

REPUBLIC OF RWANDA



FINAL DRAFT

Diagnostic Trade Integration Study Update

Kigali, July 2011

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ACROYNMS AND ABBREVIATIONS

AfDB	African Development Bank
AGOA	Africa Growth and Opportunities Act
BDS	Business Development Services
BICS	Business Investment Climate Survey
BPO	Business Process Outsourcing
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
DFID	Department for International Development, UK Government
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EBA	Everything But Arm Initiative
EDPRS	Economic Development and Poverty Reduction Strategy
EDRC	Entrepreneurship Development Resource Centre
EIF	Enhanced Integration Framework
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FWC	Fully Washed Coffee
GDP	Gross Domestic Product
GNI	Gross National Income
GoR	Government of Rwanda
HCID	Human Capital & Institutional Development of RDB
ICT	Information Communication Technology
IGC	International Growth Centre
ITC	International Trade Centre
LDC	Least Developed Country
MDGs	Millennium Development Goals
MFI	Micro-Finance Institutions
MIFOTRA	Ministry for Public Services and Skills

MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINELA	Ministry of Environment and Lands
MINICOM	Ministry of Trade and Industry
MININFRA	Ministry of Infrastructure
MINIFOM	Ministry of Forestry and Mines
MSME	Micro, Small and Medium Enterprise
MTS	Multilateral Trading System
NBR	National Bank of Rwanda
NDTPF	National Development Trade Policy Forum
NISR	National Institute of Statistics
OGMR	Rwanda Geology and Mines Authority
ORLT	Office of Registrar of Land Titles
OTF	On The Frontier
PPD	Public Private Dialogue
PPP	Public Private Partnership
PSC	Private Sector Cluster
PSF	Private Sector Federation
RDB	Rwanda Development Board
RIMP	Rwanda Industrial Master Plan
RRA	Rwanda Revenue Authority
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
TNCs	Trans-National Corporations
TVET	Technical and Vocational Education And Training
UNDP	United Nations Development Programme
WBG	World Bank Group
WDA	Workforce Development Authority

1. INTRODUCTION AND BACKGROUND

The Republic of Rwanda's first Diagnostic Trade Integration Study (DTIS) was completed in November 2005. The objective of this DTIS was to assist the Government of Rwanda (GoR) in defining a strategy and an integrated approach towards promoting greater participation in regional and global trade markets. The first DTIS drew its lead from Rwanda's Poverty Reduction Strategy Paper (PRSP). In September 2007, the Government of Rwanda published its Economic Development and Poverty Reduction Strategy (EDPRS), which covers the period 2008-2012 and provides a medium term framework for achieving the country's long term development aspirations as embodied in Rwanda Vision 2020, the seven-year Government of Rwanda programme, and the Millennium Development Goals (MDGs).

This document is the update of the first DTIS. The paramount objective of this DTIS update is to identify the challenges and issues that are continuing to hamper the integration of Rwanda into the Multilateral Trading System (MTS) and to ensure that the mainstreaming of trade issues are aligned with the EDPRS as well as the key policies and strategies of the government of Rwanda.

In updating the DTIS, the following are acknowledged for their participation and support in the exercise: UNDP, DFID, ITC, OTF, WBG, EU, MINICOM, IGC, NDTPF and the EIF Secretariat (Rwanda).

1.1 SUMMARY OF PERTINENT ISSUES OF THE UPDATED DTIS

The DTIS update starts by analysing the trade issues in a holistic approach to understand the challenges. It then highlights Rwanda's integration activities into the Multilateral Trading System (MTS) based on matters that have an emphasis on export growth, domestic production, areas where the private sector needs support and the proper enhanced environment to trade.

The DTIS update notes that Rwanda's trade integration continues to be challenged largely by supply side constraints and cost of doing business issues, some of which relate to cross border constraints.

The DTIS update also notes that strengthened inter- and intra-institutional coordination is key to ensuring that an environment conducive to achieving increased levels of competitiveness and an appropriate mechanism to ensure proper monitoring and evaluation must be put in place.

The DTIS update includes the DTIS Action Matrix with activities that are prioritised based on their impact on trading internally and externally, while identifying the gaps and major constraints to trading that could not be easily facilitated by the private sector. This means, the actions/activities lean towards creating a conducive environment for private sector and SMEs to flourish, so that they play an important role in trading and the economic growth of Rwanda. These activities range from having appropriate infrastructure to having a good business and environment to an institutional framework that will facilitate trade issues being mainstreamed among key stakeholders for the economic growth of the country.

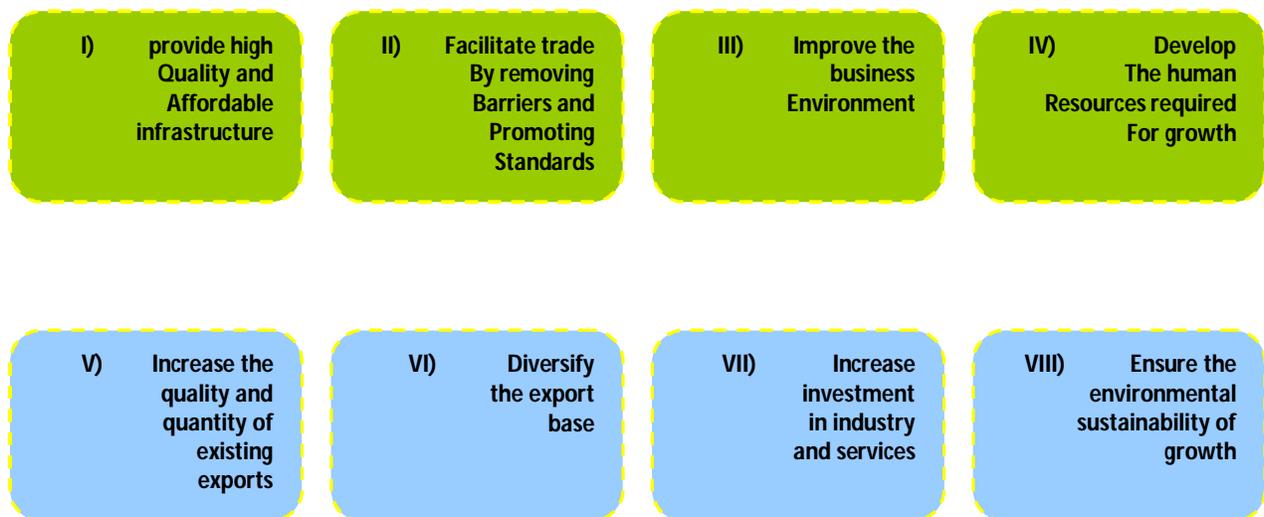
1.2 METHODOLOGY

The DTIS update was done by the NDTPF members through consultation with different Government policies and strategies and came up with a working document which later was shared by all stakeholders in all districts for their inputs. Comments to the first draft DTIS update were incorporated; this was followed by consultative workshops at provincial level to get comments on the identified key challenges/constraints that will assist the Government of Rwanda in defining a strategy and an integrated approach towards promoting greater participation in regional and global markets. The workshops involved vice mayors in charge of economic affairs, districts' executive secretaries, Private Sector representatives, traders, farmers, representatives of cooperatives, Rwanda Revenue Authorities, bank representatives and all Business Development Center representatives. The main recommendations from these workshops were;

1. The importance of developing the infrastructure required for growth
2. Facilitating trade by removing barriers and promoting standards
3. Creating a conducive business environment
4. Promoting human resource
5. Developing value chain for exports
6. Diversifying the export base to substitute imports
7. Promoting investment for economic growth
8. Ensuring environmental protection

Workshop participants proposed activities for each of these recommendations and suggested responsible institutions and timeframes for implementation. This information helped in updating the DTIS Action Matrix. These recommendations were aligned to key Government policies related to trade, in particular Rwanda Industrial Policy and Industrial Master Plan (RIMP), the Small & Medium Enterprise Policy and National Export Strategy. They are also closely aligned with private sector development reporting framework, including trade and development in EDPRS, as seen in Figure 1.

Figure 1: Framework of outcomes for structuring the DTIS



1.3 STATUS OF IMPLEMENTATION AND KEY LESSONS

The primary objective of the DTIS was to assist the Government of Rwanda in defining a strategy and an integrated approach towards greater participation in regional and global markets. The DTIS set out four key messages. The first message of the DTIS was that trade can, and must, play a key role in achieving the ambitious targets that Rwanda has set for growth and poverty reduction. The second message stated that efforts to improve rural incomes needed to focus both on increasing agricultural production and productivity in traditional export industries and on developing non-traditional activities. The third message was that strengthening traditional exports is complementary to a policy of diversification. The fourth message was that the key barriers to trade are supply-side restrictions in Rwanda.

