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Factors Attracting Foreign Direct Investments (FDIs) in Rwanda: The Case of Selected Companies

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Abstract: The purpose of this article is to present the important factors attracting FDI in Rwanda. It attempts to answer the question: "What are the important factors attracting FDI in Rwanda?" to reach the suitable response, a questionnaire was administered to 30 foreign investors in Rwanda registered in different economic sectors such as manufacturing, ICT, banking, mining, education, construction, agriculture, accommodation and fast moving consumer goods. For data analysis, SPSS software has helped to summarize the findings. The study concludes that constitutional and legal protection of FDI, free transfer of capital and profit gains, market and resources availability, strategic location, hospitality towards FDI, security, tax system, high demand level with reasonable competition the key factors attracting FDIs in Rwanda. This article will help economists and potential investors to understand the main determinants of FDIs in Rwanda.
Keywords: Factors, investment, Foreign Direct Investments

INTRODUCTION

Foreign Direct Investment (FDI) is playing very crucial role in the economic development of the country. It may be defined as an investment that is made to gain long term interest in organization running its operation in an economy other than its own. The FDI relationship is formed between parent company and an affiliate (at least one) operating in any foreign country.

National Institute of statistics of Rwanda (NISR) [1] conducted a survey on foreign private capital in Rwanda in 2014. Findings declared total turnover of the companies considered in the survey increased by 14.9 percent from US$ 1,565.0 million in 2013 to US$ 1,798.8 million in 2014; contributing 39.0 percent of the country's total turnovers in 2014, dominated by finance and insurance services, manufacturing and wholesale and retail trade accounting for 65.7 percent of census companies' turnover.

Table1: FDIs turnovers by sectors in 2011-2014 (US$ million)

Sector	**2011**	**2012**	**2013**	**2014**
Manufacturing	229.8	246.8	365.9	414.5
Wholesale	222.3	223.4	277.5	321.3
ICT	182.5	185.7	134.4	155.7
Mining	86.5	59.5	133.6	151.3
Agriculture	36	38.4	38	43
Tourism	22.8	18.4	23	26.7
Transportation	7.4	8.6	94.2	109.1
Financial & Insurance	187.6	192.3	384.5	445.3
Construction	11.4	3.7	98.5	114
Others	8.4	96.5	15.3	17.8
Total	**994.6**	**1073.4**	**1565**	**1798.8**

Source: National Institute of Statistics of Rwanda 2015

The package for investment promotion, especially FDIs, includes among others: regulatory framework, registration facilities and requirements, change of registered businesses, closing of businesses, disclosure requirements, and other facilities such as working permit, government's protection of investments, settlement of disputes, transfer of funds, special economic zone facilitations, public private partnership (PPP) where Rwanda Development Board (RDB) is chief negotiator between public and private sector.

National Institute of Statistics of Rwanda (NISR) reports that foreign private investments in Rwanda have been increasing overtime. In 2014, foreign private capital (FPC) inflows to Rwanda increased by 31.1 percent to $ 460.7 million compared to $427.7 million recorded in 2013. They were dominated by FDI, amounting to $ 458.8 million, and accounting for 81.8 percent of total inflows, followed by other investments at $ 96.3 million, accounting for 17.1 percent and portfolio investments of $ 5.6 million. In 2011 with the starting of Rwanda Stock exchange, portfolio investments flows were particularly high ($ 87.3 USD) compared to other years. Below are the figures:

Table 2: New foreign private investments inflows registered 2008-2014($ million)

Years	2008	2009	2010	2011	2012	2013	2014
FDI	66.9	103.3	250.5	119.1	255.0	257.6	458.9
Portfolio	1.1	0.7	1.5	87.3	1.0	1.7	5.6
Other investment	77.9	35.7	91.0	150.2	153.3	168.4	96.3
Total	**145.9**	**139.7**	**343.1**	**356.6**	**409.3**	**427.7**	**560.8**

