Ministry, Rwanda's turbulent history has interrupted economic growth compared to other African countries. However, workers are qualified but lack the experience and to overcome this problem the government has developed a workforce development authority to provide workers with education and experience. Moreover, the government, as noted in *Vision 2020*, pursues an optimistic development strategy in which it highly promotes industry. Rwanda's industry has developed relatively recently and most companies active in industry are small. Ninety percent of the companies are small and medium enterprises (SME's) and have the drive to develop further, hence to become fully independent from subsidies.

The government also pursues a national export strategy. Its main export products thus far are: coffee, tea and pyrethrum (from which insecticides are produced). Other export products are juice and tourism. Furthermore, the government expects agro processing to be an important factor for export products and indicates the need for foreign direct investment (FDI) in that area.

Concerning its region, Rwanda is a partner of the East African Community (EAC). This is a regional intergovernmental organization in which Kenya, Uganda, Tanzania and Burundi²⁸⁶ also participate. Currently Rwanda is working on identifying its main competitive advantage (e.g. tourism or ICT) to position itself in the EAC.

Although the Ministry realizes there are weaknesses or obstacles such as constraints on transport, expensive energy and a low skill level of workers, it also wants to emphasize the advantages that Rwanda can offer. Investors should not only look at the Rwandan market, but also at the possibility of targeting neighboring countries, the stable political environment with minor corruption and a government that puts a significant effort in solving the handicaps currently present in the system.

²⁸⁶ <http://www.eac.int/> (accessed April 2, 2011).

National Bank of Rwanda

The National Bank of Rwanda is mainly concerned with maintaining monetary stability and stability in the financial market. According to the bank, the Rwandan economy is dynamic, and in particular from 2004 onwards the country is stable in social-economic terms. It indicates that Rwanda's main strength lies in good governance and leadership. Moreover Rwanda's completely open capital account contributes to its attractiveness as an investment location.

Among other things, the bank uses interference in the exchange rate and inflation to create monetary stability. Over the past few years it has succeeded in keeping the flexible exchange rate stable. It uses Rwanda's reserves to smooth out fluctuations. The bank indicates that Rwanda's reserves are sufficient for the moment, but need to become more sustainable. To that extent Rwanda has to improve its trade balance, which is highly skewed towards imports at the moment. With regard to inflation, the National Bank has been able to keep it within the 1-digit range over the past few years.

When it comes to access to finance, the National Bank acknowledges that high levels of non-performing loans have led to high interest rates on consumer lending. The bank however indicates that the issue is addressed and that the amount of non-performing loans has come down from 30 to 40% to 10%. Furthermore, the National Bank supports reforms in the financial sector. These reforms include better management and improvements in consumer relations.

The National Bank sees various opportunities for foreign investors in the banking sector. The number of banks has already grown from 5 in 2005 to 9 in 2009. However, since the sector is still growing there is room for more investment. Furthermore, the bank sees opportunities for investment in the agricultural, industrial and service sectors.

National Land Center

The National Land Center (NLC) is an organization in charge of all land matters in Rwanda. Currently they are working on land registration. In 2005, the organic land law was enacted in the country. One of its main principles is that the state is the granter of land rights and everyone has the right to own land. When one has fully developed land according to plans approved by the government, one has the right of full ownership. Foreign firms are able to buy land from the owner, whether governmental or private, and to register it, which is possible to do in a short period of time. The general trend of the cost of land is that it is increasing. Value of land increases as a result of the privatization of land and population growth, though compared to its region, land in Rwanda is not highly

expensive.

National University of Rwanda

According to the coordinator for the Master program of Economics, the Vice Dean for undergraduate studies Economic and Management and the Vice Rector of the Administration & Finance of the National University, FDI is one of the important factors in enhancing economic development in Rwanda, due to the fact that incomes and savings are low. The university has a consultancy bureau for government policies and has been consulted by the government for its *Vision 2020*.

In terms of the economic situation, as a result of the lack of savings, the banks do not have enough long-term deposits. Other factors with regard to this problem are that banks do not compete and the interest rates seem fixed. Also most clients only hold a current account without a savings account. In the past, banks have had negative experiences with bad loans, of which they are still recovering. Besides, the central or national bank of Rwanda is not able to influence the situation of the private banks. Furthermore, there is a lack of liquidity from consumers in the capital market.

