

REPUBLIC OF RWANDA



MINISTRY OF TRADE AND INDUSTRY
(MINICOM)

ANNUAL REPORT 2014/15

MINICOM SENIOR MANAGEMENT TEAM



Hon. Minister François Kanimba
Minister of Trade and Industry



Mr. Emmanuel Hategeka
Permanent Secretary



Mr. Robert Opirah
Director General of Trade and
Investment



Mr. Jean Louis Uwitonze,
Director General of Planning,
Monitoring and Evaluation



Mr. Alex Ruzibukira
Director General of Industry and
Entrepreneurship



Dr. Joseph Mungarulire,
Director General of National
Industrial Research and
Development Agency



Mr. Damien Mugabo
Director General of Rwanda
Cooperative Agency



Dr. Mark Cyubahiro Bagabe
Director General of Rwanda
Standards Board

Acronyms

AFU	Advance Factory Unit
AGOA	Africa Growth and Opportunity Act
BDA	Business Development Advisor
BDS	Business Development Services
BRD	Rwanda Development Bank
CBM	Cross Border Market
CBT	Cross-border Trade
CHAI	Clinton Health Access Initiative
CMU-R	Carnegie Mellon University Rwanda
CPC	Community Processing Centre
DMRS	Domestic Market Recapturing Strategy
DRC	Democratic Republic of Congo
EAC	East African Community
EAX	East African Exchange
EDPRS	Economic Development and Poverty Reduction Strategy
EGF	Export Growth Facility
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
FAO	Food and Agriculture Organisation (UN)
FDI	Foreign Direct Investment
GOR	Government of Rwanda
IBRD	International Bank for Reconstruction and Development
ICPC	Integrated Craft Production Centre
ICT	Information and Communication Technology
IDEC	Industrial Development and Export Council
KIC	Kigali Innovation Centre
KLP	Kigali Logistics Platform
KSEZ	Kigali Special Economic Zone
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Trade and Industry
MoA	Memorandum of Agreement
MOU	Memorandum of Understanding
MT	Metric Tonnes
NAEB	National Agricultural Export Board
NEP	National Employment Programme
NES	National Export Strategy
NIRDA	National Industrial Research and Development Agency
NTB	Non-Tariff Barrier

PSF	Private Sector Forum
RBM	Results Based Management
RCA	Rwanda Cooperatives Agency
RDB	Rwanda Development Board
RICA	Rwanda Inspectorate and Competition Authority
RRA	Rwanda Revenue Authority
RSB	Rwanda Standards Board
RWF	Rwandan Franc
SACCO	Savings and Credit Cooperative
SCT	Single Customs Territory
SME	Small and Medium Enterprise
TVET	Technical and Vocational Education and Training
USD	US Dollar
WDA	Workforce Development Agency

Table of Contents

1	FOREWORD.....	8
2	EXECUTIVE SUMMARY.....	10
3	INTERNAL TRADE.....	13
3.1	VALUE CHAIN DEVELOPMENT.....	13
3.2	MARKET INFRASTRUCTURE MASTER PLAN.....	13
3.3	EAST AFRICA COMMODITIES EXCHANGE (EAX).....	14
3.4	CONSUMER PROTECTION TRAINING AND BUSINESS INSPECTIONS.....	15
4	EXTERNAL TRADE.....	18
4.1	EXTERNAL TRADE PERFORMANCE TRENDS.....	18
4.1.1	TRADE PERFORMANCE.....	18
4.1.2	EXPORT PERFORMANCE.....	19
4.2	IMPROVING INFRASTRUCTURE AND LOGISTICS FOR EXPORTS.....	20
4.2.1	CROSS BORDER MARKETS PROGRAMME.....	20
4.2.2	TRADE LOGISTICS.....	21
4.3	KEY FLAGSHIP PROJECTS EXPECTED TO BOOST EXPORTS.....	22
4.3.1	C&H GARMENTS.....	22
4.3.2	ADVANCED FACTORY UNITS (AFUS).....	23
4.3.3	BELLA FLOWERS.....	24
4.3.4	STEVIA EXPANSION PROGRAMME.....	25
4.3.5	SOPYRWA STRATEGIC PARTNERSHIP FOR MARKET ACCESS AND PYRETHRUM PRODUCTION.....	25
4.3.6	DSM BABY FOOD PROJECT.....	26
4.3.7	CRITICAL LONGER TERM PROJECTS.....	27
4.4	INCREASING ACCESS TO FINANCE FOR EXPORTERS.....	28
4.4.1	EXPORT GROWTH FACILITY (EGF).....	28
4.5	FACILITATING ACCESS TO FOREIGN MARKETS.....	30
4.5.1	ECONOMIC PARTNERSHIP AGREEMENT (EPA).....	30
4.5.2	NON-TARIFF BARRIERS (NTBS).....	31
5	INDUSTRY AND ENTREPRENEURSHIP.....	34
5.1	IMPROVING COMPETITIVENESS OF EXISTING INDUSTRIES.....	34
5.1.1	BUILDING INDUSTRIAL PARKS AND IMPROVING UTILISATION OF EXISTING CAPACITY.....	34
5.1.2	RELOCATION OF INDUSTRIAL ENTERPRISES.....	34
5.1.3	COMPANY ISSUE TRACKER.....	35
5.2	FACILITATING THE EMERGENCE OF NEW INDUSTRIES.....	36
5.3	COORDINATING THE ENTREPRENEURSHIP AND BUSINESS DEVELOPMENT PILLAR OF THE NATIONAL EMPLOYMENT PROGRAMME (NEP).....	37
5.3.1	COMMUNITY PROCESSING CENTRE (CPC) PROGRAMME.....	38
5.3.2	SMES AND COOPERATIVES.....	40
6	ADMINISTRATION AND FINANCES.....	43
6.1	FINANCE AND BUDGET EXECUTION.....	43
6.2	STAFF DEVELOPMENT AND WELFARE.....	44
7	HIGHLIGHTS FROM 2015/16 PRIORITIES.....	45

List of Figures, Tables and Boxes

- Figure 1: Average compliance on two aspects of consumer protection.....5
- Figure 2: Components of the Export Growth Facility.....19

- Table 1: Evolution of Export Growth Facility and Expected Impact.....19
- Table 2: MINICOM and Agencies Domestic Budget Execution for 2014/15.....34

- Box 1: March 15th – International Consumer Rights Day.....5
- Box 2: Completed and Planned Activities of C&H Garments.....12
- Box 3: Progress on AFU Construction.....13
- Box 4: Stevia Expansion Programme Progress.....15
- Box 5: Selected benefits for Rwanda from the EAC-EU EPA.....21
- Box 6: Non-Sectoral Interventions under DMRS.....27
- Box 7: Business Advisors to Spur Entrepreneurship and Job Creation.....29

1 FOREWORD



2014/15 was an important year for MINICOM in many respects; a year that saw substantial progress on a number of fronts. The accomplishments detailed in this report are evidence of the work undertaken by this Ministry to unleash Rwanda's private sector, increase industrial output for domestic and export markets, generate sustainable and inclusive economic growth while simultaneously creating jobs for ordinary Rwandans. This unleashing will in turn allow the private sector to take the driving seat in our country's development process as we approach the Vision 2020 deadline.

Rwanda's economy has shown remarkable progress since 2010. GDP growth has averaged 7% annually, with industrial growth averaging 10.2% and sub-sectors such as mining and quarrying forging ahead at 16.7% annually. Exports grew an average 18.5% annually, well ahead of imports at 11.6%. Annual inflation has remained below 6.5% throughout the period. Private investment growth averaged 13.7% annually with 17 new investments becoming operational in 2014 and another 15 are expected to be operationalised by the end of this calendar year. Most of these are found in priority sub-sectors such as agro-processing, light manufacturing and construction materials. Credit to the private sector has also seen significant growth these past years, averaging almost 23% annually, albeit from a low base, and credit to SMEs by banks more than doubled during this time. The effect of this growth on investment and credit is evident in Rwandan firms' turnover, which averaged 17.2% annually since 2010, and the number of SMEs registered, which grew by around 150% over the same period. The outlook for industrial development and economic growth in 2015 is therefore very positive.

The past fiscal year has been a busy, yet productive one for MINICOM and our achievements are many. Of particular note was the historic initialling of the EAC-EU Economic Partnership Agreement (EPA) – an international trade agreement with the EU that will bring increased trade to Rwanda and the region, as well as provide support for developing our ability to meet the requirements of this market. MINICOM led the Rwandan delegation at the negotiations, which have taken seven years to complete and the expected benefits in terms of market access, increased predictability of trade flows and targeted EU assistance to Rwandan and EAC supply constraints cannot be underestimated. In addition, the US government approved the extension of the AGOA international trade agreement for another 10 years, which will bring similar benefits from the US market. Crucially as both agreements allow certain Rwandan exports to enter these respective markets on a tariff and quota free basis, it is also expected that this will have a positive impact on foreign direct investment, with investors locating their operations in Rwanda to take advantages of these preferences.

Throughout the year MINICOM together with our stakeholders also worked hard to deliver on the holistic body of strategies and action plans established in previous years, reviewing and elaborating on these where necessary. The year has seen remarkable progress on the physical construction of Special Economic Zones, Advance Factory Units, cross-border markets and other infrastructure that will facilitate trading across the country and beyond. On the softer supply-side constraints, MINICOM together with RDB worked to develop new financial infrastructure in the form of the Export Growth Facility, a multi-million dollar export promotion fund, under the updated National Export Strategy. The Private Sector Development Strategy Implementation Plan was also adopted this year, addressing binding constraints for the private sector such as lack of infrastructure, business development services and access to markets and finance. Addressing these constraints puts us in a prime position as we enter the last five years before 2020. Progress on eliminating non-tariff barriers to trade has also been charging ahead at impressive speeds and seeing as export promotion is a central aspect of the ministry's work and of Vision 2020, progress on this front is particularly encouraging.

In short, it has been a momentous year for our stakeholders and MINICOM and I hope that you will continue to follow and support our progress while we continue our work towards the Vision 2020.

