MINEACOM (with support from the IGC)

Trade and Export Promotion Rwanda

Wednesday 14th December 2016, 8:00-17:00 at Serena Hotel, Kigali

WORKSHOP REPORT

Draft Version, 13/01/2017

Executive Summary and Key Recommendations

Expanding exports has long been a government priority for Rwanda to ensure strong economic growth, attract foreign exchange and create new off-farm jobs. The government has been highly proactive in its promotion of exports, leading to years of considerable export growth. However, imports have grown even faster, and with recent shifts in global commodity prices, Rwanda is now experiencing a large and growing trade imbalance. To tackle this challenge, a new programme, 'Made in Rwanda', has sought to improve the perceptions of Rwandan products within Rwanda, promote nascent industries, and boost the productivity of exporting sectors. This is a promising new step for export promotion, but is also still taking shape.

To generate new ideas and policy proposals to strengthen Made in Rwanda and promote overall trade, the Honourable Minister François Kanimba requested MINEACOM to organise a special workshop on Trade and Export Promotion, in collaboration with the International Growth Centre (IGC). This high-level workshop took place on Wednesday 14th December 2016, and combined presentations on recent research by international experts, experiences from private sector operators, and Government of Rwanda policy presentations. This was done in four sessions.

Session 1: Using Trade to Boost Productivity and Competitiveness of Rwandan Firms.

This session took a wide lens view of Rwanda's economy and considered how trade can strengthen productivity of Rwandan firms. This included presentations on Made in Rwanda, an overview of the export potential of different sectors, and an analysis of the importance of imports for Rwanda's firms. The session identified the following key gaps and policy recommendations:

Current Gaps Identified in Session 1	Policy Recommendations from Session 1
Rwanda's firms need better access to raw and intermediate inputs through imports.	Identify raw/intermediate inputs that should be eligible for import duty exemption under Duty Remission Scheme and under the EAC Common External Tariffs.
Exporting firms face slow/uncertain process to obtaining VAT refunds.	Develop and implement a strategy to improve or reform the VAT refund process.
Rwanda lacks Dodd Frank/OECD certification and cannot export key minerals to OECD Countries.	Explore the potential for strategic partnership with high-profile multinationals (e.g. Apple) to strengthen value chain and certification.

Session 2: Regional Value Chains and Trade Facilitation.

This session asked how regional value chains in the East African Community can be strengthened for Rwanda's key exports. Based on product-space and value chain analysis, challenges and opportunities were raised for key sectors such as maize, dairy, tourism and coffee. The Northern Corridors project provided an account of their trade facilitation initiatives. The following priority gaps and policy recommendations were drawn:

Current Gaps Identified in Session 2	Policy Recommendations from Session 2
Many firms are not operating at full capacity due to lack of access to raw and intermediate materials.	Help connect Rwandan firms to potential regional buyers and suppliers by establishing a local content unit.
Within sectors there is considerable difference in use of imports versus local content (e.g. top 5 vs. mid-ranking hotels).	Strengthen Made in Rwanda by identifying and tackling the specific constraints of local suppliers to firms that currently rely on imports.
Some firms are reluctant to source locally due to insufficient information about reliable, local suppliers.	Strengthen Made in Rwanda's certification by establishing a database that reports on a firm's reliability through historical trade relationships with buyers and suppliers.
Rwandan coffee needs strengthening of its branding to add value.	Made in Rwanda should strengthen its coffee brand, as Kenya has done. Start a trial engagement with an international reputation firm for support.

Session 3: The Importance of the Service Sector for Trade and Exports.

Next, the workshop considered the critical importance of the service sector for Rwandan firms' productivity and competiveness, and assessed how service sector exports can be strengthened. A special focus was placed on cross-border trade and tourism.

Current Gaps Identified in Session 3	Policy Recommendations from Session 3
Different aspects of the tourism industry are overseen by different actors. There is need for improved coordination.	Establish an overarching institute for all tourism, such as a Ministry of Tourism.
The value chain between tourism products (e.g. combining MICE and leisure tourism) is underdeveloped.	RCB should link up with tourism intermediaries to offer/recommend integrated workshop plus leisure packages.
Need to improve the efficiency and uptake of backbone services to better benefit manufacturing/export sectors.	Develop a Services Strategy focused on backbone service sectors (transport, finance, business services, logistics, IT, professional services) with focus on service efficiency and uptake.
Rwanda is not optimally benefitting from cross-border trade with the DRC.	Develop a strategy to increase Rwanda's benefits from cross-border trade with the DRC. This should include improvement in data collection of cross-border trade, adjustment of border regulations to better facilitate repeated entry, and strengthening of cross-border market agreements (e.g. provision of emergency health care and facilitation of cross-border mobile payment).

Session 4: Realising E-Commerce in Rwanda.

E-commerce provides new opportunities for small and medium enterprises to harness the power of trade. This session discussed the ICT masterplan, and raised the current and potential logistical challenges for E-Commerce-based exports in Rwanda.

Current Gaps Identified in Session 4	Policy Recommendations from Session 4
SMEs struggle to use online markets for e-commerce, due to data costs, customs regulations, weaknesses in postal services, and interoperability with international money transfer services.	Ensure the E-Commerce Strategy explicitly tackles internet access, facilitates customs regulations for SMEs, addresses challenges to postal services, and considers international money transfer and e-payment systems.
Consumer protection and intellectual property rights must be guaranteed for E-Commerce to succeed.	Reform consumer protection laws and intellectual property rights to better protect consumers and producers engaging in E-Commerce.
Need for additional programmers and ICT workers to kick-start ICT in Rwanda.	Promote training of programmers at vocational/university level.

As reported by MINEACOM's Principal Secretary, Mr. Innocent Safari, this has been a very successful workshop of ideas, which will feed strongly into Government of Rwanda's new trade agenda. The next workshop should be one of monitoring and evaluation, to see how far we have gone in the recommendations we made. MINEACOM would like to thank all the speakers who were able to present, the attendees for their vibrant discussion and the IGC for co-hosting this successful event.