A key element of the report was an assessment of the main obstacles to trade both within Rwanda and in foreign markets. The study identified weaknesses and barriers preventing Rwanda's integration into regional and global markets. The report classified the constraints into four broad categories:

1. Barriers that directly raise the costs of trade and limit linkages with markets. The report identified the main factors that effectively increase the distance of Rwanda from world markets and that directly reduce the returns to trading activities in Rwanda as transport and communication costs and customs.
2. Constraints on the ability of households to move into commercial activities. These were identified as Lack of access to credit; lack of organization of the rural sector; Lack of access to energy; Lack of extension services.
3. Weaknesses in the climate for investment and for private sector development
4. Lack of institutional support for trade and export diversification. The report identified a need to strengthen institutions that support trade and investment and that are crucial in facilitating the move to a more diversified export base. The key institutions identified were those responsible for (i) trade policy and in defining and representing Rwanda's interests in regional and multilateral negotiations; (ii) export promotion and export development; and (iii) standards and quality.

1.3.1 Key Achievements

In line with the priorities that had been articulated by the DTIS study, the focus was on the implementation of an integrated approach to trade, investment, and sector development activities for traditional as well as non-traditional areas with high growth potential. Further, it provided a framework to better integrate the efforts of key stakeholders to promote pro-poor trade and investment and assist Rwanda's progress towards the Millennium Development Goals (MDGs). The report further identified a number of *complementary sector-specific initiatives in the key sectors of coffee, tea and tourism that were seen as necessary for the targets of the growth strategy to be met*. In addition, certain sectors, and in particular, ICT, horticulture and handicrafts, were identified as the main potential drivers of diversification of the Rwandan economy.

The DTIS presented priorities and key actions needed to address the underlying constraints to trade. It also specified an appropriate timeframe, the responsible bodies within Rwanda, a suggested monitoring indicator and finally the source of existing and potential donor support. Funding gaps were identified and the donor facilitator (DFID) organized donors to discuss potential funding opportunities. These gaps were presented to the Steering Committee who then prioritised key actions and thereafter, funds were mobilized to implement the actions accordingly.

In this respect, an amount equivalent to 1,309,800,000 Frw was mobilized from Government of Rwanda and other Development Partners were used to implement the identified programmes and activities. Many of the DTIS recommendations were also taken forward through a variety of other agencies and with wide-ranging funding sources. In this regard, the achievements include the following;

Improving Business Environment: There was a successful Government funded review of business-related laws, setting out a clear path for the revision of relevant laws and highlighting the key areas for improvement. A number of business related laws and reforms were successfully carried out and the business environment in Rwanda has improved. For example, Rwanda did not only achieve the double digit ranking it was

eyeing in the 2010 World Bank ‘Doing Business Report’, but the nation emerged as the top reformer in setting up a conducive business environment. It took a massive leap from its previous ranking of 143rd, to 67th out of 183 countries and currently, Rwanda’s ranking in 2011 is 58th.

Improvement of the legal and policy framework for Cooperatives: The Government-funded development of national cooperative policy and cooperative law was successfully carried out and this has improved the effectiveness of cooperatives hence benefitting the individuals who are members of the respective cooperatives. The Government of Rwanda has now an Independent Agency for Cooperatives – (Rwanda Cooperative Agency).

Improvement of tax related administrative issues: DFID support to Rwanda Revenue Authority to increase its capacity to collect revenue efficiently and effectively, through training, implementation of ASYCUDA++ and improving the customs valuation procedures. There are other related reforms that were done including revising the warehousing regulations and the removal of MAGERWA Fees of 3% (C.I.F) that have been welcomed by the business community.

Trade promotion: GTZ and World Bank supported the development of trade points.

Cold storage facilities: Royal Netherlands Embassy supported for the development of cold storage facilities at the airport, as well as support to micro hydro-electricity centres and rural electrification programmes.

Commission of policy studies: Relevant support was provided for consultancy to evaluate the impact of rules of origin, revenue and trade. The impact as well as policy related issues were identified and the recommendations were made available to the stakeholders.

Technical assistance to trade negotiators and analysts: Technical assistance was provided to strengthen analytical and negotiation capacities through training in negotiation capacities for the National Development and Trade Policy (NDTPF) members.

Support to the Coffee Sector: Technical assistance was provided to OCIR-CAFE for establishment of Coffee Marketing Alliance. In the same area, support was provided to the participatory rural Development project connecting 8 coffee washing stations (27km).

In addition, resource mobilization campaigns were carried out especially for the government of Rwanda to top up funds for participatory rural development for enhanced access to coffee washing stations.

Support to Trade Negotiations: In addition to supporting the trade negotiators in terms of training them and building their negotiations skills, financial support was also provided for the EAC Common market Protocol and EPA's negotiators to participate in regional meetings.

Support to the Tourism Sector: A Study to identify the tourism potential in Rwanda by the Tourism Board (ORTPN) was financed and successfully carried out. Also, the handicrafts subsector was supported through the mobilization of women to join cooperatives for handicrafts where they were given relevant trainings and facilitated to access markets.

Capacity building: A number of capacity building programs were successfully carried out for MINICOM and its Agencies. Some of the capacity building programs included specific training within the country and abroad, including the 4 staff who were sponsored for Masters Degree Programs in Project management.

Other support: A number of upcoming processing factories were facilitated and supported, such as those in the area of fruit processing. Also, there is now improved communication to the Ministry's stakeholders, for example the MINICOM trade magazine/ newsletter is now being produced quarterly and distributed to partners and stakeholders.

1.3.2 Key Lessons from the IF in Rwanda

- Trade mainstreaming has to be done in a holistic manner to ensure its effective integration into Rwanda's development agenda. The mainstreaming must be done at the policy level – with the integration of trade into key policies and strategies; at the institutional level – with the effective coordination of actors involved in trade; and with regards to dialogue and engagement between the Government of Rwanda and donors. The IF can play a role on these three levels by supporting effective policy formulation, strengthening institutional capacity and by coordinating donor interventions in trade.

- The DTIS can serve as a useful framework for the Ministry of Trade to raise trade related priorities with donors. Beyond the DTIS however, there is a need for a structured framework for the GOR to raise Trade related issues and coordinate interventions with donors. The IF has to play a more assertive role in this regard.
- As much as possible, the IF activities have to be mainstreamed into the government of Rwanda structures, processes, priorities and plans. This will ensure ownership of the key activities by stakeholders as well as effective coordination of the government institutions involved in trade related interventions. In particular, the activities and priorities identified in the DTIS have to be aligned with the key policies and strategies of the government.

2. CHALLENGES AND CONSTRAINTS

2.1 CHALLENGES IMPACTING ON COST

A number of factors impact on the costs faced by trading Enterprises – these include infrastructure, the ability to formally trade across borders, the business and regulatory environment, and access to human resources. Each of these are constraints to trade in Rwanda.

2.1.1 Infrastructure

Weaknesses in infrastructure remain a key constraint to trade and business growth in Rwanda. Energy cost is a major impediment to the Rwandan industrial sector. Biomass, such as wood, charcoal and peat accounts for 85% of Rwanda’s energy supply. The remaining share of energy is from petroleum (11%), and electricity (3%).¹ Rwanda has an installed 95.24 Megawatts (MW) of electricity capacity, whereas the available capacity currently stands at 84.85 MW. Rwanda has low per capita electricity consumption relative to the East Africa Community: only 13% of the population has access to electricity, and there are reported power outages. Electricity generation cost is high and the feed in tariff of power is high with 112 RWF/kWh for households and RWF 102/kWh for industries, despite GoR subsidizing the utility. Rwanda’s electricity cost at \$0.24/Kwh or 24 US c/Kwh is at least double that of its neighbours. 64% of businesses surveyed in

¹ NISR – In constant 2006 prices.

the 2008 Business Investment Climate Survey cited access and cost of electricity as a major constraint.