Hon. Minister François KANIMBA
Minister of Trade and Industry

2 EXECUTIVE SUMMARY

This report gives a high-level overview of the activities and achievements of the Ministry of Trade and Industry in Rwanda, MINICOM, during the 2014/15 fiscal year. The outcomes realised throughout this year all contribute towards achieving MINICOM's mission to facilitate Rwanda's economic transformation through enabling a competitive private sector, while ensuring a level playing field and the protection of consumers.

Internal Trade and Consumer Protection

The main interventions in this area aim to streamline internal trade by organising and strengthening key commodity value chains. During the fiscal year 2014/15, MINICOM helped facilitate the signing of 358 supply contracts with farmers and processors or traders promoting the efficient working of key value chains, including maize, cassava, banana, Irish potatoes and dairy. The Market Infrastructure Master Plan was also finalised, with 11 districts having developed implementation plans for the physical and organisational infrastructure of their markets. The East African Exchange (EAX) became operational and saw an increase in the volume of trade of maize and beans through the exchange – promoting greater predictability and security of income for Rwandan farmers and establishing Rwandan agricultural producers as reliable deliverers of high-quality produce. The introduction of the market warehouse receipt system will also allow farmers to collateralise their produce to access finance at traditional lending institutions. The further integration and utilisation of the EAX will allow these markets function better, bring better quality produce to consumers and support Rwanda's many farmers and sellers to grow their businesses.

During 2014/15 MINICOM also carried out a number of training and inspection events to ensure consumer protection. In addition, the final drafting and submission to parliament of a law to establish a new Rwanda Inspectorate and Competition Authority (RICA) was completed; this new institution will coordinate all government efforts in the area of competition, consumer protection and product standards.

External Trade

Within External Trade, MINICOM aims to increase the access of Rwandan exports to foreign markets by removing barriers to trade and providing necessary infrastructure and finance. In 2014-2015, The National Export Strategy (NES) was revised and approved by the Cabinet, reflecting the changes in the operating environment, stemming from the new EDPRS-II, which sees private sector development and exports take centre stage. Progress on several flagship projects under the NES has been positive with more well-connected industrial areas opening across the country and key exporters expanding their international presence. Rwandan producers are taking advantage of the opportunities available to them, creating jobs and increasing revenue. Similarly, the Export Growth Facility (EGF) has a financial commitment of RWF 1 billion, the aim of which is to relieve financial constraints on exporters in selected sectors.

Progress on the elimination of non-tariff barriers (NTBs) to trade has been substantial this year, with a full 21 NTBs eliminated between July 2014 and March 2015. Examples of removed NTBs include the elimination of multiple customs declarations and inspections; harmonisation of national park fees and an end to the weighing of empty trucks on the Northern corridor. The increased automation of the trade process is also yielding benefits. This has seen the average number of days it takes to

transport goods fall from 21 to less than six and from 17 to less than five along the Northern and Central Corridors, respectively. With this drop in time, the cost of trade has fallen by up to 25% since 2010.

2014/15 also saw the historic initialling of the European Partnership Agreement (EPA) between the EAC and EU at a ceremony in Brussels in October 2014. This concludes seven years of negotiations. The EPA not only serves to simplify trade between the two regional blocs but it also makes trade flows more predictable and contains a significant development aspect, committing the EU to assist the EAC in developing its trade infrastructure and capacity. The market potential from this new agreement as well as the wider benefits of this cannot be underestimated.

Industry and Entrepreneurship

Activities under this banner promote industrial development and entrepreneurship in Rwanda. The year saw several industrial complexes relocated from an environmentally fragile wetlands area in Gikondo to the Kigali Special Economic Zone. While a challenging prospect for industry to carry out, the relocation has enabled the protection of this urban wetlands area, from which several communities source their water. 2014/15 also saw the launch of the 'Made in Rwanda' campaign, an initiative of the new Domestic Market Recapturing Strategy (DMRS). This strategy aims to encourage consumption of locally-made products and encourage local production in order to reduce the demand for imports. Industries targeted by this campaign are construction materials, light-manufacturing and agro-processing.

A Company Issues Tracker was also launched this year, which is a tool for the Government of Rwanda to ensure that issues faced by companies in Rwanda are recorded, assigned to a relevant authority and that actions are being taken to resolve these constraints. The objective of this is to ensure continuous and speedy improvements in the business operating environment as issues are reported.

SMEs and Cooperatives

The Industry and Entrepreneurship department also works to promote the growth and development of the country's numerous SMEs and cooperatives. One programme dedicated to this area, namely the National Employment Programme, had a productive year marked by a number of accomplishments. Through MINICOM's operations more than 1500 apprentices from 38 SACCOs received a toolkit loan, which is a half-grant and half-loan facility available for youth graduates from Technical and Vocational Training schools (TVET) with WDA certificates. The value of grants distributed through MINICOM this fiscal year totalled RWF 223 million. Additionally, a total of 832 Business Development Advisors (BDA) were trained and will take up posts in all districts. These Advisers will provide business advisory services to start-up SMEs and support them to access financial services using vouchers administered by SACCOs.

During the year MINICOM also held two SME forums for selected SME clusters to identify key challenges felt by SMEs and identify action points and responsible agents to address these challenges. More forums are planned to follow with a focus on other clusters, in order to unleash the economic potential of SMEs across the country.

Achievements by MINICOM's Agencies

There are currently three agencies for which MINICOM is responsible, namely the Rwandan Cooperative Agency (RCA), the Rwandan Standards Board (RSB) and the National Industrial Research and Development Agency (NIRDA), all of which made significant achievements during this fiscal year. Cooperative membership and investments increased significantly with accompanying capacity building. Several new standards and parameters were added to the existing body, thus facilitating trade, business growth and consumer protection. Two new community processing centres (CPC) opened for dairy and Irish potato and several more are underway in sectors such as honey, banana and ceramics sectors, adding value to Rwanda's products and exports.

Administration and finances

MINICOM and agencies were allocated 18.5bn RWF for the 2014/15 fiscal year from the domestic budget and an additional 2.6bn RWF from external sources. Of the domestic budget, 93.7% was executed in order to achieve the results detailed in this report. The past fiscal year also saw the development of detailed human resource capacity building plans and staff welfare initiatives that will significantly increase MINICOM and agencies ability to continue to deliver high-quality and timely results.

3 INTERNAL TRADE

MINICOM's internal trade department works to streamline the internal market for key commodities, to support stronger and more efficient value chains, to protect and promote intellectual property rights, as well as enhance competition and consumer protection. This is to ensure that food and non-food commodity prices are stable, and that Rwandans are able to access internal markets to trade their goods either with consumers or processors to increase the value of the end product. The department works on a range of policy areas, including: the establishment of market supply agreements/contracts between farmers and processors/traders within the wheat, Irish potato and banana value chains; the implementation of the Domestic Market Infrastructure Master Plan; and overseeing the market information system.

3.1 Value Chain Development

Developing the value chain for key commodities to increase the production of processed goods and add value to raw crops is a key priority for the Government of Rwanda. The internal trade team has been working on the development of detailed value chain studies for several key crops including banana, rice, maize, cassava and Irish potato. The objective of this detailed analysis is to identify where blockages in the chains exist and subsequently develop actions to address these constraints, as well as strengthen the overall chain. The reports have also identified actions that are required to improve product competitiveness, as well as identify where opportunities exist to increase value addition and encourage the production of processed products suitable for export.

In 2014/2015 the internal trade team facilitated the signing of a total of 358 supply contracts between farmers of maize, cassava, Irish potatoes, banana, soya beans, rice and dairy farmers and their value chain counterparts, i.e. processors or traders. These contracts will bring business and more predictable income to the farmers as well as create jobs on their farms.

One of the most significant areas of improvement has been in the rice value chain. Initially 60% of grains were milled informally often through illegal mills established in the countryside. MINICOM has worked with districts, cooperatives and millers to ensure that rice milling is formalized, and from the most recent survey 75% of rice is processed through formal mills. This has allowed the capacity utilisation of the formal rice mills to more than double from 21% in 2013 to 45% in 2014.

3.2 Market Infrastructure Master Plan

In 2013/14 MINICOM began work on a Market Infrastructure Master Plan for Rwanda. This strategic plan analyses existing infrastructure and challenges faced by markets around the country to provide recommendations to all districts on where investment is needed for the upgrade and development of new infrastructure, taking into account future growth.

The Plan highlights the fact that market infrastructure is severely lacking within Rwanda, with almost half of all markets being open-air; only 38% markets have access to toilet facilities; existing markets currently service an average of 20,300 people each, which is below a cost efficiency threshold of 25,000 people as recommended by organisations such as the FAO. Cold storage facilities are also not found in many markets, leading to produce perishing before it can be sold.

The Market Infrastructure Master Plan was finalised in November 2014 and detailed implementation plans are now available for 11 districts (Ruhango, Karongi, Rusizi, Nyamasheke, Muhanga, Huye, Gisagara, Burera, Gicumbi, Musanze, Nyagatare). In some districts where there is an under-supply of markets, population projections for the next 20 years have been used to determine future demand; for other locations the emphasis will be on strengthening the management of existing markets through training activities. Together this will lead to better utilisation of infrastructure, increased availability of high-quality products at competitive prices for consumers, and greater ease of doing business leading to increased incomes for traders.

3.3 East Africa Commodities Exchange (EAX)

The EAX is an organised and regulated regional market for trading agricultural commodities. It uses the NASDAC electronic trading platform, providing the market with quality, quantity, prompt delivery, and timely cash settlement. EAX's key goal is to link smallholder farmers to agricultural and financial markets in Rwanda and the East African region to ensure Rwanda farmers secure competitive prices for their commodities. In addition, it assures the supply of good quality produce, which meets the nutritional needs of the Rwandan people through professional handling, sorting and storage of food commodities.