Contents

Introduction

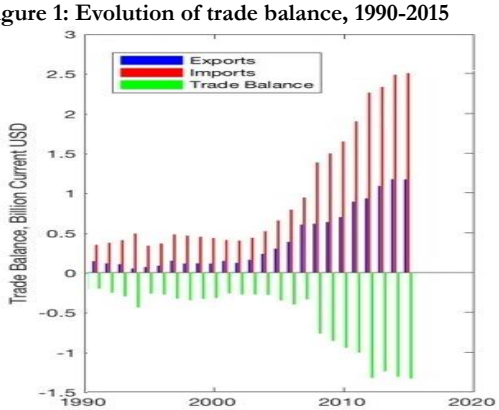
On Wednesday 14th December 2016, MINEACOM organised a senior-level workshop with the International Growth Centre (IGC) on Trade and Export Promotion in Rwanda. The purpose of this workshop was to facilitate discussion between stakeholders, researchers, and decision makers, and come up with specific policy proposals to promote trade and exports in Rwanda.

This report provides a summary of the workshop. The first section will review why export promotion is a central priority of the Government of Rwanda to ensure macroeconomic stability and promote job creation. The rest of this report will highlight the key facts raised in the four separate workshop sessions, linked with specific recommendations to promote Rwanda's economic transformation. The final section concludes and suggests which next steps should be taken for the Government of Rwanda.

Context: The New Urgency for Export Growth

Over the last 20 years, Rwanda's economy has been growing at an average rate of 8% per annum. This has been driven in part by a significant expansion in export value, which has expanded by 20% annually in the decade up to 2014 (MINICOM, 2015). While trade has been one of the main engines of growth, a considerable share of this export growth was driven by rising prices of a small number of minerals, following a global commodity boom. When demand for such commodities fell in 2015, there was a significant decline in mineral revenues. Other exports were unable to compensate, and the total value of Rwanda's exports declined by 7% in 2015 (despite an increase in export volumes). Yet, the value of *imports* has continued to grow, and amounted to three times the size of exports in 2016. As a result, Rwanda's trade imbalance is large and has been widening considerably in recent years (figure 1). This has also reduced foreign exchange reserves, which in 2016 were projected at only 3.2 months of imports (MINICOM, 2015). Expanding exports has thus become an urgent government priority to reduce the trade imbalance, attract foreign exchange, and ensure macroeconomic stability. This is also reflected in Rwanda's strategic plans, with the national export strategy for 2015-18 proposing a 20% annual rate of export growth (MINICOM, 2015).

Figure 1: Evolution of trade balance, 1990-2015



Source: UNCTADStat website (2016).

Table 1: Exports by Broad Category, 2015

	US$ million	Share (%)
Tourism	318	29
Tea and coffee	135	12
Minerals	118	11
Other goods (formal)	129	12
Cross-border (informal)	125	11
Re-exports	178	16
Transport services	75	7
Other services	20	2
Total	**1 097**	**100**

Source: English (2016)

A second priority for trade policy is the creation of off-farm jobs. Rwanda must create 200,000 jobs per year to absorb its expanding population and relieve the pressure on rural land (MINECOFIN, 2013). To do so, it is vital that Rwanda makes the appropriate strategic investments in sectors that combine export promotion with job creation. Currently, Rwanda's exports are highly concentrated in a small number of sectors, as shown in Table 1. Some of these sectors are more promising for job growth than others. For instance, tourism is relatively labour intensive and many of its jobs are fairly low-skilled. They are also typically better

paid than other traditional exports such as tea, coffee, and minerals (English, 2016). However, the potential to grow a sector depends on the sector-specific constraints, and to what extent these can be relieved. More detailed analyses of the prospects for and constraints to job-intensive export growth across each of the sectors will help Rwanda realise its strategic objectives.

Current Government Initiatives: Made in Rwanda

To realise its ambitious trade and job targets, the Government has launched detailed plans such as the Private Sector Development Strategy (MINCOM, 2013) and the revised National Export Strategy (MINICOM, 2015). More recently, special focus has been given to the 'Made in Rwanda' programme. This builds on the Rwanda's Domestic Market Recapturing Strategy (MINICOM, 2015) which aims to expand local content in domestic value chains. Made in Rwanda is developing into an even more ambitious policy that seeks to improve perceptions of Rwandan products within Rwanda, promote nascent industries, and boost productivity of exporting sectors across regional value chains. This programme is still taking shape, and it is against this backdrop that MINEACOM organised this trade workshop with the support of the International Growth Centre (IGC), to identify specific supportive policies.

The rest of this report will summarise the findings and policy recommendations from the workshop.

Session 1: Using Trade to Boost Productivity and Competitiveness of Rwandan Firms

Chair:	*Innocent Safari, Permanent Secretary, MINEACOM*
Presenters:	*Annette Karenzi, DG Industry, MINEACOM: "Boosting Productivity and Competitiveness through 'Made in Rwanda' and beyond"*
	Dr. Phil English, IGC: "Rwanda's Export Opportunities"
	Dr. Garth Frazer, University of Toronto: "Impact of Imports on Rwandan Firms"
Discussant:	*Dr. Leonard Rugwabiza, Chief Economist, MINECOFIN*

Annette Karenzi, DG Industry, MINEACOM: "Boosting Productivity and Competitiveness through 'Made in Rwanda' and beyond"

The presentation started with an optimistic message of Rwanda's competitiveness. Rwanda ranks 52nd globally and 3rd in Africa in the Global Competiveness Index. It also significantly outperforms the EAC average, especially on institutions and labour market efficiency. Yet despite this, Rwanda continues to have a consistent formal trade deficit with the EAC.

Three main barriers were raised to explain this challenge.

1. **Firm-specific constraints**. Infrastructure (power, roads, water, and land) is reported as the key challenge facing firms. Other issues include market access, the quality of raw materials, access to technology, skilled labour, the costs of finance, and ease of tax administration.
2. **Trade costs**. The costs to export a container to the US from Rwanda are around $6000, the second highest in the region after Ethiopia.
3. **Energy** is also the most expensive in the region, although the tariff is today being brought down to $0.10/kWh from $0.15/kWh.