Source: National Institute of statistics of Rwanda 2015

Rwanda Development Board(RDB) has published on its website [2] the reasons for investing in Rwanda, as market efficiency and institutional pillars to promote FDIs:

1. Sustained High Growth: 8% average year –on-year growth, stable inflation and exchange rate.
2. Robust Governance: A clear vision for growth through private investment led by President Paul Kagame (Vision 2020.
3. Investor friendly climate: Top Global consistent reformer since 2008 (World Bank Doing Business report).
4. Access to markets: Rwanda is a Market of around 11 million people with a rapidly growing middle class. It is located centrally bordering with 3 countries of East Africa and the huge market of Democratic Republic of Congo. The country adhered to EAC Common Market and Customs Union with market potential of over 125 million people with all trade facilities the EAC bloc offers.
5. Untapped investments opportunities: Potential investment opportunities abound, particularly in the following sectors: Infrastructure, Agriculture, Energy, Tourism, ICT and other attractive sectors include real estate and construction, financial services and mining.
6. Rwanda is Highly Competitive: Rwanda is now the third most competitive country in Sub-Saharan Africa after Mauritius and South Africa.
7. Excellent Business Environment: Rwanda has the third strongest regulatory framework in Sub-Saharan Africa, only slightly behind South Africa and is ranked 8th globally by the World Bank doing business report in starting a business

LITERATURE REVIEW

Bhalla [3] asserts that, investment is employment of funds with the objectives of realizing the additional income or growth in value of investment at a future date. Investment usually involves putting money into the assets, which is not necessarily marketable in the short run, in order to enjoy a series of returns the investment is expected to yield.

Bengos & Sanchez-Robles [4] explains foreign direct investment as any form of investment that earns interest in enterprises which function outside of the domestic territory of the investor. FDIs require a business relationship between a parent company and foreign subsidiary. Foreign direct business relationships give rise to multinational corporations.

The foreign direct investment is according to OECD [5] a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise.

A large number of studies have been conducted to identify the determinants of FDI but no consensus view has emerged, in the sense that there is no widely accepted set of explanatory variables that can be regarded as the "true" determinants of FDI. Faheem *et al*. [6] explain that a large size market in host country is positively related with profitable investments international investors believe Chinese market is the greatest market in world. The study reveals that the natural resources including oil, the infrastructures-technological, physical and financial are attracting foreign investors; it ends by presenting that openness to foreign trade, accessibility foreign markets, the regulatory frameworks, economic policy coherence and the exchange rate are factors attracting FDI in China. Tembe [7] conducted a comparative study on factors attracting FDIs to china and Mozambique, findings indicate the difference among countries in attracting investments due to their different geographic location, conditions of infrastructure (poor or developed), corruption, taxes as well as the implementation of the policies by the governments. These results also show that successful policies in China should not be copied or implemented by Mozambique. Foreign Direct Investment must only be allowed to operate according to local conditions and must conform to certain performance requirements that will ensure a positive impact on development. Evidence within this paper shows that Africa is different in attracting FDI due to the lack of high return on capital and infrastructure development, and openness to trade.

Karimiet *et al.* [8] presents that access to customers and markets, utilization of natural and human resources of other countries, diversification of macroeconomic and operational risk, and cross over customers between markets are the most determinants of FDIs.

Three institutional factors attracting FDIs as classified by Benassy-Quere & Mayer [9] are i) Attractiveness of the economic conditions in host countries: markets; resources; and competitiveness; ii). Host country policies: macro policies; Private sector; Trade and industry; FDI policies; and iii). Investment strategies of multinational enterprises (MNE): risk perception; location, sourcing, integration transfer, soft and hardware infrastructures.

