Boosting Productivity and Competitiveness through Made in Rwanda and beyond

December 2016

Presentation Outline

Where we are

1 Snapshot of Rwandan Competitiveness

What still needs to be done

2 Remaining Barriers

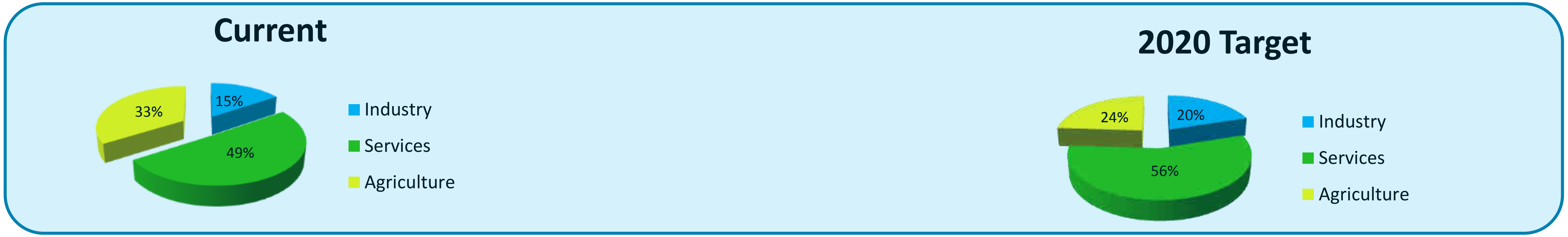
How we are getting there

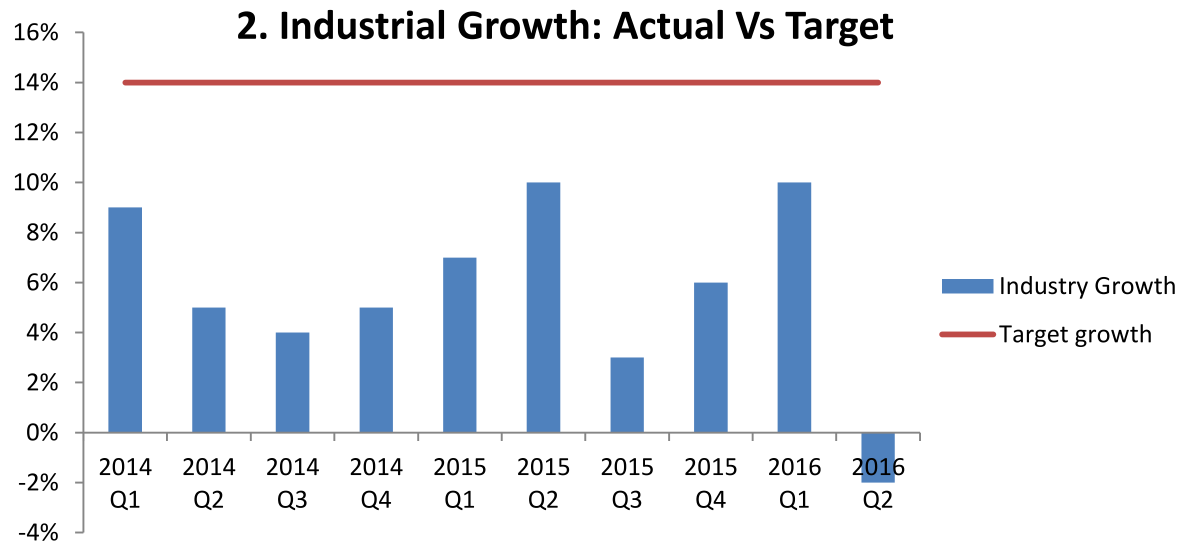
3 Made in Rwanda & other Interventions

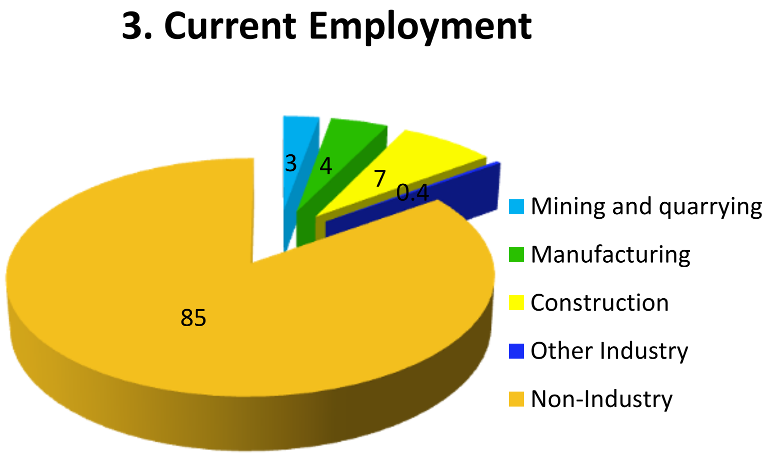
Overview: Rwandan Industrial Sector

- Targets for the industrial sector were established by Rwanda's Vision 2020 & EPDRS II

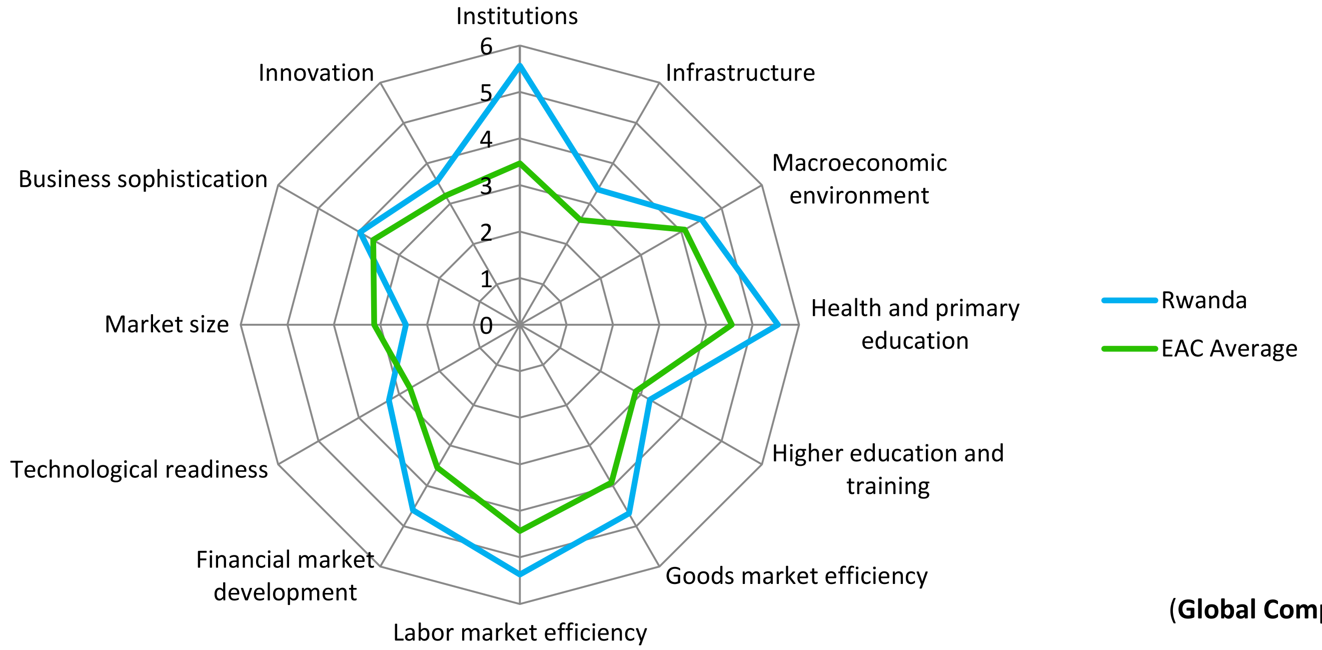
1. Contribution to GDP







Rwanda Vs EAC



(**Global Competitiveness Index 2016-2017**)

- Rwanda is ranked 52nd globally & 3rd in Africa
- Rwanda is above the EAC Average in all areas bar market size
- Rwanda performs substantially better in terms of institutions & labor market efficiency
- **Despite this, Rwanda has a consistent formal trade deficit with EAC**

1

Snapshot of Rwandan Competitiveness: **Registered Investment**

Registered investments per Quarter	Q2 2015	Q2 2016	Variance
Mining & Quarrying	4	61	1573%
Total Manufacturing	**31**	**72**	130%
Manufacturing- Agro Processing	3	1	-71%
Other Manufacturing	8	71	804%
Utilities	20.1	13	-35%
Construction	-	45	
TOTAL INDUSTRY	**35**	**199.3**	**448%**