Another important weakness is the skill level of the workers in Rwanda, although efforts are being made to boost the education sector. Human capital is central in *Vision 2020*, in order to change the economy into a service driven economy.

Although electricity and infrastructure need significant improvements, the country is still developing in line with the developmental vision. There are also other positive lights according to the university, in that there is a customs union where member states have reduced non-tariff barriers considerably. Moreover, because of the free trade zone, labor mobility is increasing. This, in turn, makes trade easier.

Finally, the government is open for criticism and realizes it is responsible for the development plans of Rwanda. Moreover, it also highly values communication and organizes press conferences where questions can be asked and will be answered every month. Not only the government, but also general news programs request for comments on the development plans which takes the form of anonymous inputs from listeners and a hot line for question every week. These actions have even led to ministers changing their programs.

Private Sector Federation (PSF), Department of Capacity Building

The PFS is an organization which promotes business and represents the interests of business in Rwanda. According to the PFS, the availability of skilled workers is one of the

main problems for investment. Hence, there have been initiatives to address the problem and to improve the skill level. Rwanda has built 17 universities in the last 30 years. English has become the main language in which is being taught in schools. Furthermore, ICT training is provided for young people in order to familiarize them with the use of computers and ICT programs. However, despite these efforts, the level of skill is still not high enough to compete with other countries according to the PSF.

The PSF considers FDI to be very important in the development of Rwanda and points to the influence of telecoms organizations which were responsible for an increase in foreign capital inflow in the country. However, the entrepreneurial spirit in the country is still too low and the PSF has initiated several programs to change this. Examples of these programs are the business plan competition in which the winner of the best business plan is awarded a loan of the World Bank to set up a business, the workforce development authority which concerns the improvement of skills, and the business development services, which are installed across the country in order to help increase business. This holds in particular for SMEs, since these enterprises are the backbone of the Rwandan business sector. With these efforts and increasing FDI, the PSF expects an increase in employment, (financial) capital capabilities and technical knowledge spill-over.

PSF: Chamber of Commerce

According to the PSF, the problem of unskilled labor in Rwanda is twofold. First, there is a problem with the level of capacity, since there is a serious lack of experienced workers. Second, the level of productivity is not high enough and the labor culture among workers does not comply with the idea of efficient work. Especially in comparison to its neighboring countries, Rwanda's productivity is perceived as low, whereas Kenya's productivity is seen as the highest in the region. However, the PSF also acknowledges the effort of the government to tackle this problem in the country. According to the PSF, the fact that the government acknowledges the problem and takes action to improve the skill and work ethos of workers is crucial. The problem of skilled workers is also seen in the organization of workers. CESTRAR is the labor union in the country but has only little influence on government policy. The labor law is perceived as poor and needs serious improvement.

With concern to capital, the PSF sees Rwanda as "*a country which is led by Rwandans*". Most investments done in Rwanda are from within Rwanda, but there are also foreign investments in the insurance and banking sector. According to the PSF, the healthcare sector in Rwanda offers a lot of opportunities for insurance companies, since incomes in Rwanda will rise due to the economic development of the country. Besides

health care, the PSF also sees opportunities in real estate and in agriculture, where the transition to more efficient production could lead to opportunities, since R&D is needed to accomplish this.

In terms of future development, the PSF points at the financial service sector as the fastest growing sector. Innovation is highly needed to facilitate access to finance, as well as the presence of a bank official in the board of every borrowing company to ensure performances of loans. Innovation here will be a middle path between micro finance projects and high loans. This means that micro finance will be transformed by structuring and up-scaling this to a more profitable business.

Concerning export, Rwanda has a barrier in that it is a small and landlocked country. According to the PSF there is a shortage of land which leads to a shift of production focus. Services and finance will become more important, whereas agriculture will be less focused on. Transportation costs are also a great barrier to export and need to diminish. Rwanda exports a lot to other EAC member countries and according to the PSF it facilitates capital flows and labor. On the other hand, the EAC also consists of different cultures and the differentiated dependence of countries on a small number of export products, affects the economies diversely.