However, there is a high commitment of the GoR to boost the power sector to serve as an engine for socio-economic development. A Power Sector Steering Committee chaired by the Prime Minister has been put in place and an inter-ministerial taskforce is in place to assist the Ministry of Infrastructure to implement the 7 year electricity development program, with the aim to have a cumulative installed capacity of 1000 MW and access rate of 50% by 2017. In addition, the GOR is developing a \$325 Million methane extraction facility on Lake Kivu that will reduce the country's dependence on imported oil². Sufficient supply and efficient use of energy are important factors for economic development. The GoR is now putting emphasis on energy production and its distribution.

With its mountainous terrain and associated rainfall erosion, the country's rural road network also poses a challenge in trading – for which the maintenance cost is twice higher than that of most Sub-Saharan countries. The country's road network of 14,000 km, spread over barely 27,000 square km of national territory, is among the densest in Sub-Sahara Africa, and far exceeds its human and financial capabilities. Recent sector surveys have found that 45 per cent of Rwanda's paved national road network was in good condition, while around 15 per cent of earth national roads and 18 per cent of district roads were in good condition³. The development and maintenance of physical road infrastructure are prerequisites for rapid economic growth and poverty reduction, as they influence production costs, employment creation, access to markets, and investment opportunities. A poor road network is therefore a constraint on trade and commerce within Rwanda.

² <http://www.estandardsforum.org/system/briefs/306/original/brief-Rwanda.pdf?1257782000> of October 7, 2009

³ Ministry of Infrastructure Road Maintenance Strategy of 2008

2.1.2 Trading Across Borders

Being a landlocked country 1,740 km from the Port of Mombasa and 1,480 km from Dar es Salaam, Rwanda's transport costs represent as high as 46 per cent of export and import values. Furthermore, there are additional costs to trade across Rwanda's Northern and Central Corridors, which are avoidable. These Non-Tariff Barriers (NTBs) include the weighbridges, roadblocks, corruption along the way and border forms which are not standardised, to name a few. Bureaucracy at border-posts and at the ports used by Rwandan traders is also a cumbersome bringing additional costs and delaying the speed and turnover of trade. Nevertheless, Rwanda has reduced the number of trade documents required at and enhanced its joint border management procedures with her neighbours, leading to an improvement in the trade logistics environment.

On the positive side, Rwanda is now integrated into the East African Community (EAC), currently implementing the Customs Union and Common Market Protocols. This also aligns with Rwanda's membership of the COMESA area. Together, this means that Rwanda has unprecedented access to the markets of regional countries. Furthermore, trade agreements in the international arena means Rwanda now has greater access to EU markets through the Economic Partnership Agreement (EPA) as well as with the US through the African Growth and Opportunities Act (AGOA). There are therefore now clearly markets for Rwanda to access.

However, in order to access these diverse markets, Rwandan traders face the challenge of meeting standards – these standards can be international, regional or national – and cover almost every conceivable export product. The Rwandan Bureau of Standards (RBS) faces the tough task of enforcing standards of goods coming into Rwanda while providing testing and support to those Enterprises exporting. The complexity of many products and processes means that this can be a difficult and expensive process, with additional costs for trade.

2.1.3 The Business Environment

Paying taxes: The business community continually informed working groups of the costs and cumbersome processes they must undergo in order to comply with taxes. Whereas Rwandan taxes are similar to those in the region, a perception by businesses is that the system is complex to understand, requiring the hiring of professionals to administer and thus increasing the costs of doing business. The Rwanda Revenue Authority (RRA) is reaching out to tax payers through workshops and sensitisation seminars to make sure businesses or tax collectors understand the tax rules.

Accessing land: Despite improved land property registration processes, the cost and lack of availability of land provide a challenge to starting and expanding a business. Rwanda has a hilly topography; more than 50 per cent of farm holdings have experienced severe forms of soil erosion. The legal framework and supporting institutions need continued constructive assistance. This can be seen as the Kigali Special Economic Zone is being set-up and the strengthening of the Kigali City One Stop Construction Centre.

2.1.4 Vocational Training

Recruiting and training sufficiently skilled staff is seen as a major difficulty by Rwandan businesses. It has been noted that an adequate technical and vocational education and training (TVET) sector is crucial to overcome this difficulty and ensure that a wide range of skilled technicians and professionals are available. Workgroups found the belief that Rwandan society's apparent lack of value placed on the importance of practical skills is a significant challenge to be overcome. Also, social values can give instructors of vocational training a low reputation, a situation accentuated by the low salaries they receive. Cognizant of the above, the GoR set up the Workforce Development Agency (WDA) to spearhead the training in the vocational sector.

2.2 CHALLENGES ASSOCIATED WITH GROWTH OPPORTUNITIES

With a base of inputs – good infrastructure, few barriers to trade and access to markets, an effective business environment, and access to sufficiently skilled labour – businesses would face lower costs and thus a better chance to grow. However, there are still other challenges and issues that compromise Rwanda's pursuit and exploitation of growth

opportunities. These are centred on the choice of potential sectors – adding value in existing export sectors, while diversifying and exploiting demand opportunities in new goods and services. The Industrial Policy and the National Export Strategy selects ten clusters:

Short Term: Agro-processing (*including pyrethrum, dairy, vegetable oil, soaps and detergents*); ICT; high-end tourism; textiles (*including silk, leather & leather goods*); minerals processing;

Medium Term: Construction materials (*including cement*); Pharmaceuticals; chemical products (*including fertilizers*);

Long Term: Building materials (*metal parts and structures*); bio plastics; other high-tech industries.

These clusters will serve as basis for the DTIS prioritisation in terms of sectors for support.

Constraints also include barriers to increasing investment. This includes Enterprises' access to the finance they need to invest together with ensuring this investment is well-targeted by providing a range of Business Development Services (BDS) to Enterprises Micro, Small and Medium Enterprises including the selection of appropriate technology, research and development and business competency development. Finally, Enterprises must be encouraged to be environmentally sustainable – the negative impacts of waste and pollution can otherwise restrict the long-run growth of the economy as well as wellbeing of the population.

2.2.1 Limited value addition of existing exports

Rwanda is heavily reliant on its traditional export sectors of tea and coffee, as well as the more recent growth industry of minerals. Together these consistently constitute around 90 per cent of exports. These sectors face volatile international prices particularly coffee and minerals exports, which can lead to sharp variations in the export receipts of the country, leading to an unstable balance of payments position. Other existing exports with much smaller shares include hides and skins, horticulture including pyrethrum, as well as

handcrafts. A much larger sector in services attracting huge revenues of foreign currency is the Rwandan tourism sector.

International markets for most of Rwanda's existing exports are very large and have complex chains of added value. In these international value chains, with the exception of tourism, Rwandan production is firmly towards the bottom end. Higher value added in these sectors – for instance the roasting of coffee, or the production of leather and leather goods as opposed to exporting raw hides and skins – offers the strongest potential for Rwanda to increase its role in global trade.

However, at present, Rwanda's existing export industries face a number of constraints to value addition. These include those faced by other Enterprises (skills, finance etc.), but also challenges specific to them. For example, in the tea sector, policy has been driven by the privatisation of tea estates and factories, in order to promote efficiency. In horticulture, cold storage was a key component of the first DTIS (2005), and is now in operation, although producers still face challenges in transporting their goods from Rwandan farms to Kigali. It is hoped, the Horticulture and Tea Investment forum held early in November 2010, will address some of the challenges in these sectors.

2.2.2 Limited diversification of exports

As stated above, Rwanda is still over-reliant on a limited export basket dominated by low value added commodities. Diversification of the export base is therefore required. Furthermore, with over \$1 billion of imports, there are a number of industries in which it would be beneficial if Rwandan Enterprises could compete⁴. Entering into new export markets is a process fraught with market failures – for example a firm entering a new market takes on risks and if successful, would see the benefits accrue to other Enterprises, hence the firm may refrain from entering the new market, hurting the Rwandan economy as a whole. There is therefore a role for Government and policy action to encourage experimentation in new markets for goods and services.

⁴ Ibid.

The promotion of alternative sectors for diversification requires intelligent and flexible policy-making that rewards success but does not subsidise failure. RDB has undertaken work to identify clusters that have the best chance of becoming new and lucrative export markets for Rwanda. Each of these markets face a specific set of challenges and constraints to overcome if they are to succeed. Sectors identified include Business Process Outsourcing (BPO), specialised tourism, mining services, processed fruit and vegetables, silk textiles and dairy. Furthermore other work by the President's Office has suggested the promotion of the pharmaceuticals, metals and bio-plastic sectors. All selected sectors will require support and capacity building in the short to medium-term to maximise the chances of success.