The EAX opened in Rwanda in January 2014 and there has been substantial progress during the 2014/15 fiscal year. Currently there are eight warehouses in Rwanda, servicing more than 60,000 farmers; each transaction is based on a contract, providing both seller and buyer with security under the law. Spot trading (auctions) at the EAX began in early 2015 and trading in agricultural forwards and futures is expected to commence in 2016 and 2017, respectively. This means that in practice, both farmers and traders know in advance the price at harvest, making investments in agricultural production much less risky. This knowledge is significant for farmers as they will in the future be able to secure contracts at known prices several months in advance of crop maturity, guaranteeing them sale of produce at a known price. For traders across the region this has similar benefits, giving them the security of being able to source produce at known prices and quality grades. The introduction of the Warehouse Receipt System will enable producers to collateralise on their produce and thus access finance from traditional lenders.

Trading volumes at the EAX have grown from 2,000 MTs in 2013 to 11,500 MTs in 2014 and an expected 37,200 MTs in 2015. The EAX attracted a number of equity investments and grants from various sources during 2014/15 and revenues are forecast to grow at around 50% annually; the Exchange is expected to be fully financially self-sustainable by 2017. The Exchange currently trades in maize and beans, but there are plans to start trading in coffee, sorghum, pyrethrum and wheat during 2015/16. EAX is also working on regional integration of these key agricultural markets in cooperation with the EAC.



Image 1: Grains being packed at an EAX warehouse

3.4 Consumer Protection Training and Business Inspections

With the objective of implementing the provisions of the laws on competition and consumer protection, every fiscal year MINICOM delivers an awareness campaign, education and advocacy aimed at the general public and particularly, the business community. It is in this respect that training programmes for the Business Community were delivered between February and May 2015. Though the training mainly covered competition and consumer protection policy and legislation, it also covered other important areas such as:

- » Law and policy reforms for 'doing business';
- » Ethics in business;
- » Arbitration and mediation in business conflict;
- » Role of PSF in business development;
- » Business opportunities and incentives;
- » Governance, security and business;
- » Financial inclusion, savings and investment;
- » Taxes in development; and
- » Role of IT.



Image 2: Consumer protection training for Rwandan business

The training sessions were run across the country in all five provinces, reaching almost 3000 businesses this year. MINICOM also carries out business inspections every year to enforce the legal protection of consumers. This year inspections were carried out together with ADECOR (Association pour la Défense des Droits de Consommateurs aux Rwanda) and covered almost 900 businesses in three districts in Kigali, namely Nyarugenge, Kicukiro and Gasabo. In addition to establishing the status of compliance across the city the inspections also sought to understand the reasons for non-compliance and to increase awareness of consumer protection issues.

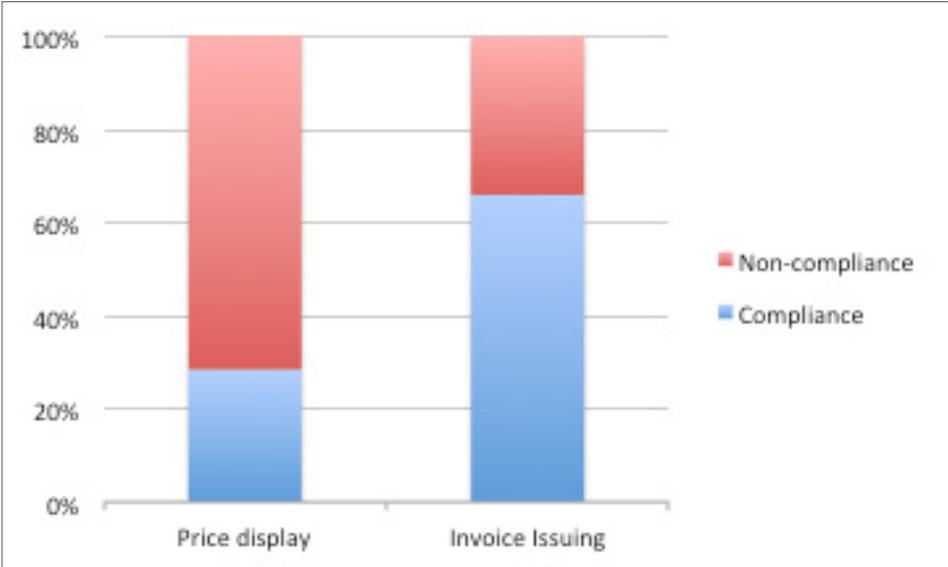


Figure 1: Average compliance on two aspects of consumer protection

Box 1: March 15th – International Consumer Rights' Day

This is an annual occasion for celebration and solidarity between international consumer movements and government agents who are responsible for protecting consumers. More importantly, it is a time for promoting the basic rights of all consumers, for demanding that those rights are respected and protected, and for protesting the market abuses and social injustices which undermine them.

This year the theme of the International Consumer Rights Day was “Healthy Diets” and Rwanda joined the rest of the World to mark the event.

In the respect of the above, MINICOM organised a Consumer Week for the promotion of awareness of consumer rights; activities that were conducted include: inspection of food safety in markets, supermarkets and food processing industries, a film documentary on the protection of consumer rights regarding food safety, adverts on TV, radio talk shows, special adverts in the print media, and a stakeholders workshop. The conclusion of this week of awareness was celebrated at Lemigo Hotel on 26th March.

During this fiscal year, MINICOM reviewed the existing legislation and agencies in charge of consumer protection. In consultation with stakeholders, new legislation has been drafted and submitted to parliament for the establishment of a new, dedicated agency to prevent and mitigate risks to health, safety, the environment and general public welfare, as well as support the development and growth of the economy. Fundamental aspects of this agency's mission will include protecting the public from unsafe goods, as well as promoting and protecting effective competition in markets to the benefit of consumers, facilitating trade, and ensuring compliance with international agreements. Currently each ministry has its own quality inspectorate department but it is envisaged that this new agency will combine all of these to form one quality inspectorate body to ensure thorough, consistent and coordinated enforcement of consumer protection legislation and policy. The draft law is still being discussed by parliament but is expected to be approved during the 2015/16 fiscal year. The new agency will fall under MINICOM once established.

4 EXTERNAL TRADE

The interventions implemented in this area work to increase the access of Rwandan exports to foreign markets by removing barriers to trade, while also providing necessary infrastructure and finance.

4.1 EXTERNAL TRADE PERFORMANCE TRENDS

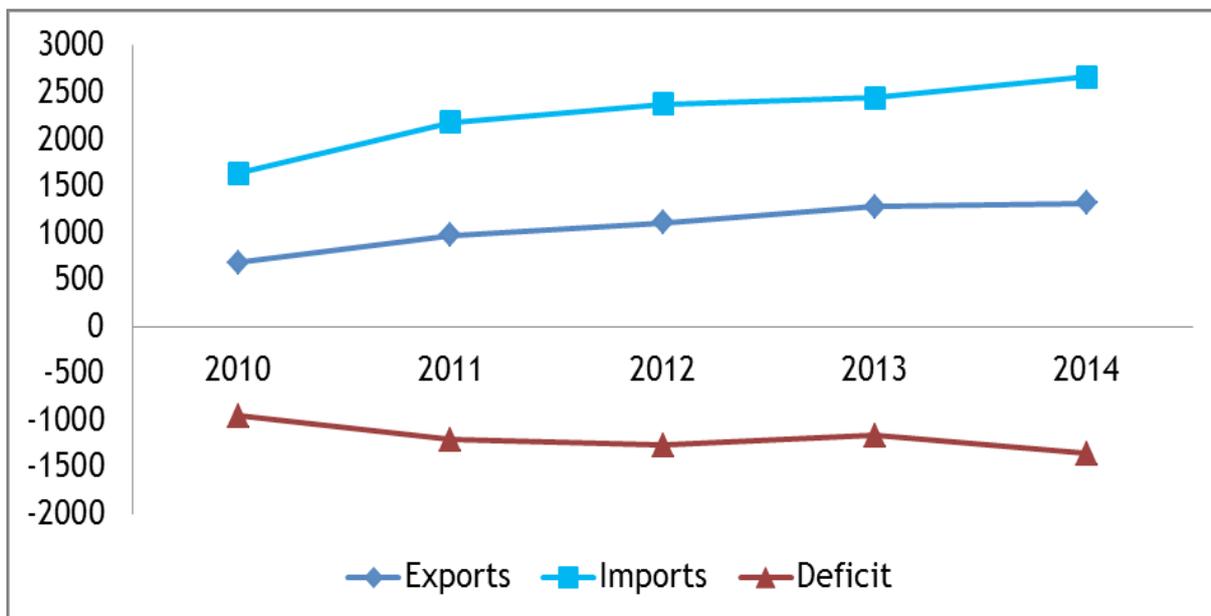
The Government of Rwanda is making every effort to sustain high export growth over import growth. To achieve vision 2020's ambitious export targets, Rwanda needs to sustain export growth at 28% per year while simultaneously maintaining (or even reducing) imports to reduce Rwanda's trade deficit. These targets are the focus of a combination of well-targeted, coordinated and sustained Government action in sectors identified with either high domestic production capacity or high export growth potential.

The National Export Strategy was revised during this fiscal year, targeting high potential export sectors through direct and indirect interventions such as improving access for Rwandan exporters to markets, business development services and finance. To achieve this MINICOM has developed a joint export performance contract with relevant ministries and trade promotion agencies under the Industrial Development and Export Council (IDEC) to increase domestic production and export growth. Through IDEC, key export oriented flagship projects and activities in sectors which hold either high export potential or the opportunity to replace imports with domestic production in the short to medium term have been identified. These flagship projects will be highlighted in more details in section 4.3 below.

4.1.1 Trade performance

Rwanda's total trade grew from US\$ 2.3 billion in 2010 to US\$ 3.9 billion in 2014, an average increase of 14% over the last five years. Total exports from both goods and services amounted to US\$1.3 billion, up 18% over the last five years. Total imports amounted to US\$ 2.6 billion – an increase of 13% between 2010 and 2014. Rwanda's trade deficit has increased by 9% over the last 5 years, from US\$956.7 million to US\$1.3 billion. Despite the persistent trade deficit, exports coverage of imports increased from 42% in 2010 to 49% in 2014. Import coverage by foreign exchange reserves increased slightly from 4.5 months at the end of 2013 to 4.6 months by the end of 2014.