Rwanda is pursuing a range of interventions to improve its competitiveness:

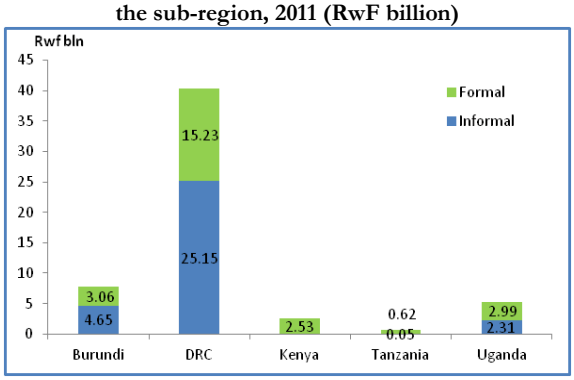
- **Logistics.** Shipment of cargo is supported through a series of dry-ports outside Kigali. To facilitate cross-border trade with the DRC, bonded warehouses are deployed. Designated agro-logistics centres provide support for agro-processing. Overall transport costs are lowered through the Northern Corridors projects that connect Rwanda to the rest of the region and its ports.
- **Cost Competiveness.** Access to affordable finance is being strengthened through the Export Growth Fund and The Business Development Fund. A New Industrial Energy Tariff lowers electricity costs by 20-30% for industries, rivalling regional prices. To support new enterprises, 9 industrial parks are being developed in the secondary cities, with strong basic infrastructure including road access, electricity, water, and affordable land.
- **Promotion of Value Addition.** Community Processing Centres are being developed in conjunction with the private sector to promote value addition, catalyse technology diffusion and share best practices. This focuses on regional dairy, leather, banana, potato, honey and ceramics industries.
- **Made in Rwanda.** The Made in Rwanda Strategy aims to improve perceptions of Rwanda products within Rwanda, and ease of access to those goods. It also seeks to develop nascent industries, and boost competiveness of local industries. This is done through a combination of a national branding campaign, technical assistance and support to companies, and ongoing review of policies and laws.

Phil English, IGC: "Rwanda's Export Opportunities"

Dr English began with a comparative assessment of export products. Tourism dominates exports within Rwanda, exporting more than tea, coffee and minerals combined. It provides 29% of foreign exchange, versus 12% for tea and coffee, and 11% for minerals (see table 1 in the introduction). However, policy has been more focused on the other three traditional export sectors. The two main sub-sectors are leisure tourism earning around $150m per year, and conference tourism with around $30m in annual earnings.

Other sectors also have considerable potential. For example, coffee and tea yields per hectare are around half of those in Kenya; improving land use (e.g. planting new coffee trees) could strongly improve yields. Despite lower global prices, mining also has growth potential. This includes stimulating productivity improvements by modernising mines, and by responding to Dodd Frank/OECD minerals regulation more strongly by ensuring certification. There are also less traditional export sectors, but each have their own challenges. These include animal products (shortage of land), horticulture (high cost of air freight) and other services (dependence on highly skilled labour). These new exports sectors are also all small, relatively 'unproven', and difficult to grow quickly to a significant level.

Figure 2: Formal and informal exports to the sub-region, 2011 (RwF billion)



Source: English, 2016

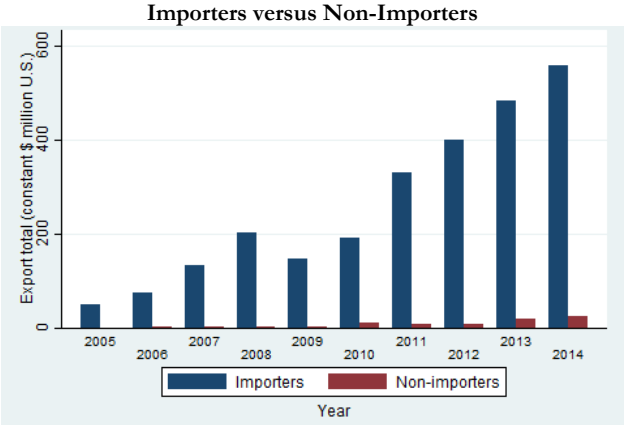
As shown in Figure 2, the DRC and Burundi are the overwhelming *regional* market for Rwandan exports. Exports to Kenya, Tanzania and other countries can look large, but a considerable share of these only pass through those countries' ports, to be shipped to other regions (e.g. Europe).

Cross cutting issues- trade facilitation, services, local value-added efforts, tax administration- remain key to each sector-specific strategy. Within tax administration, a core challenge is the slow and uncertain process for exporting firms to obtaining a VAT refund.

Garth Frazer, University of Toronto: "The Impact of Imports on Rwandan Firms"

The main message of this presentation was that facilitating imports also helps exporters, who rely on imports. Most of Rwanda's export expansion since 2005 is from firms that import a lot (at least 10% the value of their exports), while almost all export expansion is from firms that do *some* direct importing (Figure 3). Imports also increase skill utilisation. Firms that import more as a proportion of their sales tend to employ more people overall, and virtually all of the employment growth within registered firms over the period from 2008 to 2012 was in continuously importing firms. This is because firms are able to gain access to high-quality/high-technology inputs through imports, which are essential to produce the high-quality goods that are required for the export market.

Figure 3: Rwandan Exports from Importers versus Non-Importers



Source: Frazer, 2016

This study thus provides a cautionary tale for domestic market recapturing. While it can be sensible to adopt protective measures to strengthen domestic industries, it is important to target this appropriately and avoid raising the cost of importing critical raw or intermediate goods used by exporting firms.

Exempting such critical inputs from import tariffs can strengthen the productivity of domestic firms, boost domestic exports and create additional jobs.

Discussant: Dr. Leonard Rugwabiza, Chief Economist, MINECOFIN

In his response to the three presentations, Dr. Rugwabiza noted that competitiveness is not the binding constraint in all markets. Rwanda is highly productive relative to the DRC- the constraint here is that it cannot meet demand. He suggested that Rwanda should first seek to satisfy demand in markets where Rwanda is competitive, and then work on improving its productivity. Tourism, tea, and coffee are also real export opportunities, but we need to consider what role to play as government: do we make small interventions one firm at a time, or work on the whole supply chain?

Performance contracts with the private sector are also important. He noted that one business promised to invest in a tea factory, so the government built a road there. Later the business revealed they could not get the required finance, so the government had invested in a road to nowhere. Performance contracts should not focus too closely on output, but certain fundamental signs of seriousness like a strong business case.

The importance of imports was also stressed, but there is a need to learn through those imports. For example, Rwanda has been importing wheat flour for several years; with an appropriate strategy, this could be sourced domestically. However, for all those items Rwanda does not produce and will not produce any time soon, importation should be facilitated.