Table 3: New Industrial Investments Registered in Last Quarter (USD million)
Source: RDB Investment Data

- **Substantial increase in quarterly registered investment**
- **Shift away from reliance on agro-processing in the manufacturing sub-sector**
- **Still low absolute numbers but growing rapidly each quarter**

2 Remaining Barriers: **Issues Faced By Firms**

- **As Reported by Firms via Company Issues Tracker & Annual Industrial Survey**

Infrastructure	Power Reliability, Availability & Cost
	Road Infrastructure
	Water Reliability
	Land Availability
Market Access	Market Access & Trade Costs
Domestic Value Chains	Quality Raw Materials
Technology & Skills	Technology & Innovation
	Skilled Labour
Finance	Finance Costs
	Tax Administration

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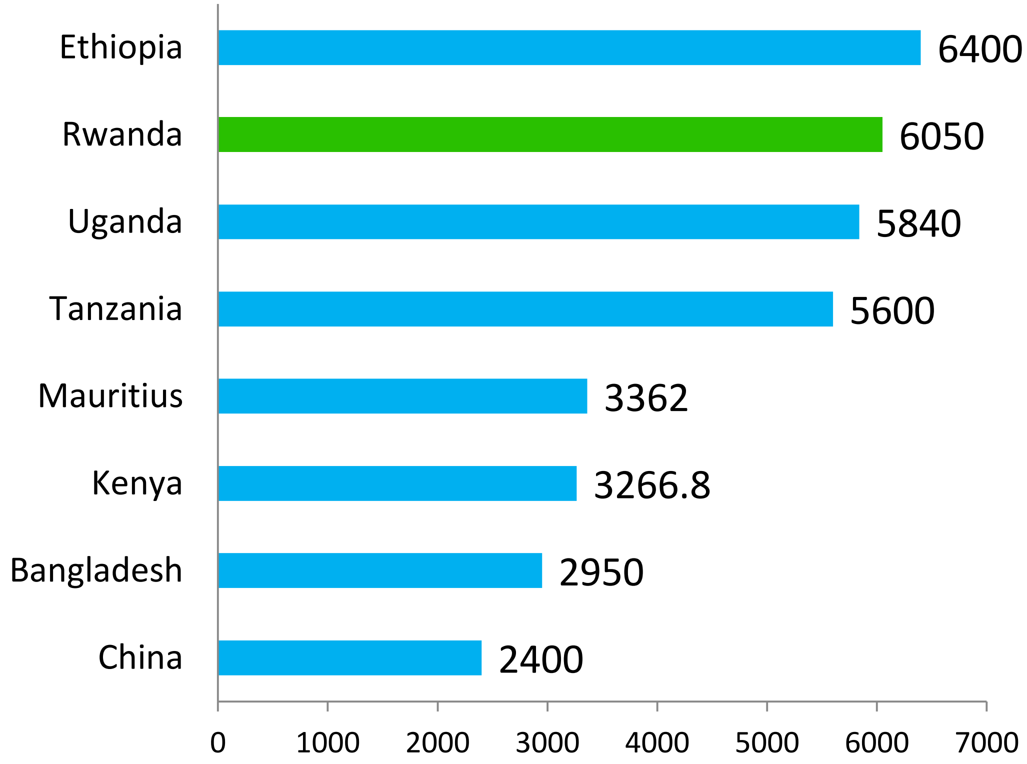
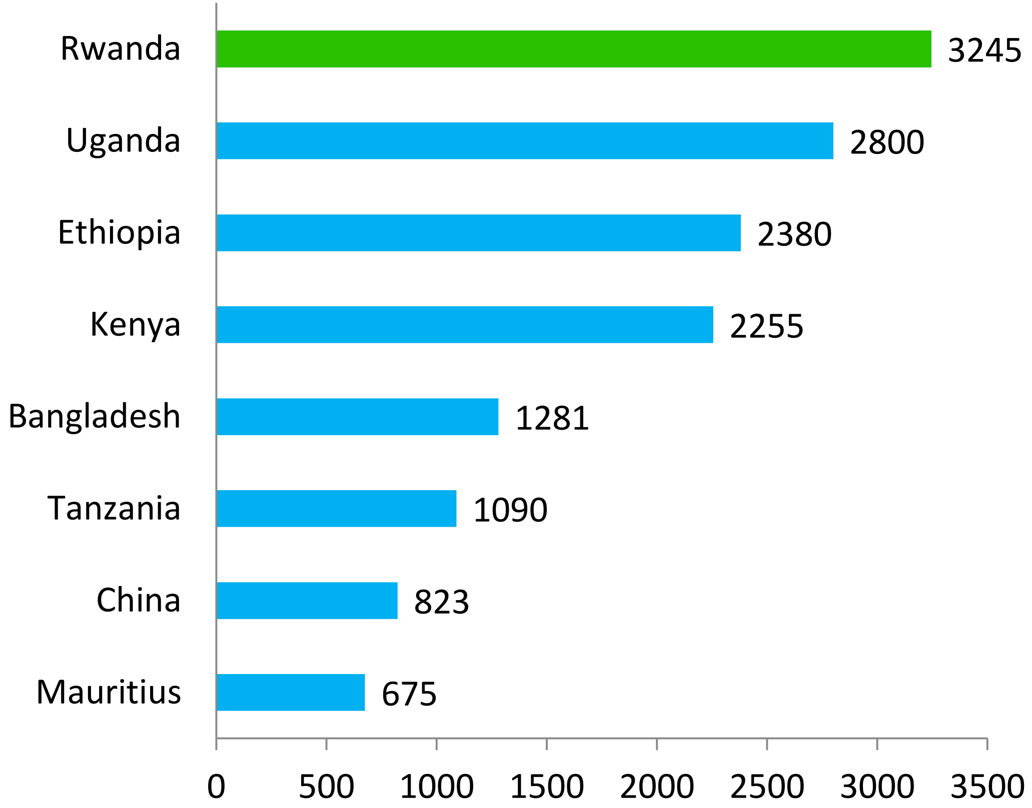
Remaining Barriers: **Freight Costs**