When looking at opportunities for FDI in Rwanda, the PSF suggests that in the traditional market there is still space for companies that want their beans roasted in Rwanda, or to export French beans or small Rwandan bananas. The PSF also points at airlines, in that Rwanda could be a hub for the region and to investment opportunities in transportation, packaging and suppliers in the industrial production chain.

Finally, in terms of FDI, the PSF emphasizes the idea of trust that Rwandans have or need to have before doing business with other companies or becoming partners with other investors. Moreover, FDI is perceived as important, but it has to come with capacity building. The PSF sees most spillover effects in sectors such as finance, services, agriculture and healthcare.

PSF: external consultant

According the consultant, the energy sector is the sector which needs investment. Though some companies in Rwanda see the horticulture as a sector which offers opportunities, the consultant does not see it as promising because there is currently a lack of land and the country is not able to compete with Kenya. Therefore he sees investments in dairy and poultry as more promising. Also, sectors such as ICT or tourism seem already well exploited, although ICT is still a sector which attracts investors. The consultant does point

at the financial sector and the banking sector as important sectors which offer investment opportunities.

Concerning Dutch investors, the consultant emphasizes that the market in Rwanda is small and the ability to pay for certain services among the Rwandans is low. Also, fast achievements with regard to returns on investments have proven to be difficult. As a foreign investor, one can start a business on its own or conclude a partnership with a Rwandan company. Furthermore, there is a high governmental involvement in private companies. The largest companies in Rwanda are state-owned and the state is one of the most important investors.

Vision 2020, according to the consultant, is a relatively good vision but far too ambitious. However, it is stated that it is a necessary tool to give direction to people, business and ministries. Rwanda is developing, but there still remains much to be done. One of the goals of *Vision 2020* is that Rwanda becomes an ICT and a conference hub. However, this seems also too ambitious according to the consultant. At the moment, the country still lacks a proper service mentality, education and has high transportation costs.

PSF: Department of Employment

The Employment section of the PSF points to the problem of skilled labor in Rwanda. According to the section 93% of the businesses in the country are SMEs and 82% of the workers in these companies are poorly educated or do not have any education at all. Although the PFS puts forward initiatives to improve this situation, it emphasizes the need for support from the private sector itself. Concerning the productivity of workers, Rwandan workers are outperformed by the Ugandans and Kenyans.

In terms of workers' rights there are three labor unions in the country. The main organization is CESTRAR. It participates in the tripartite dialogue with the business sector and the government to conclude arrangements. The focus of the labor unions is amongst others on minimal wages and health safety regulations. Important labor laws concern social security, quotas for women, mother care regulations and retirement payments.

RDB PPP: Freelance consultant on Infrastructure and Environment

According to this consultant, the Netherlands does not have many operators that could engage in PPP's, unlike the UK, France, New Zealand and Australia. However, the Netherlands are good at providing equipment.

In terms of opportunities, methane conversion to power offers opportunities to Dutch investors since electricity is very expensive and the bio energy sector might be able to

compete with the carbon sectors without the need of subsidies. Also, construction has some opportunities. The government is currently working on the project of an airport in Rwanda. Besides an airport, the government would like to build an Isaka-Kigali railway connection, though this project requires far-reaching cooperation with other countries and therefore will most likely not be realized any time soon. Finally, agriculture is a sector with investment opportunities for the Netherlands. Especially agro-processing and cold storage are interesting for both the Netherlands and Rwanda.

RDB: Department of Human Capital Institutional Development

The Human Capital & Institutional Development department is part of the RDB and focuses mainly on the development of entrepreneurship, skills in the labor market, and the facilitation of skills development of public institutions' areas which have an impact on the growth of the private sector. According to the head of department, the Rwandan government realizes that the skills gap in the different sectors of economy is still very large; hence, it puts its efforts in bridging this gap. For instance in the agricultural sector and the ICT sector, trainings for local workers are provided.

The problem of skill level is especially large in the mining sector, but also senior lecturers in higher education lack enough skills, as is the case with experts to train locals. Experts are therefore currently hired from other countries. Only the banking sector might have fewer problems with the level of skill. Currently there are different institutions in Rwanda which put forward initiatives to capacity-building. Moreover, they believe that *Vision 2020* is realistic; skills will be on the right level in 2020 and Rwanda will be a regional ICT hub by then.

