REPUBLIC OF RWANDA

MINISTRY OF TRADE AND INDUSTRY

National Export Strategy II

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Since the launch of NES I, Rwanda's strategic context has changed considerably. Toward the end of 2012 the GoR finalised its second Economic Development and Poverty Reduction Strategy (EDPRS II), designed to accelerate the progress already achieved and to shape the country's development in the future. EDPRS II set out targets to increase exports revenues from US$1.277 billion in 2013 to US$4.515 billion in 2018 or approximately 29% average annual growth over the next 5 years.

This is a significant revision upward from the previous export target of 15% growth p.a. planned under Vision 2020, and captured within NES I. This made it necessary to revise the National Export Strategy to assess the ability of the country to meet these targets.

An analysis of the export sector highlights the following characteristics of Rwanda's export Sector:
First and foremost, exports are constrained by a lack of goods and services produced in Rwanda and made available for export. Investment in growing export capacities and volumes of the goods and services sector is therefore key to unlocking export growth;

Rwanda's merchandise exports remain concentrated in a few key commodities (traditional exports) sectors – tea, coffee, and minerals. In 2008, Rwanda's traditional exports amounted to 69% reducing to a still significant 45% in 2014. Traditional exports averaged 10% growth between 2008-2014 driven largely by growth in mineral exports. Over the same period non-traditional exports averaged 22% growth, re-exports 22% growth and informal exports 25%[1] per annum.

Finding new markets for products currently exported and diversifying products exported to well established markets are the best avenues for export growth, compared to trying to develop new products for new markets. However developing new markets is an expensive and risky exercise and many firms do not currently have the appetite for such risk;

Regional markets are increasingly important sources of export growth in the non-traditional export segment and are also to easiest to enter for most firms. Barriers to entry and the cost efficiency of Rwandan firms are less of a constraint than for markets outside the region, including the wider African market. Enabling firms to become more strategic in exporting and therefore to reach beyond neighboring countries, requires an upgrade of firm capacity and ability to finance changes in production and marketing to meet the requirements of more sophisticated buyers.

Companies with export turnover above $1 million (Million Dollar Exporters representing 3% of the number of exporting firms in 2014) accounted for 84% of export value in the same year. These firms are best able to compete and survive in export markets. Large exporters can emerge through large-scale investment (domestic or FDI), but a significant number of these businesses have grown over time from small to large exporters. Of Rwanda's 64 Million Dollar Exporters in 2013, 26 (40%) grew from being small exporters to MDEs over the past five years and Rwanda should support firms with the potential in repeating this success.

Improving firm survival rates can be achieved through a range of cross-cutting interventions that create an aggregate improvement in survival rates. Interventions include reducing the cost and time of trade, simplifying procedures and providing "in-market support" where many firms are exporting. The second way of increasing survival rates is through increasing the number of large exporting firms where survival rates are higher. It is clear that MDEs survive better in new export markets than smaller firms.

It is well documented that access to finance is a cross cutting factor affecting exports. Access to finance to fund investment in export related activities, adjust production practices to meet technical and safety standards in export markets and fund pre and post shipment activities related to exporting are all key to delivering export growth.

PROPOSED SOLUTIONS

After considering trends in export growth, the dynamic relationship between products and markets, and the specific challenges faced by different types of firms, NES II identified and recommends the following 4 strategic objective areas:

Strategic Objective One: Direct Interventions in selected segments of the export sector with high growth potential: To meet export targets a significant amount of investment and coordination is required in a wide range of sectors. Table 8 of this document summarizes the key interventions required in each sector and the potential contribution to exports by 2018. If all existing sector interventions are implemented it is expected Rwanda will achieve US$2.2 billion in 2018.

1 *Informal export growth based on compound average growth rate in exports between 2010 and 2013*

Strategic Objective Two: Improving Access of Rwanda's Exports of Goods and Services to Markets: Access to markets (international and regional) will be improved through a combination of specific policy initiatives to reduce the costs of accessing identified strategic markets for exports combined with the provision of in-market support in a few selected markets through the establishment of multi-service centre's;

Strategic Objective Three: Upgrading Firm Capacity to Enter and Grow in Export Markets:
RDB is already active in this area; however a more focused approach to supporting exports is necessary with a focus on the following interventions:

1. Export Capacity Programme: The Export Capacity programme aims to grow both the number of successful exporters and the volume of exports per exporter. There are different groups each having slightly different needs.
2. Export Advisor Initiative (EIA): A cadre of qualified and experienced advisers will be developed to deliver support to exporters of all sizes in the areas of business development for export and market entry strategies. The EAI is managed through a subsidised consulting scheme where companies pay a percentage of the costs of an approved project and the balance is paid by the government.
3. Trade Promotion and Buyer Outreach: Proactive promotion of Rwanda and its products and services will a key element in a successful export growth strategy. The Trade Promotion Strategy will contain a number of specific activities to achieve this.
4. Trade Information Centre: Setting up a small trade information centre to provide a one-stop information and signposting service to exporters. The TIC would be managed by a small well-trained team supported by access to a virtual library of relevant publications, reports and databases.