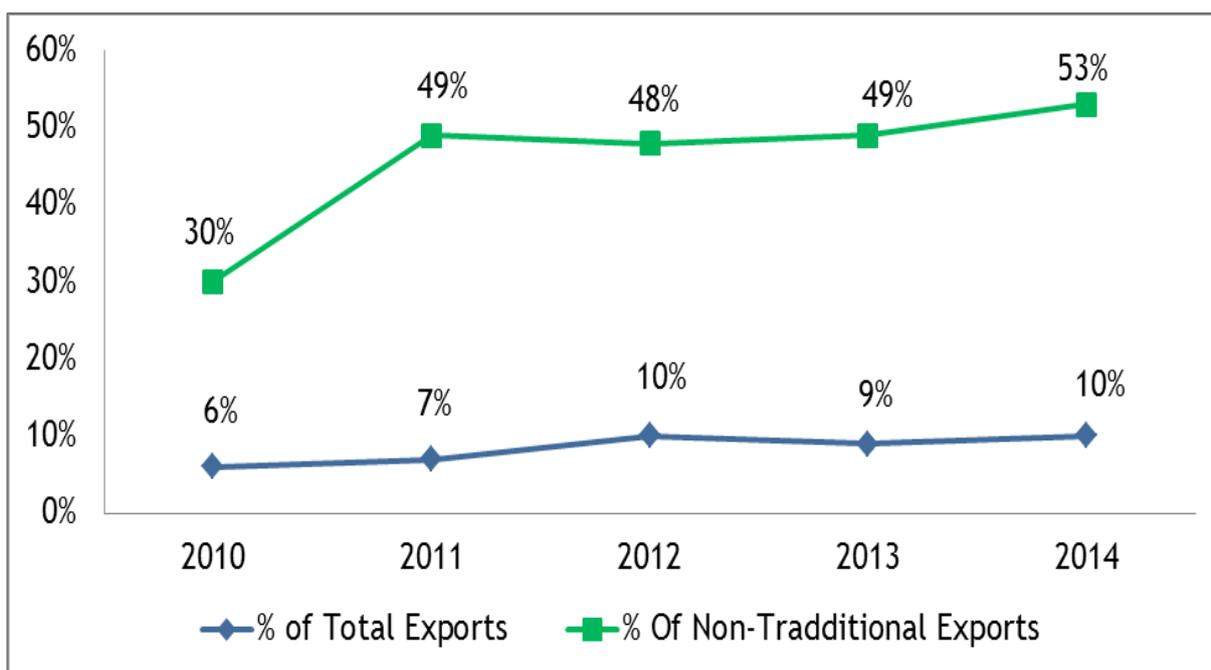
Rwanda's trade deficit is driven primarily by an imbalance in merchandise trade, where the deficit in 2014 stood at 16% of GDP compared to minor deficit of 0.01% of GDP for services. In 2014, Rwanda's total merchandise trade was US\$ 3.1 billion in 2014, of which merchandise exports from both formal and informal trade accounted for 23% or US\$710.3 million, while merchandise imports accounted for US\$ 2.4 billion.



Graph 1: Rwanda's external trade performance, 2010-2014, (US\$m). Source: BNR trade data

4.1.2 Export performance

Exports of goods and services over the last 5 years grew an average of 25% per annum and remain concentrated in a few traditional export sectors namely tea, coffee, and minerals. However, the concentration of traditional exports in total exports has reduced over the past 5 years with the traditional export share dropping from 60% in 2012 to 45% in 2014. To further promote diversified exports, the National Export Strategy (NES) was revised during 2014 both to strengthen Rwanda's existing export growth measures and to formulate new proposals that align the strategy with the new ambitions in EDPRS II namely, that of growing exports at 28% per annum.



Graph 2: Manufacturing and agro-processing share of Rwandan exports, 2010-2014, (%) Source: BNR trade data

Manufacturing and agro-processed goods have increased their share of total exports from 6% in 2010 to 10% in 2014, while their share of non-traditional exports has increased from 30% in 2010 to 53% in 2014 (as shown in graph 2 above). A small number of medium sized manufacturing firms are driving much of this formal export growth to the DRC and Burundi. Firms in agro-processing, construction material and beverages have been major contributors to non-traditional regional export growth in recent years.

4.2 IMPROVING INFRASTRUCTURE AND LOGISTICS FOR EXPORTS

4.2.1 Cross Border Markets Programme

Cross-border trade (CBT) plays an important role in poverty reduction. It provides trading opportunities for many people, particularly women who are the most active traders along Rwanda's borders. Trade with neighbouring countries also represents the best export opportunity for many Rwandan firms and entrepreneurs. Products exported include: agricultural goods; livestock, meat and dairy products; processed agro-processed goods; and manufactured goods ranging from cement to beauty products and beverages. These products are often exported informally on foot by thousands of small traders who operate along the borders, or exported formally across the border in vehicles.

However, the full potential of CBT has not yet materialised due to a number of constraints. These include the cost and time of crossing borders; inadequate or unsuitable infrastructure which is not designed to meet export opportunities in neighbouring countries; and a lack of information, skills or finance that would allow traders and producers to better realise export opportunities.

The National Cross-Border Trade Strategy aims to contribute to the creation of dynamic and diversified trade with neighbouring countries, creating jobs and income in both the formal and informal sector and ultimately improving the trade balance. To address the challenges faced by the mostly female cross border traders, MINICOM has implemented a number of actions as detailed in the strategy, this includes: bilateral talks with neighbouring countries; construction of cross-border markets; training of informal cross border traders in entrepreneurship skills, the Rwandan taxation system and cooperative management; and improving their access to finance.



Image 3: Traders carrying goods across the Rwanda-DRC border. Photo credit: New Times

This fiscal year MoUs were signed with the Ministries of Trade and Industry in Uganda and Tanzania, while talks are ongoing with Rwanda's other neighbours including the DRC. More than 850 cross border traders received the above-mentioned training and 37 cross-border trade cooperatives consisting predominantly of women received financial support totalling RWF 200 million. One cross-border market has been constructed at Akanyaru Haut on the border with Burundi in Nyaruguru District whilst another one is under construction at Rusizi-1 bordering DRC. Feasibility studies have been completed for another ten CBMs, the mobilisation of resources for their construction is ongoing and local investors have shown considerable interest in these infrastructure developments. During the financial year 2015/16 two new CBMs will be built with support from the Enhanced Integrated Framework (EIF) project; one in Karongi district bordering DRC and one in Burera districts bordering Uganda.

Furthermore, MINICOM has established a specialised unit – the CBT Unit – to implement the National Cross-Border Trade Strategy. This unit is responsible for coordination, communication and monitoring of CBT activities of stakeholders at all levels as well as for the coordination of cross-border trade activities across several ministries, agencies, regional programmes, donor community programmes and civil society organisations. Together, all these activities will promote the formal and informal trade flows across Rwanda's borders, generating income and employment opportunities to a sector dominated by women.

4.2.2 Trade Logistics

To help accelerate the growth of exports, MINICOM is establishing a number of trade logistics centres. One will be constructed in Kigali – the Kigali Logistics Platform – for which the tender for construction is in its final stages with a winner expected to be announced in October 2015. Land has

been acquired for the purpose – 13 ha – with another 17 ha to be acquired during the next fiscal year. Two bonded warehouses will be constructed in Rubavu and Rusizi; the tender for construction and operationalisation of the facilities is at the final stage - 2 ha of land has been made available at the Rubavu border whilst the Rusizi bonded warehouse will be built in the Rusizi industrial park

Feasibility studies and construction have been completed for four agro-logistics centres in Kamonyi, Musanze, Huye and Rulindo.

A feasibility study of one foreign multiservice centre (MSC) in Congo-Brazzaville was completed during this fiscal year, and MINICOM signed an MoU with the Private Sector Federation (PSF) to mobilize the private sector to operationalise this centre. Another feasibility study will be completed for a similar centre in the Middle East. These logistics centres will serve as one-stop service providers for trade logistics services and thus help facilitate the export and import process for Rwandan and foreign businesses.

4.3 KEY FLAGSHIP PROJECTS EXPECTED TO BOOST EXPORTS

The NES is the overarching strategy for promoting Rwandan exports, increasing economic activity and creating employment. To this end, a number of strategic projects have been implemented; progress on the most important of these is detailed in this section.

4.3.1 C&H Garments

The textile and apparel industry in Rwanda is one of strategic importance, primarily due to the amount of entry-level skilled jobs required and for the opportunities it provides to increase exports that contribute to reducing the trade deficit. However, the industry is currently small with only one textile manufacturing company, some knitting cooperatives and a silk sector, which is still at its infancy stage. To overcome this challenge, attracting foreign direct investment (FDI) into the textile and apparel industry is critical.

It is in this context that the Government of Rwanda and C&H Garments Company signed a Memorandum of Agreement (MoA) in April 2014 to start the process of creating a garments manufacturing sector.

The project will bring substantial benefits to Rwanda in terms of jobs creation and export growth. The main purpose of this project is to develop a vibrant garment factory in Rwanda capable of serving the needs of demanding international consumers. It is intended that the demonstration effect from the successful implementation of this project will attract other mobile garment manufacturers to Rwanda.



Image 4: Garment production, C&H Garments

Box 2: Completed and planned activities of C&H Garments

- » Modification of factory was concluded, and production already started.
- » The company has so far recruited 201 workers, who are undergoing a 6 month training programme, which will be completed in October 2015.
- » C&H Garments has already secured their first big supply order worth \$ 4 million.
- » C&H Garments Ltd, is currently operational with EPZ status in the KSEZ, they have reserved two units and envisage employing up to 3000 staff.

4.3.2 Advanced factory units (AFUs)

New investors planning to launch manufacturing or high intensity service operations such as call centres are constrained from immediate start-up by the lack of suitable premises to rent or purchase in locations with appropriate infrastructure. In the highly competitive world of investment attraction where decisions are often taken based on time to market, lack of readily available premises is a constraint that hinders Rwanda's ability to attract new investors or to support investors wishing to expand.