Average cost of shipping a 40ft container to the US ($)



World Bank cost to export (US$ per container)



Source: USAID AGOA Strategy interviews and World Bank World Development Indicators 2014

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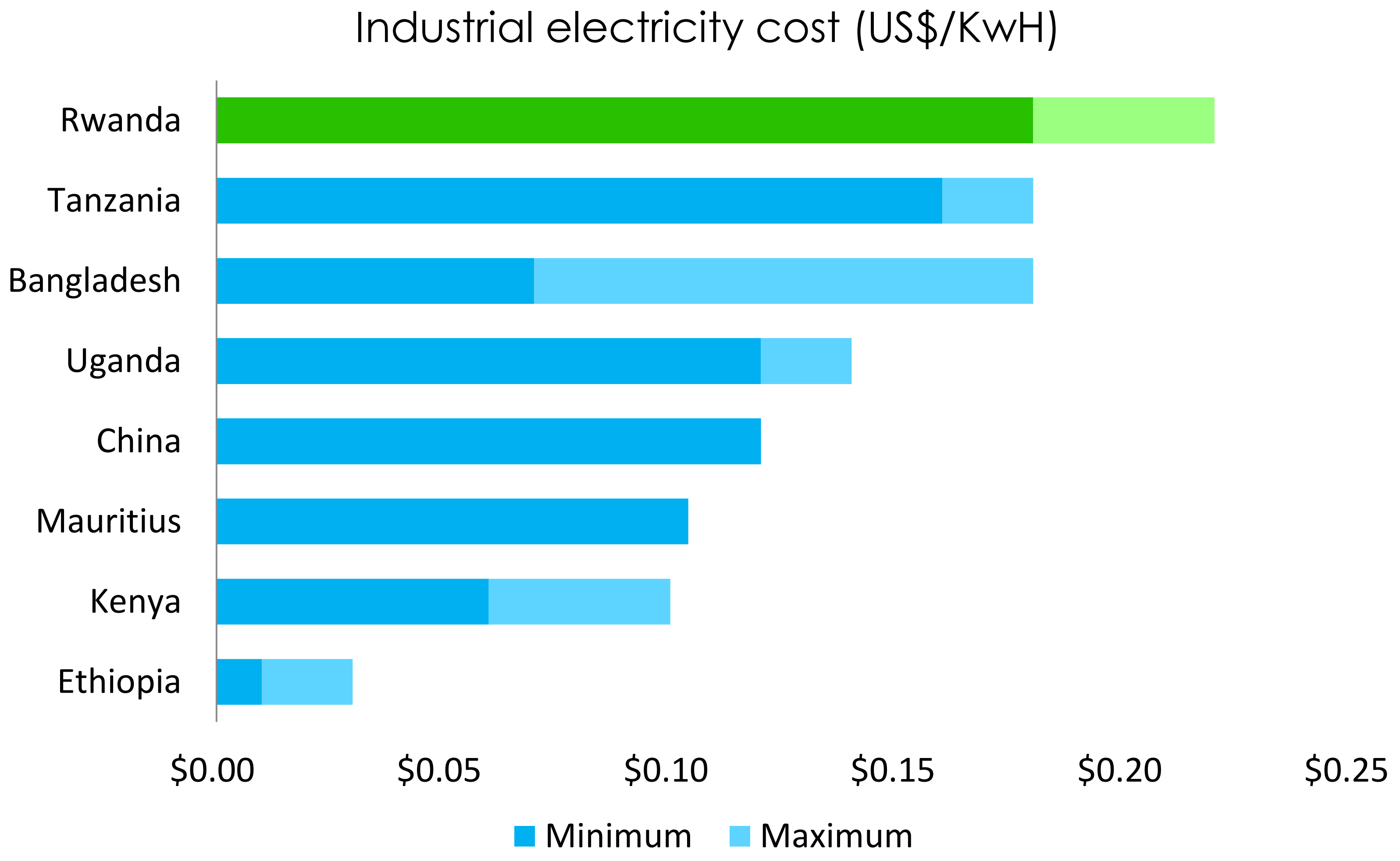
Remaining Barriers: **Industrial Electricity Costs**