Strategic Objective Four: Establishing an Export Growth Facility: The export finance component of the NES is designed as a single fund, the Export Growth Facility (EGF) with three separate windows for funding: 1) an investment catalyst fund to encourage export focused investments, 2) a matching grant fund for medium sized exporters to meet specific requirements in target markets and 3) an export guarantee facility to underwrite exports.

The overall impact of full NES implementation is estimated to deliver between 15% and 20% export growth per annum up until 2018. This will come through a combination of direct sector interventions supported by market entry support activities covered under strategic objectives two through four.

For the Export Growth Facility there are also the potential spills over benefits if the successful implementation leads to development of a specialised BRD subsidiary, such as an Import and Export Bank that will serve Rwanda, or the East Africa region, offering appropriate facilities for regional exporters.

FINANCIAL IMPLICATIONS

- Sector interventions under Strategic Objective 1 should be covered through lead institution budgets following development and approval of sector strategies to grow exports;
- The Export Development Programme under strategic intervention three will cost US$ 3.55 million in year one increasing to US$ 3.6 million by year three. RDB will manage this funding;
- The Export Growth Facility will be launched as a limited pilot programme of US$ 1 million growing to US$ 50 million after year four.

IMPLEMENTATION AND HANDLING

The recommendations require co-ordination of private sector and public sector organizations. The role of the main implementers are briefly summarised below:

Institution	First Steps Toward Implementation
MINICOM	• Coordinate implementation of NES II • Lead implementation of market access programme
RDB	• Lead implementation of Export Growth Programme • Participate in invitation / creation of Third party quality inspection company to support firms accessing finance
BNR	• Oversee implementation and advise on EGF
BRD	• Host EGF and administer funds • Sensitize exporters in chosen recommendations via one-on-one meetings and sectorial workshops • Work with commercial banks to deliver EGF through private banking sector
Exporters	• Participate in formation of Export Finance Solutions and benefit from Export Growth Programme

CHAPTER 1: THE NES AND THE NEED FOR REVISION

1.1 Why it is necessary to revise the National Export Strategy

In its introductory chapter, the National Export Strategy of 2011 (NES I) states that the strategy "should not been seen as a static document, but as the first stage in an on-going process of planning and implementation that will allow Rwanda to be effective in achieving its exports in the years ahead".

Since implementation of NES I began in 2012, a number of changes have occurred in Rwanda's national strategic objectives, export targets and in the understanding of the export sector and export growth. These changes have made it necessary to revise NES I. The main changes are presented below

1.1.1 Strategic Context has Changed

Since the launch of NES I the strategic context has changed considerably. Toward the end of 2012 the GoR finalised its second Economic Development and Poverty Reduction Strategy (EDPRS II), a five year plan "designed to accelerate the progress already achieved and to shape the country's development in the future" (EDPRS, 2012). Four thematic areas were identified:

- Economic transformation
- Rural development
- Productivity and youth employment
- Accountable governance

Two documents in particular are important for economic transformation: the Private Sector Development Strategy (PSDS) and the Plan for Strategic Transformation of Agriculture (PSTA III). The main driver of the PSDS is the removal of the binding constraints to private sector growth. Under PSTA III, the priority for agricultural sector is to move from subsistence based to value based production. This has opened up space to shift the priorities under the NES from cross-cutting domestic constraints to growth, to more focused export orientated activities.

1.1.2 New Export Targets Have Been Set

EDPRS II set out targets to increase exports revenues from US$1.277 billion in 2013 to US$4.515 billion in 2018 (Table 1) or approximately 28.7% average annual growth over the next 5 years. This is a significant revision upward from the previous export target of 15% growth p.a. planned under Vision 2020, and captured within NES I.

Table 1: EDPRS II Export Targets (Value In Us$ Million And Volume In Kg)

	2013	2014	2015	2016	2017	2018	CAGR
Coffee							
Value	65	70.4	76.2	85.1	95.1	104.3	10%
Volume	20,045.8	23,165.4	26,363.1	29658.5	33367.7	36880	13%
Tea							
Value	67.8	68.6	73.4	81	89.3	94.9	7%
Volume	25562.5	27597.8	31047.5	34497.2	38332.4	41070.5	10%
Mineral							
Value	174.2	223	285.4	365.3	467.6	570.5	27%
Volume	9167.3	12373.9	17017	22561.5	29988.8	38073.7	33%
Other1							
Value	418.4	519.7	649.6	802.3	978.8	1213.7	24%
Services							
Value	551.6	719.4	969.1	1295.1	1770.7	2,532	36%
of which tourism	352.3	440.3	550.4	688	860	1,075	25%
Total value	1277.1	1601.1	2053.8	2628.8	3401.5	4515.5	28.7%