The National Export Strategy (NES) frames and identifies the components that contribute to competitiveness, through leveraging cross-cutting and sector - specific solutions, and recommending prioritized initiatives. The cross-cutting issues identified include:

- **Market Opportunities** - Identifying market opportunities including demand trends and strategically choosing the highest priorities. This will leverage Rwanda's various trade agreements and preferential market access linkages.
- **Trade Facilitation and Promotion** - Trade promotion consists of programs to develop cross - border trade, by assisting exporters and optimizing trade infrastructure. It complements trade promotion efforts by improving the country's image as an efficient trading centre. The NES suggests a coordinated approach to trade facilitation and promotion, which can be easily monitored and evaluated, for the most effective use of government resources. A key activity is the launch of the Rwanda Exporters Development Program (REDP), which involves registering all Rwandan exporters into an export development program to facilitate provision and monitoring of technical assistance to Rwandan exporters.
- **Monetary and Fiscal Policies affecting Exporter Incentives** - The monetary and fiscal policies that comprise an incentive framework for exports, which include the exchange rate, tariffs and taxes/subsidies. They either encourage or discourage exports by changing export prices relative to domestic prices. The NES establishes a framework to review these, to reduce an anti-export bias.

- **Business Environment** - The ease of doing business by the private sector, especially in relation to government policies, procedures and actions. For example, this would include WB Doing Business metrics, such as starting a business, obtaining construction permits, employing workers, enforcing contracts, closing a business as well as safety, property security, and government transparency. It also includes the broader enabling environment. The NES identifies initiatives that are aligned with on-going efforts for improving Rwanda's business environment, for increasing export levels.
- **Finance & Investment** - This involves the private sector's ability to access start-up funding, development funds, working capital, credit products, insurance, investment and trade finance. The NES identifies initiatives to mobilize extensive investments to attract capital, technology and FDI into the identified priority sectors and cross-cutting investments in infrastructure to improve exports.
- **Infrastructure** - These are man-made structures (such as roads, electricity, and water) that facilitate the flow of goods and services. Rwanda's export competitiveness is hampered by infrastructure challenges, particularly in energy and transport. The NES identifies strategic investments needed in infrastructure to boost Rwanda's export competitiveness in the medium to long term.
- **Branding** - Involves influencing feelings, associations and experiences connected with Rwanda, particularly related to exports of goods and services. This is a key element for the differentiation of Rwandan exports, and the NES identifies activities for strengthening the Rwandan export brand.
- **Leveraging ICT** - The NES aims to use ICT to improve Rwanda's key sector and general export competitiveness. In order to achieve Vision 2020 goals of becoming a knowledge - based economy, high - tech capacity must be developed to generate foreign currency and to infuse higher productivity into established sectors. The NES identifies activities for this purpose and examines linkages between high technology firms and Rwanda's developed industries.
- **Human Capital Development** - This requires education and training, skills, attitudes and motivation necessary for export competitiveness. It includes professional degrees and certifications and job -related skills. Education,

knowledge and investments in R&D will allow Rwanda to develop knowledge - intensive production and export competencies. Human capital investments must also be made at the sectoral level to improve the sectors' competitiveness. The NES identifies the need for human capital development to implement its national and sector export strategies

- **Gender, Youth & Environmental Sustainability for Competitiveness** - This involves supporting networks of inclusivity systems that boost export competitiveness in an environmental and socially sustainable manner. The NES identifies activities and initiatives to ensure that vulnerable groups in the society are mainstreamed into export development efforts. It also highlights that Rwanda's export development should be carried out in an environmentally sustainable manner.

2.2.3 Lack of investment in productive sectors

Like many developing countries, Rwanda's banks and other financial institutions do not lend at levels that meet the demands of the commercial sector. Lending is constrained by costs and risks arising from five factors crowding out by government bonds, asymmetrical information, and inadequate skills for assessing and managing risk. Many steps are underway to address these issues, including the improvement of lending-related laws, strengthening of court enforcement systems, and creation of credit information resources and special funds for SME growth. At the same time, issues such as building trust in the economy through, among other approaches, strengthened rule of law and court enforcement, increased levels of savings as well as specific sectoral concerns must be considered as reform moves forward.

Finance is the most significant factor constricting investment and enterprise growth, but other factors are also significant. This includes an insufficient base of entrepreneurial and business skills, lack of research and development capacity to service priority products, lack of tailored trade and market information services that potential clients are willing to pay for, and lack of storage facilities and packaging capacity among others. Although Business Development Services (BDS) are now offered across Rwanda, with the new SME Policy, they will be getting support from a special fund at the Rwanda Development

Bank, while RDB will be providing some technical assistance in the running of these BDSs.

2.2.4 Environmental degradation

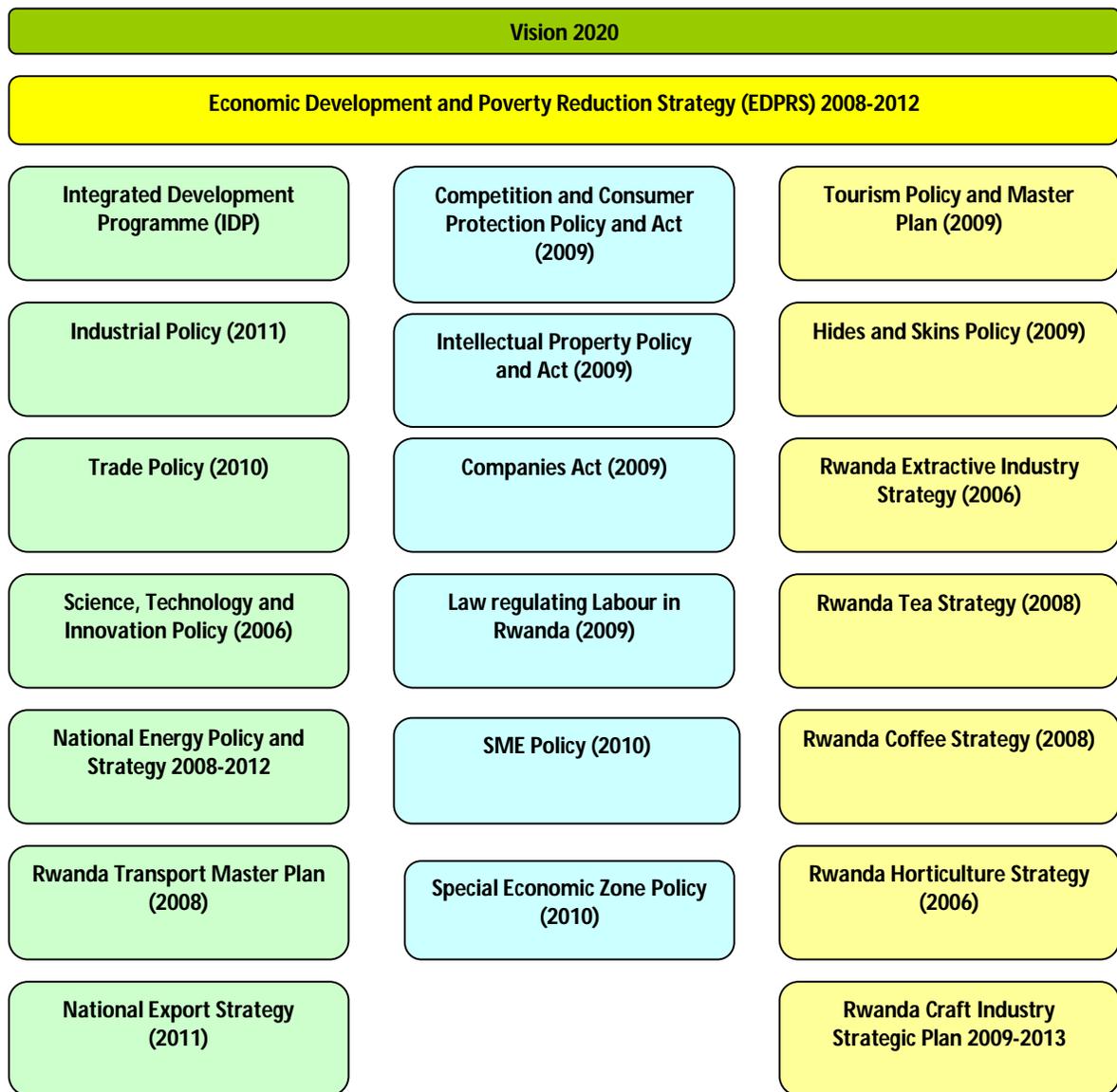
The barrier that can compromise growth opportunities, particularly in the long-term, is the environment. Enterprises interact with the environment in many complex ways, and can easily damage the environment through their waste, for instance through the problem of the contamination of water supplies. Although Enterprises may not face the costs of their waste products themselves, the wider community can see its wellbeing and growth prospects damaged through the degradation of the environment in which it lives and works.

