Revised National Export Strategy

Prepared by: Ministry of Trade and Industry
### Table of Contents

**EXECUTIVE SUMMARY** 3

**CHAPTER 1: WHY ITS NECESSARY TO REVISE THE NATIONAL EXPORT STRATEGY**

1.1  **STRATEGIC CONTEXT HAS CHANGED** 7  
1.2  **NEW EXPORT TARGETS HAVE BEEN SET** 7  
1.3  **CHALLENGES UNDER NES I** 8

**CHAPTER 2: APPROACH AND ANALYSIS**

1  **APPROACH** 10

2  **RWANDA’S RECENT TRADE PERFORMANCE** 10  
2.1  **MERCHANDISE EXPORTS** 11  
2.2  **SERVICES EXPORTS** 11  
2.3  **TRENDS IN EXPORT GROWTH** 12  
2.3.1  **SECTOR CONTRIBUTIONS TO GROWTH** 12  
2.3.2  **EXISTING AND NEW TRADE FLOWS** 13

3  **SECTOR REVIEW** 13

4  **MARKET REVIEW** 14  
4.1  **INTERNATIONAL MARKETS** 14  
4.1.1  **POTENTIAL NEW EXPORTS TO INTERNATIONAL MARKETS** 15  
4.2  **REGIONAL MARKETS** 16  
4.3  **COUNTRIES OF INTEREST TO THE PRIVATE SECTOR** 17

5  **FIRM REVIEW** 19  
5.1  **THE IMPORTANCE OF EXPORTING** 19  
5.2  **THE IMPORTANCE OF LARGE FIRMS** 19  
5.3  **CREATING LARGE EXPORTERS** 21  
5.3.1  **HOME GROWN LARGE EXPORTERS** 21  
5.3.2  **IMPROVING FIRM SURVIVAL** 21  
5.4  **WHY SMALLER FIRMS DON’T EXPORT** 22

6  **CROSS-CUTTING CONSTRAINTS** 22  
6.1  **EXPORT FINANCE** 22  
6.2  **STANDARDS AND OTHER TECHNICAL REQUIREMENTS** 23  
6.3  **TAX ON EXPORTS** 24  
6.4  **TRANSPORT COSTS** 24

**CHAPTER 3: STRATEGIC INTERVENTIONS**

**FOUR STRATEGIC PILLARS FOR NES II** 26

1  **STRATEGIC OBJECTIVE 1: SECTOR INTERVENTIONS** 28

2  **STRATEGIC OBJECTIVE 2: IMPROVED ACCESS TO MARKETS** 34  
2.1  **INTERNATIONAL MARKETS** 34
3.1 Access to Government funded support measures 39
3.2 Export capacity program 40
3.2.1 New or potential exporters 40
3.2.2 For existing exporters 40
3.2.3 For large exporters 41
3.2.4 Export adviser initiative 41
3.3 Trade promotion and buyer outreach 42
3.3.1 Group branding 42
3.3.2 ‘Buy from Rwanda’ Export Portal 43
3.3.3 Buy from Rwanda promotional materials 43
3.3.4 Trade fairs program 43
3.3.5 Market linkages program 43
3.3.6 President’s award for exporting 44
3.4 Trade information centre 44

4. Strategic Objective 4: Export growth facility 45

Chapter 4: Managing and Delivering the Strategy 47

1 Implementation 47

2 Institutional roles 47
2.1 Industrial Development and Export Council (IDEC) 47
2.1.1 Role of the Secretariat in Coordinating and Monitoring NES 47
2.1.2 Responsibility of Key Implementing Institutions and Agencies 48
2.2 PSDS Joint Sector Committee to Coordinate Implementation 49

Annex 1: Key Implementation Plan 51

Annex 2: Sector Profiles 56
Executive Summary

Since the launch of NES I, Rwanda’s strategic context has changed considerably. Toward the end of 2012 the GoR finalised its second Economic Development and Poverty Reduction Strategy (EDPRS II), designed to accelerate the progress already achieved and to shape the country’s development in the future. EDPRS II set out targets to increase exports revenues from US$1.277 billion in 2013 to US$ 4.515 billion in 2018 or approximately 29% average annual growth over the next 5 years. This is a significant revision upward from the previous export target of 15% growth p.a. planned under Vision 2020, and captured within NES I. This made it necessary to revise the National Export Strategy to assess the ability of the country to meet these targets.

An analysis of the export sector highlights the following characteristics of Rwanda’s export Sector:

1. First and foremost, exports are constrained by a lack of goods and services produced in Rwanda and made available for export. Investment in growing export capacities and volumes of the goods and services sector is therefore key to unlocking export growth;

2. Rwanda’s merchandise exports remain concentrated in a few key commodities (traditional exports) sectors – tea, coffee, and minerals. In 2008, Rwanda’s traditional exports amounted to 69% reducing to a still significant 45% in 2014. Traditional exports averaged 10% growth between 2008-2014, driven largely by growth in mineral exports. Over the same period non-traditional exports averaged 22% growth, re-exports 22% growth and informal exports 25%\(^1\) per annum.

3. Finding new markets for products currently exported and diversifying products exported to well established markets are the best avenues for export growth, compared to trying to develop new products for new markets. However developing new markets is an expensive and risky exercise and many firms do not currently have the appetite for such risk;

4. Regional markets are increasingly important sources of export growth in the non-traditional export segment and are also to easiest to enter for most firms that wish to export. Barriers to entry, and the cost efficiency of Rwandan firms are less of a constraint than for markets outside the region, including the wider African market. Enabling firms to become more strategic in exporting and therefore to reach beyond neighbouring countries, requires an upgrade of firm capacity and ability to finance changes in production and marketing to meet the requirements of more sophisticated buyers.

\(^1\) Informal export growth based on compound average growth rate in exports between 2010 and 2013
5. Companies with export turnover above $1 million (Million Dollar Exporters representing 3% of the number of exporting firms in 2014) accounted for 84% of export value in the same year. These firms are best able to compete and survive in export markets. Large exporters can emerge through large-scale investment (domestic or FDI), but a significant number of these businesses have grown over time from small exporters to large exporters. Of Rwanda’s 64 Million Dollar Exporters in 2013, 26 (40%) grew from being small exporters to MDEs over the past five years and Rwanda should support firms with the potential in repeating this success.

6. Improving firm survival rates can be achieved through a range of cross-cutting interventions that create an aggregate improvement in survival rates. Interventions here include reducing the cost and time of trade, simplifying procedures and providing in-market support in markets where many firms are exporting. The second way of increasing survival rates is through increasing the number of large exporting firms where survival rates are higher. It is clear that MDEs survive better in new export markets than smaller firms.

7. It is well documented that access to finance is a cross cutting factor affecting exports. Access to finance to fund investment in export related activities, adjust production practices to meet technical standards in export markets and fund pre and post shipment activities related to exporting are all key to delivering export growth.

PROPOSED SOLUTIONS
After considering trends in export growth, the dynamic relationship between products and markets, and the specific challenges faced by different types of firms, NES II identified and recommends the following 4 strategic objective areas. The four strategic objective areas are:

Strategic Objective One: Direct Interventions in selected segments of the export sector with high growth potential: To meet export targets a significant amount of investment and coordination is required in a wide range of sectors. Table 9 of this document summarizes the key interventions required in each sector and the potential contribution to exports by 2018. If all existing sector interventions are implemented it is expected Rwanda will achieve US$2.2 billion in 2018.

Strategic Objective Two: Improving Access of Rwanda’s Exports of Goods and Services to Markets: Access to markets (international and regional) will be improved through a combination of specific policy initiatives to reduce the costs of accessing identified strategic markets for exports combined with the provision of in-market support in a few selected markets through the establishment of multi-service centres;

Strategic Objective Three: Upgrading Firm Capacity to Enter and Grow in Export Markets: RDB is already active in this area, however a more focused approach to supporting exports is necessary with a focus on the following interventions:
1. **Export Capacity Programme**: The Export Capacity programme aims to grow both the number of successful exporters and the volume of exports per exporter. There are different groups each having slightly different needs.

2. **Export Advisor Initiative (EAI)**: A cadre of qualified and experienced advisers will be developed to deliver support to exporters of all sizes in the areas of business development for export and market entry strategies. The EAI is managed through a subsidised consulting scheme where companies pay a percentage of the costs of an approved project and the balance is paid by the government.

3. **Trade Promotion and Buyer Outreach**: Proactive promotion of Rwanda and its products and services will be a key element in a successful export growth strategy. The Trade Promotion Strategy will contain a number of specific activities to achieve this.

4. **Trade Information Centre**: Setting up a small trade information centre to provide a one-stop information and signposting service to exporters. The TIC would be managed by a small well-trained team supported by access to a virtual library of relevant publications, reports and databases.

**Strategic Objective Four: Establishing an Export Growth Facility**: The export finance component of the NES is designed as a single fund, the Export Growth Facility (EGF) with three separate windows for funding: 1) an investment catalyst fund to encourage export focused investments, 2) a matching grant fund for medium sized exporters to meet specific requirements in target markets and 3) an export guarantee facility to underwrite exports for up to 180 days.

The overall impact of full NES implementation is estimated to deliver between 15% and 20% export growth per annum up until 2018. This will come through a combination of direct sector interventions supported by market entry support activities covered under strategic objectives two through four.

For the Export Growth Facility there are also the potential spill over benefits if the successful implementation leads to development of a specialised BRD subsidiary, such as an Import and Export Bank that will serve Rwanda, or the East Africa region, offering appropriate facilities for regional exporters.

**FINANCIAL IMPLICATIONS**

- Sector interventions under Strategic Objective 1 should be covered through lead institution budgets following development and approval of sector strategies to grow exports;
- The Export Development Programme under strategic intervention three will cost US$ 3.55 million in year one increasing to US$ 3.6 million by year three. RDB will manage this funding;
- The Export Growth Facility will will be launched as a limited pilot programme of US$ 1 million growing to US$ 50 million after year four.

**IMPLEMENTATION AND HANDLING**

The recommendations require co-ordination of private sector and public sector organisations. The role of the main implementers are briefly summarised below:
<table>
<thead>
<tr>
<th>Institution</th>
<th>First Steps Toward Implementation</th>
</tr>
</thead>
</table>
| MINICOM     | • Coordinate implementation of NES II  
               • Lead implementation of market access programme |
| RDB         | • Lead implementation of Export Growth Programme  
               • Participate in invitation / creation of Third party quality inspection company to support firms accessing finance |
| BNR         | • Oversee implementation and advise on EGF |
| BRD         | • Host EGF and administer funds  
               • Sensitize exporters in chosen recommendations via one-on-one meetings and sectorial workshops  
               • Work with commercial banks to deliver EGF through private banking sector |
| Exporters   | • Participate in formation of Export Finance Solutions and benefit from Export Growth Programme |
Chapter 1: The NES and the Need for Revision

1 Why it’s necessary to revise the National Export Strategy

In its introductory chapter, the National Export Strategy of 2011 (NES I) states that the strategy “should not been seen as a static document, but as the first stage in an on-going process of planning and implementation that will allow Rwanda to be effective in achieving its exports in the years ahead”.

Since implementation of NES I began in 2012, a number of changes have occurred in Rwanda’s national strategic objectives, export targets and in the understanding of the export sector and export growth. These changes have made it necessary to revise NES I. The main changes are presented below

1.1 Strategic Context has Changed

Since the launch of NES I the strategic context has changed considerably. Toward the end of 2012 the GoR finalised its second Economic Development and Poverty Reduction Strategy (EDPRS II), a five year plan “designed to accelerate the progress already achieved and to shape the country’s development in the future” (EDPRS, 2012). Four thematic areas were identified:

- Economic transformation
- Rural development
- Productivity and youth employment
- Accountable governance

Two documents in particular are important for economic transformation: the Private Sector Development Strategy (PSDS) and the Plan for Strategic Transformation of Agriculture (PSTA III). The main driver of the PSDS is the removal of the binding constraints to private sector growth. Under PSTA III, the priority for agricultural sector is to move from subsistence based to value based production. This has opened up space to shift the priorities under the NES from cross-cutting domestic constraints to growth, to more focused export orientated activities.

1.2 New Export Targets Have Been Set

EDPRS II set out targets to increase exports revenues from US$1.277 billion in 2013 to US$4.515 billion in 2018 (Table 1) or approximately 28.7% average annual growth over the next 5 years. This is a significant revision upward from the previous export target of 15% growth p.a. planned under Vision 2020, and captured within NES I.

| Table 1: EDPRS II Export Targets (Value in US$ Million and Volume in Kg) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Coffee         |                |                |                |                |                |                |                 |
| Value          | 65             | 70.4           | 76.2           | 85.1           | 95.1           | 104.3          | 10%             |
| Volume         | 20,045.8       | 23,165.4       | 26,363.1       | 296,58.5       | 333,67.7       | 368,80          | 13%             |
| Tea            |                |                |                |                |                |                |                 |
| Value          | 67.8           | 68.6           | 73.4           | 81             | 89.3           | 94.9           | 7%              |
| Volume         | 25562.5        | 27597.8        | 31047.5        | 34497.2        | 38332.4        | 41070.5        | 10%             |
| Mineral        |                |                |                |                |                |                |                 |
| Value          | 174.2          | 223            | 285.4          | 365.3          | 467.6          | 570.5          | 27%             |
EDPRS II targets are heavily dependent on growth in exports from the services sector. Services are targeted to average 36% growth to 2018. Services exports averaged 6% growth between 2008 and 2013 and were driven almost exclusively by tourism.

Figure 1 below illustrates the scale of the challenge in meeting export revenue targets under EDPRS II by 2018 when by comparing the existing growth path for goods and services that matches the previous 5 years (figure on left) and growing at the rate set out under EDPRS II targets (figure on right).

FIGURE 1: EXPORTS (US$) TREND VS. TARGETS

1.3 Challenges under NES I

Beyond the change in strategic context and export targets, NES I as a strategic document for export growth presented the following specific challenges that made revision necessary:

- **Overly focused on cross-cutting issues with less focus on export sectors and firms:** When NES I was designed, Rwanda did not have a separate private sector development strategy. As a result NES I was overly focused on cross-cutting constraints to growth with less room for targeted export interventions at the sector and firm level;

- **Misalignment between priority sectors and export growth:** In its first full year of implementation (2012), NES exports reached US$638 million, or 96% of the export target for that year. However, while certain sectors under the NES were performing well above target, other sectors were not as relevant to export growth as originally

---

2 Other includes: all other direct formal exports, re-exports and informal exports
anticipated. Furthermore, export growth in 2012 came largely from non-traditional sectors not covered under NES I. These sectors included manufacturing and agro-processing, re-exports and informal cross-border trade;

- **No differentiation between markets**: NES I did not take into account the distinction between regional and international markets and the differing opportunities and strategies for growth required. The strategy has a strong focus on products with international export potential with less consideration to high growth sectors in regional markets;

- **No differentiation between firms** – NES I does not differentiate between types of exporting firms (large / small, type of product, market focus). As all firms were treated the same a differentiated approach to support at the firm level was not considered.
Chapter 2: Approach and Analysis

1 Approach
The approach under the revised national export strategy (NES II) differs somewhat from NES I, however there remains some overlap. Where possible, NES II has retained what remains relevant within NES I, while developing new or adapting existing interventions in areas where gaps were identified. Four areas were considered when analyzing factors influencing export growth in NES II. These are presented in Table 2 below.

**TABLE 2: APPROACH TO NES II**

<table>
<thead>
<tr>
<th>Approach under NES II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Binding Constraints to Private Sector Growth (Domestic)</strong></td>
</tr>
<tr>
<td>With the launch of the PSDS, many of the binding constraints are now covered. NES II focuses only on binding constraints when they are of direct relevance to exporting or where gaps in existing strategic interventions are identified.</td>
</tr>
<tr>
<td><strong>Sectors</strong></td>
</tr>
<tr>
<td>NES II also prioritizes sectors, adopting some NES I sectors while revising others. In selected sectors under NES II, where growth strategies are already developed, NES II will monitor their implementation. New sectors are also introduced with detailed actions for development of exports.</td>
</tr>
<tr>
<td><strong>Markets</strong></td>
</tr>
<tr>
<td>NES II focuses on markets both in terms of the characteristics of specific market / product categories and market access.</td>
</tr>
<tr>
<td><strong>Firms</strong></td>
</tr>
<tr>
<td>NES II considers firms in terms of their size and their ability to survive in selected markets. FDI led export growth remains a priority.</td>
</tr>
</tbody>
</table>

2 Rwanda’s Recent Trade Performance
Exports of goods and services over the past decade averaged nominal growth of 20% per annum. Rwanda still runs a trade deficit (the value of imports is larger than the value of exports) with import growth, at 19% per annum, broadly matching export growth. The trade deficit as a percentage of GDP (2011 constant prices) averaged 12% over the past decade (Figure 2) and stood at -17% of GDP in 2014.

**FIGURE 2: TRADE AS A PERCENTAGE OF GDP, 2002-2013 (CONSTANT PRICES 2011)**

Source: NISR GDP Tables (March 2015)
The majority of the deficit comes from an imbalance in merchandise trade, where the deficit in 2014 stood at -16% of GDP compared to minor deficit of -0.006% of GDP for services. The gap to date has been largely financed by aid flows, however a sudden drop in aid in 2012 resulted in reduced foreign reserves. This experience brought into focus the need for Rwanda to reduce dependence on foreign aid as a means to financing the trade deficit and prioritise actions to grow export revenue as a means to generating foreign exchange.

2.1 Merchandise Exports
Merchandise exports averaged 17% growth between 2008 and 2014. Exports remain concentrated in a few key commodities or traditional export sectors – tea, coffee, and minerals. In 2008, Rwanda’s traditional exports amounted to US$ 186 million or 69% of Rwanda’s merchandise exports. However the level of concentration has reduced over the past 7 years with traditional export share dropping to 45% in 2014.

![Figure 3: Composition of Rwandan Merchandise Exports 2008-2014 (US$ Millions)](source: BNR Export Data 2008-2014)

Traditional exports averaged 10% growth between 2008-2014, driven largely by growth in mineral exports. Over the same period non-traditional exports and re-exports both averaged 22% growth with informal exports averaging 25%\(^3\) per annum since 2010 when data collection began.

2.2 Services Exports
Services exports grew by 10% per annum between 2009 and 2014. The travel sector (including tourism) has steadily increased its share of total services exports in recent years. In 2014, 76% of services receipts were generated in the travel and tourism sector, contributing US$ 303 million in export revenue up from US$ 174 million in 2009. Freight and other transportation services are also important, accounting for 18% of services export revenue in 2014 or US$72 million. Outside of these areas, services exports are low. In 2014, other services exports contributed just US$19.8 million to export revenue.

---

\(^3\) Informal export growth based on compound average growth rate in exports between 2010 and 2013
FIGURE 4: SERVICES EXPORTS 2009 - 2014 (US$ MILLIONS)

Source: BNR 2014 – Base year set to 2009 because of methodological changes in way services data is captured in 2008-2009. Services data excludes operating costs of embassies.

The travel sector averaged 12% growth per annum between 2009 and 2014. Other transportation services average 8% growth while freight averaged just 1% growth. Other private services average -1% per annum.

2.3 Trends in Export Growth

2.3.1 Sector Contributions to Growth
Between 2008 and 2014, exports of goods and services averaged 10.5% growth per annum. Figure 5 below breaks down sector contribution to export growth over this period.

The mineral sector was the largest contributor to export growth, accounting for 23.1% over the past 6 years. Re-exports, informal exports, and non-traditional exports were also important contributors accounting for 22.7%, 21.8% and 15.3% respectively. The services sector as a whole accounted for 13.2% of total export growth while tea and coffee’s contribution were small at 2.5% and 1.3% respectively.

FIGURE 5: SECTOR CONTRIBUTION TO EXPORT GROWTH (% SHARE 2008-2014)

Source: MINICOM Calculations based on BNR Export Data
2.3.2 Existing and New Trade Flows
Growth and diversification of exports can be broadly divided into the expansion of existing products to existing markets (the intensive margin) and the expansion of existing and new products to new geographic markets, as well as the expansion of new products to existing markets (the extensive margin).

In the formal merchandise trade sector, Rwanda has seen high levels of growth in exports of existing products to new markets over the past 5 years (Table 3). However much of this growth has come from a shift in mineral markets from Europe and the US to markets in Asia. Rwanda has also been successful in growing new products to existing markets. This is particularly true for non-traditional export products exported to regional markets, mainly Burundi and the DRC. New products to new markets have had little impact on export growth over the past five years.

TABLE 3: DECOMPOSITION OF MERCHANDISE EXPORT GROWTH (2008-2013)

<table>
<thead>
<tr>
<th>Products</th>
<th>Existing</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets</td>
<td>Existing</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>New</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: MINICOM Calculations based on RRA Data

Rwanda’s export growth trends are similar to other countries in sub-Saharan Africa. Brenton and Newfarmer (2012) examined growth of exports from 99 developing countries to 102 markets over the period 1995-2005. They find the majority of growth for sub-Saharan Africa countries on the extensive margin (56.7%) with the majority of that generated through growth in exports of existing products to new markets. The remaining 43.3% of growth was generated on the intensive margin. Interestingly, Sub-Saharan Africa is the only region where the extensive margin’s contribution to growth is larger than that of the intensive margin.

3 Sector Review
First and foremost, exports are constrained by a lack of goods and services produced in Rwanda and made available for export. Investments in export orientated production and services are therefore key to delivering export growth. This should be combined with targeted interventions to address sector specific constraints to exporting.

Annex 2 of this document presents a sector-by-sector breakdown of opportunities and constraints. It’s clear that most sectors already have their own validated growth and export strategies that if fully implemented, could deliver the quantities required to meet export targets. The revised NES does not attempt to replace sector strategies. The NES identifies the key opportunities and constraints for monitoring to ensure activities related to addressing these issues are implemented by the relevant Government institution.

---

4 Direct Formal Exports only based on RRA trade data between 2008 and 2012
5 Growth and diversification of exports can be broadly divided into the expansion of existing products to existing markets (the intensive margin) and the expansion of existing and new products to new geographic markets, as well as the expansion of new products to existing markets (the extensive margin)
4 Market Review

Rwanda exports to a large number of markets across the globe (Figure 6). The DRC is Rwanda’s largest single export destination accounting for 13.3% of formal merchandise exports in 2014 up from 6% in 2008. The DRC is also one of Rwanda’s fastest growing market averaging 34% p.a for the past 7 years. The EAC’s market share was 21% in 2014 with growth averaging 19%. The wider African market has seen its share of exports decline rapidly since 2008, decreasing from 14% to just 1.7% of exports by 2014 and registering an average annual growth rate of -17% p.a. The decline in Africa’s share of exports coincides with Rwanda’s entry into the EAC Customs Union, however causality has not been determined.

The European market remains important, accounting for 39.2% of exports in 2014, up from 38% in 2008, with exports averaging 18% growth p.a. since 2008. Asia accounted for 15.2% of exports in 2014 with growth averaging 14% per annum.

**FIGURE 6: RWANDA EXPORT MARKETS (2013)**

It is important to note that different products have different markets. There is a clear split between traditional exports destined for international markets and non-traditional exports to the Sub-Saharan Africa market (mainly EAC and DRC). Between 2008 and 2014, 76% of Rwanda’s non-traditional exports were destined for markets in Sub-Saharan Africa. Over the same period 76% of traditional exports were exported to markets outside Africa.

4.1 International Markets

For traditional export products (coffee, tea, minerals), Rwanda has duty free access (mainly under MFN) for all major markets of those products. Options for growing traditional exports through improved market access are limited, however improvements in trade facilitation should increase competitiveness allowing exporters to sell more.
4.1.1 Potential New Exports to International Markets

Export growth from new products to markets outside of Africa are expected to come through agricultural products and light manufacturing (mainly apparel) to the US and European markets.