Attractiveness of the economic conditions in host countries: markets; resources; and competitiveness; 2. Host country policies: macro policies; Private sector; Trade and industry; FDI policies; and 3.Investment strategies of multinational enterprises (MNE): risk perception; Location, sourcing, integration transfer, soft and hardware infrastructure. Bevan and Estrin [10] in their study established the main determinates of FDI as; host country risk, unit labor costs, host market size and gravity factors. They also found that host country risk is to be influenced by private sector development, industrial development, the government balance, reserves and corruption. Other scholars believe that the main institutional determinates of FDI are as follows: Weak concentration of capital, Existence and enforcement of labor laws, Competition- production sector, Security of formal property rights, Support to R&D and innovation, Information on firms, Ability of bank executives, Internal control of banks, Individual incentive to tertiary education, Government efficiency- evolution, Easiness to enter a market, Information on the quality of goods and services, Competition-distribution, Efficiency of the tax system, Lack of corruption, Easiness to create a company, Information required for issuing bonds, Contract law, local/ international prudential standards, Competition-bank Branstetter and Feenstra [11] explained that only political openness that attracted FDI in china. Cheng & Kwan [12] described that large market size and good infrastructure are the attractive factors to FDI in china. Moore [13] concluded that large market size and growth in GDP were among the most important determinants of FDI by German firms from 1980 to 1990. Wheeler and Mody [14] identified the market size of the host country is one of the major determinants of FDI by the US firms. Walsh & Jiangyan [15] presents the main determinants of the foreign direct investment as macroeconomic variables of the country on one side including the country's openness, real exchange rate, GDP growth potential, average inflation and the GDP per capita and on the other side the institutional arrangements put in place such as the labour, judicial, legal, infrastructural and financial. Addison& Heshmati [16] found out that determinants of FDI also include the ICT infrastructure and skills as well the democratization.

PROBLEM STATEMENT

To attract foreign direct investments (FDIs) is a target of developed, developing and least developed countries as the benefits from these are tremendous. However, many theories and studies on factors that attract FDIs have been done; some are relative to the country's geographical locations, temporary and or subjective. It is in this framework that we conducted this study to find out the main determinants for FDI in Rwanda.

RESEARCH METHODOLOGY

For the case of this study, the convenient sampling of companies is used. The researcher opted for purposive technique as it helps to increase utility of findings because most respondents expected to have necessary information with respect to objectives of the study are included in the sample. It is this perspective that 30 foreign direct investment companies in the agriculture sector, manufacturing and service sector were selected to ensure all economic sectors are taken into consideration.

For this case, the researcher administered 30 questionnaires to foreign companies composing the sample and all of them have responded. This was done for the purpose of getting reliable information for the related to the intended objective. Responses were coded, referring to assigning them numerical or other symbols so that they can be put into a limited number of categories or classes in the SPSS platform.

The researcher referred also to documentary technique which helped in getting through with what other people, authors, writers say and experienced about factors attracting FDI.

RESULTS AND DISCUSSION

Sector of activity of foreign investors

The information on the sector of activity is crucial as it determines the particularities of each sector towards the local environment in terms of policies in place as well the market experience. Therefore, the sector of activity influences a lot as companies with different sector of activity may respond differently to any indicator related to investment.

Table 2: Respondents classification based on the sector of activity in Rwanda

Sector of Activity	Frequency	Percent
Manufacturing	5	16.7
ICT	4	13.3
Banking	2	6.7
Mining	3	10
Education	2	6.7
Construction	5	16.7
Agriculture	2	6.7
Accommodation and Food	5	16.7
Fast moving consumer goods	2	6.7
Total	**30**	**100**

Source: Primary data analysis through SPSS 2015

Based on the table above, the respondents are categorized in different fields of activities; 16.7% of respondents are in the sector of manufacturing, 13.3% are in the ICT sector, 6.7% are in banking sector, 10% are in mining sector, 6.7% are in education sector, 16.7% are in construction sector, 6.7% in agriculture sector, 16.7% are in accommodation and food services, while 6.7% are in fast moving consumer goods.