To facilitate potential investors in the sector, the Government of Rwanda through the Manufacturing Development Division of RDB decided to construct five factory units, which can be rented/leased by investors rather than constructing their own. This will enhance the speed of implementation of manufacturing investment projects. It is in this respect that RDB has undertaken to construct two AFUs in the Kigali Special Economic Zone (KSEZ) to serve as a pilot project to facilitate first mover investors. The area for the construction of advanced factory units is 24,500 square meters.

Box 3: Progress on AFU construction

The target is to complete two finished factory units by June 2016 and mobilize investors ahead of time. The process of targeting and selecting export oriented investors for the AFU will continue in parallel with the construction process. RDB is the lead institution responsible for constructing and securing land for the advanced factory units. Current progress is as follows:

- » 2.45 ha of land have been acquired for two AFUs.
- » MINECOFIN and RDB submitted a project proposal to mobilize extra funding through IBRD funding in order to acquire the remaining 7.8 ha and for the construction of advanced factory units.
- » A consultancy firm has been hired to design and supervise the construction of the two AFUs. Their inception report was submitted and approved. Design works have started.
- » C&H Garments have already committed to occupy factory units for a period of ten years, see above

4.3.3 Bella Flowers

Bella Flowers is a private company registered in Rwanda with the main objective of investing in the production and export of cut flowers. For implementation of the project, an area of 35 ha was acquired and infrastructure has been constructed.

The flower park will produce greenhouse premium intermediate standard roses for the export market. It is expected to produce 44 million stems per year on completion, at a projected price of \$0.2 per stem. At the end of June 2014 construction was almost complete and production is expected to be fully operational within the next fiscal year.



Image 5: Flower greenhouse and picker

4.3.4 Stevia Expansion Programme

Stevalife Ltd currently grows stevia on 43 ha in Ngoma sector, Rulindo district; 28 ha are under harvest, with the export to China of dried leaves having commenced.



Image 6: Stevia plant nursery

Stevalife Ltd expects to expand stevia production to 800 ha by 2015 and 1000 ha in 2016. A processing factory is also anticipated to be operational in 2016; the processed price of stevia being 11 times more than that of dry leaves.

At 1,000 ha and with a processing plant, Stevalife Ltd expects to generate export revenues of US\$ 144 million annually and employ over 5,000 Rwandans not only at the field level, but also agronomists, managers, and back office staff.

Box 4: Stevia Expansion Programme progress

The National Agricultural Export Development Board (NAEB) is undertaking a number of actions to increase exports of stevia in the medium term. Achieving the necessary land requirement is critical to ensuring that the export potential of stevia, valued at US\$ 140 million, is achieved. So far 518 ha of land has been secured, of which 62.5 ha are planted. NAEB is also supporting out-growers to plant 40 ha in Nyanza, Gatsibo, Gasabo, Nyaruguru. This is expected to contribute to the land mobilization process as farmers and local authorities will be able to familiarise themselves with the crop, as well as experience the income generated from the stevia production. The required 1000 ha will be secured in the next fiscal year 2016/2017.

4.3.5 SOPYRWA Strategic Partnership for Market Access and Pyrethrum Production

SOPYRWA is Rwanda's sole pyrethrum processor, producing export grade pyrethrum extract in final form. SOPYRWA sources pyrethrum through an out-grower scheme and provides support to these



Image 7: Pyrethrum

out-growers in the form of fertilizer, drying facilities, collection and transportation of dry flowers.

SOPYRWA has the capacity to process up to 3000 metric tonnes (MT) of dry flower per annum with a maximum output of 50 MT of refined extract per annum. The plant currently operates at approximately 60% capacity (up from 56% in 2013) and processed 1675 MT of dry flowers in 2014. Total output of pyrethrum extract was 27 MT in 2014, up from 26 MT in 2012. Pyrethrum exports in 2014 amounted to US\$ 1.8 million from US\$ 3.9 million in 2013, representing a decline in export revenues by 54%. This was due to the withdrawal of a major buyer from the Rwandan market. To ensure increased market access, SOPYRWA has signed distribution and purchase contracts with companies in the US, Italy, Mexico and South Korea ranging in duration from 3 to 5 years and is now in the process of registering their products in these markets.

SOPYRWA accounts for approximately 10% of world production of refined pyrethrum extract. Total global supply is estimated at 200 MT with estimated global demand of refined extract estimated at 400 MT.

4.3.6 DSM Baby Food Project

The Government of Rwanda with the support of the Clinton Health Access Initiative (CHAI) is developing a public-private partnership, establishing a company called Africa Improved Foods (Holding) Ltd (AIF). AIF will produce soy-based fortified blended foods (FBF) targeting children aged 6 to 24 months to improve nutrition and health outcomes in the country.

The agreement between the government and private sector stakeholders was signed early 2014. The size of the total investment will be US\$22 million, split between DSM International NV (47%), a Dutch health and nutrition company; the International Finance Corporation (IFC) (20%); CDC Group, the UK's development finance institution (20%) and FMO, a Dutch private sector development bank (13%). The Rwandan government has committed to purchase \$6 million worth of products for 5 years, while AIF has committed to employing Rwandans at all levels and invest in their training, as well as source at least 50% of inputs from Rwandan cooperatives and the rest from Rwandan markets. Supply contracts for soy beans have already been signed with nine cooperatives from Eastern province to ensure production can commence as soon as the ongoing construction of the premises is complete. The company is expected to export \$22 million and \$45 million worth of products in 2016 and 2017, respectively.

4.3.7 Critical Longer Term Projects

4.3.7.1 Kigali Innovation City (KIC)

Kigali Innovation City, an ICT park, is a Government of Rwanda flagship project designed to accelerate development of Rwanda's ICT sector. The Kigali Innovation City will house various facilities including a research and development (R&D) facility; ICT training centres; software building and test labs; specialised institutions of higher education (Carnegie Mellon University Rwanda Centre of Excellence, CMU-R) and a business incubation centre.



Image 8: H.E. President Kagame discussing the importance of ICT development in Rwanda

The CMU-R campus at KIC will deliver post-graduate degree programmes in ICT for the East African region. CMU-R will train highly skilled engineers and ICT innovators through collaborations between international and local ICT companies and universities led by CMU-R. It is expected that many of these highly skilled individuals will start ICT companies in Rwanda, creating growth, exports and employment. Construction work on the campus is began in August 2015 for a duration of 12 months. Currently, the designs for the rest of KIC are undergoing the tendering process, which is expected to be completed by October 2015, after which the civil works will be tendered.



Image 9: CEO of POSITIVO BGH (right) in the new Kigali factory

4.3.7.2 Positivo

The government signed an agreement with POSITIVO BGH in November, 2014, to set up a plant to manufacture and supply laptops, computers, tablets and other electronics. This will help make such devices readily available on the market at low prices to serve both students and teachers, while also creating employment.

The scheme will promote technology use in the classroom for elementary and high school students in Rwanda, in association with the Ministry of Education. The devices will be pre-loaded with educational content.

The project involves the construction of a factory in Kigali, which will have a production capacity of 60,000 computers and tablets per month. POSITIVO has completed the factory modification works in the Kigali Special Economic Zone and is currently training the staff recruited. Assembly of laptops commenced in July 2015, and is expected to reach 150,000 units per year during the next fiscal year.

4.4 INCREASING ACCESS TO FINANCE FOR EXPORTERS

4.4.1 Export Growth Facility (EGF)

Since implementation of the National Export Strategy (NES) began in 2012, changes have occurred in Rwanda's national strategic objectives, export targets and understanding of the export sector and its growth. As mentioned previously, these changes made it necessary to revise the NES in 2015.

Analysis for the revised NES revealed a gap in the availability of export-related finance to:

- i. fund investment in the production of goods for export;
- ii. adjust production practices to meet technical standards in export markets; and
- iii. fund pre- and post- shipment activities related to exporting.

These are all key actions that enable firms to export and to deliver export growth.

Therefore, the EGF was designed as a single facility with three separate windows through which firms can access export finance options not currently available in Rwanda. The facility provides the finance necessary for realising the three strategic objectives presented above and will be implemented by Rwanda Development Bank (BRD). The three windows through which finance can be accessed are:

