

*The Integrated Framework Process in
Rwanda*

March 2006

Background

The Integrated Framework is an international initiative through which the WTO, ITC, UNCTAD, UNDP, IMF and World Bank combine their efforts with the Least Developed Countries to respond to trade development needs of these countries.

It is a four-part process which involves:

- Awareness-building on the importance of trade for development
- The Diagnostic Trade Integration Study (DTIS) to identify constraints to trade, sector of great export potential and a plan of action for integrating into the global trading system.
- Integrating the plan of action into the national development plan, such as the PRSP.
- Implementation of the plan of action in partnership with the development cooperation community.

Since 2004, Rwanda has undertaken the process of the Integrated Framework to analyze barriers to trade, identify opportunities for growth and build consensus on the key priorities for action. A key outcome of this process is to mainstream trade in Rwanda's Poverty Reduction Strategy as well as expanding Rwanda's participation in the global economy, thereby enhancing its economic growth and poverty reduction.

To manage the Integrated Framework Process in Rwanda a secretariat was established in the Ministry of Commerce, Industry, Investment Promotion, Tourism & Cooperatives (MINICOM) under the Secretary General (Focal Point). A range of activities have been carried out by the IF Secretariat working with international consultants, including wide ranging consultations on the analysis and development of the detailed Diagnostic Trade Integration Study (DTIS). A National Steering Committee was also set up to oversee progress on the study, make recommendations on specific areas to be investigated, help develop and agree on the resulting action plan and oversee the implementation of the action plan. DFID was nominated as the facilitator on trade issues and has been very active in sensitizing and updating other donors on Rwanda's IF progress and will continue to sensitize the donors to contribute to funding the implementation of the Action Matrix.

The DTIS, undertaken in the second stage of the Integrated Framework process, identified barriers to increased local, regional and international trade. It looked in detail at:

- production - analysis of specific sectors and products that have high growth potential and high employment potential;
- facilitation – analysis of the current legal, banking and trade policy framework;
- infrastructure – an assessment of the barriers to trade resulting from Rwanda's high transport and energy costs, as well as from a lack of access to such resources as electricity, distribution networks and water supplies.

This analysis resulted in an action plan aimed at overcoming the key barriers that have been identified and at prioritising the removal of those barriers that have the largest impact on poverty. These actions are focused on four identified priority areas: infrastructure, finance, commercial sector support and capacity building.

The DTIS was consulted on across Rwanda and ultimately agreed by senior stakeholders at a validation workshop on 13th September 2005. During the year, provincial workshops and two further national workshops had been held discussing the findings and recommendations.

Integrating Trade Issues into Rwanda's Poverty Reduction Strategy

Rwanda has set ambitious targets for growth and poverty reduction in its Vision 2020, which, together with efforts required to realise the Millennium Development Goals (MDGs), form the principle objectives of the Government of Rwanda. These objectives will not be achieved without rapid growth of employment and output. There is a growing awareness of the critical role that both internal and external trade can play in creating markets and hence employment opportunities.

The DTIS elaborated effectively many of the constraints to trade that Rwanda faces and identified possible ways forward. However, most of the DTIS recommendations are not simple decisions that could be taken immediately. Many of the recommendation require significant analysis and policy development before they can be implemented. Generally those that are simpler such as 'to increase the reach of extension services' have already been integrated into the Poverty Reduction Strategy Annual Progress Report for 2005.

This integration into the PRS APR was achieved through very close working between the IF Secretariat (Ministry of Commerce) and both the Ministry of Finance and Economic Planning and the Ministry of Agriculture. It has been more difficult to influence the progress report of other Ministries, in particular the Ministry of Infrastructure, due to a lack of capacity to engage on these issues.

The focus is now on developing the new PRSP, which has been termed the Economic Development and Poverty Reduction Strategy (EDPRS). The planning for this document already envisages a major role for the DTIS recommendations, but further work needs to be done to ensure that the actions are taken forward within the framework of sector strategies which are currently being developed.

Implementation of the Plan of Action

Since the validation workshop in September 2005, a number of actions have taken place:

Analysis was done on projects and programmes underway or planned activities for the future that relate to the DTIS recommendations and the current funding available. The table in Annex 1 sets out in detail the implementation plan for the key recommendations of the DTIS and identifies specific actions required in the future or currently being undertaken to address them. It also identifies the time frame for action, the institutions responsible and provides provisional estimates of costs and sources of funding. Funding gaps were therefore identified and the donor facilitator (DFID) organized a meeting of donors to discuss potential funding opportunities.