The construction, manufacturing and the accommodation companies were dominant in the sectors considered due to following reasons: the construction firms are in close contact with local citizens and their impact reach the individual manpower and local construction materials suppliers. The manufacturing firms use local raw materials and labour, while accommodation and food sector impacted a lot the attractiveness of tourists and potential investors in Rwanda

Factors attracting foreign direct investment to Rwanda

Strategies used to attract FDI, can vary from country to another. Generally, such strategies should consist of creating a favourable investment climate by creating a national investment regime and liberalized economy by reducing entrance obstacles by creating the relationship with the foreign countries etc. by attracting actively the FDI the country had exposed all the possible opportunities and incentives to outsiders. This will bring to the creation of institution in charge of promotion of the investments. In the case of Rwanda, such as RBD, and Rwanda Private sector federation (RPSF) have been created.

National Bank of Rwanda [17] reveals that Rwanda has established such institutions as instruments which facilitate, promote, and encourage the expatriates to invest in the country. The following are the measures adopted in order to promote and attract the foreign investors in Rwanda:

- Rwanda has fully embarked on the principle of free market economy.
- The government of Rwanda embarked on a comprehensive liberalization of its economy.
- It initiated appropriate legislation reform and emphasized peace stability.
- It promotes free trade and pursued regional integration target as set out under cross border initiative CBI and COMESA
- In keeping with its regional integrations commitments Rwanda has reduced its tariffs rates and eliminate all exports taxes and other non-tariff barriers.

A part from above strategies, the Rwandan government is keeping on attracting the FDI by improving the human resource through education, training which constitute an important factor for the economic development.

The following investment incentives have been put in place in recent years. These reflect recent policy choices, and the government will remain flexible and be prepared to review them in line with demands from the market place, the county's economic growth objectives, and the new strategic actions in the investment policy as detailed below.

Table 3: Respondents opinion on different factors attracting FDIs to Rwanda

Below are the factors that attracts the foreign investors to Rwanda										
	Strongly Agree		agree		disagree		strongly disagree		Total	
	Fi	%	fi	%	Fi	%	fi	%	Fi	%
Rwanda constitution protects foreign investment by:										
Government Policy	28.0	93.3	2.0	6.7	0.0	0.0	0.0	0.0	30.0	100.0
Prohibiting to foreign investment any expropriation connected	21.0	70.0	8.0	26.7	1.0	3.3	0.0	0.0	30.0	100.0
Creating commercial court	17.0	56.7	12.0	40.0	1.0	3.3	0.0	0.0	30.0	100.0
Setting fair competition regulation	26.0	86.7	2.0	6.7	2.0	6.7	0.0	0.0	30.0	100.0
Setting fair attractive regulation	27.0	90.0	2.0	6.7	1.0	3.3	0.0	0.0	30.0	100.0
FDIs enjoy following advantages										
Resident permit	26.0	86.7	3.0	10.0	1.0	3.3	0.0	0.0	30.0	100.0
Rwanda Nationality	27.0	90.0	2.0	6.7	1.0	3.3	0.0	0.0	30.0	100.0
To become land lord	21.0	70.0	8.0	26.7	1.0	3.3	0.0	0.0	30.0	100.0
Freely transfer of capital and profit gained	24.0	80.0	5.0	16.7	1.0	3.3	0.0	0.0	30.0	100.0
Preferential tax system	23.0	76.7	6.0	20.0	1.0	3.3	0.0	0.0	30.0	100.0
Following factors attract FDIs in Rwanda										
Available resources	25.0	83.3	4.0	13.3	1.0	3.3	0.0	0.0	30.0	100.0
Market Availability	26.0	86.7	3.0	10.0	1.0	3.3	0.0	0.0	30.0	100.0
Strategic location	24.0	80.0	5.0	16.7	1.0	3.3	0.0	0.0	30.0	100.0
Good hospitality	25.0	83.3	4.0	13.3	1.0	3.3	0.0	0.0	30.0	100.0
Security	25.0	83.3	4.0	13.3	1.0	3.3	0.0	0.0	30.0	100.0
Low Tax	2.0	6.7	3.0	10.0	12.0	40.0	13.0	43.3	30.0	100.0
High level of demand	23.0	76.7	6.0	20.0	1.0	3.3	0.0	0.0	30.0	100.0
Reasonable Competition	25.0	83.3	4.0	13.3	1.0	3.3	0.0	0.0	30.0	100.0
Regulation Framework	26.0	86.7	3	10.0	1.0	3.3	0.0	0.0	30.0	100.0