Source: USAID AGOA Strategy, BCG Cost Competitiveness Index

Government Interventions: **Logistics**

The government regularly assessing the economy’s competitiveness across a range of factors:

Cost competitiveness

Labour productivity

Logistics

Supply network

Risk

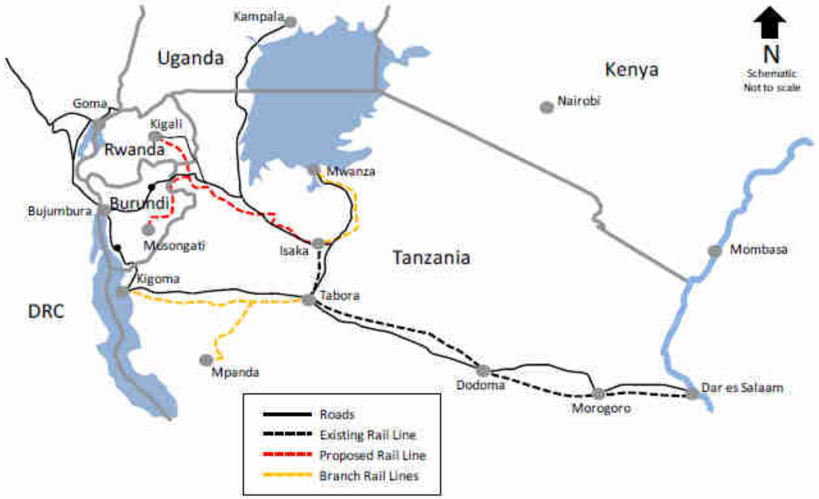
Government Interventions: **Logistics**

The Logistics and Distribution Services Strategy highlights a number of core initiatives to reduce cost and increase efficiency of internal & external trade:

1. **Kigali Logistics Platform**: A dry port in the outskirts of Kigali offering all the logistics services necessary for efficient shipment of cargo
2. **Bonded Warehouses:** In Rubavu and Rusizi to facilitate cross border trade with the DRC
3. **Multi Service Centers:** Studies have been completed for both Dubai, Congo Brazzaville
4. **Agro-logistics Centers:** providing storage, sorting, cleaning, grading and weighing, packaging

Large infrastructure projects such as the **Central & Northern Corridors** will also further connect Rwanda to the rest of the region and its ports, lowering transport costs.