Government therefore has a key role in ensuring that this market failure does not damage long-term growth prospects. Environment impact assessments (EIAs) are an important tool for ensuring that new investments will not damage the environment, or where they do, that this will be dealt with through mitigating actions. For example, Enterprises should be supported to deal with their own waste, at source, particularly where it includes complex chemicals and dangerous metals.

3. INSTITUTIONAL FRAMEWORK FOR THE DTIS

As shown in Figure 2, the context for this DTIS has changed significantly since the first DTIS in 2005. There have since been a number of guiding policy documents, new legislation, and sector policies and strategies, all seeking to deliver the goals of Vision 2020 and the EDPRS. This provides a complex array of policy actions for the DTIS Action Matrix to promote, prioritised by the stakeholders and “end-users”. Institutional coordination is therefore crucial to ensure that key priorities in the sector are delivered upon.

Figure 2: Policy, Legal and Strategic context for DTIS Update 2010



3.1 CONSULTATIVE ARRANGEMENTS IN TRADE AND DEVELOPMENT

The development of trade requires the involvement of a wide range of actors and needs to be an inclusive process embracing all stakeholders. One key forum for consultation is the **Private Sector Development Cluster (PSC)**. This Cluster reports to MINECOFIN under the ongoing Joint Sector Review and Joint Budget Review process, a monitoring and evaluation structure for the EDPRS. The Cluster meets every six weeks to discuss key

issues in the sector. It is chaired by MINICOM and is co-chaired by a development partner. The forum is a crucial arena for bringing together development partners, Government and the private sector in dialogue on a range of issues on trade, the wider business environment and the Private Sector. A further forum on trade and development issues is the **National Development Trade Policy Forum (NDTPF)**, which also serves as the steering committee for the Enhanced Integrated Framework (EIF). The NDTPF meets a few times a year and can be used to make key decisions on the approach of Rwandan trade negotiators in regional and international trade negotiations. It is therefore a very important consultative mechanism. It could however be more closely linked with the other key forums noted above as this would enhance its visibility and effectiveness.

The Rwanda Trade Policy (2010) proposes a two-tiered structure for coordinating trade and trade related institutions. The structure consists of:

- A broader technical and consultative forum for trade policy formulation, implementation and trade negotiations – The National Development and Trade Policy Forum (NDTPF)
- A senior level policy making committee that will constitute the governing and coordinating mechanism under which inclusive decision-making takes place on formulating, adjusting and implementing the development-oriented trade policy

The National Development and Trade Policy Forum consists of representatives from MINAFFET, MINECOFIN, MINIJUST, MINEAC, MINAGRI, MININFRA, MINELA, MINFORM, MIFOTRA, RRA/Customs, PSF, National Bank of Rwanda, Rwanda Development Board, RURA, RBS, OCIR café, OCIR The, REMA, Department of Immigration and Emigration, National Institute of Statistics, Institute of Policy Analysis and Research, Primature, Strategic Unit (SPU), Presidency, Academia, Civil Society as well as industry representatives from the private sector.

The Trade Policy also proposed that the senior policy making level committee is to be composed of Permanent Secretaries/Heads of Institutions or their representatives. The Committee will be responsible for the overall supervision of Trade Policy Formulation,

Negotiations and Implementation and the mainstreaming of Trade into Rwanda's development programs and objectives. The Trade Policy further proposes that Non ad-hoc trade related structures such as the Integrated Framework (IF) and the National Monitoring Committee (NMC) on Non Tariff Barriers would report to the Committee through the NTDPF on a quarterly basis.

The Department of Trade and Industry would serve as the Secretariat for the National Trade Forum by coordinating its activities, preparing discussion papers as well as the other administrative activities that are essential to its proper functioning

3.2 INSTITUTIONAL CO-ORDINATION

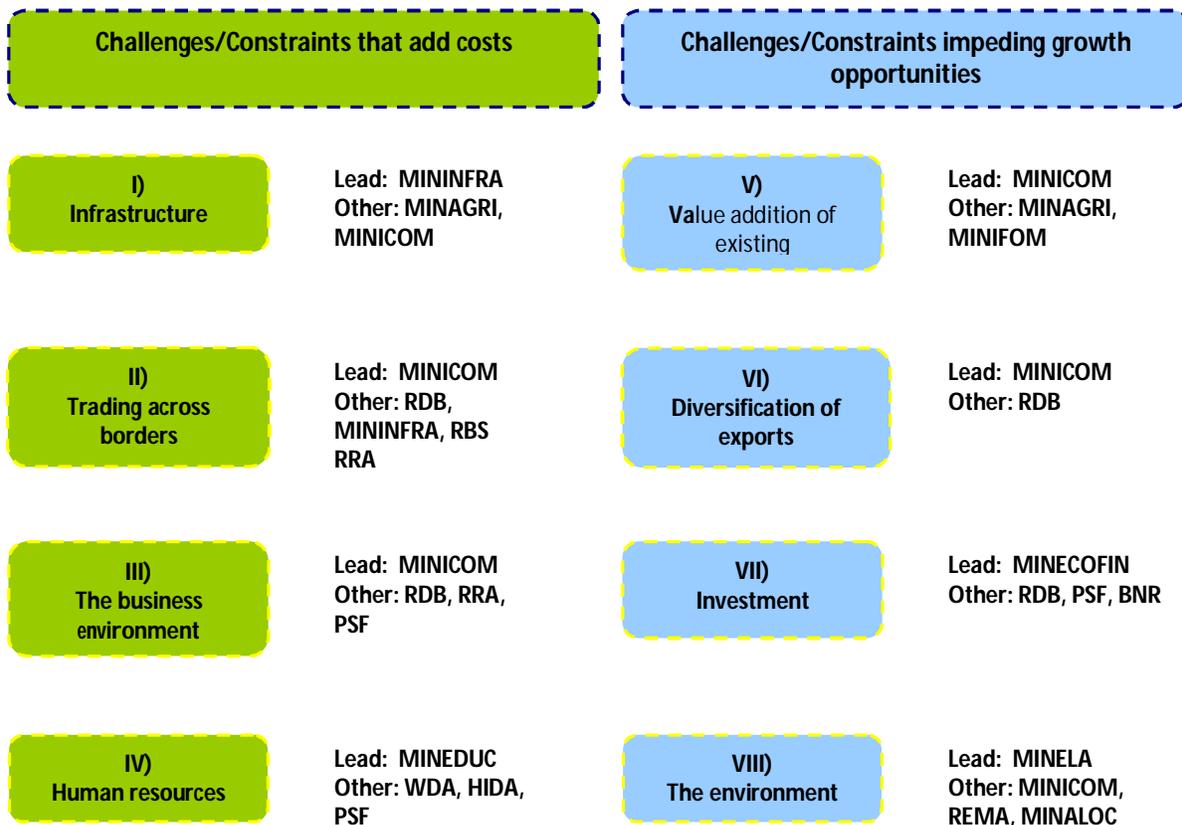
There now a number of key institutions engaged in promoting trade either directly through removing barriers and promoting exports, or indirectly through increasing the productive capacity of the Rwandan economy. As section A) and B) showed, efforts should be co-ordinated around understanding the challenges and removing the key constraints to trade for Rwanda, both internally and externally.

Another set of constraints consists of those that impede growth opportunities given the deep-rooted cost structure of the Rwandan economy in terms of infrastructure, regulations and skills (From section B) above). This includes the sectors that should be targeted – whether existing exports, diversified exports, domestic production, investment services and access to finance, and the environmental impact of growth. The key institutions in these areas include MINICOM, MINECOFIN and for the environment, MINELA. They also include a number of other institutions, principally RDB, MINAGRI.