Source: The data analysis through SPSS 2015

In accordance to this table, all respondents agreed with the factors to attract investors that the government of Rwanda has put in place at 96.3%; except the factor low tax whereby 40% disagreed and 43.3% strongly disagreed with it; the respondents do not find this mechanism as an incentive to foreign direct investment. The details on respondents' opinion is provided below:

The government policies as one of the factors attracting FDIs in Rwanda

The government policies here stand for broad political orientations that may motivate in one way or another, the business in general and especially the FDIs. Top Global consistent reformer since 2008 (World Bank Doing Business report). Most competitive place to do business in East Africa and 3rd in Africa, WEF Global competitiveness index report 2014-2015 [18]. New special Economic Zone developed and operational in Kigali. More industrial zones planned for other districts. The researcher has investigated whether the current government policies motivate the FDIs; the table 3 above reveals the following findings.

Based on the table above, 6.7% of the respondents agree that government policies motivate the FDIs in Rwanda, 93.3% strongly agree with the statement; this indicates that FDIs installed in Rwanda 100% are satisfied with current government policies.

Rwandan constitution protects foreign investments

The constitution of the Republic of Rwanda [19], Article 42 states that "Every foreigner legally residing in the Republic of Rwanda shall enjoy all rights save those reserved for nationals as determined under this Constitution and other laws". It is under this, the researcher verified whether the FDIs are protected by the constitution.

In addition, the new Rwandan investment code or Law relating to investment promotion and facilitation [20], it is clearly expressed that the government is responsible of the foreign investment's protection.

Based on the table above, 70% of the respondents strongly agree that the constitution protects the FDIs, 26.7% agree with the statement, 3.3% disagree with it; 96.7% of respondents recognize that the constitution protect the FDIs.

The constitution creating commercial court

The commercial court which is in place in Rwanda has a particularity to speed up the commercial and trading issues amongst investors; it is founded in the Rwandan constitution [19], in its article 152. It is under this, the researcher verified whether the FDIs are enjoying the existence of the commercial court.

Based on the table above, 56.7% of the respondents strongly agree that the FDIs enjoy the existing commercial court, 40% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

The Rwandan legislation sets fair competition regulation

The fair competition regulation which is in place in Rwanda has a particularity to regulate the competition of economic agents; it is founded in the Rwandan law N^{O} 14/98 of 18/12/1998 establishing the Rwanda investment promotion agency [21]. It is under this, the researcher verified whether the FDIs are enjoying the existence of fair competition

Based on the table above, 86.7% of the respondents strongly agree that the FDIs enjoy the fair competition regulation, 6.7% agree with the statement and 6.7% disagree with it; in the overall respondents 93.3% enjoy this advantage.

The Rwandan legislation sets fair investment regulation

In order to attract the foreign investors in Rwanda, the government of Rwanda has intended to manage its investment policies by establishing the investment law which incentivizes the investors. Rwanda government has established the law N° 06/2015 of 28/03/2015 [20] in order to organize investment in the country. This law is related to promote and facilitate investment and export. The investment's law wants to incite three things: to reduce administrative formalities, to exonerate and alleviate domestic taxes, and to procure guarantee relating to the Rwandan integration in COMESA and EAC

Based on the table above, 90% of the respondents strongly agree that the FDIs enjoy the fair investment regulation, 6.7% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

FDIs enjoy other advantages for promoting their investment

Amongst other advantages enjoyed by the foreign investors, the residence permit either temporary or permanent, to get the Rwandan citizenship, they become landlords of their fixed and immovable properties and they even freely transfer the capital and profit gained to their home countries.