Central Corridor Overview: Main Road and Rail Links



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Government Interventions: **Logistics**

The government regularly assessing the economy's competitiveness across a range of factors:

- ~~Cost competitiveness~~
- Labour productivity
- Logistics
- Supply network
- Risk

Government Interventions: **Cost Competitiveness**

Access to affordable finance:

A) The **Export Growth Facility was established in conjunction with BRD** to support exporters:

1. **Investment Catalyst Fund:**
2. **Matching Grant Fund for Market Entry-Related Costs:**
3. **Export Guarantee Facility:**

B) The **Business Development Fund** was established to provide credit guarantees, lines of credit, matching grants, quasi-equity as well as advisory services to SMEs.

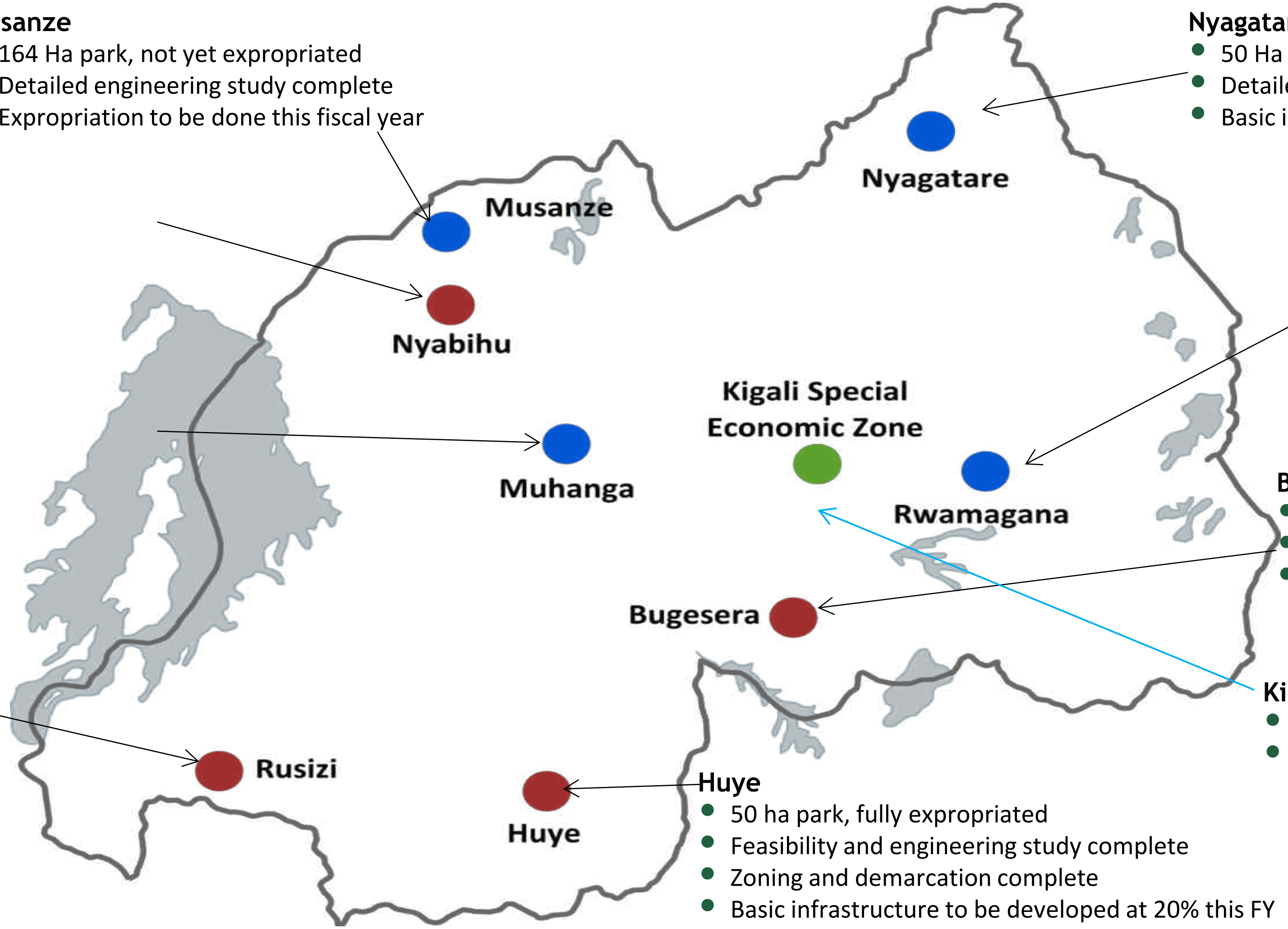
- By October 2015, BDF provided cumulative credit guarantees worth Rwf 45 Billion to 3,750 loans.
- 832 Business Development Advisors country-wide working to help potential entrepreneurs

Access to affordable Energy:

- New Industrial Energy Tariffs should see **electricity costs falling by 20-30%** for industrialists, rivalling the prices available throughout the region.
- Industrial Tariff will fall to **83 RwF/KwH (~10¢)** for large industries **& 90Rwf/KwH (~11¢)** for medium industries.