On December 1st and 2nd 2005, the Development Partners Meeting (DPM) was held in Kigali. The DPM, organized by the Ministry of Finance and Economic Planning, is a

high-level strategic forum for dialogue between the Government of Rwanda and its development partners (Multilateral and Bilateral Donors, International and Domestic NGO's, members of the diplomatic community...etc) on policies, strategies and development programmes from which, necessary funds could be mobilized. The Minister of Commerce made a presentation that highlighted the key findings of the DTIS, the implementation plan and funding needs for activities in the Action Matrix. This meeting was seen as a good opportunity at which to draw in donor funding for commercial sector development issues.

Many of these recommendations are already being taken forward through a variety of agencies and the wide ranging funding sources, for example:

- Government funded review of business-related laws has reported, setting out a clear path for the revision of relevant laws and highlighting the key areas for improvement
- Government-funded development of national cooperative policy and cooperative law
- National Bank of Rwanda has produced a leaflet highlighting all financing options available
- DFID support to Rwanda Revenue Authority to increase its capacity to collect revenue efficiently and effectively, through training, implementation of ASYCUDA++, improving the customs valuation procedures
- World Bank has provided consultancy support to develop an export promotion action plan
- GTZ and World Bank support for the development of a trade point
- Royal Netherlands Embassy support for the development of cold storage facilities at the airport, for which work is underway, as well as planned support to micro hydro-electricity centres and rural electrification programmes
- Funding from the EU(€1.9 million) to: support the creation of a national network of business development centres; develop and facilitate achievement of export-related standards; and enhance Rwanda's capacity in trade policy formulation and trade negotiations
- WTO as partner to the STDF has provided a consultant to do a further analysis on SPS constraints in the horticulture sector and to develop a project proposal for funding from STDF.

Initial projects have already been developed for Window II funding. A project proposal (capacity building for implementation) has been completed and sent to UNDP in its role as IF Trust Fund Manager for disbursement of funds. This project will provide: support to raise the institutional capacity of MINICOM and its agencies; funding to continue the IF Secretariat within MINICOM and; consultancy support for the development of projects and programmes, and for any analysis that needs to be undertaken before recommendations can be implemented.

Further work has been undertaken to create a proposal to develop a rural infrastructure strategy. However, this proposal is on hold until the Government's institutional changes and strategy development for the rural sector are agreed.

Future of the IF in Rwanda

A structure for implementation has been set up, with MINICOM as the lead Ministry and the Integrated Framework Steering Committee, providing technical inter-governmental understanding. A high-level Ministerial Steering Committee, to be chaired by the Minister of MINICOM, whose role will be to provide strategic oversight for the implementation has been proposed, but has not yet been formed. These Committees will be supported by the national IF Secretariat, which will work closely with all relevant Ministries and agencies to ensure that the actions and their rationale are understood, integrated within sector strategies and implemented. The private sector cluster as well as other clusters particularly the rural cluster, the infrastructure cluster and the education cluster will also be engaged.

Monitoring and evaluation of progress in implementation will take place quarterly by the Ministerial Steering Committee, but more regularly in cluster meetings. A yearly commercial sector review will be formalised, to be undertaken jointly by the development partners in Rwanda, in which progress against planned implementation as well as the impact of the actions undertaken will be assessed.

Most importantly a strong effort will be made by MINICOM to ensure that the DTIS recommendations are taken on board in the drafting of the EDPRS document. So far Rwanda has achieved tremendous results in integrating other cross-cutting issues (Gender, ICT, Environment and HIV/Aids) in its Poverty Reduction Strategy and various ministries and institutions include them in their sector strategies. It is therefore envisaged that integrating trade issues into the EDPRS will not be difficult.