Residential permit

Investors, before applying for residence work permit, are advised to contact the Field Inspection and Law enforcement department of DGIE, to arrange for a field visit. The visit shall focus to assess the following: Reliability of the Business/ firm and country office addresses. In case found that the Business/ firm have not yet established, the owner and staff shall be advised to apply for special pass (3 months) to finalize the process. For permanent residence permit, it may even reach 5years.

Based on the table above, 86.7% of the respondents strongly agree that the FDIs enjoy the residential permit granted by the directorate general of immigration and emigration, 10% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

To get the Rwandan citizenship

In accordance with organic law n° 30/2008 of 25/07/2008 relating to Rwandan nationality [22] in its article 14, any foreigner applying for the Rwandan nationality by naturalization shall have to fulfil the following conditions:

1. To be at least eighteen (18) years old and a legal resident of Rwanda for at least past five (5) years at the time of submission of his/her application, including the time spent abroad either on official mission or on studies with the direct or indirect permission from the Rwandan authorities;
2. To be the owner of sustainable activities in Rwanda;
3. To be of good behaviour and morals and not to have been definitively convicted to an imprisonment sentence of six (6) months or more without suspension or rehabilitation;
4. To respect Rwandan culture and to be patriotic;
5. Not to have been subject to a non-cancelled decision of being expelled from the Rwandan territory;
6. Not to be characterized by the genocide ideology;
7. Not to be a burden to the State and to the people;

Based on the table above, 90% of the respondents strongly agree that the FDIs enjoy the facility to acquire Rwandan citizenship, 6.7% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

To become landlord of immovable properties

The Rwanda constitution in its 34 article, guarantee to investors and entrepreneurs an entire protection of property, not only movable but also immovable assets like land and buildings realized by either local investor or foreign.

Based on the table above, 70% of the respondents strongly agree that the FDIs enjoy the facility to be landlord of their immovable assets, 26.7% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

Free transfer of capital and profit gained

The FDIs are mostly subsidiaries of international companies, they may want to transfer to their headquarters a portion of the capital or the profit realized. Expatriate staffs may also want to transfer their revenues to their home countries. The government of Rwanda allows free repatriation of funds.

Based on the table above, 80% of the respondents strongly agree that the FDIs enjoy the facility free repatriation of funds, 16.7% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% enjoy this advantage.

The availability of resources

The investors are production units with purpose of transforming locally available resources into markets oriented products. These may be either tangible products or services. The availability of resources is a prime requirement before company establishment, therefore the researcher wanted to know whether Rwanda has resources that attract investors.

Based on the table above, 76.7% of the respondents strongly agree that the availability of resources is amongst factors attracting FDIs to Rwanda, 20% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement.

Availability of the market

The factors of selecting a location either on the national level, the regional or the international level the availability of the market is a leading factor. It under this context that researcher assessed whether the availability of the market is amongst the factors attracting FDIs to Rwanda.

Based on the table above, 83.3% of the respondents strongly agree that the availability of the market is amongst factors attracting FDIs to Rwanda, 13.3% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement.

Strategic location of Rwanda

Rwanda is integrated in many regional blocks like EAC, CEPGL, COMESA and it is located on the Heart of Africa. This allows investors located in Rwanda to easily access the neighbouring countries and all integration blocks to which Rwanda is a country member. This context allows the researcher investigated on this factor whether it is attracting FDIs to Rwanda.

Based on the table above, 86.7% of the respondents strongly agree that the strategic location of Rwanda is amongst factors attracting FDIs to Rwanda, 10% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement.

Hospitality as a factor attracting FDIs to Rwanda

The friendly reception and treatment of investors is referred to hospitality. This factor is seen through the quick registration of businesses whereby the certificate of incorporation is with 3 hours from the registration, the visa processing and work permit are issued in 30 minutes since the request is done. The researcher has investigated whether the hospitality is amongst the factors attracting the FDIs to Rwanda.