RDB: ICT Department (policy and strategy advisor)

According to the department, *Vision 2020* enhances the idea of Rwanda as an ICT hub. There are five-year plans on ICT to further develop the sector. Currently there is a data centre and infrastructure. Also the connectivity of Rwanda is improving, and according to the department, has to be optimal by September 2011. When Rwanda has become an ICT hub to the region, it intends to export to Burundi and Congo and to compete successfully with Kenya. Currently there is a large need for training capacity which means there are opportunities in the sector. Moreover the department stresses that e-governance is important and that internet service providers are welcome.

RDB: Public Private Partnership Unit (PPPU)

The PPPU in the RDB is concerned with the assistance of Public Private Partnership projects, advice to the government and the negotiator on behalf of the government with regard to the set up of contracts.

According to the PPPU, Public Private Partnerships are usually not so much a capital injection, but more of a contract that is agreed upon with the private company to execute its operation on the basis of certain conditions and standards, in order to ensure proper provision of the public good. There are several infrastructure projects which are important concerning the public utility these projects have. Current projects are: the Kigali airport, the Kivu lake and horticulture. Other sectors include health, higher education, agriculture and construction. Other opportunities which are interesting for PPPs according to the PPPU are in power generation and railways.

RDB: Department of Trade and Manufacturing

The department of Trade and Manufacturing of the RDB has a special focus on developing and implementing the National Export Strategy in order to improve Rwanda's international competitiveness and its export performance. Other important goals concern the improvement of the quality of products and services and to facilitate trade.

According to the department, Rwanda's main exports are in commodities, such as tea, coffee, mines and tourism. The majority of these products are exported to the US and Europe. Exporting to the EU proves to be difficult as a result of non-tariff barriers. Trade within the EAC is mostly informal but also trade in the formal sector is increasing. The main traded products in the EAC are processed fruit juices and agricultural products.

The department admits that opening up to other markets might also lead to an increase in competition. However in the case of Rwanda, the head of the department believes this will be temporary and sees the real challenges coming from large companies from countries such as China.

Royal Dutch Embassy in Rwanda

The Dutch embassy emphasizes a special program for Dutch firms in which they can form a joint venture with local firms and receive a 50% subsidy on their investments from the Dutch government. However, the application rules in order to qualify for these programs are very strict, and very few projects are accepted. With respect to opportunities, the embassy points to the agricultural sector and to the construction sector. Furthermore, from

the viewpoint of the Dutch, ICT and tourism seem less interesting sectors to invest in.

Rwanda Utilities Regulatory Agency, RURA

RURA licenses and monitors the licenses given to infrastructure providers after permission from the Ministry of Infrastructure. According to RURA, the problem of infrastructure in Rwanda is not caused by the roads, since they are good. However, it appoints railways as the best option to decrease transport costs and this railway project is planned to be finished in 2015. According to the organization 40% of all import costs are costs of transport.

In terms of energy costs, RURA seeks private sector involvement because the cost of energy is the largest obstacle to economic growth, especially with regard to the ICT sector. Also in the water sector, the involvement of the private sector is not well-developed. According to RURA, there are significant opportunities in the infrastructure for transport, water and energy. With regard to the region, Rwanda has the potential to become a hub for the region, though only in ICT.

Rwanda Animal Resources Development; Ministry of Agriculture (RARDA)

According to the Ministry of Agriculture, the Rwandan dairy sub sector looks promising in the agriculture sector. Rwanda has a tradition of drinking milk. However, the prohibition of the use of plastics drives up the cost of producing milk. There is a demand for more plants or milk basins to increase milk processing. The government has also supported this development by initiating four plant proposals. Although Rwanda has a well developed dairy sector for its domestic market, Uganda and Kenya are both more advanced in the dairy production and therefore do not need to be considered for export. In contrast, Burundi, parts of Tanzania and The Democratic Republic of Congo could be targeted as export markets.

In terms of opportunities, especially strong investors who can provide technology and knowledge on dairy, cooling machines and the marketing of products are needed. Other opportunities, according to the Ministry, are the production of food for livestock, since that is currently being imported from Uganda and Kenya, transportation and providing equipment.

Rwandan Trade Union Confederation, CESTRAR

Since 1985, CESTRAR is a confederation of 20 union organizations, organizing working rights in both public and private sectors. Its main goal is to represent workers' interests.