Annex 1: Table of actions from DTIS recommendations

Infrastructure Priorities - TRANSPORT

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Rural roads should be improved to reduce transport costs, facilitate diversification and allow objectives such as higher quality of products such as coffee to be achieved. Rural road development is decentralised, but a national rural transport strategy is needed to coordinate investments	<ul style="list-style-type: none"> • Development of a national rural transport strategy 	Mininfra, Minaloc	2006	\$100,000	WII funds	
	<ul style="list-style-type: none"> • Implementation of rural transport strategy - rehabilitation and creation of road infrastructure, increasing competition among transporters etc 	Mininfra, Minaloc,	2007	\$30m??		\$30m??
	<ul style="list-style-type: none"> • Develop means of collecting commercially relevant data in the transport sector, e.g. costs of international and local transport, access to transport, competition in transport sector 	Mininfra	2006-8	\$50,000	WII funds	
Use participation in regional and corridor organisations to enhance transit facilitation in gateway countries	<ul style="list-style-type: none"> • Northern corridor organisation is leading this process, but results are slow due to lack of urgency in neighbouring countries – donors could help drive this agenda 	Mininfra	2006-7		WII funds	
Cold storage facilities need to be upgraded	<ul style="list-style-type: none"> • Contract signed for construction of a 30ton cold storage facility at airport 	MaGeRwa, Minagri	2006		RNE GoR	
	<ul style="list-style-type: none"> • Cold chain needs to be introduced 	Minagri	2007	?		?
Airport services and infrastructure need upgrading.	<ul style="list-style-type: none"> • Rehabilitation work at the airport has started, but finance needed for a new taxiway, equipment for marshalling planes and increased training 	Mininfra	2006	?	?	?

Infrastructure Priorities - ENERGY & WATER

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Develop a strategy for commercial expansion of electricity access. Provision of modern fuels closer to production of exports could improve product & service quality	<ul style="list-style-type: none"> Plans for 10-20 micro-hydro power plants being developed 	Mininfra	2006		RNE + UNIDO	
	<ul style="list-style-type: none"> Specific rural electrification strategy needed to bring coherence to efforts in micro-hydro 	Mininfra	2006-7	\$150,000		\$150,000
	<ul style="list-style-type: none"> Master Plan for Energy being developed 	Mininfra	2006	\$2m	ADB	
There should be a reassessment of donor priorities, as energy has been relatively neglected	<ul style="list-style-type: none"> Sector reforms need strong support and foreign funds for both public and private investment. 	Mininfra	2006-8	?	?	?
	<ul style="list-style-type: none"> Planning and management capacity needs strengthening 	Mininfra	2006-8	?	?	?
Electricity tariffs need restructuring to reflect differences in costs of service - consistent with good utility practices.	<ul style="list-style-type: none"> Restructuring of billing currently being analysed, with change in structure planned 	Electrogaz	2006	?	CEDP \$355,000	?
Severe financial imbalances in the energy sector must be addressed, to enable Electrogaz to function effectively.	<ul style="list-style-type: none"> Debt restructuring in process 	Electrogaz, CEDP	2006-8	?	CEDP \$4.2m	?
Review taxation of petroleum products, as the current duty and tax regime accentuates world oil price increases.	<ul style="list-style-type: none"> Review petroleum taxes, analyse impact on consumers and revenue loss for government and propose new structure to reduce fluctuations in prices and business costs 	RRA	2006-7	\$50,000		\$50,000
Increase production capacity of export crops	<ul style="list-style-type: none"> Develop simple irrigation schemes and build post-harvest capacity 	Minagri, Minitere	2006-8	?	?	?

Infrastructure Priorities - CUSTOMS

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Continue effective implementation of all Asycuda++ modules, improve valuation and introduce a system of post-clearance audits	<ul style="list-style-type: none"> 2nd phase of Asycuda++ to link border posts and the warehouse is in progress. Trainings are being carried out and acquisition of equipments underway (networking, cabling) 	RRA	2006		DFID	
There is need for a strategic analysis to identify priorities in the fight against smuggling	<ul style="list-style-type: none"> Undertake a study of cross-border trade to identify potential magnitude of smuggling and target key products that merit action 	RRA	2006-7	\$50,000		\$50,000
Replace the current MaGeRwa fee of 4% with a fee based on services rendered and open up to competition.	<ul style="list-style-type: none"> Study into loss of revenue, cost recovery options, how to open up warehousing to competition and to identify fees to charge 	RRA	2006-7	\$50,000		\$50,000

Infrastructure Priorities - ICT

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Support RITA in role of supervising development of ICT sector	Review the mandate of RITA	Mininfra	2006		UNDP	
	Undertake baseline study of ICT services, costs, access and capacities	Mininfra			\$60,000	
Develop strategy for the effective spread of ICT services in rural areas	Fibre optic cables reach every province	Mininfra	2005		GoR	
	Implement strategy to develop Public Information Kiosks	Mininfra	2005-6		UNDP \$285,000	
	Develop strategy for spread of ICT services to rural areas (NICI Plan 2)	Mininfra	2006		GoR	
	Initiate a public education campaign to demonstrate potential impact of ICT	Mininfra	2006	?	?	?