Based on the table above, 80% of the respondents strongly agree that the hospitality of Rwanda is amongst factors attracting FDIs to Rwanda, 16.7% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement.

Security and political stability amongst factors attracting FDIs to Rwanda

The security on Rwandan territory contributed a lot to gain investors' confidence to invest in Rwanda; the investment refers to allocation of funds in an activity covering a specific area. If Rwanda was in politically instable, investors could not bring their funds for destruction and loss. It is in this context that the researcher investigated whether the security and political stability is amongst factors that attract investors on the Rwandan territory.

Based on the table above, 83.3% of the respondents strongly agree that the security and political stability is amongst factors attracting FDIs to Rwanda, 13.3% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement.

Low tax rates as a factor attracting FDIs to Rwanda

The tax system is the wide variety of taxes collected on the country's territory to allow the government to carry out the public expenditures. The tax system may be affordable when the burden does not discourage the economic agents; otherwise it demotivates the economic actors and constitutes a barrier to the entrepreneurship growth. The researcher investigated whether the Rwandan tax system is low, and if it attracts the FDIs to Rwanda.

Based on the table above, 33.3% of the respondents strongly agree that the low tax system is amongst factors attracting FDIs to Rwanda, 13.3% agree with the statement and 53.3% disagree with it; in the overall respondents 46.7% agree with the statement. With these figures, the majority of investors concerned this study were not motivated by the current tax system.

High level of local demand as factor that attracts FDIs to Rwanda

The level of demand is the quantity of customers with required purchasing power. The foreign companies may open subsidiaries abroad for reaching and getting closer to their customers. This expresses that most of FDIs would have existing or potential customers in Rwanda before their establishment. This context led the researcher to investigate whether the demand is high and attracted at the same time the FDIs to Rwanda.

Based on the table above, 6.7% of the respondents strongly agree that the high level of local demand is amongst factors attracting FDIs to Rwanda, 10.0% agree with the statement and 40.0% disagree with it; while 43.3% have strongly disagree with the statement; in the overall respondents 16.7% agree with the statement and 83.3% disagree with it. With these figures, the majority of investors concerned this study were not motivated by the high level of demand.

Reasonable level of competition as a factor attracting the FDIs to Rwanda

The competition is the rivalry among sellers trying to achieve the goal of increasing the profit margins, the market share and sales volume by applying the techniques of marketing mix. Investors always prefer the area where they do not have or have few competitors for maximizing the market share and profit at the same time, even enjoy the advantages of first arrival. It is this perspective that the researcher investigated whether the lower level of competition in Rwanda is amongst the factors that attract the FDIs in Rwanda. Following table summarizes the findings.

Based on the table above, 76.7% of the respondents strongly agree that the lower level of competition is amongst factors attracting FDIs to Rwanda, 20.0% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement. With these figures, the majority of investors concerned this study were motivated by the lower level of competition.

The regulation framework as factor attracting the FDIs to Rwanda

Regulation framework refers to the procedures, laws and codes and other text documents governing the investment in Rwanda. The research would like to assess whether the entire regulation is attracting the FDIs to Rwanda. Following table summarizes the findings.

Based on the table above, 83.3% of the respondents strongly agree that regulation framework is amongst factors attracting FDIs to Rwanda, 13.3% agree with the statement and 3.3% disagree with it; in the overall respondents 96.7% agree with the statement. With these figures, the majority of investors concerned this study were satisfied by the regulation framework in place.

CONCLUSION

The purpose of this study was to highlight the factors attracting FDIs in Rwanda and found that conducive environment is necessary for economic development. As far the as environment is concerned, it is composed of macroeconomic variables, the social and legal frameworks including the resources, the market, the countries location, the hospitality, the political stability and security, the tax system, different regulations contribute to the attractiveness of Rwanda towards the FDIs.

However, the determinants of FDI differ from country to country depending upon other incentives available in the country. The economic parameters have to be in order as well, so that Rwandan economy can compete with EAC countries with more competitive strengths to increase its share in regional foreign direct investments.

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