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

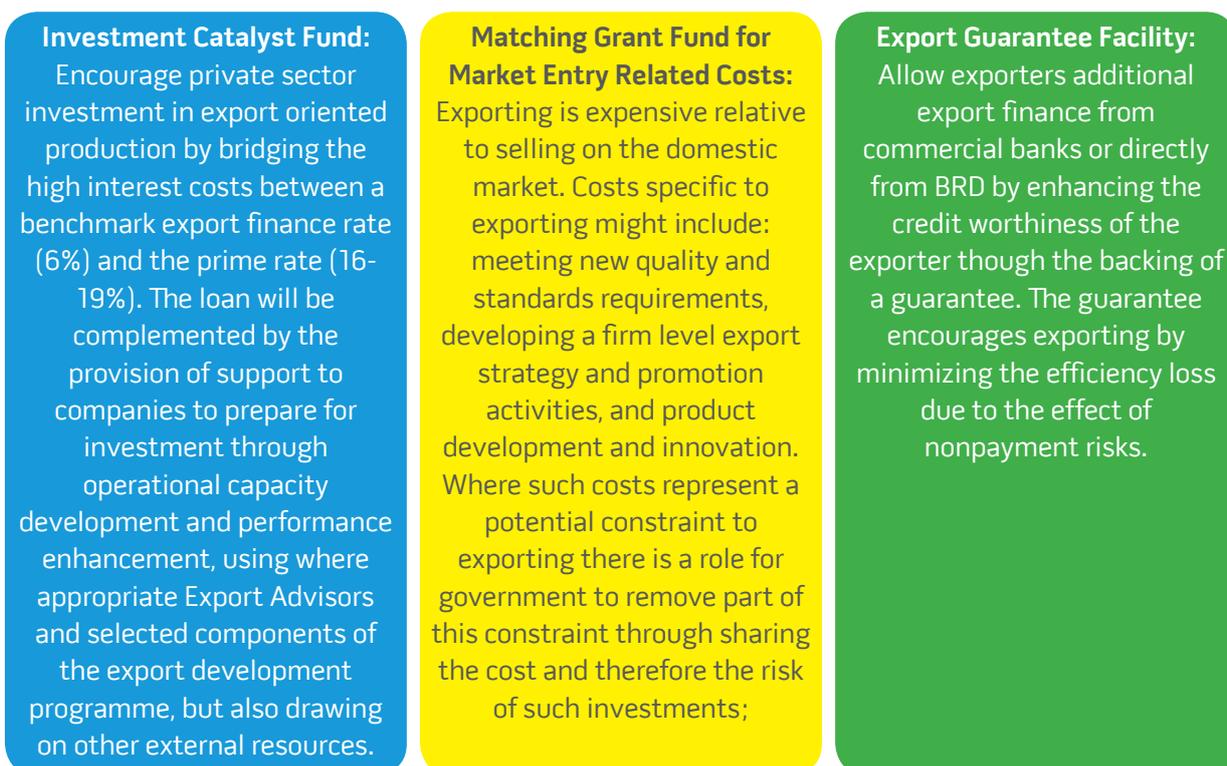


Figure 2: Components of the Export Growth Facility

It is currently envisaged that a single pool of funds will finance the three distinct components of the EGF. The Government of Rwanda has committed RWF 500 million to launch the project, with a further RWF 500 million committed by BRD. Multilateral and bilateral donors will also be approached for contributions to support the facility – a number of which have already expressed interest. A detailed implementation plan has been developed by MINICOM and BRD highlighting the roles and responsibilities of relevant agencies.

Stakeholder validation meetings were conducted over a 6 month period through an iterative process of testing and developing export related interventions. The Export Growth Facility will initially be launched in 2015 as a limited pilot programme targeting firms in the horticulture, agro-processing and manufacturing sectors. The pilot phase will be used to test demand for, and the impact of, the facility in terms of new exports and employment in Rwanda.

Based on experience in other countries the facility is expected to grow exports of beneficiary firms by 80% - 100%. The evolution of the fund is presented below.

	Sector Coverage	Size of Fund (US\$ m)	No. Beneficiaries	Impact – New Exports (US\$ m)
Year 1 (Pilot)	Limited	1	20 -25	US\$ 3.5 – 4.5 million
Year 2 - 3	All	10	200-300	US\$ 35 – 50 million
Year 4 onward	All	50	200-700	US\$ 175 – 250 million

4.5 FACILITATING ACCESS TO FOREIGN MARKETS

There are numerous activities aimed at increasing access to foreign markets by Rwandan exporters. Two deserve mention here:

In March 2015, a Polish delegation was in Rwanda for one week to explore trade and investment opportunities and the fostering of bilateral relationships. Small and medium scale enterprises (SMEs) in Rwanda are expected to benefit from this partnership with Poland, with investors having already expressed interest in investing in the country's agri-business sector, including potato processing. This visit precedes the signing of a bilateral trade MOU between the Private Sector Federation and the Polish Chamber of Commerce.

4.5.1 Economic Partnership Agreement (EPA)

East African Community (EAC) Partner States and the European Union concluded negotiations on the historic Economic Partnership Agreement during this fiscal year. The EAC initialled the EPA Agreement with the EU on October 14th, 2014, in Brussels. Negotiations began in January 2007, however an interim agreement was signed later that year to ensure that there was no disruption to trade whilst negotiations were ongoing. Rwanda's trade with the EU currently stands at approximately 36% of all external trade.



Rwanda's team of negotiators was headed by MINICOM, although this was the first time that the EAC has negotiated as a block – a significant achievement in for the EAC and its political and economic integration.

The EAC-EU Economic Partnership Agreement – commonly referred to as the “EAC-EU EPA” – is a trade and development agreement. It provides a contractual framework that will guide cooperation between the two Parties in the areas of trade, economic and development cooperation. The EPA Agreement is composed of five clusters, namely:

- » Market Access, including the rules of origin protocol and specific product rules;
- » Economic and Development Cooperation;
- » Agriculture;
- » Fisheries; and
- » Institutional arrangements, dispute settlement and final provisions (cross-cutting provisions relevant to all clusters).

As such, the potential benefits of this agreement are far-reaching and very large.

Box 5: Selected benefits for Rwanda from the EAC-EU EPA

EU as major trading partner: Rwandan exports to the EU have fluctuated in volume and value but EU remains major trading partner. For example the total volume of Rwandan exports to EU in 2012, 2013 and 2014 was 27,473T; 21,495T and 19,053T, respectively, with respective values of \$169 million, \$168Million and \$180.5 million. With the predictability that comes with the EPA, the trade between the two is expected to experience increased growth both in volumes and value.

Predictable trade regime and simplified Rules of Origin: The benefits for Rwanda is to have a predictable trade regime that provides duty- and quota-free access for Rwandan products instead of a unilateral offer that can be withdrawn any time by EU. The Agreement simplifies the rules of origin from double transformation to single transformation rules of origin, which allows adding value once and ready to export which is an advantage to the business community. Rwanda will now also enjoy the accumulation process and its benefits whereby the business community can source raw materials from all African, Caribbean and Pacific (ACP) States, Overseas Countries and Territories (OCTs), Generalized System of Preferences (GSP) countries, EU countries and countries that have Free Trade Area with EU countries.

Development aspect: The Agreement has a development chapter that highlights private sector development and promotion of investment. The chapter curls in a development dimension that will facilitate in addressing supply side constraints. A development matrix with specific projects is annexed to this agreement indicating funding gaps and committing the EU to support.

4.5.2 Non-tariff Barriers (NTBs)

One of the major initiatives to reduce the incidence of non-tariff barriers is the implementation of the EAC Single Customs Territory (SCT). This aims to substantially reduce barriers to trade along the Northern (Kigali-Kampala–Mombasa) and Central (Kigali-Dar-es-Salaam) Corridors. These barriers typically relate to time, cost and documentation. To date, the average number of days for SCT imports along the Northern Corridor is less than six (down from 21 days in 2010), whilst for the Central Corridor it is less than five (down from 17 days in 2010). The cost of shipping a container from Mombasa to Kigali has fallen almost 25% from \$6,595 in 2010 to \$4,833, while the cost from Dar-es-Salaam to Kigali has fallen 5% from \$4,990 in 2010 to \$4,740. Average port dwell times have also dropped to 3.5 days in Mombasa and 9 days in Dar-es-Salaam.



Image 10: Cargo ships off-loading goods

MINICOM has supported the implementation of the SCT since 2013, when the initiative was launched. Implementation is not yet finalised at either of the two major EAC ports, although Mombasa is further ahead in implementation. At Mombasa, full implementation for imports began in April 2014 and at present almost all Rwandan imports going through Mombasa are cleared through the SCT system. Dar es Salaam started piloting the SCT system in late 2014, with full implementation for goods cleared directly for home consumption beginning from the end of February 2015. Neither port has started using the SCT system for exports as of yet.

Through the SCT four of the nine required documents for imports are no longer physically required and can instead be processed online. It is expected that in the future, the actual number of documents will also fall. Once the Dar-es-Salaam SCT system is complete, it is expected that clearing goods will be even easier. Furthermore, the move to a single regional bond (and the complete elimination of a bond in the case of imports cleared for home consumption at the port) will lead to direct savings on the cost of imports. For imports through Dar es Salaam, savings could amount to an average of \$250 per shipment. Continued improvements in the performance of both Corridors will further reduce trade costs e.g. through backhaul i.e. ensuring that trucks are not traveling empty on the return journey, which is one of the primary reasons for the current high (import) transportation costs.

The EAC Time Bound Programme - an NTB monitoring mechanism established by EAC Council of Ministers in September 2009 - shows that as of March 2015, 83 NTBs have been resolved since the start of the programme, with 21 NTBs resolved during the period July 2014 to March 2015. There are currently 22 remaining unresolved NTBs.

5 INDUSTRY AND ENTREPRENEURSHIP

For Rwanda to meet the Vision 2020 targets, industry must reach 26% of GDP by the end of the decade, up from 14% today. MINICOM's work in this area aims to improve the competitiveness of existing Rwandan industry, support the emergence of new industries and coordinate the National Employment Programme for start-ups.

5.1 IMPROVING COMPETITIVENESS OF EXISTING INDUSTRIES

Industry in Rwanda is currently concentrated in construction, agro-processing and manufacturing. MINICOM carries out a number of activities to improve the competitiveness of these existing industries, all of which are detailed in this section.

5.1.1 Building Industrial Parks and Improving Utilisation of Existing Capacity

Lack of access to high-quality infrastructure and especially energy is consistently ranked a top restraint on Rwandan industry. While the goal is to make high-quality infrastructure available across the entire country, in the short term MINICOM is focusing on strategically selected locations by establishing industrial parks. These ten parks – Kigali Special Economic Zone, eight provincial parks and one SME park in Kicukiro – will provide newly constructed industrial areas delivering world-class hard infrastructure to industrial firms and commercial traders. With the exception of Musanze and Muhanga, land for all industrial parks has been expropriated and construction works commencing, while feasibility studies is currently underway for the Kicukiro SME park. Phase 1 of Kigali Special Economic Zone is complete with 98 ha of fully serviced land available; while construction for phase 2 is approximately 70% complete. Once complete, phase 2 will add 178ha to the Zone.

In addition to providing new infrastructure, MINICOM also works to facilitate optimal utilisation of existing infrastructure. One such activity is work done to increase the supply of raw materials for industry, by facilitating the signing of supply contracts. In a similar vein, the Rwandan Standards Board (RSB, a MINICOM agency) working to facilitate access to internationally recognised standards and certification to ensure consumer protection as well as to facilitate trade. During the fiscal year 2014/15, RSB certified 75 new standards and held 29 training sessions. 72 individual new products were certified as meeting industry standards and seven new parameters and ranges were added to the body of internationally traceable measures. The RSB testing facilities were also upgraded through ongoing rehabilitation efforts.