Current Gaps and Policy Recommendations

Current Gaps	**Policy Recommendations**
Rwanda's firms need better access to raw and intermediate inputs through imports.	Identify raw/intermediate inputs that should be eligible for import duty exemption under Duty Remission Scheme and under EAC Common External Tariffs.
Exporting firms face slow/uncertain process to obtaining VAT refunds.	Develop and implement a strategy to improve or reform the VAT refund process.
Rwanda lacks Dodd Frank/OECD certification and cannot export key minerals to OECD Countries.	Explore the potential for strategic partnership with high-profile multinationals (e.g. Apple) to strengthen value chain and certification.

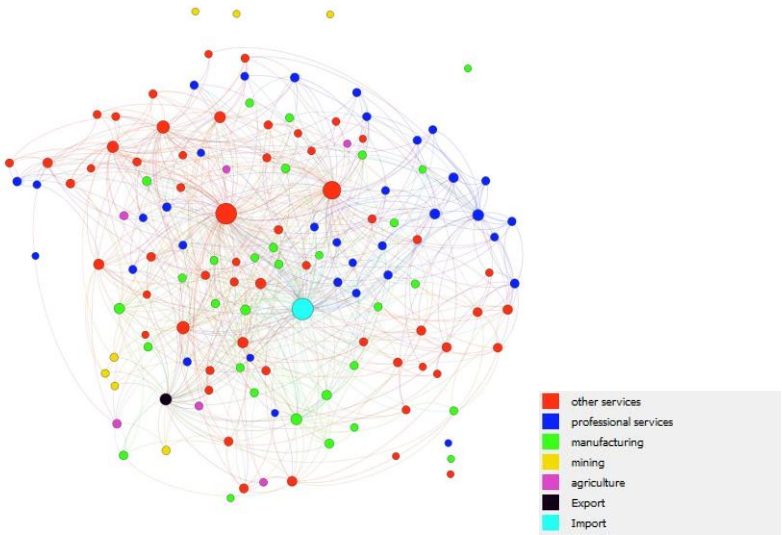
Session 2: Strengthening Regional Value Chains and Trade Facilitation

Chair:	*Bill Kayonga, CEO NAEB*
Presenters:	*John Spray, Cambridge University: "Industries without Smokestacks in Rwanda"*
	Ritwika Sen, IGC, "Maize and Tourism Value Chains in East Africa"
	Dr Ameet Morjaria, Northwestern University: "Understanding Constraints to Value Addition in Rwanda's Coffee Sector"
	Emmanuel Hategeka, National Coordinator, Northern Corridor Integration Projects: "Trade Facilitation & Transportation"
Discussant:	*Patience Mutezi, Country Director Trademark East Africa*

John Spray, Cambridge University: "Industries without Smokestacks in Rwanda"

Spray presented industry network maps for Rwanda and Uganda. By visualising the interconnectedness of sectors using existing tax data, this method provides a powerful new way to understand the linkages between sectors. An example is shown in Figure 4, where circles are supplier sectors and lines firm-firm transactions. This shows how mining (yellow) is highly isolated, with few outgoing sales to other Rwandan firms and few local purchases. The most connected firms are 'other service activities' (red) with retail, wholesale, and manufacturing.

Figure 4: Graphical representation of Rwandan sectoral input-output matrices, 2013-2014.



Source: Spray and Wolf, 2016

The authors find that interconnectedness is an important economic indicator. Output performance of the ten most connected sectors in Rwanda is strongly correlated with economic growth; an increase of 10% in output by the top 10 most connected sectors is associated with a 7.6% increase in aggregate output growth. In contrast, the output of the least connected firms is not at all correlated with economic growth. They thus argue that we should not only consider the isolated output and exports of a firm, but also assess how the firm is structurally central to the economy and the productivity of other firms.

The same data shows that manufacturing is particularly dependent on imports. Other service sectors such as construction, telecommunication, and trade facilitation services are also deemed critical determinants

for manufacturing. If Rwanda wants to develop its manufacturing sector, it needs to allow- and indeed facilitate- intermediate imports, as well as pay close attention to backbone service sectors.

Ritwika Sen, IGC, "Maize and Tourism Value Chains in East Africa"

Through a focus on three priority sectors- maize, dairy and tourism- Sen provided a snapshot of the structure of regional value chains in Kenya, Uganda and Rwanda. In both dairy processing and maize, Ugandan products are used by Kenyan processors. Rwanda is slightly separate in these chains, with much of its dairy and maize consumed domestically. Both Uganda and Rwanda trade informally in maize and dairy to a large extent. Rwanda suffers from much weaker capacity for mass growing of maize (partly due to topography), compared to Uganda, and may be better placed to focus on processing. Imports of maize seeds also represent a huge proportion of costs in maize production, and have increased from USD $250,000 in 2005 to more than US$22 million in 2014, putting it among the top 15 imported goods in the country. Maize has thus put additional pressure on the trade balance. Raising the efficiency of imports could both reduce the import bill, and raise the productivity of Rwanda's maize.

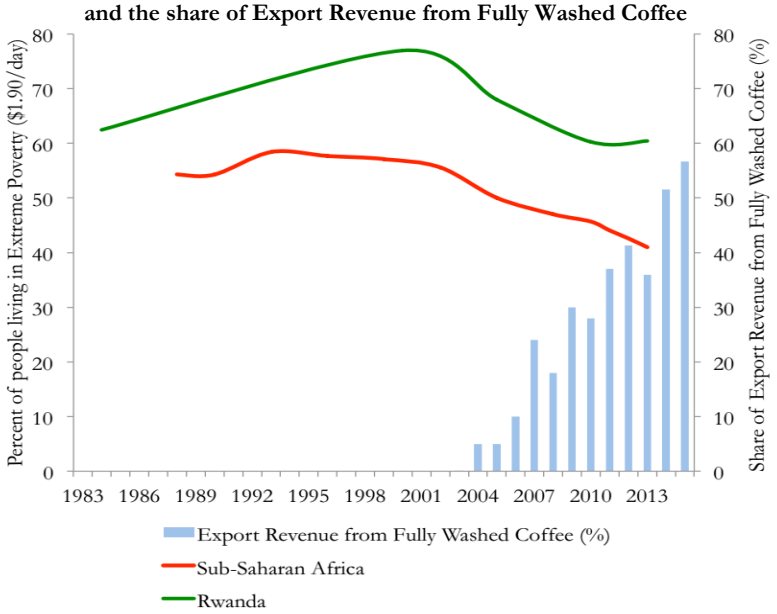
Europe and North America are primary drivers of demand for tourism in all three countries, which gives the chain a global scope. For Rwanda, tourism is held back by the weakness of local tour operators, compared to the high standards of international consumers. Lead 'intermediary' firms are required to improve firms' access to customers and build trust. These can help extend the length of tourists' stays, bring conference and business tourists into the leisure tourism chain, and attract more tourists absolutely. Value chain mapping shows a diversity in how well hotels are embedded in the economy, with smaller firms having much stronger links to Rwandan suppliers.