Rwanda already has preferential access for apparel to the US market under AGOA and to the EU under the new EPA. However, to date Rwanda has benefited very little from either these arrangements. For example, of the US$24.4 million in exports to the US from Rwanda in 2013, just US$ 9,000 was classified as an AGOA import by the US with a further US$ 773,000 imported into the US under GSP provisions (Table 4). In total, just 3% of Rwanda’s exports to the US entered under AGOA (including GSP), all of which were in the arts and crafts sector while some mineral exports entered the US under GSP eligible product lines.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>30,858</td>
<td>33,287</td>
<td>24,448</td>
</tr>
<tr>
<td>AGOA including GSP Provisions</td>
<td>597</td>
<td>377</td>
<td>782</td>
</tr>
<tr>
<td>GSP</td>
<td>580</td>
<td>369</td>
<td>773</td>
</tr>
<tr>
<td>AGOA</td>
<td>17</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: AGOA Data Centre (http://agoa.info/data.html accessed 12 May 2014)

Rwanda’s experience with AGOA is not unique amongst African LDCs. A systematic review has found that while exports from Sub-Saharan Africa under AGOA to the US have increased substantially since 2000, at best a small share of these increased exports can be directly attributed to AGOA preferences. However, one sector that has clearly benefited from AGOA is the garment industry. A recent review of the textile and apparel sector (TMEA, 2014) in Rwanda found that most garment manufacturers were unaware of AGOA and the requirements for benefiting from AGOA preferences.

Rwanda has also enjoyed duty free quote free (DFQF) access to the European Union under Everything but Arms (EBA) since 2001 and now under the recently signed EPA. EBA was a unilateral commitment by the European Union that grants LDC’s preferential access to the EU. As EBA was a non-reciprocal trade agreement, the EU could theoretically remove access at any time. Furthermore countries can graduate from the scheme once they reach a certain level of development and no longer benefit from DFQF access. These uncertainties increase the attractiveness of the EAC-EU EPA agreement. The EPA agreement also offers simpler rules of origin requirements.

**Rules of Origin under the EPA**

The rules of origin are particularly important for apparel exports. The EPA offers “single stage transformation” for this sector. This means Rwandan exporters to the EU could benefit from duty free access for garments made using textiles from anywhere in the world (see light manufacturing). In contrast the EBA rules of origin were more restrictive, offering “double stage transformation” – this requires clothing exporters to use fabrics and textiles from the ACP or the EU.

For agricultural products, PSTA III has identified several products with strong international export potential. For almost all identified priority export products from the agricultural sector, Rwanda already has duty free access to key export markets. Additionally, for many markets the MFN rate is 0% meaning Rwanda does not benefit from preferential access over other exporting countries. It is anticipated that agricultural exports will mainly find a market
in the EU due to its proximity. Here the largest market access constraints are standards and market linkages.

Since 2002, the EU has obliged food business operators to implement HACCP systems on the basis of legislation (Council Directive 93/43/EEC on the hygiene of foodstuffs). HACCP requires a detailed description in a concise process flow diagram with underlined points where hazards may occur, that can be subject to verification by food safety authorities. HACCP provides the type of disciplined monitoring and control that supermarket chains and food manufacturers increasingly demand. It is also essential for meeting EU food safety requirements. All firms exporting horticulture products to the EU should therefore be HACCP certified.

4.2 Regional Markets
This section provides an assessment of regional markets with a focus on Rwanda’s non-traditional export sectors. Major non-traditional sectors include: live animals and animal produce, vegetable produce, agro-processed goods, manufactured goods, and hides and skins.

Categorizing Non-Traditional Exports by Sub-Sector
There are some challenges in categorizing non-traditional exports according to different product groups. Under the manufactured heading, much of the exports outside the region appear to be either firms or individuals re-exporting between countries. A good deal of these products are cars and other machinery that are registered as originating from Rwanda. Also captured under manufactured goods are metal alloys, which include waste metal, steel rods, and other metal products, but also in some instance capture minerals. Under the live animal and animal produce section goods such as milk, cheese, meat etc are captured but could also fit under Agro-Processing.

Regional markets account for the vast majority of non-traditional exports. The DRC alone accounted for 41% exports from Rwanda’s non-traditional sector in 2014 and averaged 29% growth per annum since 2008. The EAC is also an important market accounting for 29% of non-traditional exports in 2014 and growing at a rate of 24% per annum. The rest of Africa’s share remains relatively small at just 3% of exports while the rest of the world accounted for 26% of non-traditional exports in 2014. Figure 7 illustrates value of non-traditional exports by destination between 2008 and 2014.

**FIGURE 7: NON-TRADITIONAL EXPORTS BY DESTINATION 2008 - 2014 (US$ MILLION)**

Source: RRA Export Data 2008-2014
Table 5 below presents a breakdown of market share for different non-traditional export groupings. The numbers in red indicate the largest market for each grouping. The numbers presented are based on RRA trade data and only include goods that are captured as direct exports. The first row presents the share of non-traditional exports each grouping represents. The Manufactured group account for the largest share (41.8%) of non-traditional exports while Horticulture is the smallest (2.44%).

**TABLE 5: DESTINATION SHARE BY SECTOR IN 2014 (%)**

<table>
<thead>
<tr>
<th>Share of Non-Traditional Exports</th>
<th>Agro-Processed</th>
<th>Manufactured</th>
<th>Hides &amp; Skins</th>
<th>Livestock &amp; Animal Produce</th>
<th>Horticulture</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>25.98%</td>
<td>41.80%</td>
<td>9.87%</td>
<td>5.73%</td>
<td>2.44%</td>
<td>14.19%</td>
</tr>
<tr>
<td>DRC</td>
<td>80%</td>
<td>35%</td>
<td>0%</td>
<td>70%</td>
<td>44%</td>
<td>14%</td>
</tr>
<tr>
<td>EAC</td>
<td>8%</td>
<td>41%</td>
<td>66%</td>
<td>2%</td>
<td>53%</td>
<td>9%</td>
</tr>
<tr>
<td>Europe</td>
<td>2%</td>
<td>4%</td>
<td>15%</td>
<td>0%</td>
<td>2%</td>
<td>24%</td>
</tr>
<tr>
<td>North America</td>
<td>3%</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>7%</td>
<td>5%</td>
<td>0%</td>
<td>28%</td>
<td>1%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: RRA Trade Data, MINICOM Calculations

The main market for agro-processed goods is the DRC, accounting for 80% of all exports from the sector. The EAC market was also important at 8%. Wheat grouts, a residual from wheat processing are exported to the Middle East, captured under the rest of world row.

The DRC is also an important market for manufactured goods accounting for 35% of exports from the sector. However, in 2014 the EAC was the largest market accounting for 41%.

Hides & Skins are predominately exported to the EAC with Asia and Europe also important markets. The main market for live animals and animal produce is the DRC, accounting for 70% of exports in 2014. Live Bovine exports to other African markets explain the Rest of Worlds 22% share of exports from this sector. Horticultural goods, are almost exclusively exported to neighbouring countries, with the DRC and EAC accounting for 53% and 43% respectively.

### 4.3 Countries of Interest to the Private Sector

The RDB undertook a survey of firms that have previously participated in trade fairs, to assess what markets they plan to enter in the near future.

Table 6 presents the countries identified by the Rwandan private sector listed in no particular order.

**TABLE 6: MARKETS IDENTIFIED BY RWANDA’S PRIVATE SECTOR AS HOLDING GOOD EXPORT POTENTIAL**

<table>
<thead>
<tr>
<th>Country</th>
<th>Identified by Rwanda’s Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRC</td>
<td></td>
</tr>
<tr>
<td>South Sudan</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
</tr>
<tr>
<td>Burundi</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
</tr>
<tr>
<td>Congo Brazzaville</td>
<td></td>
</tr>
<tr>
<td>Somalia</td>
<td></td>
</tr>
</tbody>
</table>

Source: RDB Feedback from Exporter Survey May 2013
Unsurprisingly, regional markets are identified as important by existing exporters. These markets are already the fastest growing, in terms of number of firms exporting. Between 2008 and 2014 the number of firms exporting to the EAC and DRC increased at an average annual rate of 23% per annum, compared to 7% growth in all other markets. Given the rapid growth in the number of exporters to regional markets, it is reasonable to assume that the barriers to entry, and the cost efficiency of Rwandan firms are less of a constraint than for markets outside the region, including the wider African market (figure 8).

![Figure 8: Number of Firms Exporting by Region](image-url)

Source: MINICOM Calculations based on RRA Data

The relative success Rwandan firms have had in entering the regional market suggests these markets offer an important learning site for exporters. However, the experience of regional exporting does not appear to be translating into a shift from regional to international markets. Possible explanations for this include lower entry costs, less rigorous standards, and lower levels of competition in regional markets meaning firms are not learning to compete in markets outside the region. Furthermore, regional markets have the second lowest median value per exporting firm, ahead of the wider African market only (figure 9).

![Figure 9: Median Annual Value of Exports per Firm by Region (Thousands RWF)](image-url)

Source: MINICOM Calculations based on RRA Data
5 Firm Review

5.1 The Importance of Exporting
As Rwanda is a relatively small market, firms will eventually need to expand into new markets in order to grow. Much of Rwanda’s existing exports already come from firms producing first and foremost for the domestic market but gradually orientating part of their production toward regional and international markets. Growth in exports is therefore partially dependent on firms’ ability to grow within Rwanda.

There are benefits, beyond expanding markets, associated with exporting. Few countries have managed to develop rapidly on the basis of exports of primary products alone. A more diverse structure of exports reduces vulnerability to demand shocks and price swings in overseas markets. A diverse base also creates greater opportunities in regional and global markets.

At the company level, exporting firms in both developed and developing countries tend to be more productive than non-exporters with much of the research suggesting causality running from exporting to efficiency, particularly in the African context. There are a number of possible explanations for this: first, the gains from exporting are large because of wide knowledge and experience gaps between domestic firms and those in international markets. In this context, exporting offers scope for increased discipline of competition, and contact with foreign buyers provides scope for learning. Bigsten & Söderbom (2005) find that the productivity gains for SSA firms from exposure to exporting, in term of value-added are 20-25% in the short run and up to 50% in the long run. Increasing the number of firms exposed to exporting can therefore benefit Rwanda in terms of a more competitive private sector as well as increased export revenue.

5.2 The Importance of Large Firms
Analysis of Rwanda’s trade data indicates that a handful of firms exporting over US$ 1 million (Million-Dollar Exporters or MDEs) have been responsible for delivering the majority of Rwanda’s formal sector direct export growth and diversification over the past 5 years. Between 2008 and 2014, firms formally exporting over US$ 1 million have accounted for between 80% and 90% of Rwanda’s total exports. They come from both traditional and non-traditional export sectors (Figure 10). However, these million dollar exporters have been increasing at a much lower rate than the total number of firms exporting. Between 2008 and 2014 the total number of firms exporting increased by 293% while the number of million-dollar exporters increased by 50%.

---

6 This figure only covers formal direct merchandise exports and does not include firms re-exporting or firms from the services sector, for which no data is available;
The mineral sector has the largest number of million dollar exporters (18 in 2014). While million dollar exporters from the tea and coffee sectors accounted for over a quarter of formal direct exports over the past three years, they have contributed little to export growth despite the privatization of the tea sector and focused support on coffee washing stations. Commodity exporters are also subject to price variations, so while not ignoring these important sectors, significant focus needs to be on increasing large exporters outside these sectors. A sector that has performed particularly well is the Agro-Processing and Manufacturing sector, where million dollar exporters have accounted for 63% of the sectors exports, and averaged 38% growth p.a. since 2008 compared to 29% for the sector as whole.

MDEs drove the majority of Rwanda’s export growth since 2008 accounting for 88% of total export growth between 2008 and 2013 (figure 11). Breaking down growth by sector, the largest MDE contributors to export growth are in the mineral sector and agro-processing and manufacturing sector (A&M).

---

7 The Other category covers a range of government, education and donor institutions which export Rwandan made goods but are not producers themselves.
What is clear from the above analysis is that if Rwanda is to hit export targets set under EDPRS II, a rapid increase in the number of million dollar exporters, combined with sustained export growth from existing million dollar exporters is required. This is because the evidence suggests that “large exporters” not “many exporters” drive export growth.

5.3 Creating Large Exporters

5.3.1 Home Grown Large Exporters

Large exporters can emerge through large-scale investment (domestic or FDI) or businesses can grow over time from small exporters to large exporters. Of Rwanda’s 65 Million Dollar Exporters in 2013, 26 (40%) graduated from exporting under US$ 1 million per annum into Million Dollar Exporters since 2008.

Of the 26 firms that graduated into the MDEs since 2008, 8 come from traditional export sectors. Given that traditional export sectors are purely export focused and are already well established, most exporters from these sectors would be expected to be large. The agro-processing and manufacturing sector produced the most number of MDE graduates with 8 firms. All of these firms were first successful in the domestic market before pursuing growth through exporting to the region; this is discussed in more detail later in the strategy in the section covering the manufacturing sector.

5.3.2 Improving Firm Survival

Improving firm survival through by establishing longer export relationships with markets is important to achieving higher aggregate exports. Just 48% of Rwandan exporting firms export for 2 consecutive years, dropping to 27% after 5 years (figure 12). However, the size of the initial export flow goes some way to explaining subsequent duration of flows with larger exporters having significantly higher survival rates than smaller exporters.

FIGURE 12: FIRM SURVIVAL RATES BY EXPORT CATEGORY (2008-2013)

Improving firm survival rates can be achieved in two ways. Firstly through a cross-cutting range of interventions that create an aggregate improvement in survival rates. Interventions here include reducing the cost and time of trade, simplifying procedures and providing in-market support in markets where many firms are exporting. The second way of increasing survival rates is through increasing the number of large exporting firms where survival rates are higher.
5.4 Why smaller firms don’t Export
In Rwanda, 82% of SME output is sold within the district it is produced, while 16 percent is sold to the rest of the country and just 2% exported.

A recent OECD report on barriers to exporting produced a list of barriers based on the results of a survey of 900 SME exporters from around the world. Table 7 shows the top ten barriers identified with a breakdown of likely policy responses from government. This findings are in line with Rwanda’s own SME survey.

<table>
<thead>
<tr>
<th>TABLE 7: TOP CHALLENGES FACING SME EXPORTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barrier</strong></td>
</tr>
<tr>
<td><strong>Access to Finance</strong></td>
</tr>
<tr>
<td>→ Shortage of working capital to finance exports</td>
</tr>
<tr>
<td>→ Cost of transport &amp; infrastructure</td>
</tr>
<tr>
<td><strong>Market Intelligence</strong></td>
</tr>
<tr>
<td>→ Limited information to locate and analyse markets and identify opportunities</td>
</tr>
<tr>
<td>→ Identifying foreign business opportunities</td>
</tr>
<tr>
<td><strong>Export Promotion</strong></td>
</tr>
<tr>
<td>→ Inability to contact potential overseas customers</td>
</tr>
<tr>
<td>→ Lack of understanding of international standards and high cost of product certification and meeting standards</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Management</strong></td>
</tr>
<tr>
<td>→ Developing new products for foreign markets</td>
</tr>
<tr>
<td>→ Lack of managerial time to deal with export/internationalization</td>
</tr>
<tr>
<td><strong>Skills &amp; Knowledge</strong></td>
</tr>
<tr>
<td>→ Unfamiliar exporting procedures/paper work meeting export product quality/ standards /specifications</td>
</tr>
<tr>
<td>→ Inadequate quantity of and/or untrained personnel for export/internationalization</td>
</tr>
<tr>
<td>→ Unfamiliar foreign business practices</td>
</tr>
</tbody>
</table>

Source: OECD, 2013

6 Cross-Cutting Constraints

6.1 Export Finance
A cross cutting factor affecting exports is availability of finance. This is finance to fund investment in export related activities, adjust production practices to meet technical

---

8 Removing Barriers to SME Access to International Markets “ – OECD 2006
standards in export markets and fund pre and post shipment activities related to exporting are all key to delivering export growth.

Export finance is defined as inclusive of key exporting activities, but excludes other types of finance such as agricultural finance or SME funding - important as these may be to an exporting economy. Export finance is provided in two phases, which are closely linked: pre-shipment finance and post-shipment finance.

- **Pre-shipment finance** encompasses all value-adding activities required to prepare and deliver product to market. In agricultural exports, for example, this process begins after the crop has been harvested, and includes activities such as grading, packing and storage. The process may include value-addition such as the washing process of coffee beans; and aggregating volumes of produce from small farmers;
- **Post-shipment finance** is created by the credit terms agreed between buyer and seller. These range from payment of merchandise shortly after loading on board, to deferred payments, up to six months after shipment (but rarely for more than six months depending on industry and product).

A qualitative assessment of the gap points to the following issues related to export finance. Commercial banks state that there is no significant gap in export finance. The gap that exists is downplayed by the banks, and not considered as highly significant because projects which are not considered bankable are not considered as part of a gap. In this context, “bankable” means well-collateralised. All “bankable” transactions are indeed financed by the commercial banks.

However, almost unanimously, private companies believe that there is a gap, which must be bridged to enable the sector to grow. Reported constraints include: high interest rates (averaging 18% for Rwanda francs and 8% for dollar loans) making it difficult to profit from exports, banks do not advise properly about available finance options that apply to each transaction and each industry, banks require too much security, and banks are slow to approve export finance requests which is transactional business based on quick turn-around times.

Perceptions differ because the banks and firms focus on different aspects of export finance gap. In this manner the gap in export finance continues because well-collateralized projects are the only type of export finance worth considering for banks.

### 6.2 Standards and other technical requirements

Standards are rules and guidelines for activities or their results. They are necessary for many reasons, including environmental protection, safety, national security and consumer information and protection. Although standards and technical regulations vary from country to country, they are crucial for countries interested in promoting competitiveness, exports and economic growth. If not harmonized within a regional bloc, such as the EAC, standards can become Non-Tariff Barriers (NTB).

Approximately 1200 voluntary standards have already being harmonized for uniform application within the EAC. However there is currently no formal structure for the application of SPS measures at the regional level. As a result the recognition of certification marks among regionally traded goods within the EAC has so far proven difficult to implement. Several existing exporters to regional markets have reported that the RBS Standard Mark is not recognized in other EAC partner states. Some EAC member states are now enforcing prohibitively strict standards with different compliance requirements spread
across several agencies. This is effectively blocking exports of certain goods from Rwanda to the target market.

Beyond the EAC, many exporters are unaware of the standards and technical requirements for accessing international markets. There have been a number of instances where firms exporting from Rwanda have come up against challenges at customs in the importing country. In some cases these issues have been resolved - for example, in the case of apparel exports to the US were the exporter did not have an AGOA visa - but in others the failure to comply with regulations results in the destruction of the consignment - as happened with honey that was exported to Europe without the appropriate certification.

6.3 Tax on Exports
In line with international best practice on VAT regimes, Rwanda’s VAT legislation provides for zero-rating of exports to allow businesses to export goods and services on an equal and competitive footing with similar businesses around the world without the encumbrance of irrecoverable VAT changes for customers. This is also the reason why most VAT regimes - Rwanda inclusive - have procedures for accounting for VAT on imported goods and services. Revenue authorities can thus ensure that no one business gains advantage over another because of its location.

However, there are some anomalies with how Rwanda’s existing tax legislation is applied in the case of services exports. Article 5(1)(e) of the VAT law (no 37/2012) provides that for services to be considered as exported from Rwanda and therefore not subject to VAT, the services should be “rendered abroad”. The RRA interprets this to mean that the service should be physically performed abroad for zero rating to apply. VAT on services rendered within Rwanda (even where the client is foreign based) is applied according to the origin principle. This means that VAT is levied on value created within Rwanda whereas VAT is generally applied as a tax on consumption, i.e. the VAT should accrue to the jurisdiction where the final consumption takes place and not where the value is created – the destination principle.

There is also the issue of delays in refunding of VAT paid on goods that are exported. Firms can reclaim the VAT that is paid on goods received from suppliers once the good is exported at the VAT free price. The exporting firm carries the cost of financing associated with the 18% VAT until RRA refunds the VAT. Given the high interest rates in Rwanda, the costs associated with financing the payment gap can be considerable. Firms have reported that it takes an average of 172 days to receive the VAT refund. Assuming the cost of finance at 18% per annum then over a period of 172 days the firm will pay 8.13% interest on VAT leading to a direct additional cost of approximately 1.46% on total sales.

6.4 Transport Costs
One of the main barriers to accessing markets is the cost of trade itself. Export competitiveness is directly linked to the costs of international transport services. Transportation costs are often a more important inhibitor to participation in the world economy than are policy barriers to entry into export markets. The World Bank (2002a p 356) finds that (a) a doubling of shipping costs is associated with slower growth of more than half a percentage point and (b) potential access to foreign markets, of which transport costs are a determinant, explains up to 70% of variations in country GDP. A reduction in transport costs can lead to a significant increase in trade orientation with Limao and

---

9 The Origin Principal levies VAT on value created within a countries own border
Venables (2001) finding relatively high elasticities of trade volumes in response to reductions in transport costs.

The EAC as a whole, as been largely ineffective in reducing the cost of trade over the past decade. Rwanda, Burundi and Kenya have all seen costs gradually creep up over the past six years (World Bank DB Reports, 2009-2013). Addressing the cost of trade requires a regional response and cannot be achieved by any one state alone. Factors influencing the cost of trade go beyond the cost of ports and trade corridors and include the efficiency and competition within the regional freight transport sector, in-country distribution infrastructure and logistics services. A wide set of trade policy reforms also affect the performance and competitiveness transport sector.

Efficient distribution and logistics services demand significant investment in terminals, handling equipment and yard management systems as well as the right set of policies and regulations. To be financially viable, without overcharging, requires a minimum activity threshold in terms of tonnage or number of containers. Ideally the transport service provider should offer scheduled services that guarantee delivery despite limited traffic and geographical remoteness. The services should also be affordable enough to allow smaller firms to plug into international trade channels. This requires a competitively priced freight transport sector that can both serve the needs of the market while also being commercially viable.

Development of logistics and distribution services that meet the needs of Rwanda where transport costs are amongst the highest is the region is therefore essential to unlocking export potential. This involves developing logistics platforms, off-dock container terminals at the ports, bonded warehouses and in-country agro-logistics centres to help consolidate production and benefit from economies of scale when distributing them. Furthermore, enhancing the competitiveness of Rwanda’s trucking sector will also help bring down costs.
Chapter 3: Strategic Interventions

Four Strategic Pillars for NES II

The strategy has been developed based on the analysis of export growth trends for Rwanda. The rationale for the strategic interventions, already highlighted in the analysis are briefly summarized below:

- **Strategic Objective One**: Export growth first depends on the ability of firms to produce goods of sufficient quality and quantity to supply potential export markets. This requires an environment that supports and encourages firms to rapidly invest and begin production or increase output through productivity gains. Here putting in place infrastructure for export oriented investment, and sector specific interventions to increase output from established export sectors is key to driving growth. In some circumstances this is already planned and will be monitored, in other cases the NES II introduces new activities. This is covered on a sector by sector bases under Strategic Intervention One;

If supply side constraints are overcome and there are goods available for export then the following export specific strategic interventions are necessary:

- **Strategic Objective Two**: Export growth depends on the infrastructure, policies, regulations, and agreements – and their implementation - that facilitate entry into new markets and entry of export orientated investment into Rwanda. If distribution and logistics infrastructure are not in place, or if they are too costly the firm cannot enter potential markets. Beyond infrastructure, if regulations are costly to comply with and Rwandan goods face high taxes and duties they will once again be uncompetitive in destination markets. Here a combination of the right set of infrastructure linked with a conducive regulatory environment is key to encouraging firms to export;

- **Strategic Objective 3**: Export growth also depends on the capacity of firms to establish themselves in markets and establish strong and lasting relationships with those markets. Often firms lack information on market opportunities and an understanding of the requirements to maintain exports over a sustained period of time. Here, firm level support services to develop exporters capacity to enter markets are necessary. Linked to this are the trade agreements in place that encourage trade between Rwanda and export markets;

- **Strategic Objective 4**: Finally, the gap in export finance needs to be addressed in order to allow firms to export. This requires interventions by both the banking sector and Government to address challenges at the pre and post shipment level. Given the importance of finance, this has been kept as a stand alone strategic objective.