5.1.2 Relocation of industrial enterprises

Vision 2020 strategically places industrialisation in the context of high-quality urban environmental management; this focus promptly led to the government to review the sustainability of the industrial enterprises located in wetlands. Most Kigali-based industries were traditionally located in Gikondo valley, essentially an urban wetland. Studies revealed excessive levels of pollution from existing factories and settlements, to the extent that water in the area was no longer suitable for either human or animal consumption.



Image 11: New facilities for Amaki Colour (top) and Tolerwa (right)

To recover the environmental integrity of the area, the government decided to relocate these industries to Kigali Special Economic Zone. Importantly, the KSEZ is built to exacting environmental standards.

During 2014/15, MINICOM completed 50% of the construction for new advanced factory units in the Kigali SEZ, which will be delivered to industrial firms due to relocate from the Gikondo wetlands. In addition, MINICOM completed the expropriation for two warehouses in Gikondo, which will be demolished in the coming fiscal year. The firms to be relocated adds to the list of nine firms already relocated in the 2013/14 financial year.



5.1.3 Company Issue Tracker

One of the greatest challenges that the Government of Rwanda faces in delivering world-class services is the ability to share information and coordinate action. MINICOM has an important role to play in improving this coordination function for the industrial sector. In 2014, MINICOM developed a cross-government system to store information on challenges faced by individual companies in a way that would enable all government institutions to access it and collaborate to prioritise and resolve them.

Category	Company	Lead Institution	Official Contact	Created	Deadline	Status	Priority	Updates	Actions
Insufficient land	...	NAEB	None	18 Dec 2014	31 Dec 2016	Open	High	4	Show Edit Destroy
Other	...	MINIRENA	None	18 Dec 2014	31 Dec 2015	Open	High	4	Show Edit Destroy
Other	...	MINIRENA	None	18 Dec 2014	31 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	MINIRENA	None	18 Dec 2014	31 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	3	Show Edit Destroy
Inadequate road	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	3	Show Edit Destroy
Insufficient raw material	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	4	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2016	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
National taxes	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	5	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Insufficient power	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Insufficient raw material	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	4	Show Edit Destroy
Insufficient raw material	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy
Other	...	RDB	None	30 Dec 2014	30 Dec 2015	Open	High	3	Show Edit Destroy

Image 12: Screenshot of the company issue tracker

The Tracker was developed by an in-house team at MINICOM and was operationalised in May 2015. Since then, MINICOM has been training a team in each relevant ministry and is further developing the Tracker to fit into the varying workflows of different institutions. MINICOM also uses the industrial survey to learn about the industrial sector, collecting a wealth of data regarding the difficulties faced by individual firms, such as poor quality roads, power cuts, and a lack of access to water. In late 2014, MINICOM imported the data from its most recent industrial survey into the Tracker, establishing a base dataset that covers more than 200 Rwandan firms.

During 2015/16, MINICOM will continue this training across government to embed the system as a key tool for cross-government coordination on industrial policy and activities. With the help of this training, the Tracker can be integrated with other cross-governmental coordination mechanisms, such as the Industrial Development and Export Council. Once the government is fully confident in using the system, MINICOM intends to trial access to the system to private companies; to enable them to contribute information on their own issues, to receive updates and find out who in government has been assigned to resolve them.

5.2 FACILITATING THE EMERGENCE OF NEW INDUSTRIES

In addition to strengthening the competitiveness of existing industries, MINICOM works hard to promote and facilitate the emergence of new industries in strategically selected sectors. These sectors are identified both by their contribution to Rwanda's imports (and hence importance for the trade balance) and by the extent to which investments in these sectors are likely to yield high results.

Work under this banner falls under the Domestic Market Recapturing Strategy (DMRS), which was adopted by the Government of Rwanda this fiscal year. The DMRS aims to facilitate long-term structural change by increasing domestic production and transform Rwanda into a middle-income country, while in the short term reduce the import bill and improve Rwanda's external trade position. Expected foreign

exchange savings are estimated at about \$450 million per year by 2020 if all proposed interventions are implemented. This is roughly equivalent to 18% of the current annual import bill and the impact is therefore potentially enormous. Based on the above criteria, the DMRS identifies three industrial sectors with market recapturing potential, specifically: construction materials, light-manufacturing and agro-processing. Other sub-sectors with a high contribution of domestically-sourced inputs have also been identified by the strategy.

For the three priority sectors the DMRS presents business cases for specific high-potential projects to be implemented in the coming fiscal years, including:

- » In light-manufacturing, high recapturing potential has been identified for textiles and garments, soaps, and packaging sub-sectors.
- » In agro-processing, the DMRS identifies potential in organic fertiliser, dried fish, edible oils and maize with specific interventions promoting contract farming, franchising and outgrower schemes; developing Rwanda's commodity exchange and warehouse receipt system; improve access to insurance products and investing in irrigation and greenhouse technologies.
- » In construction materials (currently 10% of the import bill, with demand ever-rising), key sub-sectors include cement, clay, timber, sand, stone, agro-waste and compressed soil used in low-cost construction materials. Key projects include the opening of the Cimerwa plant in Rusizi in early 2015/16, which is expected to single-handedly recapture a large proportion of the cement market as well as interventions targeting the production and use of the above materials in the Rwandan construction sector.

Box 6: Non-sectoral interventions under DMRS

In addition to the sectoral measures detailed above, a number of cross-cutting interventions are being undertaken under the DMRS, including:

- » A national communications and branding campaign to inspire Rwandan consumers to buy domestic goods, called 'Made in Rwanda';
- » A new procurement law has been adopted that focuses government procurement on targeting and supporting domestic SMEs; and
- » Upgrading the capacity of domestic companies and improving the quality of domestically produced goods and services through the strengthening the Rwanda Standards Board. This provides inputs to several ongoing actions in RCA, RDB and RSB as well as the newly established Business Development Units in Districts.

In addition to the DMRS, MINICOM is currently working on a high-level Industrial Master Plan, which will further set out the strategic objectives of all activities pertaining to industrial development in the ministry. It is expected that this Master Plan will be finalised by the end of the next fiscal year.

5.3 COORDINATING THE ENTREPRENEURSHIP AND BUSINESS DEVELOPMENT PILLAR OF THE NATIONAL EMPLOYMENT PROGRAMME (NEP)

The NEP was established in 2014 with the purpose of harmonising and coordinating new and already-existing job creation interventions in Rwanda. There are three pillars of activities under the NEP, of which MINICOM is tasked with coordinating all activities related to Entrepreneurship and Business Development. Other intervention areas include Skills Development (led by MINEDUC) and Labour

Market Interventions (led by MIFROTRA). MINICOM's activities are implemented in partnership with BDF, WDA, NIRDA and RDB and during the 2014/15 fiscal year the following achievements were made:

More than 1500 apprentices from 38 SACCOs received a toolkit loan - a half-grant and half-loan facility available for youth graduates from Technical and Vocational Training schools (TVET) and those holding WDA certificates. These toolkit loans are provided through SACCOs with MINICOM providing the financial resources, which in the fiscal year 2014/15 totalled RWF 223 million. For the next fiscal year, MINICOM will allocate RWF 200 million to this purpose while the Swedish Development Agency will allocate RWF 600 million.

A total of 832 Business Development Advisors were trained and will take up posts in all districts (see box 7). These advisors will provide business advisory services to start-up SMEs and support them to access financial services using vouchers administered by SACCOs. Additionally, equipment for several Integrated Craft Production Centres (ICPCs) was procured, two of which sourced leasing agreements for equipment through BDF. Details of progress on Community Processing Centres are given below.

Box 7: Business Advisors to Spur Entrepreneurship and Job Creation

February 16th, 2015 – The Ministry of Trade and Industry in partnership with the National Itorero Commission conducted training/Itorero for 800 Business Development Advisors across the country. Each sector was represented by two advisors who play a critical role in promoting entrepreneurship, as well as SME development and growth.

The Minister of Trade, François Kanimba stated that: “SMEs in Rwanda lack an understanding of the local, regional and international market in which they operate, limiting their ability to take advantage of potential market opportunities. They do not have the resources or time to spend gathering and understanding market information that would be useful to their operations. This inhibits SME innovation and growth. Locally this leads to heavy duplication of business ideas and we hope this training of Business Development Advisors will improve this situation and lead to SMEs growth, and job creation.”

Business Development Advisors are stationed at the sector level to help business operators run profitable ventures, as well support the translation of business ideas into business plans that can attract funding.

5.3.1 Community Processing Centre (CPC) Programme

The Community Processing Centre (CPC) concept, also known as “Uruganda Iwacu”, championed by MINICOM, is a responsive and dynamic cluster development initiative that aims to boost and improve the competitiveness of SME clusters by adding value to agricultural products through processing. CPCs provide a platform for cluster operations, coordination, mobilisation, research and development. These centres benefit farmer cooperatives, entrepreneurs and other private sector members – they are implemented by public partnership arrangements with a significant element of inter-ministerial and inter-agency coordination.

The CPC programme is implemented through the National Industrial Research and Development Agency (NIRDA, another MINICOM agency) and in 2014/15 a dairy CPC for dairy became operational in Nyabihu district, while an Irish potato CPC in Burera district only needs final testing of the installed

equipment before it also may become operational. Furthermore, the plot of land to host a banana CPC has been secured in Rwamagana Industrial Park and plans for honey and ceramics CPCs have been formulated for Rutsiro and Nyanza districts, respectively. Equipment for the honey CPC has already been procured.

5.3.1.1 Establishment of Irish potato CPC in Nyabihu District

Nyabihu Irish potato CPC was established as a partnership company between NIRDA, BDF and COIMU cooperative as the anchor firm. The construction of the factory premises is almost complete. Equipment has been installed for the production of washed, sorted and graded potatoes – allowing for a capacity of 1.5T/hr for washed potatoes and 500kg/hr for the processing of french fries and chips. Testing of the equipment is ongoing, after which the CPC will be operational, expected to happen during the last half of 2015. The factory once operational will process three types of Irish potato found in Nyabihu: Kinigi, Kigagi and Victoria.