The presentation stresses the need for EAC countries to work together as a "regional block" to help to market regional tourism products, increase market access and attract FDI. The Single Tourist Visa provides a powerful example of this, encouraging visitors to one country to extend their visit to another. Regional investment promotion strategies and regional infrastructure or intermediaries may provide additional such opportunities.

Ameet Morjaria, Northwestern University: "Understanding Constraints to Value Addition in Rwanda's Coffee Sector"

The coffee sector has played a key role in Rwanda's recent success lifting people out of poverty. As Rwanda's exports of fully washed coffee expanded, poverty fell dramatically (figure 5). Pre-2002, quantity was the dominant government target, and the coffee board was the dominant buyer. Rwanda was stuck in low-quality, volatile, coffee exports. Since 2002, Rwanda has switched emphasis to quality. The number of coffee washing stations has increased dramatically, from almost none in 2002 to almost 300 today, and 50% of coffee exported is fully-washed coffee. As a result, the average price farmers received for their cherries has climbed dramatically from 50 RfW/KG in 2002 to 240 RfW/KG in 2014, a 380% increase.

Figure 5: Rwanda's share of people living in Extreme Poverty and the share of Export Revenue from Fully Washed Coffee



Source: WDI 2016; National Bank of Rwanda Annual Reports (various), NAEB Annual Summary (various)

But Rwanda is still a low quantity producer on the global scale; 26% of Rwanda's coffee tree stock is beyond its productive age (over 30 years). There is also extremely low use of key inputs, which NAEB is tackling through CEPFA (a fertiliser and pesticide fund 30% funded by the government). Rwanda has only one extension officer per 13,000 farmers (better than Uganda, at one extension worker per 35,000). However, Colombia has one extension worker per 500 coffee farmers, making it much easier to properly supply inputs.

In many countries, coffee washing stations (CWSs) fill in gaps left by the government, providing inputs to farmers in exchange for more, cheaper, and higher quality cherries. But in Rwanda, fierce competition between washing stations (CWSs) means they cannot always trust farmers to sell back cherries to them, so in turn they provide less support to farmers.. The average CWS sources cherries from four sectors, and competes with six other stations within its sector alone.

Rwanda also has not managed to take full advantage of marketing opportunities for coffee. Kenya's "AA" coffee certification has raised awareness of Kenyan coffee even above that of Ethiopia, the birthplace of coffee. Kenyan coffee is much better known in Western stores, despite being lower quality than Rwandan coffee. If Rwanda can achieve similar levels of marketing, it can have huge impacts on its sector.

Emmanuel Hategeka, National Coordinator, Northern Corridor Integration Projects: "Trade Facilitation & Transportation"

The Northern Corridor Integration Project demonstrates the ability to bring about drastic change by bringing together political leaders. It was started in 2013 by the Presidents of Kenya, Uganda, and Rwanda, with the objective of ensuring the seamless flow of goods between the countries, including lowering clearance costs (e.g. shifting to electronic clearance processes, coordinating between Agencies responsible for clearance of goods, and ensuring enhanced compliance through a region-wide trade mechanism); building infrastructure such as the regional railway and oil pipelines; and trade facilitation measures including a single customs territory. More projects have been added, resulting in fifteen different clusters.

Many objectives have been achieved. Due to better trade facilitation procedures, the time it takes for a container to reach Kigali from Mombasa has fallen from 21 days in 2014 to just over 6 days in September 2016. Costs have meanwhile fallen by 20%: from $7000 to $5000 for a 40ft container, and from $5,200 to $4,200 for a 20ft container. The Northern Line is a Standard Gauge Railway (SGR) to run between Mombasa, Kampala, Juba and Kigali. Construction from Mombasa to Nairobi is 80% completed. Alongside this is the Central Line, an SGR planned to run between Dar es Salaam and Kigali. The financing, design and construction plans are currently under discussion under a PPP Model.

There have been a number of other key initiatives in the Northern Corridor. Now, Rwandans can travel within Kenya, Uganda, and Rwanda with just their national ID- without a passport or visa. Since the use of IDs, traffic almost tripled in a year (2014). Work permit fees for citizens of the three countries have also been removed. Lastly, roaming charges were reduced between the three countries under the 'One Network Area, leading to a 400% increase in regional calls within months.

Discussant: Patience Mutezi, Country Director Trademark East Africa

The discussant noted that value addition is key for Rwanda, and that for the sectors mentioned here there are still a range of challenges. For milk production, these include the collection process from milk collection centres, the condition of feeder roads and the quality of cold chain storage. For coffee, the potential for Made in Rwanda to build on its high-quality product through additional branding (as Kenya has done) was reiterated. Lastly, a value chain analysis of the meat sector was suggested, due to the high perceived revenue potential from the DRC market.

Current Gaps and Policy Recommendations

Current Gaps	**Policy Recommendations**
Many firms are not operating at full capacity due to lack of access to raw and intermediate materials.	Help connect Rwandan firms to potential regional buyers and suppliers by establishing a local content unit.
Within sectors there is considerable difference in use of imports versus local content (e.g. top 5 vs. mid-ranking hotels).	Strengthen Made in Rwanda by identifying and tackling the specific constraints of local suppliers to firms that currently rely on imports.
Some firms are reluctant to source locally due to insufficient information about reliable, local suppliers.	Strengthen Made in Rwanda's certification by establishing a database that reports on a firm's reliability through historical trade relationships with buyers and suppliers.
Rwandan coffee needs strengthening of its branding to add value.	Made in Rwanda should strengthen its coffee brand, as Kenya has done. Start a trial engagement with an international reputation firm for support.

Session 3: The Importance of the Service Sector for Trade & Exports

Chair:	*Leonard Mungarulire, Regional Integration Adviser, MINEACOM*
Presenters:	*Ben Shepherd, Developing-Trade Consultants: "Services Trade in the EAC"*
	Armin Lalui, Trademark East Africa: "Cross-Border Trade in Services"
	Frank Murangwa, Acting CEO of Rwanda Convention Bureau, RDB, "Rwanda's Tourism Masterplan"
Discussant:	*Olivia Zank, Adviser to the Minister, MINEACOM*

Ben Shepherd, Developing-Trade Consultants: "Services Trade in the EAC"

This paper sets out the importance of services and services trade for the wider economy.