Finance & Management Priorities - FINANCE

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Improve dissemination of information on financing opportunities, in order to increase uptake of credit, particularly in rural areas	<ul style="list-style-type: none"> Leaflet produced which highlights finance options available 	BNR	2005		GoR (BNR) +RNE	
	<ul style="list-style-type: none"> Radio broadcasts planned 	BNR			GoR	
Define a financial sector strategy	<ul style="list-style-type: none"> Develop a financial sector plan that sets out broad objectives and targets for greater financial intermediation 			?		?
Further study required to assess the viability of new financial instruments	<ul style="list-style-type: none"> Financial Sector Assessment (FSA) concluded that for the time being no new instruments are necessary 	BNR + Minecofin	2005		FSA study by IMF	
Establish an Export Development Fund that would allow export development activities to continue after the completion of donor-funded projects.	<ul style="list-style-type: none"> Fund set up to finance development of exports should be enhanced to include specific horticulture incubation funds 	BRD	2006+		GoR RwF3.7bn	
	<ul style="list-style-type: none"> Exporters' support fund to be set up to enable participation in trade fairs and other activities currently undertaken by donor-funded projects 	RIEPA	2006-8	RwF204m		RwF204m
Cancel the plan to fine exporters for failing to repatriate earnings as it has no clear rationale	<ul style="list-style-type: none"> Fines for exporters will be removed 	BNR	2006		GoR	
Introduce new financial products to encourage longer-term savings	<ul style="list-style-type: none"> Medium-long-term savings products will be introduced e.g. certificates of deposit 		2008	?		?

Finance & Management Priorities - FINANCE-RELATED ACTIONS

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Improve the registration of land holding through implementing LARIS – to provide collateral and increase access to credit	• Land reform process ongoing with some elements of data capture	Minitere	2004-7		DfID £88,500	
	• Further support needed to ensure land registration effective in providing collateral	Minitere, BNR	2006-8	?		?
Improve organization of the rural sector to expand role of market activities and raise producer groups' ability to access credit	• Strengthen legal basis and develop a national policy on cooperatives	Minicom	2005		GoR	
	• Develop schemes to improve the financial capacity of cooperatives	Minicom	2006-7	?	?	?

Commercial Sector Support Priorities - TRADE SUPPORT

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Develop a detailed export promotion and diversification strategy that identifies roles and responsibilities of each agency	• Develop detailed export promotion action plan	RIEPA	2006		WB \$129,500	
	• Export diversification strategy to identify specific sub-sectors and establish investment needs	RIEPA	End 2006		GoR	
Enhance trade information centre – the Trade Point.	• Recruitment of staff, furnishing the office and training of the staff	RIEPA, Minicom,	2006	RwF94m	GTZ \$0.1m	
Establish a Commission to provide strategic direction to export promotion	• Existing Export Promotion Commission established in November 2003 to be revived	RIEPA, Minagri, Minicom	End 2006		GoR	
Improved knowledge and understanding of	• Disseminate existing research and undertake new research focused on	RIEPA, Minagri	2006-8			

opportunities in horticulture sub-sectors	providing farmers with a business model for reaching new markets					
	<ul style="list-style-type: none"> Develop market information systems to provide regular updated price, cost and product information 	Minagri	2006-8			
Facilitate development of quality systems and consumer oriented certification services. Development of testing and calibration services needs to be driven by demand which does not yet justify investment	<ul style="list-style-type: none"> Sensitize and train industrial producers and service providers on benefits of setting up quality systems 	RBS	2006-8		EC €80,000	
	<ul style="list-style-type: none"> Train RBS certification auditors 	RBS	2006-8			
	<ul style="list-style-type: none"> Develop and implement procedures for certification of systems and products in industries 	RBS	2006-8			
	<ul style="list-style-type: none"> Set up testing services relevant for exporters in university laboratories 	RBS	2007-8			
Develop SPS, WTO and TBT enquiry points with an information service for producers and exporters	<ul style="list-style-type: none"> Support needed to develop this capacity within the Trade Point rather than setting up a new institution 	RBS + RIEPA	2006-7			
Explore regional cooperation in standard-setting, conformity assessment, laboratory services and accreditation.	<ul style="list-style-type: none"> Participation in standards harmonization process within COMESA, East African Community 	RBS	2007		GoR	
	<ul style="list-style-type: none"> Explore use of regional laboratory services and accreditation 	RBS	2006-8		GoR	