The minimum wage in Rwanda has not been revised since 1985 and is currently 12 Euro cents a day. As it is a fixed minimum wage for so many years, it no longer reflects the working and living condition today. Moreover, in practice workers are paid more than the official minimum wage. Especially in infrastructure sector and public service sector the minimum wages are significant higher than in other sectors.

CESTRAR also emphasizes the problem of skilled labor in Rwanda. According to the organization, the problem is more severe among technicians, who are currently being hired from abroad. However, it also recognizes the efforts put forward by the government, which has implemented various policies such as the revision of employment policy and the framework of the International Labor Organization (ILO). But the government has also revised the labor law which resulted in a decrease of workers' rights.

In terms of labor productivity, Rwanda is more productive than Burundi but less than Kenya, though it is hard to make cross-country comparisons according to CESTRAR. Rwanda is still a young economy, but in the private sectors workers work hard and the service mentality has improved in comparison to 1995.

Firms

Aqua Virunga

Aqua Virunga is constituted by a Joint Venture between Aqua Rwanda and PWN (Puur Water en Natuur, a water supply company in The Netherlands). It is an official PSI (Private Sector Investment program, formerly, PSOM) project, subsidized by Agency NL. Their first project is in the north of Rwanda, and they are looking to start new projects elsewhere.

Unfortunately, we have not retained more information due to a problem with taking minutes, but not much information was very useful.

Banque Populaire du Rwanda (BPR)

From 2008, BPR has become a commercial bank. Before that, various autonomous BPRs in Rwanda together formed the Union des Banques Populaires du Rwanda (UBPR). Thirty-five percent of the equity of the bank is held by Rabobank, which means the Rabobank became involved in the form of merger/acquisition. BPR is serving only the national market of Rwanda and has 1600 employees.

The main motivation for Rabobank to invest in Rwanda was a special program of Rabobank Development, which is a specific department of Rabobank. Purpose of the program was to seek local partners in countries which are affiliated with the agrarian

sector, since Rabobank has its roots in the agrarian sector with respect to cooperative banking. Although profit is important for Rabobank, this investment contributes also to a form of corporate social responsibility. The reason to invest in Rwanda in particular is because of the English language that is spoken by the Rwandese, the political stability of the country and the fact that Rwanda was ready and open for business.

In terms of performance, BPR has grown significantly. There was a 20% increase in costumers this year and the bank currently has 1.2 million clients. Especially mobile banking is growing. In terms of skilled labor, Rabobank trained the local staff itself and provided technology and knowledge. Moreover the Rabobank is very positive about the strong work ethos of the local people and the vision of the government. Furthermore, Rabobank sees the EAC as an important organization in the economic development of Rwanda and business opportunities for investors.

Beijing Construction Engineering Group

BCEG is active in the construction sector and began its operations in 2009. Its main products are architectural design, scientific research, construction, equipment installations and building material supply. The main motivation to invest in Rwanda is market seeking and the fact that it already had operations in Tanzania and Congo. Because of the low skill level in Rwanda, the company had to employ skilled workers from China. Currently the company is making a profit.

Bralirwa

Bralirwa is part of the Dutch multinational Heineken and began its operations in Rwanda in 1971 through a joint venture with the government. The government owns a 25% share of the company. Its main products are beer and soda.

The main motivation for Bralirwa to invest in Rwanda is market seeking but family ties also played a significant role. Furthermore, Bralirwa's intention is to serve the local market since it already had investments in other African countries, including Rwanda's neighbouring countries. Bralirwa expects to expand its operation because Rwanda's growth rates are high and people will consume more when a country develops. Moreover *Vision 2020* is very clear and could stimulate to increase opportunities and Bralirwa's returns on investment are very high. Overall, Bralirwa is very positive about the investment climate and states that "every investment is good news".

Engen Petroleum Rwanda

Engen is an African energy company which is concerned with downstream refined petroleum products, market and related businesses. Engen began its operations in Rwanda in 2008. The company did an acquisition with a Greenfield character. It inherited the stations and workers of TOTAL. By buying TOTAL's business, Engen had a fast access to the Rwandan market. Engen's main activities in Rwanda are the refining and marketing of petroleum-based products, and the provision of retail convenience services through an extensive network of service stations.