Using macro-level data on bilateral trade flows, the study finds that a 10% decrease in a country's Services Trade Restrictiveness Index score is associated with a 4.4% increase in manufactured exports. Furthermore, a 10% increase in manufacturing productivity leads to an increase in exports of 7%, so that the indirect linkage from services can indeed promote exports. Rwanda is currently quite liberal on investment in most service sectors, but some limits persist (e.g., license limitations). If Rwanda would liberalise its services trade to the level of Ghana, it is estimated to increase manufactured exports by up to 13%.

The study stresses the importance of supporting backbone service sectors used most intensively in manufacturing global value chains (GVCs) including transport, telecom and IT, business and professional services and finance.

Armin Lalui, Trademark East Africa: "Cross-Border Trade in Services"

This presentation provides a rare insight into cross-border trade in services between Rwanda and Eastern DRC (e.g. trade between Gisenyi and Goma, two communities on opposite sides of the border). Cross-border trade is mostly informal and often driven by the existence of the border. The paper finds that services sector firms located on the border have 10% higher employment than sectors not on the border. This higher employment effect was especially true for transport and logistics, financial services, and wholesale and retail. The study also provides detailed examples from agro-processing, banking, and health services.

In agro-processing, small traders can bring under 100kg of wheat duty free between DRC and Rwanda, under the CEPGL (Economic Community of the Great Lakes Countries). Mostly, this is imported into Rwanda, processed and packaged, and exported back to the DRC. Rwanda has the processing because it is safer, there is better access to electricity, and it is easier to store wheat in Rwanda.

After Kigali, most bank branches are located on the DRC borders. This is because international money transfers cannot be made from DRC banks. Thus people carry money physically between the two countries. Rwanda's comparative advantage here lies with its rule of law and clear regulation.

Another cross-border services export to DRC is health. Many Congolese were coming to Kigali for dialysis, although this requires frequent visits. A centre was thus opened in Gisenyi. But there are constraints, such as no emergency services across borders and early border closing times. Patients from the DRC are also not seen as 'importers', meaning they do not receive the usual benefits such as VAT remission.

The presentation concluded with three recommendations.

1. Data collection of cross-border trade has to improve, which requires a dedicated strategy to capturing data from informal sources. This should try to better account for historically 'non-tradeable' services: hairdressers going into the DRC to give haircuts, or restaurant-goers coming to Rwanda for a meal, for example.
2. Border regulations should be adjusted to facilitate cross-border trade. This includes adapting border opening times, reducing vehicle entry fees, and adopting cross-border agreements on emergency health care and inter-operability agreements for cross-border mobile payment.
3. Make the most of Rwanda's comparative advantage in product standards, regulation, and safety, through additional investments and market linkages for exports and employment in border-towns.

During audience questions, Jean-Louis Uwitonze (DG Planning, MINEACOM) asked in what skills and infrastructure Rwanda should invest to benefit more from cross-border service trade. What strategies are feasible in the medium and long term? How do we support service sector? According to Armin Lalui, this can be challenging as making it easier to cross the border may reduce the availability of some sectors (e.g. transport services specialized in border crossings). Relying on Rwanda's comparative advantage is key. For instance, Rwandan pharmacies supply cross-border drugs because there is a lack of trust in products from the DRC. In terms of manufacturing, Rwanda is competing with cheap Chinese exports offered through Uganda's dirt-roads; additional efforts are needed here to remain competitive.

Frank Murangwa, Acting CEO of Rwanda Convention Bureau, "Rwanda's Tourism Masterplan"

The tourism sector is key to strengthen export growth. It has been the number one foreign exchange earner for the last few years and has grown enormously: from 404,000 visitors in 2006 to 1.3 million in 2015. Over the same period, the number of park visits increased from 30,000 to over 70,000, and the number of flights per week tripled to over 150.

Tourism revenues in 2015 were $367.2m, (3.6% of GDP). From this, business tourism generated $132.1 million (36%) of which $40 million (11%) for Meetings, Incentives, Conferences and Events (MICE). Visiting friends and relatives amounted to $119.4 million (33%), while holidays generated $96.2 million (26%). Transit/other elements amounted to another $19.5 million (5%).

The tourism master plan aims to achieve product diversification through development of six areas known as Destination Management Areas (DMAs), shown in Figure 6. These areas and their main attraction are:

1. Volcanoes National Park (gorillas)
2. Akagera National Park (safari)
3. Kigali Cultural Village (museums and cultural village)
4. Nyungwe National Park (community based tourism)
5. Kibuye - Kivu Lakeshore (beach facilities/water sports)
6. Gisenyi - Lake Kivu Convention Centre (hotel and resort)

Figure 6: Six priority areas for tourism development in Rwanda

Source: Author's presentation

MICE tourism was launched through the establishment of the Rwanda Convention Bureau in 2014, which also established the Rwanda Association of Professional Conference and Event Organisers (RAPCO). This

provides coordination of professional events (e.g. facilitating and streamlining visa applications of attendees) and assists in bookings of major conferences.

In response to an audience question, on whether Rwanda's Tourism Masterplan has ever been evaluated, Mr. Murangwa responded that its activities (e.g. on MICE) have demonstrated large multiplier effects for the economy and opened up new investment opportunities. The RDB has started a survey to establish the impact of conferences and identify future needs (e.g. to strengthen Made in Rwanda).

Discussant: Olivia Zank, Adviser to the Minister, MINEACOM

Olivia Zank noted that while backbone service sectors are important, they often also require high skills. She noted that provision of technical assistance for the service sector should to better benefit manufacturing. Meanwhile, to allow subsistence farmers to move out of agriculture and into low-skilled service jobs (e.g. transport, hairdressing), there is a need to maintain and support other, lower-skilled, service sectors.

Ben Shepherd reported that an efficient way to achieve productivity improvement in the service sector is to open access to foreign service providers. This will ensure fast technology transfers into the country. However, to avoid formation of monopolies in service provision, services trade liberalisation should be deliberate and gradual.