The four strategic interventions are presented in the image below. It should be noted however, that the NES fits into a broader range of private sector development activities and its success, to a large extent is dependent on delivery of commitments for private sector development made under the EDPRS II programme and sector specific interventions.
As already mentioned in chapter 1, the EDPRS II export target set for Rwanda over the next 5 years is 28% average annual export growth or approximately US$ 4.5 billion of goods and services exports by 2018. Based on a detailed audit of exporting sectors and the planned interventions by sector, total exports are expected to reach approximately US$2.3 billion by 2018.

Export Growth Projections to 2018 as determined by lead implementing agencies based on planned interventions:

- 16% average annual growth or US$ per annum between 2013 and 2018
  - Goods 19% PA
  - Services 16% PA
1 Strategic Objective 1: Sector Interventions

Increasing output for export covers a range of sector specific interventions to either increase the number of firms operating in a sector or improve the productivity existing producers. The GoR has already developed growth strategies for a wide number of goods and services sectors. Given the scale of export growth required under EDPRS II, NES II has attempted to document how each sector could conceivably contribute to reaching export targets up to 2018 based on their existing strategies. As previously mentioned, a review of each sector is provided in Annex 2 of this document. We find that if all planned interventions were fully funded and well executed, and all binding constraints ideally removed exports will reach 2.26 billion by 2018. Meeting this target would still require a massive effort across multiple sectors. Rwanda hitting EDPRS II export targets is only conceivable under the most optimistic scenarios.

Table 8 presents export projections based on planned interventions by the implementing agencies, breaking down each sectors contribution to export growth over the next 4 years. The table also identifies the key constraint to export growth and the major activity necessary
<table>
<thead>
<tr>
<th>Sector</th>
<th>Lead</th>
<th>Value of Exports (US$) 2014</th>
<th>Sector projections to 2018 based on planned interventions by implementing agencies</th>
<th>EDPRS II Export Target 2018 (US$)</th>
<th>Key Constraints</th>
<th>Key interventions to Deliver Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td></td>
<td>1,110,463,142</td>
<td></td>
<td>4,514,978,242</td>
<td>• Supply for export;</td>
<td>• Construction of 4 additional tea factories by 2018 (14 currently operational);</td>
</tr>
<tr>
<td>1. Traditional</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Access to finance for tea producers to increase production.</td>
<td>• Expansion program by 6,000ha (25,500ha currently planted);</td>
</tr>
<tr>
<td>1.1 Tea</td>
<td>NAEB</td>
<td>322,798,052</td>
<td>400,700,000</td>
<td>769,200,000</td>
<td>94,900,000</td>
<td>• Train 4,700 tea growers using FFS for productivity gains;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>459,300,000</td>
<td></td>
<td></td>
<td>• Capacity Building of tea pluckers and tea makers for quality gains</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>526,400,000</td>
<td></td>
<td></td>
<td>• Export Growth Facility to increase access of finance for investment in production</td>
</tr>
<tr>
<td>1.2 Coffee</td>
<td>NAEB</td>
<td>51,758,341</td>
<td>73,400,000</td>
<td>94,900,000</td>
<td>94,900,000</td>
<td>• Implement Coffee Zoning Policy to increase utilization of CWS;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>81,000,000</td>
<td></td>
<td></td>
<td>• Improve coffee husbandry practices through FFS training;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>89,300,000</td>
<td></td>
<td></td>
<td>• Expand fertilizer application from 20% to 80%;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>94,900,000</td>
<td></td>
<td></td>
<td>• Implement turnaround program in coffee cooperatives;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Upgrade coffee processing;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Export Growth Facility to expand investment in production and productivity and enabling direct exporting</td>
</tr>
<tr>
<td>1.3 Mineral</td>
<td>MINIRENA</td>
<td>211,361,713</td>
<td>251,100,000</td>
<td>293,200,000</td>
<td>342,100,000</td>
<td>400,000,000</td>
</tr>
</tbody>
</table>

- Regulatory and management weaknesses
- Low extraction rates among artisanal miners with no options for financing technology upgrade;
- Access to finance for exporting

- Migration of licenses from exploration to mining.
- Former Government concession to be licensed and proper monitoring of the agreement signed between GoR and private companies;
- Gatumba concession: tender is ongoing
- Bisesero: Agreement is being negotiated
- NRD with five concessions: Pending for being licensed/tendered
- Musha and Ntunga: The plant is under construction to completed in August,
- Rutongo Mines and Nyakabingo: long term agreement,
- Rwinkwavu and Gifurwe Concessions: agreement has been signed;
- Bibare concession: The processing plant is under construction,
- New serious operator to come in: eg. Mawarid Mining/ Nyanza project;
- Improved legal and regulatory framework:
  - Long and medium term licenses issued to attract strategic investors,
  - Professional consultancy board established to help companies undertake geological studies and other studies like business plans,…
- Improved management system of the sector: Cadastre system
- Organized mining sector: strengthening the capacity of Rwanda Mining Association and mining cooperative federation to improve negotiations in partnership agreements with funding investors or financial institutions;
- Export Growth Facility to increase efficiency and extraction rates of artisanal miners by enabling investment in technology and financing for exporting related activities.
- Diversification of minerals
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Agro-Processing</td>
<td>RDB</td>
<td>32,619,753</td>
<td>42,251,901</td>
<td>54,728,284</td>
<td>105,888,765</td>
<td>126,821,205</td>
<td></td>
</tr>
<tr>
<td>2.2 Manufacturing</td>
<td>RDB</td>
<td>25,672,599</td>
<td>35,253,351</td>
<td>57,072,591</td>
<td>90,791,312</td>
<td>122,265,691</td>
<td></td>
</tr>
<tr>
<td>2.3 Agriculture</td>
<td>NAEB</td>
<td>4,992,125</td>
<td>18,845,752</td>
<td>26,628,391</td>
<td>66,449,505</td>
<td>119,137,432</td>
<td></td>
</tr>
<tr>
<td>Fresh Fruit &amp; Vegetables</td>
<td>NAEB</td>
<td>3,297,394</td>
<td>10,872,765</td>
<td>13,577,813</td>
<td>14,740,357</td>
<td>16,008,802</td>
<td></td>
</tr>
<tr>
<td>Flowers</td>
<td>NAEB</td>
<td>-</td>
<td>278,964</td>
<td>2,454,322</td>
<td>15,375,000</td>
<td>47,175,000</td>
<td></td>
</tr>
</tbody>
</table>

- Access to raw materials;
- Access to finance for production;
- High risk to exporting and new standards requirements in target markets.

- Map underutilized public land, earmark and gazette land for commercial farming;
- Support Private Sector to acquire or lease agricultural land in other countries for export to Rwanda;
- Co-operate farming through land lease: this increases the productivity of the farmer and secures raw material for the factory.
- Export Guarantee facility promote investment in production, de-risk export and matching grant fund standard requirements in new markets.

- Inadequate infrastructure to attract investors;
- Access to finance for production and exporting;

- Construct 60,000 m² factory space with export processing zone status in the Kigali SEZ. These would provide flexible space for investors to enter Rwanda and immediately begin production. Target sectors include apparel and electronic assembly;
- Supported by industry energy tariffs and dedicated power lines to industrial zones;
- Export Growth Facility for investment in new production and exporting;

- Availability of Land;
- Access to finance for production;
- High risk to exporting and new standards requirements in target markets.

- Facilitate access to land (2000 ha for nucleus and 6000 ha for out growers);
- Invest in cold chain infrastructure and negotiate air rates;
- Improve quality planting materials;
- Export Growth Facility for investment in production expansion, meeting standards and export finance

- Land for extensive farming;
- Finance for Exports.

- PPP investment in fruits and vegetables: 5 irrigated sites available, investors started showing interests;
- Conduct feasibility studies to assess requirements in zones targeted for each of targeted horticulture crops;
- Export guarantee facility to de-risk exporting, catalyse fund to expand production.

- Delayed development of Gishari & surrounding

- Finalize the development of infrastructure (road, water, electricity, greenhouses);
- PPP investment in floriculture: a 20 ha land available in Gishari, 10 ha to be completed by
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>- Stevia</strong></td>
<td>NAEB</td>
<td>-</td>
<td>1,584,000</td>
<td>12,750,000</td>
<td>16,200,000</td>
<td>25,920,000</td>
</tr>
<tr>
<td><strong>- Essential Oil including Pyrethrum</strong></td>
<td>NAEB</td>
<td>1,694,731</td>
<td>6,110,023</td>
<td>10,596,256</td>
<td>20,134,148</td>
<td>30,033,630</td>
</tr>
<tr>
<td><strong>2.4 Other</strong></td>
<td></td>
<td>47,932,245</td>
<td>56,080,727</td>
<td>65,614,450</td>
<td>76,768,907</td>
<td>89,819,621</td>
</tr>
<tr>
<td><strong>3. Re-Exports</strong></td>
<td>MINICOM</td>
<td>165,351,979</td>
<td>200,144,830</td>
<td>243,664,606</td>
<td>296,647,383</td>
<td>361,150,812</td>
</tr>
<tr>
<td><strong>4. Informal</strong></td>
<td>MINICOM</td>
<td>110,498,181</td>
<td>145,701,162</td>
<td>167,556,336</td>
<td>192,689,787</td>
<td>221,593,255</td>
</tr>
<tr>
<td><strong>5. Services</strong></td>
<td></td>
<td>400,598,208</td>
<td>439,549,069</td>
<td>484,992,473</td>
<td>543,588,047</td>
<td>623,380,992</td>
</tr>
<tr>
<td><strong>5.1 Tourism</strong></td>
<td>RDB</td>
<td>303,700,000</td>
<td>326,600,000</td>
<td>355,900,000</td>
<td>390,100,000</td>
<td>430,500,000</td>
</tr>
<tr>
<td><strong>5.2 Transport, Logistics &amp; Distribution</strong></td>
<td>MINICOM</td>
<td>77,017,216</td>
<td>80,868,077</td>
<td>84,911,481</td>
<td>89,157,055</td>
<td>103,000,000</td>
</tr>
<tr>
<td><strong>5.3 ICT &amp; BPO</strong></td>
<td>RDB</td>
<td>-</td>
<td>10,000,000</td>
<td>20,000,000</td>
<td>35,000,000</td>
<td>50,000,000</td>
</tr>
</tbody>
</table>

**out grower schemes;**
- Finance for Exporting.

**2015 and 65 ha by 2017;**
- Export Guarantee Facility to de-risk exporting;
- Availability of land.
- Consolidate land – 1,000 ha. Invest in R&D;
- Seed multiplication and extension services;
- Poor marketing;
- Identify markets;
- Finance for exports.

- 1,500 rotational land available in Gishwati for expansion;
- Initiate the use of fertilizers in pyrethrum;
- Move from multiplication using splits to multiplication using seedlings and tissue culture;
- Farmers mobilization to rotate Irish potato with pyrethrum;
- Export Growth Facility to encourage market development and finance post shipment;
- Cross Border Markets constructed at 8 market sites;
- Access to finance and skills for small traders;

**2.4 Other**
- Quality and quantity of goods available at major cross-border centres

**3. Re-Exports**
- Cross Border Markets constructed at 8 market sites;
- Export Growth Facility to encourage investment in diversified sectors;
- Export Development Programme to build export capacity.

**4. Informal**
- Quality and quantity of goods available at major cross-border centres

**5. Services**
- Facilities and management of MICE strategy, training and quality of offer;
- Finalise Convention Centre and launch convention bureau;
- Increase tourism numbers through better marketing;
- Diversify tourism offer and training for service providers;
- Infrastructure & competitiveness of Rwandan firms in sector
- Develop off-dock container facilities at ports;
- Finalise investment in Kigali logistics platform;
- Construct bonded warehouses;
- Continue investment and expansion of RwandAir;
- Grow Rwanda trucking fleet

**5.1 Tourism**
- Infrastructure and skills backed up by relevant investors
- Branding – build an brand image for the ICT /BPO export market;
- Targeted marketing through trade fairs, road shows, G2G sales etc;
• Introduce industry certifications for companies exporting services/products;
• Develop high quality technical talent through targeted trainings for ICT/BPO operators;
• Complete Phase 1 of the Kigali Innovation City;
• Funding to support the various growth stages of ICT/BPO companies and more specifically supporting export activities;
• Create 1000 High tech export jobs though collaboration with Japan;

<table>
<thead>
<tr>
<th>5.4 Other Services*</th>
<th>RDB</th>
<th>19,880,992</th>
<th>22,080,992</th>
<th>24,180,992</th>
<th>29,330,992</th>
<th>39,880,992</th>
</tr>
</thead>
</table>

• Diversity of offer and availability of skills

• Health: Implementation of Radio, Oncology and diagnosis centres projects for medical services;
• Education: Attract medical students and patients from the region for new health campus;

*Services does not include operating costs of embassies
2 Strategic Objective 2: Improved Access to Markets
As pointed out in the analysis section, different markets matter for different products. Priority interventions for improving access are listed according to market. Likely sources of growth and proposed interventions are presented below broken down by market.

2.1 International Markets

2.1.1 The United States
Already an important market for coffee, pyrethrum, and handcrafts, has been identified as holding good potential from apparel and accessory exports. New exports from this product group are expected to grow in the following manner:

1. **New large investors** establishing in government constructed advanced factory units and exporting apparel. As of 2014, two investors have committed to establishing production units in Rwanda. These investors know what products they will export and how to benefit from AGOA. They plan to take advantage of the EAC’s EPZ regime to import inputs duty free for single transformation before exporting. They do not require support in accessing the market. Rwanda’s ability to attract foreign investors depends on its’ ability to create the right domestic conditions that reduce factor costs and enable investors to enter Rwanda and within a period of three to six months begin exporting;

2. Major **established clothing and apparel brands** in the US, sourcing goods from Rwanda as part of their Corporate Social Responsibility Strategy. A number of US high street brands are already working with producers in Rwanda to create sustainable and profitable clothing and accessory lines for sale in the US. These US firms require advice on how to benefit from domestic regulations that could support their operations in Rwanda and on how to export to the US under AGOA, through for example being granted an AGOA visa and having their consignments certified as originating from Rwanda;

3. There are **small producers** in Rwanda who have identified the US market as a potential export market. These producers require support at all levels, from sourcing inputs in a cost effective manner (including potentially duty free through EPZ), understanding what preferences they could benefit from and creating linkages with buyers.

4. **Mineral Exports:** Rwandan’s mining sector is in need of major government, industry and end user advocates to legitimize Rwanda’s compliance with Dodd Frank and mainstream the acquisition of minerals sourced in Rwanda by buyers in the US market;

5. **Growth from high value agro-processed goods** such as stevia and pyrethrum is also possible. However supply side constraints and linkages to markets need to be addressed before growth becomes a real possibility.

Specific interventions to support new export growth to the US market is through intensifying existing export flows and improving Rwanda’s ability to take advantage of AGOA. Key interventions for this market are:

- **Expand list of goods covered under AGOA:** Tariffs on products excluded from AGOA, especially on agricultural goods, remain relatively high. AGOA’s broader economic impact could be improved if preferences were extended to all products;
- **Extending preferences to all product lines should be coupled with less restrictive**
rules of origin\textsuperscript{10}. The surge in apparel exports under AGOA clearly illustrates the powerful effect of liberal rules of origin. The 35 percent value added rule on non-apparel goods is in all likelihood too demanding for firms in Rwanda. Lobbying for a 10 percent value-added requirement would give AGOA exporters the flexibility they need to source inputs globally and exploit their comparative advantage in labour intensive products. An alternative would be to lobby for a phased introduction of the 35% value added rule over a 5 to 10 year time horizon. This would allow for the development of local supply chains in the medium term;

- Sensitize relevant sectors on AGOA: Existing producers in Rwanda are either unaware of the opportunity presented under AGOA or do not understand the requirements for qualifying for duty free access under AGOA. AGOA sensitization training is required on a regular bases to ensure new entrants to the sector learn of the potential benefit. This can be provided through USAID regionally funded Trade programmes.

2.1.2 The European Union
The EU is important for existing tea and coffee exports, while also holding good potential for new horticulture and apparel exports – for the latter this is dependent on EPA (as opposed to EBA) market access in order to allow for single transformation under rules of origin. New exports to the EU are expected to grow through the following routes:

- New investment in the horticultural and floricultural sectors reaching production stage in the next two years. Here avocado, macadamia and floriculture investors have already entered the market but have yet to begin exporting. These investors are already operating in other countries in the region and have established links with markets in the EU. They also have the ability to meet EU food safety standards and requirements. New exports from agricultural goods will come through facilitating investment by firms experienced in exporting to the EU.
- Apparel exports to the EU will come thorough the same type of firms as those entering the US but real growth is only possible once an EPA is agreed and simpler rules of origin introduced.

Specific market access interventions to support export growth to the EU are the following:

- **Mineral Exports:** As with the US, Rwandan’s mining sector is in need of major government, industry and end user advocates to legitimize Rwanda’s compliance OECD guidelines and mainstream the acquisition of minerals sourced in Rwanda by buyers in the European market;
- **Sign EPA for reduced technical barriers to trade:** Finalizing the EPA was particularly important for apparel exports. The EPA offers “single stage transformation” for this sector. Exporters to the EU would then benefit from duty free access for garments made using textiles from anywhere in the world (see light manufacturing). In contrast the EBA rules of origin are more restrictive, offering “double stage transformation” – this requires clothing exporters to use fabrics and textiles from the ACP or the EU;
- **RBS’ schemes for food production and product quality certification accredited (HACCP):** HAACP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw

\textsuperscript{10} The RoO method used under AGOA is Value addition (35 per cent) calculated as a percentage in the ex-factory price of the finished product represented by the cost of local originating material, labour and direct costs of processing.
material production, procurement and handling HACCP provides the type of disciplined monitoring and control that supermarket chains and food manufacturers increasingly demand. It is also essential for meeting EU food safety requirements;

- The **EU Data Privacy Directive** specifically prohibits the sending of personal data to any country without a “level of [data] protection” considered “adequate” by EU standards. The absence of appropriate and enforced data protection laws in Rwanda therefore curtails BPO opportunities in the European market;

- **Pre-travel visa requirements for many European countries** is likely a major deterrent for tourists from those countries to visit Rwanda. Adoption of the EAC Single Tourist Visa should go someway to addressing this issue. However pre-entry visa clearance will remain a hindrance to travel.

2.1.3 **Asia**

The **Asian market** is important for mineral exports (mainly China and Malaysia). Pakistan is also an important market for tea. Rwanda is already granted a degree of preferential access to several Asian markets through WTO declarations. These markets are China, India, Japan, South Korea. The percentage of tariff lines liberalized under these declarations differ by country with Japan opening up 98% of all tariff lines while South Korea has liberalized just 59% of tariff lines.

Growth in the Asian market is expected to come through traditional export sectors, tea, coffee and minerals. Here increasing exports depends on increased supply as opposed to direct interventions in the market at this point.

2.2 **Regional and African Markets**

Regional and wider African markets are important for manufactured goods, agro-processed goods, livestock, animal produce and horticulture. The regional market is also important for services exports, particularly medical, transport, distribution and logistics. The DRC and Burundi are the two most important markets, however there is interest from the private sector in growing into new markets in Africa including francophone markets for services.

Growth within the region is closely linked to increased productive capacity within Rwanda to supply regional markets. Attracting new investors and growing existing exporters to produce both for Rwanda and beyond is key to unlocking exports from the manufacturing and agro-processing sectors. For horticulture, effective operationalization of the collection centres and agro-logistics centres to increase supply and efficient distribution to regional markets is important.

Within the region the GoR needs to engage EAC partners to ensure implementation of the Common Market Protocol. An issue here is ensuring the mutual recognition of standards and qualifications to facilitate the movement of goods and services. A number of firms in Rwanda have so far been unable to access other EAC markets because of restrictions in these areas.

Increasing taxes on exports charged by the DRC as well as restrictions on the movement of traders and professionals between the DRC and Rwanda pose a threat to growth in exports to Rwanda’s single largest export destination. Here, cross-border engagement between businesses, traders and government officials is required to reduce restrictions at the border.

Beyond the region, creating linkages both in terms of reliable and affordable transport services and stronger business linkages with strategically identified export markets such as South Sudan, Congo Brazzaville and Gabon is important. Exporting firms to these markets
may have some experience in exporting to neighbouring countries but will require a good deal of firm level support and in-market country assistance in order to enter new markets. Specific market access interventions by region are provided below.

### 2.2.1 East African Community

Within the EAC, the focus is on better aligning existing structures with Rwanda’s development needs as well as ensuring implementation of commitments made under the Common Market Protocol.

- **Expand NTB National Monitoring Mechanism to cover restrictions on trade in services**: This is important for policing commitments already made by member states and ensuring the rapid removal of any barriers (primarily regulatory) that may have been put in place by EAC members;

- **Harmonisation and mutual recognition of standards within the EAC**: The harmonization and recognition of standards across the EAC will facilitate the free movement of goods within the region and remove obstacles associated with the non-recognition of the RBS Quality mark for certain products in other EAC partner states;

### 2.2.2 DRC

- **Cross-border cooperation on trade related issues**: This does not have to necessarily be government to government. Strengthening business linkages and using support offered by development partners on both sides of the border trade with the Kivu region of the DRC can be enhanced to ensure continued flow of exports from Rwanda into the DRC.

### 2.2.3 Africa

- **Market Linkages**: Exporting to the wider African market suffers from a chicken and egg problem. On the one hand there is insufficient and irregular supply meaning transport and distribution costs remain expensive and in some cases unreliable. This reduces the incentive of firms to strengthen linkages with African markets and reduces supply thus pushing up the costs of transport and distribution in those markets. This could be addressed through a combination of “in-market support” in a few selected African markets through for example multi-service centres, linked to routes that have already been established. Overtime it is expected that through this approach the cost of accessing certain markets in Africa should be reduced and exporting to those markets become more attractive;

- **Trade Agreements**: Rwanda does not have preferential access to most countries identified by the private sector as markets of interest for growth in non-traditional exports. For example, tariff rates in South Sudan, Congo-Brazzaville and Gabon are all high for Rwandan goods. The accession of South Sudan into the EAC would open up this market to free trade. With other countries in Africa new trade agreements would have to be negotiated through the EAC, a long process;

- **Low Grade Coffee Exports**: Coffee traders have identified new markets for low grade coffee (Sudan and Egypt) but require support in developing the markets. This is covered through interventions under SO3 of this strategy.

### 2.3 Cross-Cutting Market Access and Trade Policy Considerations

- **Special Economic Zone and Export Processing Zones**: The Kigali Special Economic Zone currently operates as a normal industrial zone. There is no special infrastructure or tax regime operating in the phases currently occupied. It is likely therefore that the Government will move to implement the EAC Export Processing
Zones law on a company by company basis. The EPZ law offers tax advantages to exporters of manufactured products who sell more than 80% of their turnover outside the EAC. As an example, this is the tax regime under which Light Industry investors would expect to operate. Encouraging investments to take advantage of EPZ status will be an attractive incentive to reducing the costs of inputs for planned export goods outside the EAC.