Engen's main motivation to invest in Rwanda was market seeking and it was already active in neighboring countries. The company is convinced that FDI can help Rwanda develop. It perceives *Vision 2020* as important, since it develops its ten-year business plans. According to Engen, the plans envisaged by the government are reliable, and 80% of these plans have already been met, which makes the recognition of concrete business opportunities easier. Currently Engen makes profits.

Ernst & Young

Ernst & Young is a large professional services firm concerned with assurance, advisory services, tax services and transaction advisory services and has its headquarters located in London. It began its operations in Rwanda in 2003 after it already had operations in the region amongst them Kenya. E&Y did a Greenfield investment and is especially working in consultancy and insurance.

Its main motivation to invest in Rwanda was to provide business services, since they already served Rwandan clients from their headquarters in Nairobi. As the Rwandan economy became stronger and the political environment more stable, it seemed the right moment for them to set up a branch in the country. Especially the political stability of the country was a reason to invest in Rwanda instead of Burundi. Currently E&Y is serving the major banks in the country and other companies like Funda Tea.

Although E&Y is making profits, it admits that investing in Rwanda means that one has to invest relatively a lot of money initially. Moreover, finding a reliable partner which is able to deliver has proven to be difficult. Furthermore, lending money from banks is limited and the high interest rates are fixed which increases the economic risk for the performances of loans.

ICM Rwanda

ICM Rwanda is a partnership between ICM and the people of Rwanda. Upon presidential invitation ICM, which has its headquarters in Australia, currently investigates how it can assist the Rwandan people in upgrading and expanding their domestic rice production. It started its operations in Rwanda in 2006 after an invitation from president Kagame to help his country with the processing of rice. ICM regards *Vision 2020* as very optimistic, although it could be partially successful which would be very impressive according to the firm. However, ICM believes Rwanda needs to respond better to foreign investors and needs to have a more 'Western view' in doing business.

Kibuye Power Ltd.

Kibuye Power Ltd. is an organization concerned with the extraction of methane gas in order to produce energy and electricity from Lake Kivu. It started its operations in Rwanda in 2008 by setting up a Greenfield. The main motivation for the investment was the availability of methane gas and the high demand for energy in Rwanda. Kibuye Power Ltd. sees concrete opportunities in the energy sector, since there is a high demand for energy and electricity in Rwanda and its neighboring countries. Hence, the company plans to export to Congo soon. Kibuye Power Ltd. trains the local workers itself by providing internships to students and sending employees abroad for training.

Minimex

Minimex is a Rwandan firm active in agriculture and manufacture, and it started its operations in Rwanda in 2007. Its main activities are maize and processing. The main motivation for Minimex to invest was strong family ties and previous trade relations in Africa. Currently, Minimex is not exporting to other countries but it has planned to do so (to East Africa) at the end of 2012. Though the firm lists the interest rates and energy as high costs of its operations, it makes profit and it sees further opportunities in its sector.

Rock Global Consulting

Rock Global Consulting (RGC) is a relatively young organization with its main office in the United States and other branches in Burundi and Rwanda. Its main objective is to become a dominant provider of technology infrastructure solutions, which implements solutions that will add value to the customer's business.

RGC began its operations in Rwanda in 2006 by setting up a Greenfield. Products or services that the company provides are: IT infrastructure solutions, providing network

solutions, data centers, Microsoft services and managing services. The IT services are mainly provided to the public sector. Its main partners include Cisco, Dimension Data, Microsoft, Symantec, IBM and Inveneo. The main motivation to invest in Rwanda concerns family ties. The founder of the firm is a Rwandan who moved to the US. Another motivation was market seeking, because there is a market for the ICT sector, although the financial source is more difficult to find for further expansion. It also points at the high interest rate which makes it less attractive for investors to come. Currently RGC is making profits on the short term, however this is uncertain over the long term.

Serena Hotel Group

The Serena hotel group has its headquarters in Nairobi, Kenya, but is part of a US investment group. The main reason to start its business in Rwanda was market seeking. According to the country manager, the investment climate in Rwanda is good and he sees in Rwanda an emerging market in which it is easy to do business.