Government Interventions: **Cost Competitiveness**

The GoR is working on the development of **9 Industrial parks** with a total surface area of 869HA



Musanze
- 164 Ha park, not yet expropriated
- Detailed engineering study complete
- Expropriation to be done this fiscal year

Nyagatare
- 50 Ha park, fully expropriated
- Detailed engineering study complete
- Basic infrastructure to be developed at 20% this FY

Nyabihu
- 44 Ha park, fully expropriated
- Feasibility and engineering study complete
- Zoning and demarcation complete

Rwamagana
- 50 Ha park
- Detailed engineering study complete
- Expropriation to be completed this FY
- Ring road developed

Muhanga
- 63 Ha park, not yet expropriated
- Detailed engineering study complete
- Expropriation to be done next fiscal year

Bugesera
- 330 Ha park, fully expropriated
- Detailed engineering study complete
- Construction of phase I, 100 ha is at 33%

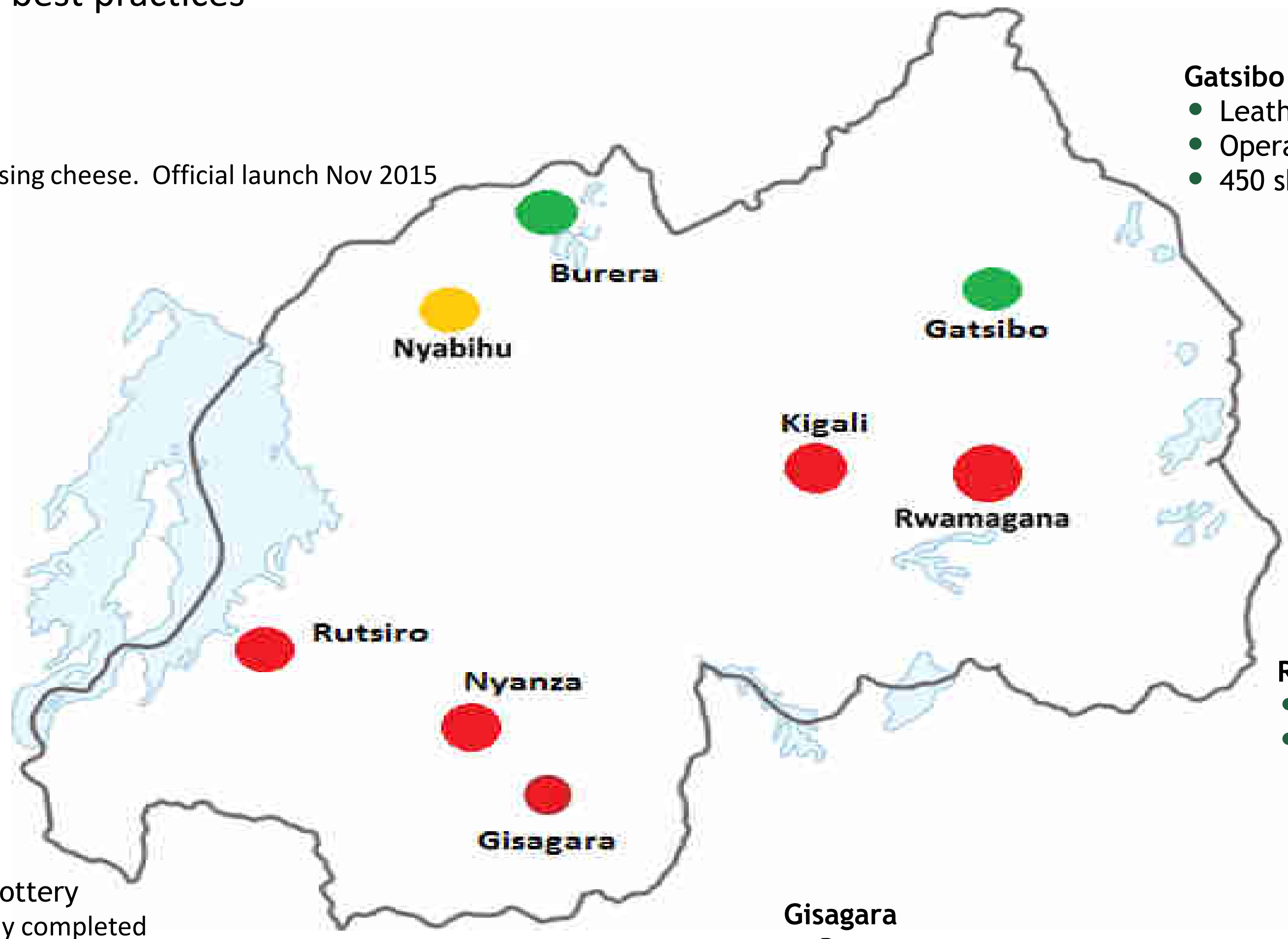
Rusizi
- 45 Ha park, fully expropriated
- Feasibility and engineering study complete
- Zoning and demarcation complete