Image 13: Nyabihu Irish potato CPC, in Nyabihu industrial zone, Mukarima sector

5.3.1.2 Establishment of Dairy CPC in Burera District

The construction of the Dairy CPC in Burera District was completed including, associated parking lot and fence. The equipment for the production of cheese, yogurt and butter was procured, delivered, installed and tested by the supplier and the CPC is now operational. It has the capacity to process approximately 2000 litres of milk per day. Additional equipment to process curd milk is under procurement. The company is undertaking a marketing and branding exercise and has recruited a graphic design company. The milk supply chain is fully organised and supplying milk at set prices.



Image 14: The Burera dairy CPC, near Muhahura Vulcano, Cyanika Border

5.3.2 SMEs and Cooperatives

The vast majority of Rwanda's economy is made up of small and medium-sized enterprises (SMEs) and cooperatives. These businesses and associations are important vehicles in poverty reduction and skills development, but their challenges are uniquely formed by their small operating scale. MINICOM therefore awards special attention to them, through dedicated SME forums and through the Rwandan Cooperatives Agency (RCA). MINICOM's work under the National Employment Programme (NEP) is also focused on SMEs and cooperatives.

5.3.2.1 SME Forums

MINICOM spearheaded the organisation of the first and second SME Forums in December 2014 and June 2015. From the 20 SME clusters identified countrywide, five were invited to participate in the each forum, plus a crosscutting cluster focusing on issues common to all SMEs such as taxation, access to finance and business management skills. In addition to SME entrepreneurs themselves, participants included high-level dignitaries from key government ministries, development partners and civil society organisations. For the first forum the clusters were: honey; dairy; ICT; wood and construction materials, and fashion and tailoring. For the second forum the clusters were: leather; Irish potatoes; minerals, precious stones, gems and jewellery; wood products; and banana.



Image 15: Hon. Minister François Kanimba speaking at the opening of the 2nd SME forum in Rwanda

During the forums, both crosscutting and cluster-specific challenges were identified and actions to mitigate these challenges were determined. Each action was appointed to a stakeholder and deadlines were set, most of which fall during the next fiscal year. Some of these challenges are fundamental,

such as the lack of access to finance, and it is believed that addressing these challenges will help SMEs prosper across Rwanda, creating jobs and income.

The recommendations and action items that resulted from these forums were wide-reaching and numerous. This necessitated that MINICOM set up a permanent secretariat to organise forums, formalise action plans and monitor implementation. At the end of the fiscal year 2014/15 MINICOM was in the process of recruiting staff for this secretariat and developing its terms of reference. The secretariat is expected to become fully operational during the next fiscal year, meaning that the particular issues faced by SMEs will receive added attention and priority going forward.

5.3.2.2 Cooperatives

During the fiscal year 2014/15 almost 900 new cooperatives were registered by the RCA. This corresponds to 37,212 members, bringing almost RWF 3.5 billion worth of investments. This is a 10.9% increase in membership compared to last fiscal year, and an increase of almost 20% in investments. Savings and deposits in Umurenge SACCOS grew by an astonishing 30% during this fiscal year, allowing members greater financial stability and security, as well as contributing to a 45% increase in the value of loans given out by those same SACCOS.



Image 16: Capacity building for cooperatives

RCA carried out a number of capacity building activities on company legislation, technical aspects of their area, development of business plans, financial management and governance. In addition, RCA signed MoUs with Rwanda Revenue Authority (RRA) and the National Cooperatives Confederation

of Rwanda regarding capacity building relating to tax regulation and information exchanges; and with the Ministry of Agriculture and Animal Resources (MINAGRI) on the implementation of a post-harvest and agribusiness support project. MoUs were also signed with Welthungerhilfe, RMT Ltd., Family Health International, RICEM and Kabuye Sugar Works Ltd. to provide more capacity building and training for cooperative managers and members.

During this fiscal year, RCA also introduced a web-based cooperative registration system in all districts except one. Training was carried out country-wide on how to use the system. Such an online registration tracking system allows for much speedier processing of registrations and improves customer care. Furthermore, it is expected that the system will generate useful data about cooperatives that can be used in the future for providing a better and more tailored service.

6 ADMINISTRATION AND FINANCES

This final section details about MINICOM's efforts to improve the way it works and is organised. Only by continuing to improve our own capacity and efficiency to deliver results can we achieve our ambitious development agenda.

6.1 FINANCE AND BUDGET EXECUTION

MINICOM and affiliated agencies were allocated a combined 18.5bn RWF in 2014/15 through the domestic (government) budget. Just less than 80% of this was allocated to the interventions detailed in this report, while the remaining 20% was allocated for administration, monitoring and evaluation. The table below details the execution of these 18.5bn RWF, i.e. the extent to which the funds have been spent and activities implemented. MINICOM budget execution rate reached 93%, which is a very good performance in the use of public funds.

Table 2: MINICOM and Agencies Domestic Budget Execution for 2014/15

Institution	Allocation (RWF)	Execution (RWF)	Execution rate
MINICOM	18,419,085,067	17,163,784,732	93.2%
Recurrent	3,674,803,120	3,529,707,377	96.1%
Development	14,744,281,947	13,634,077,355	92.5%
Of which RSB	2,515,932,487	2,446,411,806	97.2%
Recurrent	1,690,413,499	1,647,977,789	97.5%
Development	825,518,988	798,434,017	96.7%
RCA	1,524,607,874	1,452,485,823	95.3%
Recurrent	890,571,236	872,670,453	98.0%
Development	634,036,638	579,815,370	91.4%
NIRDA	837,307,967	694,450,760	82.9%
Recurrent	691,149,311	648,292,104	93.8%
Development	146,158,656	46,158,656	31.6%

Source: MINICOM and MINECOFIN.

NIRDA's programme budget's execution rate is the only outlier at 31.6% execution. However, this agency underwent significant restructuring in 2014/15, which has delayed a number of programmes. NIRDA is expecting to fully implement all programmes in the 2015/16 fiscal year.

Like most public institutions in Rwanda, MINICOM also receives funding from external sources, i.e. donors and other development partners. These funds are channelled through the Single Project Implementation Units (SPIU) to maximise coordination and harmonisation and minimise duplication and waste. In 2014/15 MINICOM and agencies received 2.6bn RWF from external sources. These funds were earmarked for some of the activities detailed in this report, including cross-border trade; food

security through value chain development; cleaner and more resource efficient production through improved technology; and enhanced competitiveness of the economy as a whole.

6.2 INSTITUTIONAL AND STAFF DEVELOPMENT AND WELFARE

MINICOM realises that the capacity, skills and welfare of its staff are key to delivering its development mandate. Therefore, during the fiscal year 2014/15 MINICOM underwent restructuring to increase the efficiency of its operating budget. The total number of staff went from 67 to 56 and the number of directors from 5 to 3, while 19 specialist positions were created. This means that MINICOM now has less administrative and managerial staff and more technicians and specialists who have the expertise and know-how to implement projects, increasing the overall efficiency of the ministry.

Resources were also allocated to develop capacity building plans for each department and cross-cutting measures were taken to improve overall staff welfare. At the end of the fiscal year, these plans and measures were still being finalised and will only be fully operationalised in the 2015/16 fiscal year, however, early highlights include:

- » Priority will be awarded to fill all human resource gaps and hire qualified staff for each position
- » Detailed capacity building plans are being developed for each department, particularly in the areas of policy formulation and analysis
- » MINICOM is in the process of rolling out the new cross-government Results Based Management (RBM) system which clearly defines each staff member's role and deliverables, allowing both employee and employer to have clear expectations about performance and outputs
- » Overall staff welfare will be improved through sports and recreational activities, credit associations and transport provisions

7 HIGHLIGHTS FROM 2015/16 PRIORITIES

In the next fiscal year, MINICOM will continue its mission to facilitate Rwanda's economic transformation through enabling a competitive private sector, while ensuring a level playing field and the protection of consumers. To this end there are numerous activities planned; key initiatives are highlighted below:

The EGF will be piloted ...

The Export Growth Facility is expected to go enter its pilot phase during the next fiscal year. Once completed, the size of the fund is expected to grow to \$10 million, while the number of beneficiaries will reach between 200 and 300 firms across all sectors. The expected impact of this increase will be an additional \$35-50 million worth of exports, boosting private sector performance, creating jobs while decreasing Rwanda's trade deficit.

... and work on the KIC will be approaching completion.

The design works for Kigali Innovation Centre are expected to be completed by end of October 2015, following which, another tender will be launched for the civil works and construction. Detailed architectural designs for Carnegie Mellon Centre of Excellence have been developed and construction of the first stages of the CMU campus commenced in August 2015, this will last for period of 12 months.

More CPCs, logistics centres and markets will be built...

With the completion of the first two community processing centres and near-finish of the third, the ground is ready to open more, in several more sectors across the country. This will boost SME performance and competitiveness in the selected sectors. Construction is expected to begin on the Kigali Logistics Platform, as well as four agro-logistics centres and nation-wide market infrastructure.

...as well as ready-to-rent AFUs...

Additional land will be acquired for the Advanced Factory Units in Kigali's Special Economic Zone, KSEZ. This fully-connected, modern operating space will be ready to be rented out to private sector firms in June 2016. Until that time, focus will be placed on mobilising investors so that all factory units are allocated and utilised.

...while activities under the PSDS and NEP will continue.

The ambitious Private Sector Development Strategy was adopted in 2013 under the EDPRS-2 and much work has been carried out to operationalise its many components. In 2014/15 the PSDS Implementation Plan and Support Project was finalised and work will accelerate throughout 2015/16 on numerous activities aimed at strengthening entrepreneurship and exports, implementing investments, constructing infrastructure and generating employment. Similarly, MINICOM's activities under the Entrepreneurship and Business Development pillar of the National Employment Programme will continue, providing business development services and increased access to finance.

In short, there is much to look forward to and MINICOM encourages all interested parties to keep up to date with our work through the MINICOM website and newsletters, as well as press outlets.