- **Effective and Innovative Logistics Services:** The distribution and logistics services strategy identifies what needs to be done to improve the competitiveness of these services and reduce the costs of trade with the region and the rest of the world.

- **Leverage Trade Facilitation Support:** The WTO TF Agreement is aimed at reducing transaction costs through elimination of red tape, increased transparency, streamlined border procedures and formalities as well as reduction of import-export documentation requirements; automation; reduction of fees and charges; enhanced cooperation among border agencies; expedited clearance and release of goods among others. The TF Agreement contains flexibilities for the implementation of the Agreement by developing countries as well as provisions for technical assistance and capacity building. Donors committed to provide financial and technical assistance. Rwanda should finalise its needs assessment for trade facilitation and begin leveraging for support through development partners.

## 2.4 In Market Support (Multi-Service Centres)

The role of an international Trade Promotion Organisations (TPO) varies depending on the market and the specific needs of exporters. Activities undertaken can include:

- Partner identification (qualifying partners, submitting samples, promoting specific products, arranging missions and visits, drafting agreements)
- Market Research (standards, market size & potential, competition, distribution, price points)
- Event organisation (inward missions/outward missions)
- Trade fair (pre, during and post event activities)
- Fixing local market problems (customs, tax, payments)
- Identification and coordination of in country support networks including; sector experts, transport, warehousing, lawyers, accountants, designers, PR experts and other relevant services
- Undertaking generic PR to promote the country

Through its Embassies and RDB nodal offices, Rwanda has a small but qualified presence in a number of key export markets. However the emphasis on Investment Promotion can often leave commercial attachés with little time to actively support export activities.

It is therefore proposed that based on the recommendations of the Agro-logistics strategy, RDB and MINICOM will review the opportunity to establish either 100% government funded or PPP’s with local in market partners to deliver services in addition to those provided by Rwandan embassies (eg; Warehousing and Distribution) or full TPO services in those markets where Rwanda has no diplomatic representation.

Ideally such services should be delivered on a fully commercial basis where users pay for services consumed such that GOR has no long-term financial commitment. However in the short term where new markets are being considered and where trade flows cannot justify a
fully commercial arrangement, it may be necessary for some form of short term PPP between GOR and a selected in-market partner.

3 Strategic Objective 3: Upgrade Firm Capacity to Access and Grow in Export Markets

3.1 Access to Government funded support measures
Any company or group of companies who wish to export should ideally be able to access certain levels of government support. However with limited resources support has to be focused on those companies where the best impact can be generated using the resources available. Trade Promotion Organisations therefore tend to segment their services so that some are available to all exporters and potential exporters while others, generally more expensive to deliver are restricted to selected groups most likely to benefit from these services.

It is also worth noting that Government funded TPO’s among OECD members often charge for certain services to ensure both commitment from the service user as well as a greater value for money for the public purse. It may be some time however before this becomes common practice in Rwanda.

Figure 14 below shows a possible support hierarchy that might be adapted for Rwandan conditions.

FIGURE 14: HIERARCHY OF EXPORTER SUPPORT MEASURES
The activities planned for SO3 will address most of the key challenges faced by Exporters as identified by OECD and confirmed by RDB staff who have been working on the joint RDB/TMEA funded Export Development Programme. Some of these activities are already planned or are operational. Others are new and will begin implementation once budgets are made available.

3.2 Export Capacity Program
The Export Capacity programme aims to grow both the number of successful exporters and the volume of exports per exporter. There are different groups each having slightly different needs as indicated in Figure 14 above.

3.2.1 New or potential exporters
The target group is comprised of two types of company;

1. Those who have never exported but have interest in doing so in order to increase sales and absorb unused capacity through accessing new markets.

2. A second group of companies whose products are already exported by third parties such as traders so that the benefits of higher margins in export markets go to the traders rather than the producers themselves. These companies lack the skills to plan and undertake direct exporting although they have a product for which there is market demand outside Rwanda.

For this group of companies a major issue is uncertainty and fear of the unknown as well as the additional costs (packaging, certification, transport) and risks associated with exporting such as getting paid or security of goods in transit. Both of these are addressed by selling to Rwanda based traders who assume the risks but in return reap the rewards of margins that would normally accrue to the producer.

For companies in this target group, the following activities are planned:

- Sensitization workshops in Rwandan districts (why, how and where to export) leading to identification of candidates for export capacity audits
- Access to market and sector opportunity reports from RDB’s export portal\(^{11}\)
- 2 day subsidized (free to company) export capacity evaluations by certified Export Advisers\(^{12}\)
- Access to exporters handbook (on-line and printed versions)
- Subsidized trade fair participation at events organized by RDB or NAEB

3.2.2 For existing exporters
While the number of exporters has grown substantially over the past 5 years to approximately 1,200 many of these are small and ‘occasional’ small exporters who handle export orders opportunistically on a reactive basis rather than through a planned strategic approach. In fact approximately 80% of Rwanda’s exporters operate on this basis and generate annual exports of less than $100,000 per year which together account for less than 5% of total exports. It follows that where GOR can successfully support these companies to become confirmed and proactive exporters this could have an important impact on national export performance.

---

\(^{11}\) To be produced by the proposed Trade Information Centre described in more detail below

\(^{12}\) RDB is currently training 18 potential export advisers and plans to certify the first 5 by September 2014.
Of particular interest are those companies regularly exporting between $100,000 /year and $1 million per year – some 150 in all. These companies clearly have the product and potential to grow. For these companies it is planned to offer the following services:

- Free or subsidized support to develop and implement export action plans by certified export advisers
- Free access to the information services provided by the planned Trade Information Centre, which will provide input to action development and implementation.
- Access to planned Export Growth Facility for qualifying support
- Participation in RDB’s Market Linkages Program
- Access to appropriate sector or country focused trade missions and events organized by RDB and NAEB

3.2.3 For Large Exporters

At the end of 2013 there were 65 companies with export turnover greater than $1 million (Million Dollar Exporter – MDE) and an average turnover of $8 million. To achieve the growth EDPRS2 growth targets will require a significant increase in Rwandan MDE’s. As in the past, some of these companies will be new foreign investors such as Bahkresa and Steelrwa. Many others will be home grown.

These large (by Rwandan standards) companies generally already have successful business models. This potentially limits the scope for direct strategic or tactical intervention by GOR or its appointed consultants. However often these companies require specific policy actions by government to remove barriers to growth. Issues to be considered may cover supply chains, import duties or other fiscal issues and access to infrastructure.

For large exporters RDB shall provide Export Growth Account Managers (EGAM) whose responsibility will be to work with MDE’s and RDB export specialists to identify where appropriate initiatives that could significantly improve their export performance either through market or product diversification.

Services to be provided through the EGAM’s could include:

- Tailor made export growth strategies (cost shared with GOR) using local and if required, international experts
- Supply chain development support
- Access to the planned Export Growth Facility for qualifying support
- Policy advocacy to address individual export growth constraints
- Possible GOR co-investments

3.2.4 Export Adviser Initiative

To deliver support to exporters of all sizes and capacity will require a cadre of qualified and experienced advisers based in Rwanda who understand the local business context but are familiar with both the process of exporting and that of planning and implementing export action plans. In late 2012, RDB started the process of recruiting and training the first group of future certified Export Advisers. Up to 10 advisers will be certified in by September 2014 and thus ready to provide strategic and tactical support to Rwandan exporters. Given the small number of Rwandan exporters, 10 advisers is probably a good start but at some future date, it will probably be necessary to develop further advisers as well as to help upgrade some of the soon to be certified SME advisers.
The small number of active company consultants in Rwanda signals a challenge for these newly qualified advisers. Many companies are unused to hiring consultants to address challenges or provide strategic or tactical support outside technical areas such as standards or quality and they are even less used to paying for these services. If Rwanda wants to develop a cadre of qualified and professional export consultants then it will be necessary to find a way for them to earn income. In other countries this is often managed through a subsidised consulting scheme where companies pay a percentage of the costs of an approved project and the balance is paid by the government.

The EAI will over the life of the strategy undertake the following activities
- Undertake quality control of subsidized work performed by certified advisers
- Train and certify additional Export Advisers depending on market demand
- Re-qualify existing certified advisers every 3 years.
- Evaluate a senior tier of advisers after 3 years who can train and certify other advisers

3.3 Trade Promotion and Buyer Outreach
Proactive promotion of Rwanda and its products and services will a key element in a successful export growth strategy. Currently Rwanda has a very limited coordinated trade promotion strategy outside possibly tourism and coffee. This creates an information gap for potential buyers for whom information about Rwandan export potential tends to be hard to find and superficial. It also means that in general exporters either have to organise promotional activities themselves or they do nothing either because of lack of knowledge or because international promotion can be expensive.

In the medium term it will be up to companies to organise their own promotion. Where necessary in the short term, this can be supported by government agencies as facilitators and trainers.

The Trade Promotion Strategy will contain the activities listed below:

3.3.1 Group Branding
Given the small size of most exporters marketing and branding can be an expensive challenge. This is compounded when a large order is received that may require cooperation between producers as could happen for coffee, tea or even textiles. It is recommended that support mechanisms be created to help improve individual company branding (including packaging, web sites, brochures etc) as well as to encourage group branding where opportunities exist.

NAEB has commissioned consultants to develop an overriding brand for Rwandan Coffee. This will not preclude from using their own branding but will provide a quality guarantee for buyers and consumers that the coffee that is ‘RwandaExcellence’ or whatever the brand may turn out to be has minimum levels of quality certified by the industry.

This approach could be used for other sectors and indeed it is NAEB intention to also create a sector brand for Tea. ‘RwandaFresh’ has already been registered as a brand for Fruit, Vegetable and Horticulture products. For garments a group of producers could form an association (eg; Rwanda Garment Manufacturers Association – RGMA) that would set minimum standards of quality as well as combining to promote members capacities to buyers in US and EU markets where significant AGOA and EBA duty advantages exist.
To be successful in international markets these new brands and their values will have to be actively promoted both at trade fairs, direct buyer outreach, in-store directly at consumers and through both digital and traditional media in key markets.

3.3.2 ‘Buy from Rwanda’ Export Portal
RDB has created a specific portal, www.buyfromrwanda.rw that will provide online and up to date information and support to exporters and potential exporters. The portal will also enable potential buyers to learn about Rwandan products and to make sourcing enquiries directly to companies registered in the exporters database (56 to date) or via RDB who can advise on the most qualified suppliers.

Included on the portal will be a detailed exporters handbook, currently under preparation by PSF. It is planned that the handbook provides detailed and easy to use information about the essential elements of successful export action plans as well as covering in detail how to handle the mechanics of exporting such as standards, tariffs and duties, transport and logistics, distribution options and getting paid.

3.3.3 Buy from Rwanda promotional materials
Promotional materials should be of sufficient quality to be distributed to all Rwandan Embassies as well as to multipliers such as foreign embassies and Chambers of Commerce.

Currently under the “Buy from Rwanda” brand the following elements are produced by RDB in small quantities:

- Export Catalogue listing Rwandan exporters and their contact details
- Penguin stands and banners

3.3.4 Trade Fairs program
A key role of any successful Trade Promotion strategy is the organization of effective participation in international trade fairs. Not all fairs will be suitable for Rwandan exporters so events have to be chosen carefully. Since trade fair attendance can be expensive, there are other options that can also be considered such as sales missions to visit targeted buyers. The key to success is proper advance preparation, excellent organization during the event and professional follow-up of the sales leads generated.

Working with NAEB and PSF, RDB will select for each year the trade events that will be supported by GOR budget. These events will be branded overall with Buy from Rwanda and sponsoring agencies or Ministries may offer subsidies to qualified exporters to help defray the cost of attendance. However as a basic principal, sector organizations and associations should take over both the funding and organization of such events. This will permit GOR to focus on market and product diversification through providing support to new events in new markets rather than funding the same event year after year.

Investment in a professional stand profile and structure that can be re-used at different locations to save costs and maintain image should be considered.

3.3.5 Market Linkages program
The market linkages programme has already been successfully tested by RDB in Uganda. The programme involves working with committed exporters whose products can mostly meet the standards of the market being targeted.

Following a briefing for participating companies (if a group marketing approach is being taken), product samples are taken to the target market where potential buyers have been
already identified by the chosen market linked consultant. The samples are reviewed by the potential buyers and based on their comments a market feedback report is prepared for each exporter.

The feedback report includes comments on product attractiveness (packaging, quality standards, branding and price points relative to existing competition) and likelihood of purchasing interest and interest to meet the producer.

The market feedback reports are used to help prepare exporters for a sales mission, where individual meetings are arranged with interested buyers at their premises. These meetings provide exporters with an excellent opportunity to ask questions about market conditions and the competitive environment as well as to sell their products. They can open the door to short term orders and successful long term trading relationships. Where appropriate export advisers can provide additional support to market linked companies in adjusting their plans or products to take advantage of the opportunities identified.

While the programme has so far been piloted only in EAC markets, the basic principals can be applied to any market\textsuperscript{13}. While relatively expensive on a cost per company basis ($5,000-$10,000) it is very efficient and effective and can represent excellent value for money if used with companies that have the appropriate capacity and motivation.

\subsection*{3.3.6 President’s Award for Exporting}
Many successful exporting countries across the globe recognise export success through awards ceremonies. These do not necessarily need to be burdens on the public purse and in fact are often organised as high profile charity events attended by the Prime Minister or the President. Rwanda of course already has a business award ceremony and it may be that the promotion of export success can be given a higher profile in an existing event. Either way, it is important that the public in general and the business community understand the importance of exporting for a small country like Rwanda and that the Government is focused on supporting this activity.

However, the idea of a Presidential Award\textsuperscript{14} would not simply award export volumes but rather consistent performance. Products given the Presidential ‘seal of approval’ would be those that reflect the image and ambitions of Rwanda – quality, innovation and entrepreneurship.

Exporters receiving the award would be able to use the award logo for a designated period of time on all products exported and in their promotional materials.

\subsection*{3.4 Trade Information Centre}
While RDB offers a one-stop-shop for investors there is no such service for exporters in Rwanda. As a result exporters or their consultants are obliged to contact and often visit a wide range of institutions to gather information about market opportunities or about the mechanics of exporting, a time consuming and expensive business. For smaller companies this can be a major constraint in developing sensible export action plans.

While an Export Portal can provide general information at some stage the information needs of an exporter or potential exporter has to become quite company specific. It is therefore proposed that RDB evaluate the cost and benefits of setting up a small trade information

\footnotesize{\textsuperscript{13} RDB is currently planning an exercise in Sweden together with NAEB\textsuperscript{13} this could be fashioned using the same principles as the Queen’s Award for Enterprise in the UK}
centre to provide a one-stop information and signposting service to exporters. The TIC would be managed by a small well-trained team supported by access to a virtual library of relevant publications, reports and databases.

TIC services could be accessed by telephone, Internet or by personal visits to the centre. Services would be defined during the planning stage but might include:
- Desk research for individual companies (cost sharing)
- Sector opportunity scans including both primary and secondary research
- Market and competitor profiles
- Identification of buyers and distributors
- Information on market entry conditions, costs and requirements

4 Strategic Objective 4: Export Growth Facility

The EGF is designed as a single facility with three separate windows through which firms can access export finance options not currently available in Rwanda. The facility provides the finance necessary for realising the previous three strategic objects and will be implemented by BRD. The three windows through which finance can be accessed are:

- **Investment Catalyst Fund**: Encourage private sector investment in export oriented production by bridging the high interest costs between a benchmark export finance rate (6%) and the prime rate (16-19%). The loan will be complemented by the provision of support to companies to prepare for investment through operational capacity development and performance enhancement, using where appropriate Export Advisors and selected components of the export development programme (Strategic Objective 3) but also drawing on other external resources;

- **Matching Grant Fund for Market Entry Related Costs**: Exporting is expensive relative to selling on the domestic market. Costs specific to exporting might include: meeting new quality and standards requirements, developing a firm level export strategy and promotion activities, and product development and innovation. Where such costs represent a potential constraint to exporting there is a role for government to remove part of this constraint through sharing the cost and therefore the risk of such investments;

- **Export Guarantee Facility**: Allow exporters additional export finance from commercial banks or directly from BRD by enhancing the credit worthiness of the exporter though the backing of a guarantee. The guarantee encourages exporting by minimizing the efficiency loss due to the effect of nonpayment risks.

The Export Growth Facility will initially be launched as a limited pilot programme targeting firms in the horticulture, agro-processing and manufacturing sectors. The pilot phase will be used to test demand for, and the impact of, the facility in terms of new exports and employment in Rwanda.

Based on experience in other countries the facility is expected to grow exports of beneficiary firms by 80% - 100%. The evolution of the fund is presented below.
It is currently envisaged that a single pool of funds would finance the three distinct components of the EGF. However, if a donor requested to fund a specific component only (e.g. due to their internal regulations), the ring-fencing of their facility would in principle be possible.

Multilateral and Bilateral donors will be approached for contributions to support the facility, potentially prioritising development partners currently supporting to the private sector development or financial sector development under the Division of Labour. Two types of assistance will be sought:

- Grants to constitute the pool funding for EGF;
- Technical assistance component to enable BRD to create these products.

Should the pilot, as expected, reveal an overall significant demand for lower cost trade finance, the longer-term, more sustainable solutions can be considered, including:

- Attracting trade-finance oriented Lines of Credit from multilateral development banks, such as African Development Bank (through their Trade Facilitation Programme), or International Finance Corporation (IFC, through their Trade and Supply Chain Programmes).
- The demonstrated demand for export finance related guarantees could justify the inception of the local offices of existing guarantee-extending DFIs such as African Guarantee Fund.

The ultimate long run aim is to develop a competitive market of commercially viable trade finance products, so that supply is ensured by commercial financial institutions. Increased awareness and understanding of trade finance would further enable the largest exporters to access various DFI trade finance directly.

The consensus is that the Development Bank of Rwanda (BRD) should be the national institution responsible for implementing the proposed Export Growth Facility. The executives of BRD concur with this decision, and point out that the institution already has developed the nucleus of in-house expertise about export-related development and export finance. BRD is also sufficiently resourced to implement the more complex aspects of the programme.

A detailed implementation plan has been developed by MINICOM and BRD including the roles and responsibilities of relevant agencies.

### TABLE 9: EVOLUTION OF THE EXPORT GROWTH FACILITY AND EXPECTED IMPACT

<table>
<thead>
<tr>
<th>Possible Evolution</th>
<th>Sector Coverage</th>
<th>Size of Fund (US$ millions)</th>
<th>No. Beneficiaries</th>
<th>Impact – New Exports (US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1 (Pilot)</td>
<td>Limited</td>
<td>1</td>
<td>20 - 25</td>
<td>US$ 3.5 – 4.5 million</td>
</tr>
<tr>
<td>Year 2</td>
<td>All</td>
<td>10</td>
<td>200 - 300</td>
<td>US$ 35 – 50 million</td>
</tr>
<tr>
<td>Year 3</td>
<td>All</td>
<td>50</td>
<td>200 - 700</td>
<td>US$ 175 – 250 million</td>
</tr>
</tbody>
</table>
Chapter 4: Managing and Delivering the Strategy

1 Implementation
NES II will be implemented during a period of low global economic growth as developed countries struggle to recover from the global financial crises. Volumes of ODA are also predicted to reduce in the short to medium term. Furthermore, there has been a general slow down in export growth from Rwanda in the past 12 months as a result of falling demand in DRC and low commodity prices.

Achieving ambitious export targets with limited financial resources and weak global demand calls for the correct sequencing and coordination of activities. Harmonization of actions by institutions is necessary for both implementation and monitoring and evaluation. To avoid the need to create new structures NES II implementation will fit into existing bodies.

Inter-Governmental monitoring and coordination of NES II will will happen primarily through IDEC who will play a high level monitoring role in the implementation of the NES. Coordination amongst a broader set of stakeholder including development partners will take place through the Private Sector Development Joint Sector Committee for Industry and Exports. This combination of Government and Stakeholder high level monitoring of implementation will translate into adequate sequencing (from short term to medium term interventions) and the clear assignment of responsibilities and roles in their implementation and coordination.

2 Institutional Roles
The key implementing institutions of the NES are: IDEC, MINICOM, RDB, NAEB, BRD, MINIRENA and PSF.

2.1 Industrial Development and Export Council (IDEC)
The cross-cutting nature of export growth requires a strong monitoring mechanism for overseeing implementation of activities related to export growth as well as for identifying and removing bottlenecks in the decision making process. In response to this need GoR established the high level industrial development and export council (IDEC) out of a recommendation under NES I.

IDEC is chaired by MINICOM and under recent restructuring, now plans to meet on a monthly basis to oversee flagship projects and priority actions. To drive implementation of NES actions and ensure proper monitoring the technical content for IDEC will be development by the IDEC Secretariat supported by Ministry Focal points.

2.1.1 Role of the Secretariat in Coordinating and Monitoring NES
The role of the Secretariat should be to prepare the monthly Technical IDEC meetings by the following means:

- Follow up on the flagship export projects in dialogue with focal points in the relevant Ministries and private sector and by other means necessary (site visits etc);
- Follow up on IDEC indicators (which will incorporate NES indicators) and action plan in dialogue with the focal points in the relevant Ministries and private sector;
• Identify where there are coordination failures and address with the relevant Ministries outside of IDEC in advance of any IDEC meeting;
• Provide recommendations and supporting analysis on decisions that need to be taken at the Technical Committee.

The IDEC secretariat will be coordinated and quality checked by a selected member of staff in MINICOM. The coordinator will work with selected analysts who will oversee implementation of their respective agencies commitments under NES. Twenty per cent of the time of each member of the Secretariat will be required for this work and should therefore be allowed for in their Ministry objectives.

2.1.2 Responsibility of Key Implementing Institutions and Agencies
Different Ministries and Agencies play different roles in the implementation of the NES. The lead and supporting agencies necessary for implementation of each of the activities is presented in the action plan for the NES. A summary of the role the lead government implementers will play is presented below. An implementation plan is attached as Annex I of this document.

Role of MINICOM: As the chair of IDEC, MINICOM will oversee and coordinate implementation of the NES amongst relevant institutions. MINICOM will also lead on required legislative, policy reform and trade negotiations.

Role of RDB: It is proposed that RDB create a full department to coordinate and lead in all matters concerning the development and support of exporters and the promotion of Rwandan products and services in key markets. Currently RDB has a Trade Development Division with 4 staff members. This is insufficient to take a leadership role in developing exporters and promoting exports. The proposed Department will have three divisions whose responsibilities are outlined in the diagram below:
RDB is also the lead implementing agency for Advanced Factory Unit Programme, MICE Programme, and ICT Kigal Technopole project.

**Role of NAEB:** NAEB is responsible for implementing strategies for developing, within Rwanda, the agricultural export sectors identified in NES (coffee, tea, horticulture, floriculture). NAEB will also work to support exports by: support them in meeting necessary quality standards in target markets; collecting and disseminating information on local, regional and international markets; coordinating activities of stakeholder networks with regard to agricultural products for export. NAEB will report back to IDEC on progress and highlight any challenges faced.

**Role of BRD:** The new Development Bank of Rwanda will be responsible for overseeing role out and management of the Export Growth Facility. This includes its role out among the wider commercial banking sector.

**Role of MINIRENA:** Upgrading capacity of artisanal minerals and lead on technical input for regaining access to markets affected by strict restrictions on mineral exports from Great Lakes Region.

**Role of PSF:** PSF, as the secretariat of Rwanda Exporter’s Forum should coordinate private sector engagement with the Government in export related matters. The PSF should closely work with private sector operators to ensure NES activities continue to meet their needs and identify were gaps or amendments are necessary in existing strategies

**2.2 PSDS Joint Sector Committee to Coordinate Implementation**

The PSDS Joint Sector Committee (JSC) on Industry and Export will coordinate implementation of activities between Government and Development Partners. This also ensures alignment of NES priorities with the wider private sector development goals of EDPRS II.
The JSC will, in general, be responsible for coordinating the implementation, monitoring and evaluation of NES II at the technical level, and providing inputs and updates to the Sector Working Group ahead of the quarterly SWG meetings.