The Serena Hotel Group is currently making profit and it has the intention to expand in the market. There are plans to set up hotels in Akagera, Nykuye and in the area near the gorillas. Moreover, the manager is aiming at having a monopoly in luxurious hotels. At this moment tourism in Rwanda is growing with more than 10% annually. The manager points to the regional integration and the business climate as positive factors, but acknowledges that electricity is a problem, and the level of skill of the local workers. Serena's main costs are constituted of training costs for the local staff. Another problem according to the manager is access to finance.

Shekina Enterprise

Shekina is a Rwandan organization, which started its operations in 2007 and is active in the agribusiness. Its main products are dried fruits and vegetables, cereal flour and cassava processing. The enterprise is currently making profit and expects this to increase over time, as a result of the expansion of foreign markets and the domestic market.

The main motivation for Shekina to invest in Rwanda is the opportunity to export to other African markets, since there was an overproduction of crops in Rwanda. Moreover it expects expanding operations in the market.

SHER Ingénieurs-Conseils s.a.

SHER is a Belgian consulting engineers' organization which works especially in developing countries; from Africa, to Asia and Latin America. The organization is active in

fields of water supply and sanitation, infrastructure and the environment, and regional and social development. SHER started its operations in Rwanda in 1995 and is mainly involved in drinking water supply and irrigation. SHER itself is not involved in construction, but it does supervision in order to improve its operations.

The main reason for SHER to invest in Rwanda was the previous Belgian-Rwandan trade relation as a result of colonization. Another reason concerned family ties. Rwanda was also a francophone country, which made it in comparison to neighboring countries attractive to SHER, since the company is a French speaking company, situated in the French part of Belgium.

Business opportunities appointed by SHER concern maintenance of the operation at the current level, hence keep making profit, but also to improve workers' technical skills and management skills, by providing training.

Star Software Technology Co Ltd.

Star Software Technology is a Chinese organization which operates in the ICT sector and began its operation in 2008. Its main product or service is wireless pay TV and wireless internet system operation and value added business joint operations, such as mobile multimedia and commercial advertisements.

The main reason for this company to invest in Rwanda was market seeking. The broadcasting and digital TV industry is underexploited in Rwanda and there were no local companies present in this particular industry. Although the Rwandan market is small, Star Software Technology exports to other African countries like Nigeria, Guinea, Ivory Coast, Senegal, Mozambique, Tanzania, Kenya and Uganda. Moreover, the government supports the ICT sector and the country is politically stable and secure.

Star Software Technology expects expanding operation in its market. According to the company, there are opportunities for mobile multimedia, commercial advertisement and TV program transmission services after the implementation of wireless digital TV and internet. Currently the company is highly profitable.

Urwibutso Enterprise

Urwibutso is a company operating in the agricultural sector in Rwanda and has its headquarters in Kigali. Its main products are juices (e.g. passion fruits, strawberry etc.) and pili pili. Urwibutso grows its own fruits for the production of its juices and exports mainly to the other EAC members, but also to European countries, in particular Belgium. Urwibutso is positive about the investment climate in Rwanda. It believes the climate is

stable and good enough to do business in the country. However, the company also perceives investment constraints, since some materials are not always immediately available, technical skilled workers are difficult to find and the infrastructure is still not well enough developed. Although these factors are limiting investment, according to the company, it also creates an investment opportunity in the sense that a foreign company can invest in the Agricultural sector where it can not only transfer technical skills but also produce its own products. Moreover, the company emphasizes that it is open for partnership or cooperation with new investors.

Xiamen Tungsten Co. Ltd.

In 2009, this Chinese company which is active in the mining sector, started operations in Rwanda. Its main products and services are in the field of research and development, manufacturing and sales of Tungsten concentrates. This involves molybdenum mid-products, power products, wires and plants, cemented carbide, cutting tools, rare earth materials and new energy materials. Xiamen Tungsten exports also Japan, South Africa, Europe and the United States.

The main motivation for Xiamen Tungsten to invest in Rwanda was resource seeking. Other factors were the political stability and security of the country. In terms of profits the company experienced a net deficiency of 141,658.11 Euros from 2009 to 2010. Since the mining sector is a high-risk investment sector, the firm plans to purchase the exploited mining plants and reverse its plans to excavate new mining plants.