Current Gaps and Policy Recommendations

Current Gaps	**Policy Recommendations**
Different aspects of the tourism industry are overseen by different actors. There is need for improved coordination.	Establish an overarching institute for all tourism, such as a Ministry of Tourism.
The value chain between tourism products (e.g. combining MICE and leisure tourism) is underdeveloped.	RCB should link up with tourism intermediaries to offer/recommend integrated workshop plus leisure packages.
Need to improve the efficiency and uptake of backbone services to better benefit manufacturing/export sectors.	Develop a Services Strategy focused on backbone service sectors (transport, finance, business services, logistics, IT, professional services) with focus on service efficiency and uptake.
Rwanda is not optimally benefitting from cross-border trade with the DRC.	Develop a strategy to increase Rwanda's benefits from cross-border trade with the DRC. This should include improvement in data collection of cross-border trade, adjustment of border regulations to better facilitate repeated entry, and strengthening of cross-border market agreements (e.g. provision of emergency health care and facilitation of cross-border mobile payment).

Session 4: Realising E-Commerce in Rwanda

Chair: Jean Louis Uwitonze, DG Planning, MINEACOM

Presenters: Josephine Nyiranzeyimana, DG ICT, MyICT: ***"The SMART Rwanda Masterplan"***

Victor Steenbergen, IGC: *"Using Online Markets to bring trade benefits to SMEs"*

Hellen Ben Kalili and Christoph Bichsel, KASHA, "*Logistical Challenges to E-Commerce in Rwanda*"

Discussant: Ellen Kallinowsky, Principal Technical Adviser, Eco-Emploi programme, GIZ

Josephine Nyiranzeyimana, DG ICT, MyICT: "The SMART Rwanda Masterplan"

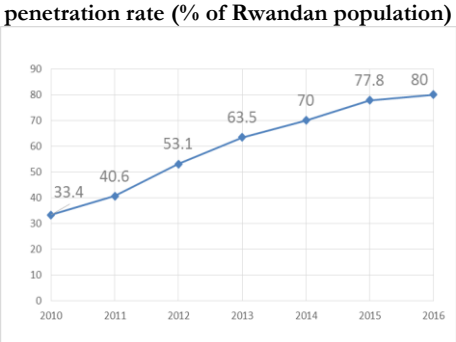
The four strategic objectives of MyICT are to develop a vibrant ICT industry, create a highly competitive services sector, promote social and cultural vibrancy, and improve the productivity of firms through ICT.

The strategy was rolled out in four stages: enabling environment, infrastructure development, service sector development (to encourage adoption and use of ICT) and finally, graduation to the knowledge economy by 2020. The Smart Rwanda Master Plan 2020 is Rwanda's plan for achieving this knowledge-based economy.

The foundations of the Smart Rwanda strategy are skills, infrastructure, and governance. The seven pillars are the sectors where ICT is expected to take off: i) Health, ii) Finance, iii) Trade and Industry, iv) Agriculture, v) Education, vi) Government, and vii) Women's Empowerment tech.

For Trade and Industry, ICT is hoped to contribute to the development of new products and services, and to fortify infrastructure such as transport and electricity.

Figure 7: Mobile-cellular phone penetration rate (% of Rwandan population)



Source: MyICT, 2015

Rwanda aims to be the ICT hub of Africa. Currently, phone penetration is at 80% (see Figure 7), and internet access is at 35%. From the 12 million population, there are 7.5 million mobile money subscribers and almost 56,000 mobile money agents.

A major focus is Irembo, Rwanda's portal for online government services. This already facilitates transfer of land titles, visa applications, driving license tests, birth and death registration, and replacement of national IDs. MyICT aims to offer all possible government services through Iremo in the near future.

Victor Steenbergen, IGC, "Using Online Markets to bring trade benefits to SMEs"

This presentation offered ideas for the e-commerce strategy being developed by MINEACOM. E-Commerce is critical because it is fast growing. In addition, it has low entry costs relative to offline trade: there is less need for in-country offices in the destination/source country, customs specialists, and the marginal costs to exporting to new countries are low. It is thus makes trade more accessible for Small and Medium Enterprises (SMEs).

The presentation highlights four key conditions for e-commerce success:

1. *Internet access* is critical. Relative to many Sub-Saharan African partners, internet usage has increased quickly in Rwanda. However, access is still well below the 45% levels seen in Kenya and Nigeria. Closely related to access, Rwanda has some of the most *costly* internet access in Africa, according to the International Telecomms Union.
2. *Customs regulation* is still a challenge for e-commerce for SMEs. Certain countries implement a 'de minimis' threshold, below which the normal exporting paperwork does not need to be completed. This stands at $400 per shipment in Rwanda, but may need to be raised further.
3. *Postal services* are another critical condition for e-commerce. So far, there is little middle ground between the cheap, but very slow and untracked national postal services, and the fast, tracked, but expensive private courier services.
4. *International money transfer infrastructure* should also be strengthened further. E-commerce creates a direct relationship between the SME exporter and the consumer, but making and receiving international transfers can be expensive, difficult, and often impossible (for smaller banks). If banks do not have a relationship with international banks, money can be lost in transit, raising a huge risk for small firms. The interoperability of mobile payments across networks also needs to be tackled, as the One Network Area has attempted to reduce roaming charges across the EAC countries.

Brazil offers a success story. In 1999, just 2.3% of Brazil's SMEs exported. They introduced the "Exporta Facil" ("easy export") programme in 2000, to simplify export procedures for SMEs: this reduced the number of forms to complete from 10 to 1; increased the de minimis threshold to $10,000 (and later, in 2008, to $50,000); and introduced cheap rates in the postal service, while having the postal service also take care of export paperwork. The impact were impressive: 40% of Brazilian exporters use the system, and 85% of these are new exporters. Users were also concentrated in poorer municipalities.

Kasha

Kasha targets women's health products like sanitary pads and contraceptives. People can simply dial *911# to see a product list and place orders. This provides a direct example of E-Commerce in Rwanda.

They key challenges observed by Kasha are:

- People do not load enough money onto their phones, often loading money only for specific regular purposes like electricity.
- People are not willing to purchase internet bundles for e-commerce. They want to use USSD short codes to make their purchase.
- USSD, voice services, and high-speed internet are still difficult to set up.
- The market does not always supply the right skills in programming.
- Informal addresses make delivery difficult: people often detail their informal area name, rather than the formal street number and name.
- Supply chain logistics are still challenging: postal services, delivering products up-country, and handling import delays all provide costly delays.
- Many people still prefer to use cash only.