Specifically, JSC will:

- Monitor and provide inputs to the development of detailed implementation plans for each programme of the NES;
- Track performance of NES programmes and detailed implementation plans in accordance with the monitoring and evaluation framework set out in the NES;
- Provide quarterly progress updates on key indicators and activities for the assigned programmes for discussion in Sector Working Group meetings and any additional inputs required for Joint Sector Reviews (JSRs);
- Identify implementation challenges and develop steps for their resolution with clear timeframes and responsibilities;
- Monitor stakeholders’ activities and identify outstanding technical assistance needs (e.g. studies, capacity building) within the Industry and Export Sub-Group’s area of focus that would contribute towards PSDS programme outcomes, as well as to identify potential funding sources including from Government institutions, Development Partners or other stakeholders;
- Provide the central technical-level forum for discussion of sector diagnostics (including studies), projects, strategies and policies relating to the Industry and Export Sub-Group’s area of focus, to increase ownership, maximize synergies, and avoid duplication.
## Annex 1: Key Implementation Plan

<table>
<thead>
<tr>
<th>PROGRAMMES</th>
<th>Actions</th>
<th>Output (by 2018)</th>
<th>Lead</th>
<th>with</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>Budget USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of National Export Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,440,000</td>
<td>15,340,000</td>
<td>44,090,000</td>
<td></td>
</tr>
<tr>
<td>Strategic Objective 1: Sector Interventions</td>
<td>Sector Action Plans fully implemented</td>
<td></td>
<td>Various</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Covered under existing budgets</td>
</tr>
<tr>
<td>Strategic Objective 2: Improve Access to Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,890,000</td>
</tr>
<tr>
<td>Accessing International Markets</td>
<td>Sensitisation Programme on AGOA and EU Opportunities</td>
<td>MINICOM</td>
<td>PSF</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lobby for removal of restrictions on Rwandan Minerals Exports under USA and EU Legislation</td>
<td>MINRENA</td>
<td>MINAFFET</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adoption of Data Protection and Data Security Standards</td>
<td>RDB</td>
<td>MYICT</td>
<td>400,000</td>
<td>200,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessing Regional and African Markets</td>
<td>Expand NTB National Monitoring Mechanism to include trade in services</td>
<td>MINICOM</td>
<td>MINEAC</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Harmonisation of Standards within the EAC</td>
<td>RBS</td>
<td>MINEAC</td>
<td>150,000</td>
<td>150,000</td>
<td>150,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund Cross-Border Cooperation Committees with DRC</td>
<td>MINICOM</td>
<td>RRA</td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-Service Centres</td>
<td>Establish centres in export markets / strategic markets</td>
<td>5 MSC operational by 2018</td>
<td>MINICOM</td>
<td>PSF / RDB</td>
<td>200,000</td>
<td>400,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------------------</td>
<td>--------------------------</td>
<td>--------</td>
<td>----------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Objective 3: Upgrade Firm Capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,550,000</td>
<td>3,450,000</td>
<td>3,600,000</td>
<td></td>
</tr>
<tr>
<td><strong>Export Capacity Programme</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Sensitisation workshops</td>
<td>Design and run 1/2 day workshops in all districts in conjunction with PSF and BDS</td>
<td>500 companies attend workshops</td>
<td>RDB</td>
<td>PSF / NAEB / MINICOM</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Export Capacity Audits (2 days)</td>
<td>Provide support to new or passive exporters in evaluating export capacity and producing indicative action plans by qualified EA's</td>
<td>200 non exporting companies receive export capacity audits</td>
<td>RDB</td>
<td></td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Export Capacity Audits (4 days)</td>
<td>Provide support to existing exporters to evaluate their potential to grow export turnover on a cost sharing basis by qualified EA's</td>
<td>250 exporters receive export capacity audits and outline export growth action plans</td>
<td>RDB</td>
<td></td>
<td>500,000</td>
<td>650,000</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>Export Growth Planning support</td>
<td>Provide support to qualified exporters to improve export performance through development and implementation of Export Growth Plans</td>
<td>100 companies complete and implement export growth plans</td>
<td>RDB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appoint EGAM's</td>
<td>Initially use qualified EA's and external experts as EGAM's then use EAI to develop further EGAM's</td>
<td>Initial reports prepared on opportunities and challenges facing 40 MDE's; followed by an action plan and regular support visits</td>
<td>RDB</td>
<td>PSF / NAEB</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Supply Chain Development</td>
<td>Identify supply chain constraints and develop strategies with relevant stakeholders to increase supplies in a cost effective manner</td>
<td>Supply constraints removed for 25 MDE’s; impact on imports documented</td>
<td>RDB</td>
<td>PSF / NAEB</td>
<td>250,000</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>-----</td>
<td>------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Policy Advocacy</td>
<td>Document and quantify the impact of issues in the Export environment that are constraints to MDE’s or exporters in general and prepare proposals through PPD platform to address them</td>
<td>Individual export constraints removed for 50 MDE’s and overall export environment improved</td>
<td>RDB</td>
<td>PSF /NAEB /MINICOM</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Export Adviser Initiative</td>
<td>Develop professional export advisers who can provide relevant advice and support to new and existing exporters through a programme of training and mentoring</td>
<td>30 EA’s qualified; 15 requalified</td>
<td>RDB</td>
<td>PSF / NAEB</td>
<td>100,000</td>
<td>75,000</td>
<td>75,000</td>
<td></td>
</tr>
<tr>
<td>Group Branding Initiative</td>
<td>Identify and recruit external specialists to work with selected sectors to develop and support the implementation of group branding initiatives</td>
<td>Two group branding initiatives piloted</td>
<td>RDB</td>
<td>PSF / NAEB</td>
<td>150,000</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Trade Promotion and Buyer Outreach</td>
<td>Set up and maintain export portal for Rwanda aimed at promoting exports and providing useful information to Rwandan exporters</td>
<td>Successful portal that increases visits by buyers and exporters; acknowledged as the principal source of information for Rwandan exporters</td>
<td>RDB</td>
<td>PSF /NAEB</td>
<td>50,000</td>
<td>75,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Promotional Materials</td>
<td>Produce a range of promotional materials under the Buy From Rwanda Brand for use at Trade Events and by Embassies and RDB offices</td>
<td>Rwanda branding and awareness of Rwandan goods and services improved</td>
<td>RDB</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>-----</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Fairs Programme</td>
<td>RDB, partners and private sector develop a plan for 'branded' Rwandan attendance at general and sector focused trade fairs appropriate to the products and services available for export and the competitive environment in the geographies chosen.</td>
<td>10% Increase in sales by new exporters and by existing exporters in new markets</td>
<td>RDB</td>
<td>PSF/ NAEB</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Market Linkages Programme</td>
<td>Highly targeted commando sales support provided to individual companies through product specific market research combined with on-site sales meetings. Can be linked to trade fair attendance</td>
<td>15% Increased export sales by 50 exporters in new markets</td>
<td>RDB</td>
<td>PSF/ NAEB</td>
<td>250,000</td>
<td>250,000</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Presidents Award for Exporting</td>
<td>Design an awards programme under the Presidents Office (Presidential Award for Exporting) that culminates in a high profile awards ceremony to celebrate and learn from export success</td>
<td>Increased awareness of the importance and benefits of Exporting</td>
<td>RDB</td>
<td>Presidency/ PSF/ NAEB/ MINICOM</td>
<td>150,000</td>
<td>75,000</td>
<td>75,000</td>
<td></td>
</tr>
<tr>
<td>Trade promotion offices</td>
<td>Identify opportunities to increase Rwanda’s in market presence in key markets on a PPP basis and negotiate presence according to exporter needs and market potential</td>
<td>In market presence increases sales in that market</td>
<td>RDB</td>
<td>MINICOM</td>
<td>500,000</td>
<td>400,000</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Trade Information Centre</td>
<td>Exporters handbook</td>
<td>Prepare and upgrade Exporters Handbook for distribution to all exporters and potential exporters</td>
<td>Exporters and service providers understand the rules and regulations governing exporting from Rwanda</td>
<td>RDB</td>
<td>PSF/NAEB/RRA/RBS</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----</td>
<td>------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Export market intelligence library</td>
<td>Directories, market and sector reports collected in a library and available for free among all exporters and potential exporters</td>
<td>Improved understanding of market opportunities and targeting of potential buyers</td>
<td>RDB</td>
<td></td>
<td></td>
<td>150,000</td>
<td>75,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Strategic Objective 4: Export Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,000,000</td>
<td>10,000,000</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Export Growth Facility</td>
<td>Export Catalyst Fund</td>
<td>Subsidize investment for exporting and fund the differential between the current high interest cost of export finance and a competitive rate for exporters;</td>
<td>BRD</td>
<td></td>
<td></td>
<td>500,000</td>
<td>5,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td></td>
<td>Matching Grant Fund</td>
<td>Reduce cost associated with entering new markets or exporting new products</td>
<td>BNR</td>
<td>Commercial Banks</td>
<td></td>
<td>250,000</td>
<td>2,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td></td>
<td>Export Guarantnee Facility</td>
<td>Underwrite export finance transactions (pre and post shipment) for medium-sized exporting companies</td>
<td>BNR</td>
<td>Commercial Banks</td>
<td></td>
<td>250,000</td>
<td>3,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td></td>
<td>Mobilise system through commercial banks</td>
<td>Commercial banks to make export finance available at rate periodically determined by BNR</td>
<td>BNR</td>
<td>Commercial Banks</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Annex 2: Sector Profiles

2.1 Tea

<table>
<thead>
<tr>
<th>Exports US$ 2013 (Growth 2008-2013 %)</th>
<th>55,478,456 (4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports KG 2013 (Growth 2008-2013 %)</td>
<td>21,010,337 (6%)</td>
</tr>
<tr>
<td>Number of Exporting Firms 2013</td>
<td>19</td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>12</td>
</tr>
<tr>
<td>% of Sector Exports from Firms Exporting over US$ 1 million</td>
<td>99.0%</td>
</tr>
</tbody>
</table>

The majority of tea is grown on estates covering a combined total area of 25,500 ha. Annual production in Rwanda was 21,010 MT of dry tea in 2012 up from 14,500 in 2000. Average yields per hectare are 4.4 tons of dry leaves and efforts to improve this figure, while important, are anticipated to have a marginal impact on overall output. It is expected that increases in output will come primarily through increasing the total land area under cultivation. NAEB is leading plans to increase the area under cultivation by an additional 18,000 ha between 2012 and 2017, bringing the total area under cultivation to 38,650 ha by the end of 2018 (PSTA III). Tea producers have raised concern about the pace of rollout of the tea expansion programme as a result of poor coordination amongst Government institutions responsible for developing the infrastructure required (e.g. feeder roads, water, electricity).

On the processing side, the 12 operational tea factories have an installed capacity of 29,900 MT per annum operating at a combined rate of 87% capacity. Five new factories are currently being established with four of these expected to begin operations in 2014.

Tea is produced almost exclusively for the export market with 97.3% of all production exported in raw form. 60% of Tea is sold on the Mombasa Auction, 37.3% is sold directly to international buyers while the remaining 2.7% is sold locally. Tea’s share of total exports has steadily declined over the past six years from 17% in 2008 to 8% by 2013. During this period tea exports by value averaged just 4% growth, well below the average growth rate for total exports while volumes increased at an average of just 1% per annum.

2.1.1 Factors Constraining Growth in Tea Exports

Area under Cultivation: Availability of land and construction of new tea factories must be undertaken quantity of tea exports is to grow.

2.2 Coffee

<table>
<thead>
<tr>
<th>Exports US$ 2013 (Growth 2008-2013 %)</th>
<th>54,901,229 (3%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports KG 2013 (Growth 2008-2013 %)</td>
<td>19,988,913 (4%)</td>
</tr>
<tr>
<td>Number of Exporting Firms 2013</td>
<td>83</td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>8</td>
</tr>
<tr>
<td>% of Sector Exports from Firms Exporting over US$ 1 million</td>
<td>85%</td>
</tr>
</tbody>
</table>

The area under coffee cultivation in Rwanda covers 41,300 ha. There are plans to increase the total area under production significantly in the coming five years. Current yields per hectare are approximately 670kg with potential to increase to an average of 850 kg per hectare over the next 4 years through the roll out of a self-financed fertiliser programme.
Total annual production was 19,988 MT of green beans in 2013 with a target to increase to 35,000 tons by 2018.

The bulk of Rwanda’s coffee is grown by approximately 400,000 small-scale farmers who typically produce on less than one hectare of land. Farmers are organized into 207 cooperatives operating under 15 unions and one National Coffee Farmers’ Federation. Once coffee is harvested it is either sold to one of the over 200 coffee washing stations (CWS) throughout the country or processed by the smallholder producer themselves where quality is typically much lower.

Coffee exports grew in value by an average of 3% per annum since 2013 while volumes averaged growth of 2% per annum over the same period. The sector’s export share declined from 17% in 2008 to 8% in 2013.

2.2.1.1 Factors Constraining Growth in Sector
The majority of cooperatives suffer from a lack of managerial capacity, an inability to access relevant support services and low levels of finance to fund investment in production. This affects yields and quality of output.

Many CWS have poor infrastructure, are hindered by low availability of water and power, and are poorly. As a result, the average capacity utilization of CWSs is just 30% and the percentage of coffee exported as fully washed stands at between 20% and 30%.

2.2.1.2 Factors Constraining Growth in Exports
All coffee for export passes through NAEB’s Coffee Collection Centre where it is sorted and cleared for exporting. The centre includes a 2000 MT capacity warehouse for sorting and storage of coffee and a 1000 MT export warehouse. The exporting warehouse is free of charge and often over subscribed in peak seasons leading to a long wait for exporters when using the facility. Coffee left in storage deteriorates in quality over time and coffee exporters have expressed concern that samples sent to coffee buyers does not match the quality by the time it is cleared for export. This can result in cancelled orders and in some instances the closure of coffee exporting firms.

As with tea exports, coffee often sits for long periods in warehousing close to ports in Mombasa and Dar due mainly to inefficiencies associated with the ports. The costs of storage at the port are high and coffee exporters have identified a reduction in this cost and time in storage as a priority for ensuring quality and competitiveness.

Individual coffee exporters struggle to market their goods in foreign markets. Coffee traders have identified new markets for low grade coffee (Sudan and Egypt) but require support in developing the markets. In existing markets, coffee exporters have expressed interest in developing a single brand for Rwandan coffee, a proposal that has been discussed for the past three years, but a clear plan has yet to materialise.

2.2.2 Exploring Options for Value Addition in Tea and Coffee Sectors

2.2.2.1 Single Origin:
Single origin is a product from one geographical region within a specific country and can sometimes even be from a single farm. Single origin does not create value, rather it protects it once it is there. Single origin is a small part of the tea market, with even the specialty sector dominated by blends such as English Breakfast and Earl Grey.
The scope for a single origin Rwanda tea within these ranges is limited. Rwanda has succeeded in price terms in recent years on bulk sales (auction and private) to international buyers because of the quality of the tea. It is bought for blending in established markets like the UK or as straight lines for loose sale in markets in Pakistan, for example. The most important factor in both these channels is to maintain quality while building strong direct relationships with the buyer. Tailoring tea to the needs of a specific customer can increase the value of the tea to that buyer and quality is a crucial component of this. Trading direct in this way also shortens the chain, reduce costs and speed up shipments and payments.

Placing focus on increasing the visibility, quality and consistency of Rwandan tea, is therefore a likely way of promoting value in the sector. If this process shows signs of success, then appropriate procedures can be put in place to capture and protect the higher value.

Packaging: Increasingly, retailers and large multinationals are engaging in direct purchasing and building strong relationships with producer to secure supply. Likewise, the best strategy that any producers can adopt is to build close relationships with their customers. This sounds obvious, but the dominance of the Mombasa auction and big traders makes this uncommon in tea.

Value addition can take place in this context, by tailoring quality to the needs of the customer for example. However, value addition is most commonly thought of in terms of local packing, the logic being that producers can gain a larger slice of the final retail price. In principal this sounds good but has some fundamental flaws, including:

- Most markets require teas blended from several origins;
- Packing machinery is expensive and different formats are required for different markets – each market requires a tailored solution;
- Costs of freight are multiplied 2x or 3x for teabags; most packing is close to consuming market;
- Entry costs are high in consuming markets;
- The main competition will most likely be the producers existing customers, who will not be supportive.

Box 3: Local Packing for Value Addition
There are few examples where local packing for export has been successful. In these cases, the product has either been sold through niche ‘special interest’ channels (such as health food shops), or has been produced in partnership with a retail customer. An example of the latter is ‘Mount Kenya Teabags’, packed under contract for Marks and Spencer at a smallholder factory in Kenya. This was done as a special project by M&S, who invested considerable resources into it, particularly in technical support and training.

Rwanda has particular geographical disadvantages, which make the costs of local packing for export prohibitive. Packing pure Rwanda tea in Mombasa or Dubai could be an option, however the challenge remains that while packing tea is straightforward; a larger consideration is demand for single origin. It has been tried by Rwanda Tea Packers but without success to date.
2.2.3 Proposed Interventions to Boost Tea and Coffee Exports

2.2.3.1 Tea
Tea remains a priority export crop with export growth most likely to be generated through increasing the amount of tea produced through land expansion and new factories coming online.

**Headline Targets**
- Tea Expansion by 6,000 ha by end 2018 up from 25,5000 already planted
- Export revenue of US$ 94.9 million per annum by 2018 (EDPRS II Target)

**Addressing Supply Side Constraints**
The NES will monitor implementation of the tea expansion programme. The key interventions to monitor the construction of four additional tea factors by 2018 along with roll out of tea expansion programme by 6,000 ha.

Upgrading team management practices through training of 4,700 tea growers using FFS and improving quality through capacity building of tea pluckers.

Enable access to Export Growth Facility for producers to investment in production related activities.

**Addressing Export Related Constraints**

**Strengthen Direct Relations with Buyers:** Focus efforts for value addition on establishing strong direct links with buyers and tailoring production to meet needs of specific buyers. This will be run through interventions covered under SO3 of this strategy and enabling access to export related finance through Export Growth Facility.

**Improving Trade Infrastructure:** Addressing the challenges associated with the port of Mombasa are addressed under SO2 of this strategy.

2.2.3.2 Coffee
New Export Revenue will be generated through supply side interventions with some additional opportunities through market diversification.
**Headline Targets**

- **Coffee Expansion to 94,370 ha by end 2018**
- **Coffee production of 35,000 MT per annum by 2018**
- **Export revenue of US$ 104 million per annum by 2018**

**Addressing Supply Side Constraints**
The NES will monitor implementation of the coffee expansion programme and implementation of coffee zoning policy. Gains in productivity Quality gains thought improved coffee processing practices by:

- Improving coffee husbandry practices through FFS training;
- Expand fertilizer application from 20% to 80%;
- Implement coffee turnaround programme in coffee cooperatives;
- Upgrade coffee processing; and
- Export Catalyst and Guarantee Fund to expand investment in productivity and enabling direct exporting.

**Addressing Export Related Constraints**

**Market Entry and Support:** Individual coffee exporters are struggling to market their goods in foreign markets. Coffee traders have identified new markets for low grade coffee (Sudan and Egypt) but require support in developing the markets. This intervention is covered under S03 of this strategy and enabling access to finance through the Export Growth Facility.

**Improving Trade Infrastructure:** As with tea, addressing challenges associated with the ports are addressed under SO2 of this strategy.

### 2.3 The Mineral Sector

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013 Value</th>
<th>Growth (2008-2013 %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports US$</td>
<td>226,189,314</td>
<td>(19%)</td>
</tr>
<tr>
<td>Exports KG</td>
<td>9,638,586</td>
<td>(-7%)</td>
</tr>
<tr>
<td>Number of Exporting Firms</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>% of Sector Exports from Firms Exporting over US$ 1 million</td>
<td>98.5%</td>
<td></td>
</tr>
</tbody>
</table>

A focus on privatization of government concessions since 2008 has led to an increase in export from US$90.68 million (2008) to US$226 million in 2013. However, as with most mineral-producing nations Rwanda has endured highs and lows over the past 7 years. Exports of strategic minerals produced in the region surged and declined in tune with the global economy and world commodity prices. A number of international and regional standards (Dodd Frank Act, tagging and certification of minerals) have changed the nature of business to extract and export minerals in recent years to ensure that minerals produced in the region are free from conflict. To continue exporting Rwanda was obliged to end cross border trade and concentrate on the development of its domestic mining sector.
Rwanda’s mining sector consists of 213 registered mining companies and cooperatives including 5 foreign investors, 38 cooperatives and 170 small domestic companies. RRA statistics indicate that 28 companies were involved in exporting minerals in 2013. Among these exporters, 17 are million dollar exporters. In 2013, a single company was responsible for approximately 38% of Rwanda’s mineral exports.

Seventy percent of minerals produced in Rwanda come from the artisanal and small mining (ASM) sector. The advantage in Rwanda is ASM’s relatively high level of organization, including a professional federative apex for mining cooperatives. Yet the sector suffers much the same as in other countries from the lack of significant technological development, in part hindered by lack of financing and access to modern mining techniques for ASM. As a result, undercapitalization of small-scale mining assets is commonplace in Rwanda (Veiga and Shefa 2009). It is commonly acknowledged that mineral extraction inefficiency among ASMs is to the point where up to 50% of minerals produced are wasted. In addition the artisanal mining process often causes considerable environmental damage. Rwanda would benefit from introducing programmes, which address undercapitalization through local banking loan programs, technology exchanges and government subsidies. These types of programmes are already supported by the World Bank in other countries.

2.3.1 Government Priorities for the sector
To reach the target set under EDPRS II the government is undertaking a number of important initiatives that aim to increase production volumes and improve market access.

A new mining law has been passed by Parliament and is awaiting Presidential approval. Once this is received it is planned that this will improve GoR flexibility on negotiating length and terms of concessions, which have been a challenge between investors and government in the past. It will also provide greater flexibility in managing concessions and where necessary enable GOR to split concessions, a practice common elsewhere, to ensure greater exploitation of resources.

This additional flexibility should enable attraction of new capital-intensive investment to exploit the sector potential that will in turn increase volumes albeit not in the short term since these investments and the nature of the mining industry require time to realize significant volumes.

A potentially more productive short-term approach to increasing volumes will be to improve recovery rates among artisanal mining companies. There are over 200 medium and small artisanal mining operations in Rwanda in addition to an unknown, but likely very large number of informal miners. Many operate with only very limited technology and equipment and are poorly trained in modern recovery techniques. This means low recovery rates, lower incomes for artisanal miners and often use of practices that damage the environment.

Government efforts to increase formalization of the sector, which will help to address this issue in partnership with external investors and current traders could by one estimate, double yields from the artisanal sector with a subsequent significant impact on export volumes and improved livelihoods.

A further step being initiated by the Ministry of Natural Resources is the identification of other mineral reserves that may be present in commercial quantities. Such minerals could include Lead, Copper, Iron Ore and Nickel. However exploration is at an early stage and any discoveries will not impact export performance for in the next three years.
While volumes are important, so is market access. Generally Rwanda’s minerals are processed in Asia but ultimately end up in the global supply chains that produce mobile phones and related technology products that have driven demand for the 3T’s.

With the arrival of the Dodd Frank legislation, Rwanda was the first country impacted by the legislation to work with stakeholders to implement a mineral traceability and tracking system that enables exporters to demonstrate the origin of their minerals from each individual mining site. The system is implemented by ITRI\textsuperscript{15} iTSCi (ITRI Tin Supply Chain Initiative) and while successful, is also relatively costly, especially for Rwanda’s artisanal mining sector.