With such a large number of institutions involved, co-ordination between them is absolutely crucial, both to avoid duplication of efforts, and to ensure that efforts made and resources spent are complementary to one another, giving Rwanda the best chance of meeting its long-run goals of growth, structural transformation, employment creation and poverty reduction. Furthermore, this should include better co-ordination with

development partners working across the sector. Information sharing will be absolutely vital to ensure that this occurs, but as will centralisation of co-ordination efforts.

Figure 3: Some Key Challenges and Institutions to lead efforts to overcome them

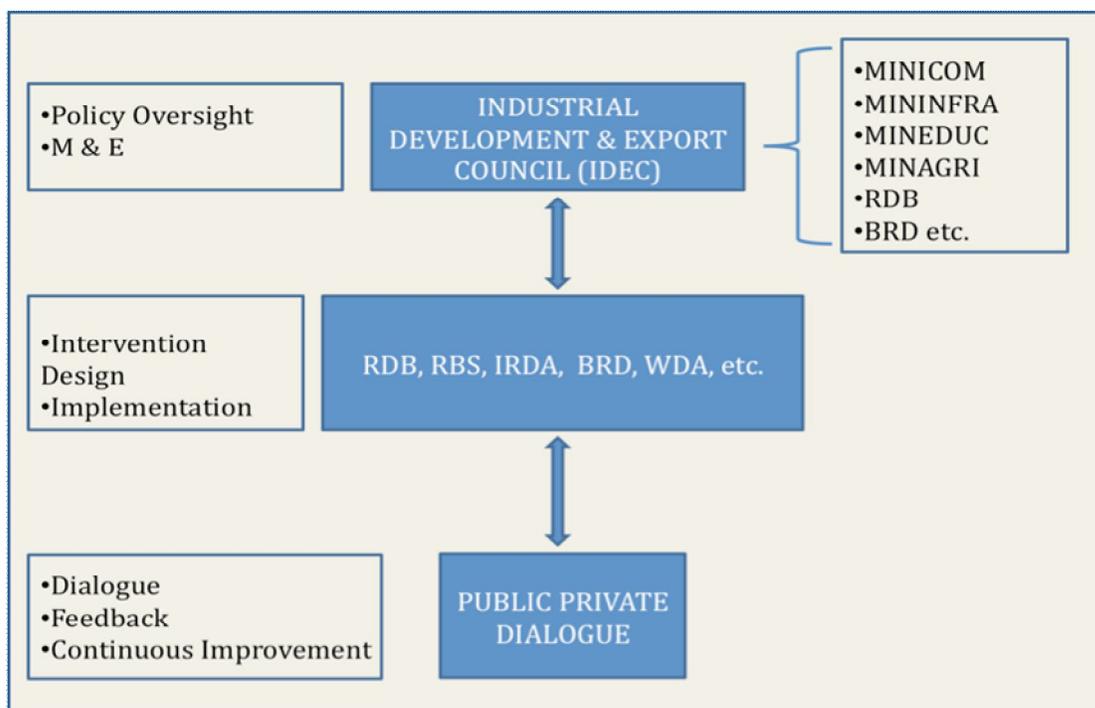


A lack of coordination among institutions involved in leading efforts to remove the key constraints identified can significantly hamper progress if left alone. The experiences of other countries can be drawn upon in this regard. In order to achieve the co-operation and support of all the organisations and individuals who may have a role to play in increasing exports it may be useful to improve the institutional coordination mechanisms.

The Industrial Policy (2011) and the National Export Strategy (2011) establish a framework for monitoring and coordination of trade related and industrial development interventions. The framework is to be called the Industrial Development and Export

diversification Council (IDEC). *This body will be chaired by the Ministry of Trade and Industry, with RDB providing the Secretariat.* Membership will include a wide range of other institutions involved in industrial development and the body will draw on consultations through forums such as the Public Private Dialogue (PPD). IDEC’s activity shall include the monitoring of implementation of cluster strategies and the design of new interventions in financing, infrastructure, skills, trade facilitation and the regulatory environment. **Error! Reference source not found.** illustrates the configuration of the institutional framework.

Figure 5: Framework for implementing the Industrial Policy



The key actions for the setting up and maintaining of this IDEC will be as follows:

- **Policy oversight** - Organise meetings at technical level every two months for policy implementation and meetings of the highest-level decision makers taking place twice a year. In addition to the IDEC, there is a need for a forum whereby private sector issues can be raised. This will be through the Public Private Dialogue (PPD). This will be complemented by an annual private sector

conference where major issues will be presented and discussed, as well as more locally oriented forums, which could be discussed through the District Joint Action Development in cooperation with the PSF.

- **Monitoring & evaluation** - Carry out annual review of policy implementation. The annual review will be prepared for the annual Kivu Retreat. Establish an annual private sector conference as well as sector-specific consultation including the Private Sector Development Cluster forum, at the RDB and MINICOM level. Put in place mechanisms for regularly receiving updated data on industrial performance – from MINICOM with the collaboration of the UNIDO Industrial Observatory. Link performance measures to incentive packages offered to private sector firms
- **Budgeting** - Provide budget oversight of implementing institutions and allocations towards industrial policy implementation. Prepare a joint budget for Industrial Development and Export diversification efforts in the medium term.

3.3 DONOR – GOVERNMENT DIALOGUE IN TRADE AND PRIVATE SECTOR DEVELOPMENT

Apart from ensuring the effective coordination, monitoring and evaluation of the government's interventions, it is equally important to effectively coordinate donor interventions in the area of trade and private sector development. While Rwanda has elaborate and effective mechanisms for dialogue with donors generally, dialogue with donors on private sector development and trade is not as coordinated as the other sectors. Trade is not one of the sectors identified in the Government of Rwanda (GOR's) Donor Division of Labour Framework – a Framework for coordinating donor interventions in key areas. It therefore does not have the formal mechanisms for aid coordination that other sector priorities like health and education have. Aid for trade has been largely based on bilateral discussions and engagements between donors and institutions, leading in certain instances, to overlaps and wastage of resources in certain instances. The Report by the UNDP on Trade Mainstreaming in Rwanda makes the following recommendations for more effective coordination of donor interventions in trade.

- A platform for trade should be identified under the donor division of labour framework. This will enable trade benefit from the effective coordination that is seen in the other sectoral issues. The current Donor Division of Labour structure is seen as a transitional arrangement till 2012, when the current EDPRS will end, and presumably, a new PRSP will come into being. It is therefore important that a Platform for trade issues is created to address the current gap.
- The EIF should be integrated into the platform for aid for trade coordination within the system for donor division of labour.
- Members of the IF Steering Committee (the NDTPF) should be sensitized on the purpose; mandate and structure of the EIF in order to enable them serve more effectively.

Other key recommendations from the report relevant to the effective mainstreaming of Trade in Rwanda include:

- Developing quantifiable/measurable indicators/results for Trade and not just indicators focused on process like policies passed etc Indicators for trade should be substantive e.g. Employment statistics from firms involved in export, tax revenue from companies involved in exports, SMES involved in Exports. Technical assistance might be useful in developing a baseline survey.
- Appointing Trade Focal points in each institution that is identified as a stakeholder in the trade policy process. This will ensure consistency of representation at the meetings, and also ensure that there will be specific individuals responsible for following up on trade issues in each major institution.
- Improving the ability of stakeholders to participate more effectively in the process, by building their capacity towards improving their understanding of the key trade issues. There is a need to strengthen private sector participation through the PSF. Improved general understanding of trade issues will help, but specialist representatives should also be trained in key areas to enable them to effectively participate in, rather than just attend meetings. More needs to be done however, in improving the quality and frequency of private sector and civil society engagement.
- There is also the suggestion that the steering committee of the EIF will be better served by having more senior representation (at least Director level) than the current technical level of the NDTPF.