Discussant: Hellen Kallinowsky, Principal Technical Adviser, Eco-Emploi programme, GIZ

The discussant raises the challenge that if e-commerce markets are often dominated by low-value consumer goods, what is their export potential? A suggestion was made to look into collection centres to reduce the costs of delivery. In Europe, this was the model for catalogue delivery. This can also help with payments systems and quality control/consumer protection. To facilitate E-commerce, programming skills

need to be accelerated even more, as the skills required are high level. The consumer protection law also has to be adjusted as this inadequately caters for the needs of E-commerce.

Current Gaps and Policy Recommendations

Current Gaps	**Policy Recommendations**
SMEs struggle to use online markets for e-commerce, due to data costs, customs regulations, weaknesses in postal services, and interoperability with international money transfer services.	Ensure the E-Commerce Strategy explicitly tackles internet access, facilitates customs regulations for SMEs, addresses challenges to postal services, and considers international money transfer and e-payment systems.
Consumer protection and intellectual property rights must be guaranteed for E-Commerce to succeed.	Reform consumer protection laws and intellectual property rights to better protect consumers and producers engaging in E-Commerce.
Need for additional programmers and ICT workers to kick-start ICT in Rwanda.	Promote training of programmers at vocational/university level.

Conclusion

A wealth of new ideas have been generated by the workshop on Trade and Export Promotion, as reflected in this report. These will now be considered by the Government of Rwanda to shape its trade policy in the near future.

As closing words to the workshop, MINEACOM's Principal Secretary, Mr. Innocent Safari, reported how he believed it to have been a very successful workshop of ideas. However, he also noted that the next workshop should be one of monitoring and evaluation, to see how far we have gone in implementing all the recommendations made. The Honourable Minister Kanimba provided a statement of support and commitment to moving forward with practical solutions. MINEACOM will look to incorporate high-potential policy proposals into the 2017-18 action plans of relevant institutions.

The Government of Rwanda may not be able to implement all good recommendations alone. It therefore calls out for the support of its development partners in order to provide financial and technical support that helps facilitate and implement these key new initiatives. It also calls on the private sector to play their part, where there are opportunities.

Equipped with a strong set of policy ideas and the collaborative efforts of the Government, the private sector, and development partners, Rwanda can see a strong improvement in its export sector that will create the necessary jobs and economic growth to elevate Rwanda into prosperity.

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Annex: Workshop Agenda

08.00 – 08.30 *Coffee and Registration*

08.30 – 09.00 **Opening Session**

Welcome: Richard Newfarmer & Jonathan Leape, IGC

Opening Remarks: Innocent Safari, Permanent Secretary, MINEACOM

09.00 – 10.15 **SESSION 1**

Using Trade to Boost Productivity and Competitiveness of Rwandan Firms

- Which sectors have greatest potential for strengthening Rwanda's exports and attracting FDI?
- How can trade be used better to boost productivity of Rwandan Firms?

Presenters: Annette Karenzi, DG Industry, MINEACOM: *"Boosting Productivity and Competitiveness through 'Made in Rwanda' and beyond"*

Dr. Phil English, IGC: *"Rwanda's Export Opportunities"*

Dr. Garth Frazer, University of Toronto: *"Impact of Imports on Rwandan Firms"*

Chair: Innocent Safari, Permanent Secretary, MINEACOM

Discussant: Leonard Rugwabiza, Chief Economist, MINECOFIN

10.15 – 10.30 *Coffee Break*

10.30 - 12.00 **SESSION 2**

Regional Value Chains and Trade Facilitation

- How can regional value chains for Rwanda's key exports be strengthened in the East African Community?

Presenters: John Spray, Cambridge University: *"Industries without Smokestacks in Rwanda"*

Ritwika Sen, IGC, *"Maize and Tourism Value Chains in East Africa"*

Dr. Ameet Morjaria, Northwestern University: *"Understanding Constraints to Value Addition in Rwanda's Coffee Sector"*

Emmanuel Hategeka, National Coordinator, Northern Corridor Integration Projects: *"Trade Facilitation & Transportation"*

Chair: Bill Kayonga, CEO NAEB

Discussant: Patience Mutesi, Country Director Trademark East Africa

12.00 – 13.00 *Lunch*

13.00 - 14.00 **SESSION 3**

The Importance of the Service Sector for Trade and Exports

- How does the services sector affect Rwandan firms' productivity and competitiveness?
- How can service sector exports be strengthened?

Presenters:	Ben Shepherd, Developing-Trade Consultants: *"Services Trade in the EAC"*
	Armin Lalui, Trademark East Africa: *"Cross-Border Trade in Services"*
	Frank Murangwa, Acting CEO of Rwanda Convention Bureau, RDB, "*Rwanda's Tourism Masterplan"*
Chair:	Leonard Mungarulire, Regional Integration Adviser, MINEACOM
Discussant:	Olivia Zank, Advisor to the Minister, MINEACOM

13.00 - 14.00 **SESSION 4**

Realising E-Commerce in Rwanda

- Why is E-Commerce important for Rwanda's export growth?
- How can E-Commerce be accelerated in Rwanda?

Presenters:	Josephine Nyiranzeyimana, DG ICT, MyICT: "The SMART Rwanda Masterplan"
	Victor Steenbergen, IGC: *"Using Online Markets to bring trade benefits to SMEs"*
	Hellen Ben Kalili and Christoph Bichsel, KASHA, "*Logistical Challenges to E-Commerce in Rwanda*"
Chair:	Chairman of the ICT Chamber
Discussant:	Ellen Kallinowsky, Principal Technical Adviser, Eco-Emploi programme, GIZ

15.00 – 15.55 **SESSION 5**

Roundtable: Ideas for Expanding Exports & Attracting FDI

- What are the most promising opportunities for export growth and attracting FDI in Rwanda?
- What policy proposals should be adopted to strengthen Rwanda's exports?

Panel Discussion:	Innocent Safari, Permanent Secretary, MINEACOM Leonard Rugwabiza, Chief Economist, MINECOFIN Stephen Ruzibiza, CEO, PSF Bill Kayonga, CEO NAEB Mark Nkurunziza, COO, RDB
Chair:	Dr. Richard Newfarmer, IGC

15.55 – 16.00 **Closing Session**

Closing Remarks:	Dr. Richard Newfarmer, IGC
Closing Statement:	Innocent Safari, PS, MINEACOM

16.00 – 17:00 *Drinks*