In spite of general stakeholder agreement that this system works well – indeed as of November 2013, Rwanda was the only country in the Great Lakes Region to be successfully managing a traceability regime, although Burundi has now started implementation of a similar system - it has not yet opened to the door to the US and EU markets. A major issue therefore is the need to convince buyers and other stakeholders throughout the value chains that Rwandan minerals are, unlike many minerals sourced from neighboring countries, in fact ‘conflict free’ and that there is no risk to their being in contravention of the Dodd Frank regulations. In short, the Rwandan’s mining sector is in need of major government, industry and end user advocates to legitimize Rwanda’s compliance with Dodd Frank and mainstream the acquisition of minerals sourced in Rwanda.

The Government is also supporting moves to add value to basic minerals prior to shipment. The current owner of the Karuruma Tin Smelter is in the process of examining the feasibility of restarting operations. This will require several challenges to be addressed. These include access to sufficient raw materials and an uninterrupted supply of power without which the economics of the business would be untenable. Since the smelter must operate on a 24/7 basis it requires a minimum volume of 350 MT per month of cassiterite representing 85% of current production. A final requirement to enable operationalisation of the smelter will be its certification as a Conflict Free Smelter. Karuruma currently plans that the certification process will be complete by the end of 2014. A second initiative currently put on hold is the plan by an existing Wolfram producer to invest in a Sodium Tungstate refinery. Initial capacity will be around 200 MT per month with the ability to expand to 600 MT once volumes become available.

\subsection{Export Constraints}

With the current and hopefully short-lived exception of Wolfram it is possible to export all the minerals that Rwanda produces and there are willing buyers in Malaysia and Thailand for Tin, and China for Tantalite.

However prices will improve once it is clear that Rwandan minerals are considered conflict free by major trade associations, NGO’s and end users who are driving implementation and approval of the tagging system.

Constraints mentioned by mining companies (both large scale industrial and artisanal) include the high cost of tagging and more recently the cost of shipping caused by the increased security measures required by transport companies following the theft of a number of valuable containers in and around the port of Dar-es-Salaam\textsuperscript{16}. While additional

\textsuperscript{15} \url{https://www.itri.co.uk/index.php?option=com_zoo&view=frontpage&app_id=4&Itemid=60}

\textsuperscript{16} An extra $3,000 has been added to the current $5,000 cost of shipping a container from Kigali to cover provision of tracking devices and armed guards
costs reduce margins more important is the security issue. Without insurance coverage it will become impossible to ship minerals from Rwanda.

A final constrain to exporting is the time lag between payment by trading companies of VAT on minerals for export and reimbursement of that VAT by the RRA.

### 2.3.3 Sector Intervention

New Export Revenue generated supply side interventions and regaining / maintaining access to international markets

**Headline Targets**

- Export revenue of US$ 400 million per annum by 2018
- Total expected output from the sector is 38,073 MT by 2018

Since all minerals produced in Rwanda are exported all activities planned and implemented by the Government will impact export performance. Priority actions are therefore those already discussed. In summary these are to:

#### 2.3.4 Addressing Constraints

- Migration of licenses from exploration to mining.
- Former Government concession to be licensed and proper monitoring of the agreement signed between GoR and private companies;
  - Gatumba concession: tender is ongoing
  - Bisesero: Agreement is being negotiated
  - NRD with five concessions: Pending for being licensed/tendered
  - Musha and Ntungu: The plant is under construction to completed in August 2015,
  - Rutongo Mines and Nyakabingo: long term agreement,
  - Rwinkwavu and Gifurwe Concessions: agreement has been signed;
  - Bibare concession: The processing plant is under construction,
  - New serious operator to come in: eg. Mawarid Mining/ Nyanza project;
- Improved legal and regulatory framework:
  - Long and medium term licenses issued to attract strategic investors,
  - Improved management system of the sector: Cadastre system
- Professional consultancy board established to help companies undertake geological studies and other studies like business plans;
- Organized mining sector: strengthening the capacity of Rwanda Mining Association and mining cooperative federation to improve negotiates in partnership agreements with funding investors or financial institutions;
- Export Growth Fund to increase efficiency and extraction rates of artisanal miners by enabling investment in technology and financing for exporting related activities.
2.4  Manufacturing and Agro-Processing

2.4.1  For Regional Export

<table>
<thead>
<tr>
<th></th>
<th>2013 (Growth 2008-2013 %)</th>
<th>43,901,002 (34%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Exporting Firms 2013</td>
<td>1150</td>
<td></td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>% of Sector Exports from Firms Exporting over US$ 1 million</td>
<td>84%</td>
<td></td>
</tr>
</tbody>
</table>

Manufacturing and agro-processed goods have increased their share of total exports from 4% in 2008 to 8% in 2012, while their share of non-traditional exports has increased from 30% in 2008 to 43% in 2012 (Figure 15). A small number of medium sized manufacturing firms are driving much of this formal export growth to the DRC and Burundi. Examples include firms in agro-processing, construction material and beverages17. These firms have been a major contributor to non-traditional regional export growth in recent years.

**FIGURE 15: MANUFACTURING AND AGRO-PROCESSING SHARE OF RWANDAN EXPORTS (%)**

![Graph showing % of Non-Traditional Exports vs. % of Total Exports from 2008 to 2013](image)

Source: MINICOM calculations based on BNR Export Data

Much of the FDI entering Rwanda in the agro-processing and manufacturing sector can be defined as *market seeking FDI*, the primary aim of which is to gain access to the Rwandan market and surrounding countries, mainly DRC and Burundi. This type of FDI has been behind the recent increase in non-traditional exports to regional markets (see box 4). Facilitating entry of *market* seeking FDI is important to delivering more diversified and higher value exports to the regional and African market.

**Box 4: Advantage of Rwanda for Exporting to DRC**

Rwandan based firms are well positioned to serve the DRC and Burundi markets. Rwandan firms can efficiently sell in relatively small quantities and deliver in as little as 6 hours to almost any border in the country. The benefits for buyers in the DRC and Burundi include smaller upfront payments and rapid delivery times. This option is not available to producers from other parts of the EAC. For example, when exporting from Tanzania or Kenya, goods have to be ordered in large quantities to keep transport costs down, meaning larger upfront payments for the customer. Furthermore, given the time it takes to export formally (as much as 63 days to DRC - Doing Business 2014) it can be weeks before delivery is made.

---

17 The DRC introduced a number of new taxes on alcoholic beverage imports in 2013. These new taxes have resulted in a sharp decline in beverage exports to the DRC. Unless the taxes are removed it is likely that beverage exports will remain low in the coming years.
A number of manufacturing firms import inputs into Rwanda in bulk, before undertaking some basic processing and distributing to neighbouring countries in low quantities. Examples of this include plastic and mattresses where the average weight of an export consignment for firms in these sectors is as much as 97% less than the average weight of an imported consignment, and as much as 96% less in value (see table).

### Weight and Value of Selected Consignments

<table>
<thead>
<tr>
<th>Main Input Import</th>
<th>Final Product Export</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mattress</td>
<td>34,705</td>
<td>2,838</td>
</tr>
<tr>
<td></td>
<td>(70,850)</td>
<td>(2,787)</td>
</tr>
<tr>
<td>Plastic Tank</td>
<td>21,366</td>
<td>616</td>
</tr>
<tr>
<td></td>
<td>(47,415)</td>
<td>(2,648)</td>
</tr>
<tr>
<td>Plastic Boxes</td>
<td>32,473</td>
<td>9,539</td>
</tr>
<tr>
<td></td>
<td>(56,475)</td>
<td>(34,246)</td>
</tr>
</tbody>
</table>

Source: MINICOM Calculations based on RRA Data

2.4.2 For International Export (focus on apparel)

<table>
<thead>
<tr>
<th>Exports US$ 2013 (Growth 2008-2013 %)</th>
<th>3,979,478 (48%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Exporting Firms 2013</td>
<td>1</td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>1</td>
</tr>
<tr>
<td>% of Sector Exports from MDEs (2013)</td>
<td>100%</td>
</tr>
</tbody>
</table>

Manufacturing can be an important source of export growth and productive employment in economies such as Rwanda’s, where less-skilled labour can offer investors a comparative advantage for labour-intensive industries. The development of light manufacturing industries, in particular, have the potential to rapidly absorb a large pool of workers from agriculture without steep capital requirements and deliver diversified export growth.

China currently dominates global light manufacturing, however, rising labour costs, due to an increase in the provision of non-wage benefits means space is developing for more efficient exporter locations to step in. Rwanda’s duty free, quota free access to US and European markets combined with low wage costs, provides an opportunity for the expansion of light manufacturing in the country.

Rwanda should begin attracting “market-access seeking FDI”. This is FDI that locates in an selected country to benefit from preferential access to large markets. The light manufacturing sector holds some promise in this regard for Rwanda. Opportunities include:

- EPA: The EPA (Economic Partnership Agreement) provides duty-free quota-free with potentially less restrictive rules of origin requirements that under EBA;
- AGOA: Duty free access for 6000 tariff lines. Although the AGOA agreement is only until 2015, it is likely to be extended (speculation is until 2025).

The light manufacturing sector in Rwanda will not be able to attract major overseas investments (FDI) unless the factors constraining growth in the sector are addressed (see next section). There are currently a number of disadvantages and obstacles compared to what other countries in Africa offer. Factor costs are but one of them, with others including
access to key local raw materials, relatively high transport costs and distance to ports, and an absence of clear export procedures when benefiting from preferential access. Some of these can be overcome, but will take time. It should be noted that transport costs and time for Ethiopian companies (a country with a growing light manufacturing sector) is not too dissimilar to Rwanda.

2.4.3 Factors Constraining Growth of the Sector
Factors constraining growth of an internationally competitive light manufacturing sector include:

- **Industrial Electricity Tariffs**: Electricity tariffs are too high to attract investments and even for industry to remain competitive. The current tariff of US$ 0.21/kWh (March 2014) is high compared to other countries in Africa competing for investment in light manufacturing;

- **Industrial Water and Effluent**: The industrial water rates are US$ 0.94/m$^3$. This compares favourably to for example Lesotho where water charges are US$ 0.90 to § 1.00/m$^3$ (1,000 litres). In terms of effluent/waste water (only really applicable to the textile sector) discharge, RURA does not allow the discharge of waste water containing dyes or colouring material into land drainages;

- **Access to raw materials** is the second most frequently perceived obstacle by companies with annual turnovers above RwF 1 bn. Agro-processors – the largest production sector – are particularly undersupplied with raw materials.

- **Road infrastructure**: Many of the larger agro-processors report problems with road access to their premises and to their raw-material suppliers. The transport of products in rural areas has improved in the recent years. However the rural roads network which is the main channel of transporting crops to processing firms is still inadequate and in poor condition. This leads to some of the fresh agricultural products loosing value or even being spoilt.

- **Taxes and fees**: It is expected that enterprises would prefer to pay less taxes and fees. As such, the tax rate is not the primary target for intervention. However, two issues related to tax administration are often highlighted by the private sector.
  
  o Firstly, the formal processors compete with the informal sector in the consumer market as well in getting access to raw materials. The failure to collect taxes and VAT from the informal sector distorts the competition at the expense of formal tax paying producers.
  
  o Secondly, administration of fees and taxes is a burden across the board. Formal companies report challenges with the administration of VAT. Frequently, they report they are required to pay VAT (Value added tax) on their inputs rather than on their value added. Mostly, this will be the case if their suppliers are not VAT registered. Moreover, VAT is often deducted before the company has received payment. Smaller companies struggle with the administration of local fees and taxes. According to an unpublished World Bank study, there are 18 different fees and taxes for a small enterprise. There could be a potential for streamlining the payment of these, hence relieving the administrative burden for companies.

---

18 The kWh tariff in Lesotho is the equivalent of US$ 0.015, going to 0.018/kWh soon. However this excludes the KVA (maximum demand charge). In South Africa, the kWh rate is $ 0.05/kWh, but once the KVA (maximum demand) charge is added back this is the equivalent of between $ 0.07 to 0.075/kWh. In Kenya, as of November 2013, the kWh rate was reduced to $ 0.18/kWh and to be reduced to $ 0.14/kWh in June 2014.
• **Standards**: Standards ensure the quality of products and is as such necessary for ensuring consumer protection as well as for getting access to markets. Many informal producers do not meet standards. Informal companies will struggle with product quality and with market access if they do not meet standards. Formal companies experience unfair competition from informal competitors which can produce at lower costs by not meeting the standards.

• **Access to Finance** is a chronic problem – most acutely for SMEs and start-ups. However larger companies also highlight access to finance as a challenge. This is partly due to supply-side issues in financial markets: forty percent of the companies have not applied for a loan over the past three financial years. Firms give “high interest rates”, “high collateral requirements” or “short maturity” as explanations. However, demand-side issues remain prevalent. A large number of companies are not credit worthy because of weak management and fragile partnerships. Others have very low turnover and pose high risk to lending institutions because they have no capacity to service the loans.

• **Wages for International Focused Manufacturing**: In the various interviews conducted amongst the more commercial garment manufacturers (using industrial sewing machines), wages average Rwf 120,000 (US$ 185 / month) for machinists making T-shirts for example. For commercial garment manufacturing in some of the major garment exporting countries such as Lesotho, this is high. In the case of Rwanda, wages include 24% tax and 8% social security contribution (of which 5% is contributed by the company). In countries like Lesotho and Kenya, tax is paid by the employees themselves and is not burdened on the company. Whilst wages per se are a key issue in the garment industry where investors are always on the look-out for cheaper labour markets (such as Ethiopia), productivity should also be considered. Consultations in Rwanda suggest several companies appear reasonably productive on the basis of garments per worker per day.

Responses to addressing the challenges listed above are covered in a number of existing national strategies and are therefore not directly dealt with within NES II. However, if these challenges are not adequately addressed, the output of goods for export from this sector will remain constrained and export growth will remain low.

### 2.4.4 Factors Constraining Growth in Exports

Figure 16 illustrates the respondents’ barriers to export from a sample of 193 firms in the manufacturing and agro processing sector. Firms surveyed were both exporting and non-exporting firms.

The main reason for not exporting among this sector is a lack of information on what is required to export (44% of respondents). This is closely followed by difficulty in establishing links with foreign customers (41%) and poor transportation linkages (40%). However there is

---

19 A machinist with < 12 months experience this was $100/month and for a machinist with > 12 months continuous employment this was $110/month (using Maloti/Rand 10.00/$1.00) in 2013. However, in Kenya, one of Rwandan main garment competitors in the region, the minimum wage in 2013 was the equivalent of $130/month to $175/month for a more experience pattern designer for example. In South Africa the minimum wage is $215/month equivalent. However, many South African companies make use of CMT companies in the rural areas, where wages range between $100 to $160/month, whereas other South African companies now have subsidiary factories in countries like Lesotho.

20 Although minimum wages are merely $45/month in Ethiopia, not one of the companies visited in late 2013 for a study on the textile and garment industry value chain, was paying less than $55 to $65/month and increasing.
not one barrier that stands out, with approximately a third of all firms reporting quality standards, paper work in foreign markets, receiving export certificates within Rwanda and paperwork within Rwanda as a significant to moderate barrier. This all points to a need for greater sensitization amongst firms of the opportunities for exporting, the requirements for exporting and support in establishing links in new markets.

FIGURE 16: MODERATE TO SIGNIFICANT BARRIERS TO EXPORTING REPORTED BY FIRMS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our products are not suitable for exports</td>
<td>20%</td>
</tr>
<tr>
<td>Paperwork needed in Rwanda to export from the country is cumbersome</td>
<td>23%</td>
</tr>
<tr>
<td>Even if all of the above barriers were not there, we would not be able to compete on price or get access to markets</td>
<td>28%</td>
</tr>
<tr>
<td>Getting Export Certificates</td>
<td>30%</td>
</tr>
<tr>
<td>Paper work needed by foreign authorities to export to their country is cumbersome</td>
<td>33%</td>
</tr>
<tr>
<td>Quality standards required in export markets are too high</td>
<td>34%</td>
</tr>
<tr>
<td>Transportation to export markets is a problem</td>
<td>40%</td>
</tr>
<tr>
<td>It is hard to establish links with foreign customers</td>
<td>41%</td>
</tr>
<tr>
<td>We don’t have the necessary information to reach export markets</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: MINICOM Industrial Survey (2013) - Sample: 193 Firms Surveyed

While Rwanda is eligible for DFQF access to the US and EU for a large number of goods, it has not been able to take advantage of these opportunities, barring some exports from the handcraft industry. Factors constraining growth in exports include:

- **Lack of Knowledge of Opportunities**: AGOA and the EBA (Everything but Arms) EU trade deals are unknown to existing manufacturers. In interviews with existing producers in the garment sector most were not aware that third country fabrics could be imported duty-free for garments manufactured for export to the USA and/or EU. Knowledge of the paperwork and AGOA visa requirements were also limited. This is a lost opportunity, especially as speculation is rife that the third country fabric provision is likely to be extended to 2025;

- **Attracting Export Oriented FDI to the sector**: The GoR has recently purchased land in the SEZ to fund the construction of two 5,000 m² factory shells that should be available for potential investors (with an MOU recently signed with one Chinese garment manufacturer) by year end. At the same time, the GoR/RDB has made these available, compared to some other countries in Africa competing for FDI, at very competitive rental rates ($12.00/m²). The GoR, like many other countries on the continent have also granted potential investors EPZ status (duty free imports and zero corporate tax) as well as a training grant. These moves will go some way to attracting much need export orientated investment in the light manufacturing
sector. However, it is vital to provide a good “after-care” team to new investors in the sector\(^\text{21}\) once they enter.

### 2.4.5 Interventions for Regional and International Markets

New Export Revenue requires supply side interventions to increase competitiveness and efficiency of production in Rwanda. This will serve to increase output from existing producers while attracting further investment from firms looking to capture both the domestic, regional and international markets.

**Headline Targets**

- Export Revenue of US$ 249 million by 2018;
- Finalise phase 2 of SEZ and finalise PIPs by 2015 and construction of 10,000 M2 of factory space
- Export Growth Facility launched by 2015
- Dedicated power lines to all industrial sites with priority on reliability and availability by 2015

### 2.4.6 Addressing Supply-Side Constraints

**Access to Infrastructure:** Access to serviced industrial land is the most efficient way to provide the needed basic infrastructures. Finalizing the Kigali Special Economic Zone and the Provincial Industrial Parks is key to attracting new investment. Issues that existing individual enterprises are facing need to be addressed on a company-by-company basis and for the largest firms will be addressed under SO3 of this strategy.

**Access to reliable and affordable power:** Access to reliable and affordable power is the most frequently reported challenge. Especially, the unreliable supply is costly. A short run solution is to provide dedicated power lines to the KSEZ and PIPs. Hence, industrial production could be given priority or at least predictability in the supply of power. Lowering the power-tariff for companies in these zones would decrease the costs of production to the benefit of consumers, jobs, production, competitiveness and tax returns. Moreover, it would attract investors which currently have access to considerably lower tariffs in other countries in the region.

**Access to Raw materials** Apart from what is already done to address this complex and pertinent issue; the following new initiatives could be considered:

- Map underutilized public land, earmark and gazette land for commercial farming;
- Support Private Sector to acquire or lease agricultural land in other countries for export to Rwanda;
- Corporatize farming through land lease/Hinga tugabane model: this increases the productivity of the farmer and secure raw material for the factory;
- Export Guarantee facility promote investment in production, de-risk export and matching grant fund standard requirements in new markets.

---

\(^{21}\) It is in the sphere of FDI after-care where some countries’ Investment and Promotion agencies have failed the investors, to the extent that the initial investor is no longer an ambassador for FDI in the country concerned.
**Addressing Regulatory Issues:** It is difficult to have a regulatory environment that meets the needs and priorities of both the private sector and the Government. However, there are some issues that are consistently raised by the industrial sector that merit close inspection by the Government:

- **VAT:** The current administration of the Value Added Tax is a source of complaint from the private sector. While the electronic payment system is expected to improve the burden, there is need to enhance the dialogue between Rwanda Revenue Authority and the private sector on the issues they have. Particularly on how we can ensure a level playing field between formal processors and the informal sector.

**Power:** The cost of power (US$0.21/kWh) is too high for the sector to compete internationally and is a threat to the existing sector in Rwanda. Electricity tariffs need to be reduced to at least US$0.15 /kWh if Rwanda is to begin attracting investment in the light manufacturing sector.

**Factory Units:** The SEZ, through RDB has moved to address the issue of factory provision for first mover investors. Rwanda is competing with a number of other countries in Africa to attract investment in export-oriented light manufacturing. The GoR/RDB have put forward a competitive factory shell rental rate, that compares favorably with other countries in Africa.

**Tariffs on Inputs:** Ensuring firms are aware of and can access Export Processing Zone status is important to allowing firms import inputs duty free for assembly in Rwanda before onward export outside the EAC region.

### 2.4.7 Addressing Export Related Constraints

**Bonded Warehousing at Borders** – Infrastructure at borders is addressed under SO2 of this strategy.

**Market Linkages** – Addressed under SO2 and SO3 of this strategy

**Multiservice Centres** – Addressed under SO2 of this strategy

**Group Export sales by Existing Operators in the Textile and Apparel Sector:** Combined, companies operating in the textile and apparel sector have between 600 industrial sewing machines on their factory floors. If all factories were operating all the machines throughout the year, they would be employing approximately 800 to 900 people. The theoretical capacity to produce would stand at some 200,000 garments per month which is sufficient to begin exporting. An option exists, to combine the capacities and capabilities of some smaller producers. The pre-condition would be that the buyer has inspected the companies who would be sub-contracting to each other for an export order. The other option and equally important is the willingness of the companies to work together. Currently each firm views the others competitors. As long as this remains an export culture will not emerge. This issue is addressed through Strategic Objective 3.

**Benefitting from Preferential Access:** AGOA and EPA, the USA and EU trade agreements should be taken greater advantage of. Despite the high factor costs, there are opportunities, by removing the many hurdles currently placed in front of manufacturers genuinely interested in exporting. This is addressed under Strategic Objective 3.
2.5 Horticulture, Floriculture and High Value Oils

<table>
<thead>
<tr>
<th>Exports US$ 2013 (Growth 2008-2013 %)</th>
<th>6,136,179 (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports KG 2013 (Growth 2008-2013 %)</td>
<td>5,079,051 (-15%)</td>
</tr>
<tr>
<td>Number of Exporting Firms 2013</td>
<td>234</td>
</tr>
<tr>
<td>Firms Exporting Over US$ 1 million</td>
<td>0</td>
</tr>
<tr>
<td>% of Sector Exports from Firms Exporting over US$ 1 million</td>
<td>0%</td>
</tr>
</tbody>
</table>

Total exports from this sector in 2013 was US$ 6.1 million, mainly through the accumulation of many small trades to regional market with small volumes also exported formally to the European market by trading firms. Growth in export revenue from the sector has been low, averaging just 5% per annum between 2008-13 in spite of a 15% decline in export volumes over the same period.

The approach to the development of horticulture exports has followed investment promotion and facilitation with the aim of creating the basic conditions, including infrastructure, appropriate legislation, conducive economic and social policies, and some modest subsidization of learning costs for local entrepreneurs and small growers. Major investments are left to the foreign direct investment and a number of qualified companies have recently, or are currently close to investing in the sector. Crops that are already at the production stage and planned for international export include avocado and macadamia. Business plans have also been submitted for flowers.