4. DTIS ACTION MATRIX

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Developing the Infrastructure required for growth				
Energy				
a) The majority of the population have no access to electricity	Fast track power distribution and/or electricity transmission grid especially to areas of economic activity	2010-2013 (all timelines to be checked)	MININFRA EWSA (Energy Water and Sanitation Authority) KIST	Reach 350,000 population with access to electricity
b) High electricity costs	Promote private sector involvement in the generation of electricity Fast-track methane gas production so as to integrate into national power grid	2010-2014	MININFRA / EWSA KIST RURA PSF	Tariffs down to at least 80 Frw/ kWh Increased number of SMEs using electricity
c) Diversify electricity provision	Allow production of alternative sources of power (e.g. Solar, bio energy, etc) by private sector	2011-2013	MININFRA PSF	Generate over 80 per cent of new electricity production from alternative sources Improved efficiency of electricity by high energy users after audit
Transport				
e) Poor condition of road infrastructure, especially from storage and product collection points, resulting in high transport costs from rural to urban centres and markets	Periodic rehabilitation and maintenance of national and district road network with a priority on feeder roads to storage and product collection points. Promote the use of	2010-2012 2010-2014	MININFRA /MINICOM / MINALOC / MINAGRI	31% of national road network and 50% of district network in good condition Lower cost of transportation for farmers accessing markets

	waterways where possible			
f) Fuel prices high and volatile	Support the development of the Kenya/Uganda/Rwanda oil pipeline	2010-2014	MININFRA / MINEAC	More storage facilities put in place to increase bulk purchasing Encourage the private sector to invest in storage facilities
Water and Sanitation				
g) Insufficient supply of water and sanitation, particularly in rural areas	Promote PPPs in the water and sanitation sector Private sector involvement in clean water generation and distribution in rural areas	2010-2014 2010-2014	EWSA MININFRA PSF	Reduced costs and greater clean water supply
Trading Markets				
h) Lack of local markets in the rural areas especially at cross border points to slow down informal trade	Construct new markets in rural areas with the required standards, especially at cross border points	2010-2012	MINICOM / MINALOC/ Districts RDB PSF	Cross Border points having trading markets, and increased new rural markets

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Facilitating trade and promoting standards				
Transport along Northern and Central Corridors				
a) Much time wastage and high costs from bureaucratic clearance procedures at borders and ports	Fast-track the development of Rwanda's storage facility in Mombasa Expedite the	2010-2012 2010-2014	PSF MINICOM / MININFRA / RRA RDB	Rwanda's storage facility in Mombasa being utilised Isaka Dry Port operational Reduced paper burden for Rwandan traders at ports and borders

	development of the Isaka Dry Port Fast track the process of one-stop centres at all borders Automate and harmonise clearance procedures/forms Fast-track electronic single window system at Customs	2010-2011 2010-2011 2010-2011	MAGERWA RBS	Electronic Single Window operational
b) High cost of transport to carry Rwandan goods regionally and internationally	Fast-track the development of the Isaka-Kigali-Musongati railway project and implementation Improve on alternatives – Cargo plane operations Establishment of nodal points	2011-2014	MININFRA MINECOFI N MINICOM RDB RURA PSF RWANDAIR	Funds realised to kick start the project. Regular cargo flights to and from major markets – at least twice a week
c) Many Non-Tariff Barriers along the route on both corridors adding to the cost of doing business	Strengthen the Institutional framework for the removal of NTBs Identify new NTBs and associated statistics/data as they come up on an ad-hoc basis and report to NMC	Ongoing Ongoing	MINICOM / MINEAC / MINAFFET / PSF MININFRA RRA POLICE RDB EAC SECRETARI AT	Continual progress in reducing NTBs in EAC partner states NMC is strengthened NTBs reported on a regular basis
Trade Information availability				
e) Low data availability on trade matters and monitoring	Conduct a production-consumption study on	2010-2011	MINICOM / MINECOFI	Production-consumption study completed and available to

capacity on trade issues	<p>trade in the country</p> <p>Build human resource skills capacity to improve statistical collection capacity in key supervisory institutions</p> <p>Strengthen the capacity of the NDTPF and equip the Forum members with special needed skills in trade policy analysis and trade negotiations</p> <p>Need to have permanent members of NDTPF to ensure consistence</p> <p>Create a Management Information System (MIS) with trade data</p> <p>Strengthen Trade Points and BDS Centres countrywide</p>	2010-2012	N RDB / RRA / NISR /PSF	<p>stakeholders</p> <p>Technical Assistance being provided to key supervisory institutions to build capacity and provide skills</p> <p>More NDTPF members equipped with special needed skills in trade policy analysis and trade negotiations</p>
Standards				
f) Exporters struggling to comply with the standards and certification required for entering international markets	<p>RBS set-up Rwanda standards for products</p> <p>RBS provide certification for Rwandan products</p> <p>Sensitise stakeholders and exporters to meet quality and standards compliance</p> <p>Capacity building and technical support in standards related areas</p>	<p>2010-2011</p> <p>2010-2012</p> <p>2010-2011</p>	<p>RBS</p> <p>MINAGRI</p> <p>MINEAC</p> <p>PSF</p> <p>RURA</p> <p>RADA</p> <p>RHODA</p>	<p>Greater proportion of exporters meeting export standards compliance with certification</p>
g) Lack of Rwanda Bureau's	Decentralise RBS	2010-2013	MINECOFI	Number of RBS branches in the

of Standards in rural areas	services to Districts		N MINICOM RBS	provinces
h) Insufficient equipment and capacity to test products for standards compliance	Assist to set-up testing laboratories with sufficient testing equipment Provide specialised training to RBS in testing procedures	2010-2011 2010-2011	MINICOM RBS PSF MINISANTE	Increased capacity within RBS to handle greater number and range of products and cases for testing

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Creating a conducive business environment				
Paying Taxes				
a) Inadequate understanding of taxation law, system and requirements by businesses	Enhance the tax outreach and education program for micro, small and medium enterprises.	2010-2012	RRA	Increased share of MSMEs paying taxes.
b) inadequate access to electronic filing by the tax payers	Fast track the automation of RRA payment and compliance requirements to ease tax administration and reduce compliance costs Continue providing training on customer services to RRA front-office staff Support the development of modern payment services for tax processing including	2010-2012 Ongoing 2010-2012	RRA PSF MINECOFI N BNR	Reduced time and compliance cost for businesses and individuals paying tax Customers experience better service from RRA Availability of different forms of payment for taxes

	credit and debit cards, as well as e-payments			
c) Limited RRA services in some rural areas	Decentralise the RRA services	2010-2013	RRA	More RRA branches opened in the rural areas
Accessing Land				
d) Difficulty of getting titles of ownership for parcels of land, especially at District level	Provide support by doing analysis on ways to streamline procedures to accelerate land registration Raise awareness of the land reform process among population	2010-2011 Ongoing	ORLT / RDB / MINALOC / PSF DISTRICTS MVK	Registering all land parcels by 2013 Improved speed of gaining land titles
Acquiring licenses				
e) Difficulty to acquire licenses in good time and at low cost/ building permits	Analyse the procedures for acquiring licences in order to cut down on lengthy times and high costs Support District Authorities to set-up One Stop Construction Centres so as to deliver better service and associated licences/permits for construction speedily	2010-2011 2010-2011	MINICOM / RDB / MINALOC / Districts	Licences/permits given in the shortest time possible Better service at District offices Improvement in the ranking of this indicator of World Bank Doing Business

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Promoting human resource capacity for economic growth				
Institutional Capacity				
a) Low capacity at MINEDUC and partnering institutions for dealing with TVET	Capacity building at MINEDUC and WDA to further develop TVET (curricula & training) Put in place a TVET in each district	2010-2014	MINEDUC / WDA / PSF	Greater number of qualified staff dealing with TVET More participants/through TVET More TVET Graduates circulating the labour market
TVET				
b) Insufficient calibre in quality and skills of TVET Staff and those with appropriate skills being few in the TVET sector	Develop TVET instructors' college Private sector play a role in promoting through partnerships with TVET institutions	2010-2012	MINEDUC / WDA / PSF	Increased number of qualified teachers providing TVET instruction TVET partnering with private sector to enhance TVET skills
c) Low regard for practical skills got by TVET graduates by population	Develop and sensitise the population about upgrading the status of TVET certification	2010-2012	MINEDUC / WDA / PSF / MIFOTRA HLIs MINISANTE	Greater enrolments in TVET courses and acknowledgement of public of skills got by TVET graduates
Education sector				
d) Insufficient ability of school- and university-leavers to meet requirements of labour market	Continue to set-up career guidance services Support industry internships for students as part of degree requirements	2010-2014 2010-2012	MINEDUC / RDB-HCID / MIFOTRA / PSF	Greater availability of technical courses related to Rwandan needed targeted markets Greater numbers of students undertaken in workplace internships
Gender and Youth				
e) Limited assistance to Youth to get entrepreneurial	Set priorities for gender and youth outcomes in	2010-2011	MINICOM / MIFOTRA /	TVETs enrolling a greater number of youth