Commercial Sector Support Priorities - BUSINESS ENVIRONMENT

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Develop business development services for SMEs and cooperatives to	<ul style="list-style-type: none"> Business Development Services Centres planned by the Rwanda 	Capmer, UBPR, RPSF	2006	Requires \$2m	EC €0.34m GoR	\$1.1m

disseminate best practice	Private Sector Federation in conjunction with CAPMER				\$500,000	
Complete legal reform to improve the business environment. In particular covering: commercial code, contract, bankruptcy competition and land laws	• Land reform and registration underway	Minitere	By 2007		DfID £3m	
	• Commission established to identify gaps in business law and revise/create laws as appropriate	Minijust, Minicom	2006-2007		CEDP \$0.36m	
Relax restrictions on investment-related work permits for expat workers	• Restrictions to be relaxed	Minicom, RIEPA	2006		GoR	
Expand network of double taxation and bilateral investment treaties	• Double taxation treaty in process with Belgium • No other treaties planned	Minaffet, Minicom, RRA,	2006-8		GoR	

Capacity Building Priorities - HUMAN RESOURCES CAPACITY

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Increase provision of extension services to support farmers moving into commercial farming and increase productivity and quality of outputs	• Training in all aspects of production – planting, care and maintenance, harvesting and transportation	Minagri	2006-8	?	?	?
	• Develop training and technical assistance schemes in good agricultural practices and HACCP	RBS + RACQ (Minagri)	2006-8		EC €201,500	
Technical assistance is needed to strengthen analytical and negotiation capacities in trade policy	• Training and research into trade policy options for Minicom staff	Minicom	June 2006		EC €0.78m	
	• Training for the NDTPF, a cross-governmental trade policy forum	Minicom	Jan 2006		EC Rwf11m	

Strengthen the capacity of legal professionals to effectively and consistently apply business laws through training and enhancing the business Arbitration centre	• Commercial Chambers and a legal documentation centre being set up	CEDP	By 2007		CEDP \$2m	
	• Strengthen capacity of business arbitration centre	CEDP/ FRSP	By 2007		CEDP \$0.11m	
	• Provide training for legal professionals and sensitisation of business community	Minijust, FRSP	2007	\$70,000		\$70,000
Develop schemes for training exporters, bankers, cooperatives in how to prepare and evaluate project lending proposals	• Banque Populaire developing local capacity to elaborate viable projects	UBPR	2006		GoR	
	• Support to access finance for micro enterprises seeking to expand	PPPMER	2005+		GoR	
	• Further training schemes required for bankers and cooperatives, plus a credit approval system.	BNR	End 2007	\$200,000		\$200,000
Raise ICT capacity in the public sector	• All Ministries have ICT directors	RITA	2005		GoR	
	• Programs in place for public servants	RITA	2006		GoR	
	• Training of 3,000 teachers through Partners in Learning program	RITA	2006-8		Microsoft, Cisco	
Enhance and sustain training of customs officials	• Long term training (6 months) for 400 staff in variety of Customs relevant skills	RRA	2006-8	\$500,000		\$500,000
Rapid and extensive training and education to develop human capital in the tourism sector	• Development of a national tourism training authority, plus scholarships, study tours, technical assistance etc	ORTPN, MINEDUC,	2005-8	RwF300m		RwF300m

Capacity Building Priorities - INSTITUTIONAL CAPACITY

Recommendation	Current and Future Activities	Responsible Institution	Time Frame	Estimated Cost	Agreed Funds	Funding Gaps
Strengthen organisation of cooperatives and extend their to role - to become effective financial entities	<ul style="list-style-type: none"> • New cooperatives policy in place, support to be given to cooperatives by MINICOM 	Minicom	2005-6		GoR	
Strengthen regulation of public utilities and natural monopolies, i.e. through strengthening RURA	<ul style="list-style-type: none"> • Create a base of well-trained engineers and economists to keep up with technical advances 	RURA + consultants	2006-7		CEDP \$861,000	
	<ul style="list-style-type: none"> • Build skills of regulatory staff, e.g. in interconnection and tariff setting 	RURA + consultants	2006-7			
	<ul style="list-style-type: none"> • Develop regulatory processes and procedures 	RURA + consultants	2006-7			
More effective coordination of export promotion activities is required	<ul style="list-style-type: none"> • Full institutional review of Minicom & Agencies to address institutional and human resources needs and develop systems and processes for coordination of activities. 	Minicom	2006	\$500,000	Window II funds + HIDA	