2.5.1 Factors Constraining Growth of the Sector

Factors essential for developing commercial horticulture production in Rwanda are now well document and broadly cover the following:

- **Lack of sufficient land for extensive farming**: Rwanda is constrained by lack of sufficient land for extensive farming compared to other countries in the region;
- **Insufficient agricultural inputs and logistics issues**: Insufficient availability of proper seeds and cold chains in the production areas hinder the improvement of production for fruits and vegetables;
- **Insufficient local production**: There is a mismatch between production and quantity required for existing markets as the supply falls far below demand;
- **Inadequate agricultural equipment**: Farmers still lack the proper agricultural equipment for farming;
- **Limited experience of extension workers**: Extension workers face the challenge of know-how to be able to act as the agent of improved farming practice;
- **Limited skills of farmers in post harvest handling**: Good practice in Post harvest handling is essential for maintaining quality;
- **Access to finance**: for investment in production related activities, upgrading standards and meeting marketing related activities, and finance for exporting.

2.5.2 Factors constraining Growth in Exports

- **Lack of cold chains facilities**: Fruits, vegetables and flowers are perishable products that require a cold chain from farm gate to market. Currently the only cold storage is at the airport. A fully integrated cold chain needs to be developed if exports are to be realized;
- **High cost of Transport to International Markets**: Exporting highly perishable horticulture goods to the European market can only be done by air. The cost of freight from Kigali to Europe currently stands at approximately 2.5 USD per kg, too high of a price to enable exports;
• **Inadequate market information**: Horticultural exports lack the experience and knowledge to access international markets. The main constraints include lack of information on price and quality standards.

The government has supplied some of the infrastructural conditions for Rwanda to become a larger exporter of horticulture. On the supply side, the Distribution and Logistics Services Strategy has identified the need for Agro-Logistics centres in key producing areas to agglomerate production and allow for gains through economies of scale in the distribution process. NAEB has established four collection centres across the country and is currently refurbishing an old tea warehouse to be used as a packhouse. NAEB is also supporting the establishment of a wholesale market for horticulture products in Kigali to link large buyers with producers.

Growth in exports to regional markets is constrained by poor market infrastructure and by the fragmented nature of markets in cross-border towns. With the existing infrastructure, goods cannot be stored close to the border. The quality of goods available is also affected by poor market facilities. This constraint was identified in the National Cross-Border Trade Strategy and subsequently verified by a number of feasibility studies for cross-border market infrastructure in key cross-border market towns in Rwanda.

### 2.5.3 Sector Intervention

Fruits, vegetables, flowers and essential oils have been identified as emerging value chains for export growth. Expansion of production requires a two-pronged approach of facilitating entry of large investors into the horticulture sector while also efficiently agglomerating output from the many smallholder farmers, for onward export.

**Targets set by NAEB:**

*Total exports from the sector are expected to reach US$ 119 million by 2018:*

- **Horticulture (Fruit and Vegetables)** US$ 16 million by 2018;
- **Floriculture** US$ 47 million by 2018
- **Stevia** US$ 26 million by 2018
- **Essential Oils including Pyrethrum** US$ 30 million by 2018

### 2.5.3.1 Addressing Production and Supply Constraints

**Land Available for Production:**

- **Horticulture**: For fruit and vegetable targets to be achieved an additional 2000 ha for horticulture nucleus farms are require with plans for 6000 ha under outgrower schemes.
- **Address Collection and Distribution of Production within Rwanda**: This intervention is addressed under Strategic Objective 2
- **Floriculture**: Expand Gishali by an additional 10 ha up from existing 20 ha with acquisition of 65 ha in Rwamagana for new investors.
- **Stevia**: Consolidate additional 1000 ha land supported by R&D and seed multiplication;
- **Essential Oils (including pyrethrum)** – develop 1,500 ha of plant (potentially already identified in Gishwati. Supported by fertilizer programme and seed multiplication.
• **Export Growth Facility** for investment in production expansion, meeting standards and export finance

**2.5.3.2 Addressing Export Related Constraints**

**Cost of Accessing International Markets:** Exporting highly perishable horticulture goods to the European market can only be done by air. The cost of freight from Kigali to Europe currently stands at approximately (about 2.5 USD per kg. The average price of these goods on the international market currently stands at approximately US$ 3 per kg making the cost of transport prohibitively high. With the right interventions (block booking) its possible to access markets for between US$ 1.25 and US$ 1.50

**Address Issue of Market Information:** Horticultural exports lack the experience and knowledge to access international markets. The main constraints include lack of information on price and quality standards. This is addressed under S02 and S03 of this intervention.

**Standards:** Working with relevant firms and RBS to support exports meet required standards in high value markets is covered under S03 of this strategy and Export Growth Facility.

**2.6 Tourism**

| Exports US$ 2013 (Growth 2008-2013 %) | 293,600,000 (3.1%) |

Tourism is Rwanda’s leading foreign exchange earner accounting for 21% of total exports between 2001 and 2010. Tourism receipts reached US$293 million in 2013. The tourism sector is estimated to directly support 34,000 jobs with a further 74,000 jobs supported indirectly. The sector is expanding at a rapid pace. In Kigali alone, several new four or five star hospitality facilities are being built with 14 currently operational.

Tourism revenue is highly concentrated with organised mountain gorilla tours accounting for 90% of earnings. At present, the majority of high-value international visitors to Rwanda spend no more than three nights on average in the country. Little additional revenue is generated for Rwanda as a general tourist destination hampered by perception of the country and visa requirements.

Rwanda also has other attractions to offer tourists mainly in the area of nature and wildlife. Rwanda has six volcanoes, twenty-three lakes and numerous rivers. The Rwanda Tourism Master Plan of 2009 identified a number of ‘Destination Management Areas’ to focus on growth in tourism. These locations are the Kigali Hub, Volcanoes National Park, Nyungwe National Park, Akagera National Park, Karongi, Rubavu and Muhazi.

The Kivu Belt, centred around Lake Kivu but covering much of the western region of Rwanda, contains many tourist attractions and has been identified as a potential area for tourism expansion. These attractions are being developed in the *Kivu Belt sub-Master Plan*.

Rwanda has facilities to host Meetings, Incentives, Conferences and Exhibitions (MICE) and this segment of tourism has been identified by the RDB as one of the fastest growing segments in the tourism industry. Kigali currently hosts a growing number of small and medium-sized international conferences.
2.6.1 Exploring Options for Value Addition

Product Diversification: The Government has put considerable effort into diversifying the sector to include a wider range of products. This diversification has included the strengthening of MICE tourism - including large scale investment in a new Kigali Convention Centre and establishment of a convention bureau within RDB - as well as attempts to develop and market a range of cultural and community tourism products such as the Kigali cultural village, the Kivu Belt tourism sub-master plan including the development of a spa and wellness integrated resort, Gisovu tea tour, Musanze Cave tourism development, and avi-tourism development.

2.6.2 Factors Constraining Growth of the Sector

There are several factors constraining growth and diversification of the sector from a domestic perspective. These are documented in the Tourism Master plan.

- Lack of diversity of tourism product: High concentration of tourism revenue still derived from organized mountain gorilla tours.
- Skills gap: The lack of adequate numbers of skilled workers is a significant constraint to business across all of Rwanda’s high growth sectors, including tourism. The tourism sector does not have the capacity to train and retrain professionals in the field in general tourism attributes or in MICE specific skills.
- Infrastructure challenges - connecting tourist sites to roads and the national electric grid. Prime tourist attractions need to have better infrastructure from Kigali, particularly roads and electricity.

2.6.3 Factors Constraining Growth in Exports

- Pre-travel visa requirements: Most countries are now required to apply for a visa prior to travel and pay a visa fee upon entry. This issue was partially addressed by Rwanda, Kenya and Uganda who introduced a Regional EAC Visa for Tourists in 2014.
- High cost of air transport and limited air routes from high end tourism markets. The cost of flights to Rwanda is expensive when compared with other competing destinations. Rwanda’s growth targets require new air access capacity from long haul markets offering competitive services, quality and convenience. Connectivity is improving but prices remain high.
- Regional instability and low levels of awareness – Association with instability in the Democratic Republic of Congo (DRC) has a negative effect on Rwanda. This is compounded by limited International awareness of Rwanda’s tourism offer.

2.6.4 Proposed Interventions

EDPRS II has identified tourism as a priority service sector with export growth to be generated from leisure tourism and MICE tourism.
Headline Targets as stated by Tourism Department RDB

- **Exports** – US$ 430 million p.a. by 2018

2.7 Addressing Supply Side Constraints

**Product Diversification:** Diversification of tourism products include the strengthening of MICE tourism as well as attempts to develop and market a range of cultural and community tourism products such as the Kigali cultural village, the Kivu Belt tourism sub-master plan, Gisovu tea tour for excellence, Musanze Cave tourism development, and avi-tourism development.

**Investment:** EDPRS II plans to connect a number of important secondary cities to stimulate investments in the tourism sector along the Kivu Belt and create a national tourism circuit, enabling travelers to combine a visit to the Virunga National Park, Lake Kivu, Nyungwe Forest and other notable touristic sites in one circuit.

**MICE:** The completion of the $300m Kigali Convention Centre (KCC) – a facility that will house a five-star hotel, an information technology office park and a conference hall that can seat 2,600 people – will improve Kigali’s performance in the service sector.

**Skills:** The Skills and Innovation Programme aims to provide greater private sector input into training to ensure that it meets the needs of the high-growth sectors, including tourism.

**Air Connectivity:** RwandAir plans to continue its expansion with two new aircraft and new flight destinations in the Middle East, Asia and Europe.

2.8 ICT and BPO

BPO was identified in NES I as a sector with growth potential. Since then, Rwanda has attracted some BPO operators into the country to provide call centre services to local telecom companies such as MTN Rwanda and Airtel Rwanda.

The ICT sector is regarded as a key sector to the development process of Rwanda. It is expected to create employment, facilitate economic development and transform Rwanda into a globally competitive, information-rich, knowledge-based economy. Through the National ICT strategy’s (NICI) first two phases, Rwanda created the necessary enabling environment for the growth of the ICT sector, and provided the infrastructure for it. The third phase, set for completion in 2015, focuses on the development of ICT services (NICI III).

The ICT sector includes mobile and fixed telephony, VoIP, DSL, VSAT, ISDN, GPRS, Broadband Internet, software development, hardware assembly and repair, applications integration and capacity building. There are four key players in the telecom industry: MTN Rwanda, Airtel...
Rwanda, TIGO Rwanda and Liquid Telecom. Including these four, there are a total of nine internet service providers.

**TABLE 10: ICT IN NUMBERS**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Penetration Rate (%)</td>
<td>63.5%</td>
</tr>
<tr>
<td>Mobile Telephone Subscriptions</td>
<td>6.7 Million</td>
</tr>
<tr>
<td>Internet Penetration Rate (%)</td>
<td>19.55%</td>
</tr>
<tr>
<td>Number Employed in Telecommunications Sector</td>
<td>845</td>
</tr>
</tbody>
</table>

*Source: RURA Monthly Statistical Report (December 2013)*

In terms of infrastructure, the World Economic Forum’s 2013 Network Readiness Index, which measures the propensity for countries to exploit the opportunities offered by ICT, ranks Rwanda top in East Africa, 4th in Africa and 85th in the world. Rwanda was ranked the most dynamic African country in the ITU ICT Development Index (IDI). However, the country only ranks 133rd out of 155 countries in the overall IDI, which measures ICT infrastructure, ICT use and ICT skills. This is below regional rivals, Kenya (114) and Uganda (131). On the ICT price basket, which compares the affordability of ICT services, Rwanda ranked 154 out of 166.

**TABLE 11: ICT DEVELOPMENT INDEX**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT Development Index</td>
<td></td>
</tr>
<tr>
<td>Global Rank (2012)</td>
<td></td>
</tr>
<tr>
<td>Africa Rank (2012)</td>
<td></td>
</tr>
<tr>
<td>IDI Score (10)</td>
<td></td>
</tr>
<tr>
<td>Access (4)</td>
<td></td>
</tr>
<tr>
<td>Use (4)</td>
<td></td>
</tr>
<tr>
<td>Skills (2)</td>
<td></td>
</tr>
<tr>
<td>Global Rank</td>
<td></td>
</tr>
<tr>
<td>Score</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Measuring the information Society 2012 – ITU (2012)*

### 2.8.1 Exploring Options for Exports

The IT sector sees itself as holding a comparative advantage in value added software services to the African market with a particular focus on Francophone countries. In general, Anglophone African countries are more technically advanced than Francophone countries, but Rwanda has the potential to act as a bridge between the Francophone and Anglophone countries. Rwanda, through the PSF ICT Chambers, has planned ICT trade fairs in a number of Francophone countries. However, as IT education focuses purely on training in English, Rwanda will lose this niche skill rapidly unless the issue is addressed, and in the long term, this advantage will erode.

There are immediate opportunities in Eastern DRC, however this comes with its own set of challenges including a lack of infrastructure and key decision makers are all based in Kinshasa. Furthermore, developing a market in DRC is risky and service providers are reluctant to travel there.

Beyond the immediate export opportunities, Rwanda is positioning itself to develop a dynamic ICT eco-system within a dedicated site called at Kigali Innovation City (formally technolpole).
Factors Constraining Growth in Exports

Factors constraining growth in exports from the ICT sector include:

- **Policy:** There are several policy constraints.
  - ICT Standards are not aligned with international standards and Cyber Security regulations are still being implemented, reducing the willingness and ability of foreign customers to use Rwanda for software development or data processing. With regards a specific sector, financial BPO, the regulatory framework for online commodity exchange is still in the process of implementing.
  - ICT prices are being affected both by recent changes in termination charges by mobile phone operators and by the application of the EAC Common External Tariff on IT related hardware.
  - Competitiveness is negatively affected by the imposition of VAT on services exports. The absence of incentives relative to outsourcing/ off-shoring destinations will influence both cost and investment location decisions.

- **Skills:** The lack of adequate numbers of skilled IT sector specialists is a significant constraint to the ICT sector, while graduates do not possess necessary skills.

- **Connectivity:** Bandwidth is a key consideration. Within the context of the Trilateral between Kenya, Uganda and Rwanda there is a concerted effort to improve the availability and price of bandwidth. However, there are substantial challenges in improving connectivity through Tanzania as a result of the business practices of Tanzania Telecommunications Company Limited (TCL).

- **Physical Infrastructure:** The cost of power and office space and rentals are high for the sector.

- **Firm Capacity:** At the company level, the absence of a direct link to the end client has been noted as a constraint. While subcontracting does provide a more regular and accessible stream of international work, margins are relatively low and client relationships cannot be built. Several companies also noted the need to have a presence in the destination market, as opposed to relying on an agent, to develop business.

### 2.9.1 Sector Intervention

**Headline targets:**

- **US$ 50 million per annum dependent on construction and launch of phase one of the Kigali Innovation City.**

#### 2.9.1.1 Addressing Supply Side Constraints

NICI III focuses on the development of services by leveraging ICT to improve service delivery to citizens. Emphasis is placed on the development of services in the following five focus areas which will accelerate services development and fuel continued growth:

- Skills development aims to develop a high quality skill and knowledge base leveraging ICT. Strategic partnership between GoR, Carnegie-Mellon University (CMU) and AfDB according to which CMU will provide ICT education in Kigali equivalent to that offered to its students at the US Campus.
- Private Sector Development aims to develop a vibrant, competitive, and innovative ICT sector/ ICT enabled private sector.
- Community Development aims to empower and transform communities through improved access to information and services.
- E-Government (e-GOV) aims to improve government operational efficiency and service delivery.
- Cyber Security (CS) aims to secure Rwanda’s cyberspace and information assets.
Kigali Innovation City designed to accelerate the growth of the ICT sector though the systematic inter-play between local operations of multination ICT companies, local ICT companies and a consortium of universities led by Carnegie Mellon University in Rwanda. The Kigali Innovation City will which formed of three centres will:

- Collaboration within the Solutions Centre between multi-national, local ICT companies, and university researchers to create high impact solutions and products optimised for the sub-Saharan market;  
- Use of highly effective processes within the Skills Centre to produce large numbers of highly skilled engineers and innovators at the top of the professional skills “pyramid”, who in turn will create work for all the other skills in the lower part of the skills pyramid and expand the skill base;  
- Use of the Innovation Centre to create tight engagement between innovative companies within the sector and the venture capital value-chain;  

2.9.1.2 Addressing barriers to exports

Data protection laws in the US and in the EU have implications for the ability of countries outside these jurisdictions to offer BPO involving personal data. The EU Data Privacy Directive, for example, specifically prohibits the sending of personal data to any country without a “level of [data] protection” considered “adequate” by EU standards. The absence of appropriate and enforced data protection laws in Rwanda therefore curtails BPO opportunities in developed markets.

Barriers to the movement of people are also very important, in particular for value added network and software services. For example, in the early stages of India’s development as an IT services exporter, 41% of software services for foreign clients were performed on site (Singh (2009)). The negotiations on movement of business peoples under the Tripartite, COMESA and the IEPA, in addition to the EAC Common Market provide an opportunity to facilitate IT services exports, as well as business development.

The increasing incidence of taxes and charges on international calls and on IT related hardware within the EAC is likely to negatively affect the growth of the sector in the region and the opportunities for trade. During the review of the EAC CET, Partner States should consider the equivalent, or adoption of, the WTO International Technology Agreement (ITA).

Supporting business linkages to provide suppliers with direct access to clients, as opposed to anonymous sub contracting, will increase profitability and help develop client relationships.

2.10 Logistics and Distribution Services

Re-exports from Rwanda, primarily to regional markets, have averaged 22% growth over the past 6 years, while maintaining a share of total merchandise exports at 20%. Analysis of trade data indicate that re-exporting is not neutral from a balance of payments perspective with an estimated 15% of the total value of re-exporting flowing back into Rwanda (Table 12). Major re-exports include capital goods, such as cars and machinery, petroleum products and a diverse range of consumer goods. Given Rwanda’s close proximity to major cities in DRC, re-exporting from Rwanda is expected to remain an important component of Rwanda’s total export base. The challenge for Rwanda is to increase the value addition opportunities presented through re-exporting in order to increase gains to balance of payments.

<table>
<thead>
<tr>
<th>Unit Value on Import (Rwf)</th>
<th>Unit Value when Re-Exported</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>775.52</td>
<td>894.45</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: MINICOM Calculations based on RRA Data
The total value of re-exports was US$135 million in 2013, contributing an estimated US$ 20 million to Rwanda’s trade balance. With current trends, the value of re-exports is set to grow to between US$250 to US$350 million by 2018 and contribute positively an estimated US$ 40 to US$ 50 million to the balance of payment.

The majority of re-exports go to regional markets with DRC accounting for 67% in 2013, while the EAC accounted for 23%. The remaining goes to other African markets 7% and 3% is re-exported to the rest of the world.

2.10.1 Value addition: integrated trade logistics services
There are opportunities for value addition through the provision of integrated logistic services. Currently there are plans to develop Rwanda as a trade logistics hub for the region through the Distribution and Logistics Services Strategy (2013). This involves the development of bonded warehouse facilities, a Kigali logistics platform, off dock facilities at Mombasa and potentially in Dar es Salaam and upgrading air cargo capabilities.

The services that will be provided at these facilities include warehousing; cargo and container storage, cargo and container handling and other ancillary services, including breaking bulk. Based on the Feasibility Report of the Rwanda Integrated Trade Logistics Facilities (2013) this would lead to a potential increase in services exports of between US$42 million to US$50 million per annum by 2018.

2.10.1.1 Factors Constraining Growth in Exports
Factors constraining the sector relate to infrastructure and trade facilitation. For value addition in terms of warehousing, handling and other ancillary services there are currently no facilities. This is reflected in Rwanda’s Logistics Perception Index (LPI) score that, although increasing significantly from 1.77 in 2007 to 2.27 in 2012, is still below the average for Sub Saharan Africa of 2.4. The main challenges are listed below:

- **Challenges at ports:** As a landlocked country, it is dependent on ports in Kenya (Mombasa) and Tanzania (Dar-es-Salaam). These ports suffer from infrastructure deficiencies and operational inefficiencies. Long delays at anchorage, for berthing, and for handling of the vessel, poor terminal operations, sub-optimal equipment productivity and sluggish processes and documentary procedures all add up to delays at port facilities in both cases. Rwandan cargo suffers from congestion and lack of facilitation at these ports while also being very expensive.

- **Hinterland connectivity:** It is expensive to transport Rwandan cargo between the ports and Rwanda, while it also takes time due to poor roads, NTBs, slow clearances at border crossings and the deterioration of all rail services.

- **Cargo movement within Rwanda:** Logistics infrastructure in Kigali needs to be reorganized because of congestion and environmental concerns, while current distribution centre locations in Gikondo and for the wholesale market in the Central Business District of Rwanda are unlikely to be tenable in the future.

- **Cargo storage at borders:** Exporting and re-exporting cargo from Rwanda faces bottlenecks, particularly to neighbouring countries. New storage facilities are required at the borders on the Rwandan side.

- **Existing air corridor:** Air corridor cargo movement is not being efficiently utilized due to difficulty in consolidating air cargo volumes within Rwanda and the high costs associated with air transport.

- **Trade facilitation:** The expansion of the sector also requires trade facilitation at the policy level. Non-tariff barriers have long been identified as challenge along the
transport corridors. There is significant progress being made in the context of the Trilateral Agreement between Kenya, Uganda and Rwanda leading to the removal of most road blocks along the Northern Corridor. Tanzania has also given trade facilitation greater prominence along the Central Corridor, with the country’s flagship development policy “Big Results Now” aiming to half transit times and to introduce One Stop Inspection Posts.

2.10.2 Transport services
Argent and Milanovic (2013) provide an analysis of trade volumes through Rwanda, estimating growth of 1.6 million to 2.7 million tons per year from 2007 to 2012, up 69%. However, during the same period, Rwanda’s exports of transport services were relatively flat, growing from US$56.3 million in 2008 to US$57.98 million in 2012. The export performance is explained by a falling market share of Rwandan freight transporters, which fell from 21% in 2007 to 14% in 2012. The majority of the increase in traffic has been along the Central Corridor and this business has been captured by Tanzania – with its market share growing from 22% in 2007 to 40% in 2012. Had Rwandan transporters maintained their market position, transport exports in 2012 are estimated to be closer to US$95 million.

According to Argent and Milanovic, Rwanda’s trucking fleet has grown from 1,241 in 2007 to 1,894 in 2012, with over 50% of enterprises having only one truck. The number of trucks that were engaged in international transit grew from 575 to 665 during the same period. The industry in Rwanda is dwarfed by Kenya, which has a domestic trucking fleet of 58,126 and a transit fleet of 16,876.

Rwandair is rapidly expanding and its contribution to transport services is expected to far exceed that of trucking services by 2018.

2.10.2.1 Domestic Factors Constraining Growth in the Sector
Key challenges highlighted by potential customers related to the responsiveness, reliability and price of road freight services. In part this reflects the dominance of single truck operations. Costs are also affected by the domestic treatment of VAT. Rwandese firms are disadvantaged because they cannot reclaim VAT on their imported inputs while other EAC Partner States allow this.

Costs are pushed up by the prohibition on importing Right Hand Drive vehicles since 2009. The import duty on trailers, semi trailers and spare parts also affects transporters costs.

2.10.2.2 External Factors Constraining Growth in Exports
Rwandese road freight companies are also affected by the imposition of withholding tax on foreign providers of transport services in EAC Partner States, while Rwanda does not impose on foreign operators within its borders.

There are also restrictions on Rwandese freight forwarding companies in Kenya and Tanzania. They are required to operate in joint venture with nationals. Consultations have indicated that this is a binding constraint preventing them operating at the ports.