Kicukiro SME Park
- Detailed engineering study complete
- Construction of murram roads to be completed at 20% this FY

Huye
- 50 ha park, fully expropriated
- Feasibility and engineering study complete
- Zoning and demarcation complete
- Basic infrastructure to be developed at 20% this FY

3 Cross-Cutting Interventions: **Promoting Value Addition**

Community Processing Centers are being developed in conjunction with the private sector to promote value addition, catalyze technology diffusion and share best practices



Burera
- Dairy
- Started processing cheese. Official launch Nov 2015

Nyabihu
- Irish Potato
- Operational & selling potato Chips
- Official launch Nov 2015

Rutsiro
- Honey
- Construction over 90%
- Equipment purchased

Nyanza
- Ceramics & pottery
- Feasibility study completed
- Construction ongoing
- Equipment purchased

Gatsibo
- Leather
- Operational & producing footwear, belts
- 450 shoes per day

Rwamagana
- Banana
- First phase of construction complete

Gisagara
- Banana
- District & Private initiative

3

Cross-Cutting Interventions: **Made in Rwanda**

The GoR commissioned the **Domestic Market Recapturing Strategy** (DMRS) in order to address the increasing balance of trade deficit via increased domestic production for the local market

The DMRS identified a number of sectors with potential for forex savings of **USD 450 million** per year in the medium term (17.8% of import bill), if all measures were to successfully be implemented.

Proposed Sectors:

Construction materials (USD 206 m) : Cement, Iron & steel, Aluminum products, paints &varnishes, plastic tubes, ceramic/ granite tiles

Light manufacturing (USD 124 m): Textile& garments, pharmaceuticals, soaps & detergents, reagents, packaging materials, wooden furniture and insecticides

Agro-processing (USD 112m): sugar, fertilizer, edible oil , dried fish, maize & rice

Cross-Cutting Interventions: **Made in Rwanda**

The Made in Rwanda (M.I.R) campaign was introduced in order to:

- To **improve the image** of domestically produced goods and services;
- To **educate consumers about the benefits of buying Rwandan goods and services** and therefore increasing the knowledge consumers have about the quality and standards upheld by locally produced goods.
- **Develop and promote** existing and nascent industries;
- **Shift the mind-set** of people away from imports toward locally-made products.
- Boost competitiveness of local industries and **increase their domestic market share**.
- Ensure **high quality** of made in Rwanda products.

3 Cross-Cutting Interventions: **Made in Rwanda**

The Made in Rwanda (M.I.R) campaign was introduced in order to:

1. National Branding Campaign
2. Made in Rwanda Expos (Starting today!)

Other Interventions:

1. Technical Assistance to companies
2. Ongoing review of policies and laws
3. Support to industries to reach international quality standards
4. Promoting manufacturing via provision of serviced land

Conclusion: **Importance of Continued Dialogue**

GoR MoUs with Exporters:

- GoR engaged key exporters to identify company specific & cross-cutting issues
- MoUs signed between GoR and the private sector outlining a set of commitments to be met by both Government and exporters to ensure export targets are reached
- Task force has been established to oversee the implementation of the MoUs and help address issues faced by exporters