skills to set-up businesses	TVET Youth get access to BDSs and incubators with associated finance to start up businesses Encourage internship placement programs for trained youth	2010-2011	MIGEPROF / RDB / BRD PSF MINIYOUTH	BDSs training youth More youth accessing internship placements in both public and private sector institutions
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Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Supporting the implementation of the Export Strategy and Increasing the value of existing exports				
Implementation of the National Export Strategy				
Support the implementation of the National Export Strategy	Support the relevant committees Follow up the progress	Continuous	MINICOM RDB PSF	Increased exports registered
Tea				
a) Limited value addition to increase tea sales	Investments in diversification and value addition in tea processing Find direct markets for our products	2010-2012	MINAGRI / MINICOM / RDB /OCIR-The	More tea products on the market
Coffee				
b) Coffee washing stations lack profitability	Audit non-performing coffee working stations for governance and assist to get better management	2010-2011	OCIR- CAFE	Increase in profitability of washing stations

c) Low value addition due to lack of roasting facilities	Promote investment in a coffee roasting plant	2010-2014	RDB	A coffee roasting plant operational
Mining				
Lack of data on mining sectors/ areas	Conduct geological surveys of the mining sectors to get potentiality of minerals/ mineral deposits	2010-2011	MINIFOM/ OGMR	Data maps from geological surveys of mineral potential for further investment
Tourism				
a) Low development of customer care in Rwanda	Continue training and capacity building for customer care	2010-2012	RDB	Improved services experience for tourists
b) Limited products in the tourism sector	Encourage innovation for more products and packages for tourists in Rwanda (list examples!!!) Enhance MICE (Meetings Incentives Conferences and Events) Tourism in Rwanda	2011-2015	MINICOM RDB PSF	MICE Policy in place Incentives for the investors in the MICE sector in place
Horticulture				

e) Low productivity of Horticulture products and lack of value addition along the value chain	Support the stakeholders in the sector (producers and exporters) in terms of improved inputs, access to finance and export facilitation	Continuous	RDB MINAGRI MINICOM	More horticulture products exported with value addition
Hides and Skins				
f) Limited investments in the hides and skins industry	Perform a value chain analysis of the Hides and Skin industry	2010-2011	RDB / MINICOM / MINAGRI PSF RBS	Study made available which should lead to implementation of recommendations
Handcrafts				
i) Few markets for Rwandan handcrafts products	Seek new markets for specialised high end handcraft exports	2010-2012	MINICOM / RDB PSF	High quality handcrafts exported

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Diversifying the export base and domestic production				
	Target priority sectors: Pharmaceuticals, Silk, Dairy, Meat, Honey, Cassava, Fruit and Vegetable processing			
a) Selected target industries are at an infant stage of development	Promote international investment and joint ventures in the sectors Promote links between urban and rural centres in co-ordinating investments for key crops/products Support research into key crops/products for diversification	2010-2015 2010-2012 2010-2014	MINAGRI / MINICOM / RCA / MINISANT E MINAGRI / ISAR PSF MINECOFI N RDB	Share of alternative exports in overall export share increased to 30 per cent Co-ordinated investments undertaken linking rural products to their processing Improved productivity of new diversification crops
Lack of a Rwandan packaging industry to serve targeted manufacture sectors Currently, most packaging materials are imported and expensive. Local production would need incentives to take off	Support incentives to push for investors in packaging industry to set up packaging plants	2010-2012	MINICOM/ RRA/ RDB / RBS / REMA	Packaging plant established in Rwanda
ICT				
d) Low access to ICT services being used in entrepreneurial activities	Promote competition for the provision of ICT services as entrepreneurial activities	2010-2012	MINICT / RDB - ICT	ICT being used as a tool and for income generation

e) Low skills of population in using ICT	Promote training schemes for the use of ICT, particularly for youth, women and in rural areas	2010-2014	RDB PSF	Greater skills of the population in using ICT Share of population accessing the Internet
f) Affordability of ICT services to the poor is still an issue	Reduce on the prices for ICT services	2010-2011	MINICT	Affordable ICT services in place

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Promoting investment for growth				
Access to Finance				
a) Difficulty for business operators (SMEs) to gain sufficient access to trade financing	Sensitise Financial Institutions to provide credit for exporters Sensitise the public about the essence of increasing their savings Raise awareness of SMEs on existing trade financing schemes Set up a special financing scheme for SMEs	2010-2011 2010-2011	MINECOFIN / NBR / RDB / MFIs	Increased access to trade financing among SMEs
b) High interest rates	Lowering the interest rates on loans Provide other sources of funding	2010 onwards	MINECOFIN / NBR	Greater access to credit across sectors of the economy

	Sensitize more people to keep their money in banks			
c) Low financial literacy among the general population and small Enterprises	Support dissemination campaigns to promote understanding of financial services	2010-2012	MINECOFIN NBR / PSF / MFIs	Increased use of bank accounts and microcredit
Entrepreneurship				
d) Limited entrepreneurial culture in Rwanda	Support the operation of Incubators at various centres, like BIC in Masaka Promote development of incentives for start-up enterprises Increase institutional capacity to support women entrepreneurs	2010-2012	PSF / RDB / BRD / MIGEPRO F HLIs WDA	Incubator facilities assisting entrepreneurs Greater number of business start-ups in Rwanda including a growing share of women and young entrepreneurs
Business Development Services				
e) Limited tailored services that businesses are willing to pay for	Develop market research capacity, tools and services Promote capacity building of BDS providers and Directors of BDS Centres	On-going	RDB / BRD / PSF / MINALOC / MINICOM	Increased willingness of Enterprises to pay for BDS received and Enterprises using the BDS
Promoting FDI				
Improve FDI flows	Attract foreign investments in all key economic sectors	2010-2011	RDB / MINECOFIN / MINICOM / BNR	A greater proportion of FDI going to other sectors traditionally not receiving FDIs, like services, and manufacturing.

Challenge / Constraint	Recommended Actions/Measures	Proposed Timeframe	Responsible Bodies	Monitoring Indicator
OUTCOME: Ensuring environmental sustainability for growth				
Environmental legislation				
a) Environmental impact assessments (EIAs) can take a long time and are of poor quality	Increase the capacity to complete higher quality EIAs in less time	On-going	REMA / MINELA/ RDB PSF	Increase proportion of EIAs done in shorter time period
b) Lack of clear legislation on natural environments and waste	Support the development of legislation for waste levels	2010-2012	REMA / MINELA	Clear legislation available on waste management
Industrial Waste				
a) Insufficient infrastructure for waste disposal and drainage systems	Invest more in waste disposal and drainage systems infrastructure Encourage PPP projects in this area	2011-2015	REMA / MINELA/ RDB PSF Kigali City	Efficient infrastructure for waste disposal and drainage systems in place
b) Insufficient equipment for the treatment of industrial waste with best waste practices	Provide support for Enterprises to develop waste management systems	2010-2014	MINICOM / RDB / REMA /PSF	Greater proportion of industrial Enterprises with waste treated, using best practices
c) No sizable recycling industry in Rwanda	Promote investment in the recycling industry	2010-2012	RDB / REMA	High growth recycling industry in the country
d) Lack of information on the quality of environmental outcomes	Promote the use of the Geographic Information System (GIS) in the monitoring of water quality	2010-2012	REMA / MINELA	High calibre GIS available leading actions

5. CONCLUSION AND RECOMMENDATIONS

The factors that affect Rwanda's ability to make progress in trade and development are wide ranging and include barriers that lead to increases in costs, barriers that impede growth opportunities, as well as constraints due to institutional capacity and co-ordination.

Since the first DTIS in 2005, the Rwandan Government has adopted a wide number of policies, strategies and institutional frameworks. This updated DTIS is mindful of these developments and has tried to provide a structure that makes sense given them. This is particularly important with the new Trade Policy, SME Policy, Industry Policy as well as the Rwanda Industrial Policy and the National Export Strategy.

This alignment should help provide a closer integration and understanding of the activities that are underway and undertaken by a wide range of institutions, all looking towards the same goals of increasing exports and promoting growth and development.

The Action Matrix should therefore be used in close consideration of the many other policies and strategies underway (shown in Figure 2), many of which have their own action plans for the coming years. The alignment between these action plans should be continually under a process of monitoring and evaluation to ensure that sufficient inputs are going to the right areas and addressing the priority constraints. This should lead to improved alignment between the budgets and annual action plans of key Ministries, agencies, as well as the many projects under the management of development partners.