Cabotage restrictions increase the cost of transport within the region (Teravanithorn & Rabelland, 2009). However, from the perspective of the competitiveness of Rwanda’s road freight, these restrictions also limit the extent to which other EAC companies can offer both domestic and transit transport services. Thus providing a certain level of protection to Rwanda’s transport sector.
2.10.3 Interventions to Increase Export Revenue from Logistics, Distribution Services

Headline targets for Logistics Services:
• Value added logistics services of US$42 million by 2018

Headline targets for Transport Services:
• Transport services exports increase from US$57.8 million in 2012 to US$108 million in 2018 if market share is maintained at current levels and planned expansion of Rwandair is successful.

2.10.3.1 Addressing Supply Side Constraints for Logistics
Increasing logistics and distribution services will be supported by the development of the following infrastructure as set out in Rwanda Integrated Trade Logistics Facilities Project:
• The development of off-dock facilities at ports (Dar es Salaam, Mombasa, Djibouti) to reduce delays caused at ports and improve safety of Rwanda EXIM cargo;
• Facilities for undertaking value addition including agri-logistics centres and foreign based multi services centres to increase the value of exports.
• Kigali Logistics Platform which can act as hub for Rwanda and serve as a facility for providing storage, value adding activities and consolidation of cargoes in order to consolidate national production;
• Bonded warehouses on Rwandan side of the border to provide a secure storage environment for cross-border traffic in order to increase volumes of CBT and address security challenges associated with trade with the DRC;
• A potential transport mode for high-value / low weight cargo requires improved air-cargo facility with backward linkages as an alternative corridor.

2.10.3.2 Addressing supply side constraints for Transport
The removal of the ban on Right Hand Drive tractors and trucks would allow Rwandan trucking companies to buy lower costs vehicles.

The development of integrated trade logistics facilities would enable Rwandan companies to consolidate cargo. And providing training for smaller companies on industry best practice would also improve efficiency.

A further key domestic policy factor affecting competitiveness is the application of VAT on Rwandan transporters providing transport services to foreign clients. Other countries in the region allow for VAT exemption for exports provided or consumed in another jurisdiction.

2.10.3.3 Addressing exports for Transport
Within the region, the principle of non-discrimination should be pursued to provide a level playing field for transporters. This would include the equal application of charges and qualitative regulation. Withholding Tax should also be removed for the provision of services in EAC and COMESA states.

For freight forwarders, the requirements for joint venture in Kenya and Tanzania should be removed under the Common Market Protocol. Asymmetric liberalization of transport services, with Kenya and Tanzania removing cabotage restrictions earlier than Rwanda, would provide the opportunity for Rwandan transporters to develop economies of scale before facing full competition in the EAC.
2.11 Rwanda’s health and medical services

In 2011, health facilities in Rwanda treated a total of 7,940,927 patients. Among these cases, 6,985,028 (88%) patients were seen at health centers, 444,463 (5.6%) at district hospitals, 220,206 (2%) at referral hospitals, and 291,230 (4.4%) were seen by community health workers (CHWs). Medical data is captured by MINISANTE’s Health Management Information System (HMIS), however the data does not differentiate between local and foreign patients.

Rwanda has 5 national referral hospital, 42 district hospitals, 500 health centers and 1700 health posts, all publicly run and 1 general hospital, 1 eye hospital, 1 psychiatric hospital, 50 clinics and polyclinics, 8 dental clinics, 4 eye clinics and 142 privately run dispensaries. (Consultancy Service for Development of a Health Care Services Strategy for Medical Tourism in Rwanda, prepared by ESP for RBD, February 2014).

There are currently two private health care facilities with regional scope - King Faisal Hospital and Dr Agarwal’s Eye Clinic. King Faisal Hospital, COHSASA accredited, has been in existence for some years. The Hospital offers 34 types of services and has a capacity of 160 beds. In 2012, King Faisal Hospital treated 203,061 Rwandese patients and 3560 foreign patients (1.7%). While foreign patient numbers are currently low they are expected to increase in the coming years. Dr Agarwal’s Eye Clinic opened in 2013. This eye clinic is Dr Argwal’s sixth eye clinic in Africa and the first in East Africa. It has capacity to treat up to 300 patients per day. Approximately 2000 eye surgeries are expected to be undertaken each year with 30% of patients expected to come from neighbouring countries.

Cross border health services

Rwanda’s private healthcare sector already provides cross border services to Goma and Bukavu due to their proximity albeit on a very small scale. Clients from DRC are entering Rwanda for medical and dental treatment. Rwandese medical professionals are also entering DRC on a temporary basis to provide treatment and in some cases have established practices in DRC.

2.11.1 Potential market for medical tourism

The size of the global medical tourism sector is estimated at US$38.5-$55 billion, growing at a rate of 15-25% per annum. The average spend per medical tourist is $3,500-$5,000, this varies according to the region and type of treatment. The size of the African Medical Tourism sector is estimated at US$200 – US$ 300 million per annum. The biggest exporter of medical tourism in Africa is South Africa, which generated US$ 184 million in 2010. The majority of its foreign patients come from Sub-Saharan Africa. Between 2006 and 2010, there were a total of 43,289,323 tourists travelling to South Africa, of which 5.8% (2,495,300) were there for medical reasons. 85% of these medical visitors to South Africa are from other African countries. In addition to medical cost, significant amounts are spent on accommodation, shopping and food. Medical tourists from African countries further afield stay the longest in country. The biggest medical insurance provider in South Africa has aggressively entered foreign markets by establishing partnerships with medical insurances in the UK and China. South Africa has also set up bilateral agreements with eighteen African countries.

Another major destinations for medical tourism in Africa is Mauritius. Mauritius’ medical tourism sector has grown rapidly from only 1,000 foreign patients in 2005 to 15,000 patients

---

22 Council of Health Service Accreditation of Southern Africa
23 [www.patientsbeyondborders.com](http://www.patientsbeyondborders.com)
24 Medical Migration and Medical Tourism in Southern Africa, Migration Policy Series No. 57, SAMP 2012
Mauritius and South Africa are not cost competitive compared to India\textsuperscript{25} but they focus on attracting regional African clients. Rwanda’s focus should be to establish itself as a regional medical hub.

The following sectors were identified as having the highest demand in the region: cardiology, oncology and nephrology\textsuperscript{26}, in addition dentistry, neurosurgery and cardiothoracic surgery were identified in a workshop as additional areas of speciality. According to analysis by ESP for RDB, the market in East Africa alone suggests an addressable market size of $144 million for Rwanda’s target specialities (of cardiology, oncology and nephrology).

Competition in the EAC region is already strong with investments such as India’s Apollo establishing a 300-bed facility for open-heart surgery in Tanzania. The following factors in favour of Rwanda relative to its regional competitors were identified: general safety and security (3.8/5), travel cost and accessibility – close proximity to east and central Africa, well established tourist support service, languages spoken (3.2/5) and cost of treatment (3.1/5).

\subsection*{2.11.2 Factors constraining growth in the health/medical export sector}

The ‘Consultancy Service for Development of a Health Care Services Strategy for Medical Tourism in Rwanda’, prepared by ESP for RBD, February 2014, identified, through a survey conducted among 70 local, regional and international doctors, where Rwanda scores relatively poorly compared to its regional competitors: quality of after care services – the need to develop service delivery (2/5), availability and quality of equipment—the need for increased investment in more laboratory and diagnostic equipment (2.1/5) and information on quality and cost of treatment (2.4/5).

The study identified the following factors constraining growth in exports:

\begin{itemize}
  \item Unfavourable regulatory environment for private sector growth.
  \item No standardised price schemes and medical tariffs and few additional health insurance products currently available.
  \item Lack of a medical tourist visa/medical tourism single window clearance.
  \item Few incentives for both FDI and local investment to invest in the medical sector (e.g. tax rebates or leasing products for health care services).
  \item A significant skills gap across medical professionals–doctors, nurses, health managers—there are not enough local health care professionals to cover medical demand in Rwanda or regionally.
\end{itemize}

In 2012, Rwanda had 683 physicians, 8779 nurses, 451 midwives and 28 dentists (Table 13). This results in a health care provider density of 0.90 physicians/nurses/midwives /1000 population which is significantly below the WHO recommended level of 2.3. The country

---

\textsuperscript{25} For example a hip replacement will cost about 60\% less in South Africa than in the US, but over 80\% less in India (SAMP, Patients without Borders, 2012, data from 2010)

\textsuperscript{26} Survey conducted among 70 local, regional and international doctors which assesses how Rwanda as a medical tourist destination scores relative to its regional competitors, from ‘Consultancy Service for Development of a Health Care Services Strategy for Medical Tourism in Rwanda’, February 2014
relies heavily on health workers (about 45,000 health workers in 2011) who service the villages.

### TABLE 13: NUMBER OF MEDICAL PROFESSIONALS IN RWANDA

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2012</th>
<th>Pop per Worker (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctors</td>
<td>604</td>
<td>683</td>
<td>15,428</td>
</tr>
<tr>
<td>Nurses</td>
<td>8,046</td>
<td>8,779</td>
<td>1,200</td>
</tr>
<tr>
<td>Midwives</td>
<td>156</td>
<td>451</td>
<td>23,364</td>
</tr>
<tr>
<td>Dental</td>
<td>28</td>
<td></td>
<td>376,327</td>
</tr>
</tbody>
</table>

Source: MINISANTE

The National University of Rwanda provides medical training for doctors. They have produced an average of 100 graduate physicians annually between 2004 and 2010. Over 90% of the nurses hold the lowest degree of nursing (the equivalent of secondary school qualification) and are in need of additional training. In addition Rwanda lacks the health care management capacity to run and administer health care facilities.

For cross-border medical services, Rwanda does not have enough service providers operating close to the border and does not offer a full range of the medical services in demand. Anecdotal evidence points to high demand for medical and dental services in Goma. Furthermore Congolese are willing to pay large sums of money for expensive cosmetic procedures, something that Rwandan clients have little demand for. A lack of service providers in Rwanda means that demand in Goma is unmet and a potentially lucrative source of cross-border services is under exploited. For example, dentistry is seen as an area with high demand from clients in the DRC, however according to MINISANTE Annual Statistical Report, Rwanda has just 28 dentists in the country. This example underscores the scale of the skills gap challenged. In addition it was noted that there is a lack of adequate office space at border areas to offer adequate medical services. Congolese access to Rwandan market is limited due to lack of ID documents.

#### 2.11.3 Sector Intervention

Headline target:

- **The sector is still in its embryonic stages and it is not expected to register high growth in the next 5 years. The maximum export revenue generated by the sector will be US$ 5 million.**

If Rwanda developed a medical tourism industry equivalent to Mauritius, assume 21,000 patients by 2018 with an average spend of $3,500 (based on lowest average global spend per medical tourist): $73.5 million.

#### 2.11.3.1 Addressing supply side constraints

The Ministry of Health’s Human Resources for Health strategic plan (2011 to 2016) aims to overcome capacity and skills constraint in the health sector and to increase the number of appropriate skilled, motivated and equally distributed health care service providers in Rwanda.

Objectives are to increase the actual number of health care workers in the needed professions, improve productivity and performance. The programme works in partnership with 23 US institutions of medicine, health management, nursing and oral health. The programme aims to train 5,500 health professionals, upgrade the sills of over 5000 nurses and develop formal programmes for health management and dentistry. Specialised medical
areas include: internal medicine, paediatrics, obstetrics and gynaecology, surgery, anaesthesiology, emergency medicine, radiology, pathology, oncology and psychiatry. The Government’s Vision 2020 aims for 10 medical doctors, 20 nurses and 5 lab assistants per 10,000 inhabitants.

With private referral hospitals often importing their specialist medical staff, the most important local demand will be for nurses, especially for after care. Currently, Rwanda has far fewer nurses/1000 population than Mauritius and South Africa (Table 14), but more than its East African neighbours bar Uganda.

<table>
<thead>
<tr>
<th>Country</th>
<th>Nurses/1000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>0.19 (2004)</td>
</tr>
<tr>
<td>DRC</td>
<td>0.52 (2004)</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.79 (2010)</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3.73 (2004)</td>
</tr>
<tr>
<td>Rwanda</td>
<td><strong>0.69 (2010)</strong></td>
</tr>
<tr>
<td>South Africa</td>
<td>4.08 (2004)</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.24 (2010)</td>
</tr>
<tr>
<td>Uganda</td>
<td>1.3 (2010)</td>
</tr>
</tbody>
</table>

Source: World Development Indicators

The RDB Medical Tourism Strategy (2014) proposes the following:

- Improve the regulatory environment to facilitate private sector growth through setting up of a medical tourism single clearance window and a medical tourist visa, as well as streamlining of prices and tariffs.
- Implementation of a customer care campaign to improve patient services; develop a customer care campaign and identify industry champions.
- Implement a financing/lease model and PPP subsidies for health sector, including the development of financial products targeting investment (FDI) in the medical sector and setting up health care services free zones.
- Reinforce specialty skills building through global partnership- targeted training of specialist health care providers in the identified specialist sectors.
- Facilitate private sector specialty investments by establishing further international partnerships including a medical tourism operator, a pharmaceutical company and a medical equipment manufacturer.

2.12 Education Services

Rwanda has 2.3 million pupils enrolled in 1870 primary schools across Rwanda (99% enrolment rate, GCI). A further 534,712 students are enrolled in 1466 secondary schools (secondary enrolment drops to less than 40%, GCI). Data on the nationality of students is not available for primary and secondary students. In tertiary education, Rwanda has 32 higher learning institutions, of which 17 are public and 15 are private. In 2011/12 Rwanda had 76,629 students enrolled in tertiary education, 364 of which came from the EAC and a further 183 from other countries, less than 1% of all students (MINEDUC 2012 Statistical Yearbook). In 2012 an estimated 2,756 Rwandese were studying abroad (“Global Flow of Tertiary-Level Students”), 40% of who were sponsored by the government at an estimated annual cost of US$ 22,632 per student (MINEDUC, 2012)(Bridgeland et al.).

27 In comparison, the University of Nairobi alone hosted 874 foreign students in 2012/2013 (grown from only 74 in 2005/2006), about 2.4% of its student body.
2.12.1 Education for export

With respect to providing education as an export, the sector focus is still inward looking in terms of priorities for development. MINEDUC's Education Sector Strategic Plan for 2013-2017 makes no mention of opportunities to develop education services for regional or international students and as mentioned above, very few students come from abroad to study in Rwanda.

A new initiative recently launched in partnership between MINEDUC and the Governor of the Eastern Province is the establishment of an education hub within Rwanda. The rationale of the education hub is to tap into the market for high quality tertiary education in Africa. The EAC region has an estimated 26,000 students studying abroad and the market is expected to continue to grow. Africa has witnessed an average annual growth rate of 8.4 per cent in tertiary enrolments, compared to 4.3 per cent globally.

At present, the approach to assess opportunities for higher education exports for Rwanda, is to benchmark against Uganda. Uganda universities host approximately 15,373 foreign students (10.7% of its student body), the top three universities (Kampala International University, Makerere University and Kabale University) cater for 67% of all foreign students. The ratio of national to foreign student is 8:1. The majority of foreign students come from Tanzania, Kenya, Southern Sudan, Rwanda, DRC and Burundi.

In 2012, Uganda earned $29.14million from higher education exports (US$ 1896 per student) up from $19 million in 2013. Uganda has sufficient highly trained personnel to cater for the expanding number of students. It has liberalised trade policies that makes it easier for students from EAC, COMESA or SADC to travel to Uganda. On average the fees charged are competitive and below those charged at the University of Nairobi, the University of Dar Es Salaam and the National University of Rwanda. Uganda also benefits from the historical recognition of Makerere University as a centre of excellence for higher education in Africa.

2.12.2 Factors constraining growth in the higher education sector

Rwanda relies on skills from abroad, particularly in tertiary education. Of the 3081 academic staff working in Rwanda's tertiary education sector in 2012, 17% are foreign nationals. In addition educators from the EAC region are being recruited in Rwanda as school based mentors to improve English language proficiency of teachers. The need to attract skills from abroad is reflected in MINEDUC's ESSP 2012.

There is interest to establish new campuses in Rwanda (Education Hub strategy) servicing regional and local students but availability of suitable accommodation for campuses is a challenge.

2.12.3 Factors constraining growth in higher education exports

The harmonization of higher education systems across the EAC is progressing slowly. A section in MINEDUC’s ESSP covering regional integration states, “it is hoped that EAC membership will lead to a more flexible education system and labour market.” Furthermore, since 2010, as part of the Common Market Protocol, efforts are underway to harmonise higher education systems across the EAC, to achieve mutual recognition in order to ensure quality of education across the region. An EAC quality assurance system is in operation under a regionally harmonised platform but students still cannot transfer credits from one university to another. This hinders free movement of students across regional universities. It is hoped that by the end of 2014 the regional qualifications framework will be finalised and

---

28 The LLM and B. Civil and Mechanical Engineering degrees are cheaper at University of Rwanda than at Makerere University (2011)
by 2015, an EAC credit transfer system will be operating allowing students to transfer credits from one higher education institution in the EAC to another allowing more mobility among universities.29

Looking at Rwandan in a regional comparison, the University of the Rwanda ranks 14th in a university ranking among Sub Saharan universities (excluding South Africa) in 2013/14. The University of Nairobi is ranked number 1, followed by Uganda’s Makerere University in second place. The University of Dar Es Salaam is ranked 8th.30

2.12.4 Sector Intervention
Rwanda currently has 15 private higher learning institutions. Growth in higher education export is seen to be private sector led and come from the establishment of internationally recognized private universities in Rwanda, such as the Carnegie Mellon University of Rwanda and the planned Health Campus.

Target for the Rwandan higher education export
- US$ 5 – 10 milion. The numbers of student intake will grow at 10% per year (as per student enrolment growth rate between 2008 - 2012). This will result in a student body of 69,000 students at private universities by 2018. The main growth in higher education export is anticipated to take place in private universities. If, as based on Uganda, 11% of these students will be foreign, the total number of foreign students will be 7,590. Average return per foreign student: $1,896 (based on Ugandan higher education earnings).

2.12.4.1 Addressing supply side constraints
Address labour market demands in terms of skill requirements. Ensure relevance of education on offer and suitability of graduates for current and future national, regional and global labour markets.

2.12.4.2 Addressing export related constraints
Quality of Education: The Rwanda Education Board (REB) was established in 2011 and is working on providing a comprehensive quality approach to education nationally and internationally.

One of the planned functions of the Education Hub would be to help identify more suitable facilities for investors and help establish branches of international universities in Rwanda. There is a need to develop a clear policy and regulatory framework in order to attract investment by Foreign Tertiary Institutions.

2.13 Financial Services

<table>
<thead>
<tr>
<th>Exports US$ 2012</th>
<th>762,000</th>
</tr>
</thead>
</table>

There are 12 Commercial Banks in Rwanda, 2 micro Finance banks, 66 Micro Finance institutions and 302 registered Savings and Credit Co-operatives (SACCO) and 114 SACCOS that are not registered. The banking sector in Rwanda is dominated by commercial banks which hold 80.4% of the total banking system’s assets while other specialized banks (Microfinance banks, development bank, and cooperative bank) account for 19.6 percent of the total banking system’s assets (BNR annual reports).

29 University World News, Why higher education harmonization in the EAC is taking so long, Interview with Professor NkunyaMayunga, by Gilbert Ng’ang’a, 20/01/2014
30 www.webometrics.info, January 2014
Rwanda’s capital market is relatively young compared to other markets in the region. The stock exchange was launched in January 2011 and currently lists two domestic stocks - Bank of Kigali and Bralirwa Ltd, and three cross-listings - Nation Media Group, Kenya Commercial Bank and Uchumi Supermarkets. There are five Treasury bonds and one corporate bond by the Commercial Bank of Rwanda. The market capitalization of the Rwanda Stock Exchange is estimated at US$ 1.6 billion.

The regulator, the Capital Markets Authority (CMA), was established in 2011 under the Capital Market Act of 2011 with the purpose of guiding the development of Rwanda’s capital market. Prior to the establishment of the CMA, the Rwanda Capital Market Advisory Council was established in 2007 to develop the capital market in Rwanda, facilitate the trading of debt and equity securities and enable securities transactions, and perform regulatory functions over the Rwanda Securities Exchange (RSE).

2.13.1 Exploring Options for Exports

Realising international financial service opportunities will take several years. Focus in the short term is seen in the growth of the Rwanda financial market and to a very limited degree provision of cross-border banking services (current accounts, savings accounts, transfers) to DRC.

In the long run, Rwanda can establish itself as a financial services centre with focus on international financial service provision. There is potential for Rwanda to develop as a Financial Service Centre Hub. The Strategy for Creating a Financial Services Centre in Rwanda (2012) recommends that Rwanda should adopt a ten-year time horizon for its financial sector development. The process of financial sector development will require the government to create the enabling environment, to promote Rwanda as an international financial centre, and to provide the necessary regulatory framework. It will also have to incentivise the private financial sector through exhortation or financial incentives to provide the institutions, mechanisms, markets, products and services that constitute a regional and international financial centre.

There are opportunities for Rwanda to realise a hub for banking, health and captive insurance, pensions and fund management, including private equity, trusts and international business companies, capital markets, and provision of microfinance services and micro-insurance.

Cross Border Trade: Opportunities in the short run for cross border financial services have been explored in the border towns between Rwanda and DRC, but existing financial institutions have limited interest in trade from DRC. Banks at the border often provide international cash transfer services to clients from the DRC but this means that banks make little to no profit from serving these clients. Banks make money by holding onto cash and earning interest. Furthermore the cost of receiving, securing, insuring and moving cash cost approximately 2.5% of the value of the money. There is the option of pricing accordingly but profitably is not the only issue banks consider.

Serving customers from the DRC is further complicated by international Know Your Client (KYC) regulations. It is difficult for banks in Rwanda to verify where money is coming from when it is brought in from the DRC. Banks that cannot verify a legitimate source for the cash run the risk of massive fines and given the size of the DRC market, banks do not see the risk as worthwhile.
2.13.2 Factors Constraining Growth in Exports

- **Domestic Policy Constraints**: Rwanda’s regulatory framework and financial policies are not designed for international services. A comprehensive legal system for international finance is required to meet the standards of long-established international jurisdiction.

- **External Policy Constraints**
  - Chief amongst these are the Know Your Client (KYC) requirements for DRC – a low profitability and high risk target market.
  - Rwanda currently has very few Double Taxation Agreements with other countries, only having agreements with South Africa, Belgium and Mauritius. Signing more DTAs may be a solution but Rwanda but this requires further analysis.

- **Supply Side Constraint**: These include limited international financial services (Kigali Stock Exchange / International Transfer). Currently Rwanda has limited international financial services, with a young and small stock exchange in place and low levels of international transfer.

- **Skills**: The lack of financial sector specialists is a significant constraint to the financial sector. This is alleviated by expatriate staff in the short to medium term but Rwanda needs to develop high quality education and training capacity for financial sector specialists in the long term.

2.13.3 Sector Intervention

Headline target:

- *Under the scenario where Rwanda’s financial services exports reach the level achieved by Botswana (6% of total services exports), Rwanda’s exports would currently by US$25.4 million and projected to rise to US$102 million by 2018.*

2.13.3.1 Addressing Constraints

Key priorities identified in the RDB’s Financial Hub Strategy to promote Rwanda as an international financial centre are that:

- Rwanda should introduce legislation to lower the tax rate to 10% for the export led and financial services sector, make capital gains tax free rather than being taxed as income and make temporary working immigration an easier process;
- Rwanda should enter into as many Double Taxation Agreements (DTAs) and tax information Exchange Agreements (TIEAs) as possible;
- Rwanda needs to attract major international banks and have its own financial sector develop the specific skills needed to serve offshore clients;

The RDB also plans to promote key products including BPO, to integrate development of the financial services industry with the plans for the financial hub and the Wealth Management Industry and VC and Private Equity Industry.