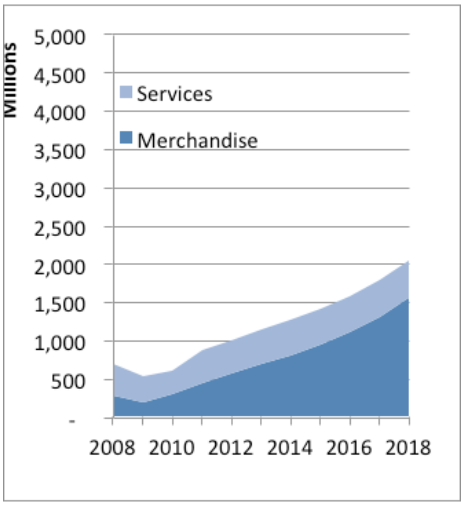
Source: MINECOFIN Export Targets under EDPRS II, 2013.

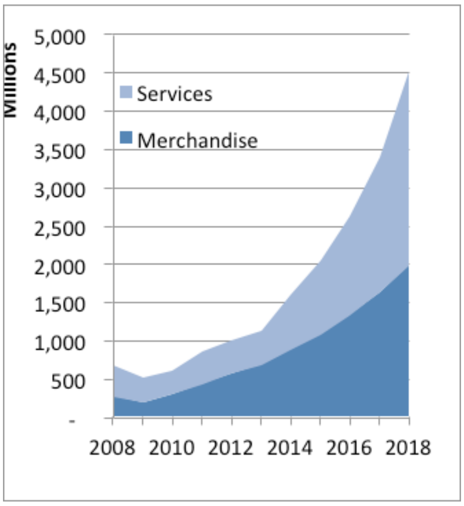
EDPRS II targets are heavily dependent on growth in exports from the services sector. Services are targeted to average 36% growth to 2018. Services exports averaged 6% growth between 2008 and 2013 and were driven almost exclusively by tourism.

Figure 1 below illustrates the scale of the challenge in meeting export revenue targets under EDPRS II by 2018when by comparing the existing growth path for goods and services that matches the previous 5 years (figure on left) and growing at the rate set out under EDPRS II targets (figure on right).

Figure 1: Exports (US$) Trend Vs. Targets

5 Year Average Growth Trend	Exports (US$) - EDPRS II Targets





1.1.3 Challenges under NES I

Beyond the change in strategic context and export targets, NES I as a strategic document for export growth presented the following specific challenges that made revision necessary:

- Overly focused on cross-cutting issues with less focus on export sectors and firms: When NES I was designed, Rwanda did not have a separate private sector development strategy. As a result NES I was overly focused on cross-cutting constraints to growth with less room for targeted export interventions at the sector and firm level;
- Misalignment between priority sectors and export growth: In its first full year of implementation (2012), NES exports reached US$638 million, or 96% of the export target for that year. However, while certain sectors under the NES were performing well above target, other sectors were not as relevant to export growth as originally anticipated. Furthermore, export growth in 2012 came largely from non-traditional sectors not covered under NES I. These sectors included manufacturing and agro-processing, re-exports and informal cross-border trade;
- No differentiation between markets: NES I did not take into account the distinction between regional and international markets and the differing opportunities and strategies for growth required. The strategy has a strong focus on products with international export potential with less consideration to high growth sectors in regional markets;
- No differentiation between firms – NES I does not differentiate between types of exporting firms (large / small, type of product, market focus). As all firms were treated the same a differentiated approach to support at the firm level was not considered.

CHAPTER 2: APPROACH AND ANALYSIS

2.1. Approach

The approach under the revised national export strategy (NES II) differs somewhat from NES I, however there remains some overlap. Where possible, NES II has retained what remains relevant within NES I, while developing new or adapting existing interventions in areas where gaps were identified. Four areas were considered when analyzing factors influencing export growth in NES II. These are presented in Table 2 below.

Table 2: Approach to NES II

	Approach under NES II
Binding Constraints to Private Sector Growth (Domestic)	With the launch of the PSDS, many of the binding constraints are now covered. NES II focuses only on binding constraints when they are of direct relevance to exporting or where gaps in existing strategic interventions are identified.
Sectors	NES II also prioritizes sectors, adopting some NES I sectors while revising others. In selected sectors under NES II, where growth strategies are already developed, NES II will monitor their implementation. New sectors are also introduced with detailed actions for development of exports.
Markets	NES II focuses on markets both in terms of the characteristics of specific market / product categories and market access.
Firms	NES II considers firms in terms of their size and their ability to survive in selected markets. FDI led export growth remains a priority.

2.2. Rwanda's Recent Trade Performance

Exports of goods and services over the past decade averaged nominal growth of 20% per annum. Rwanda still runs a trade deficit (the value of imports is larger than the value of exports) with import growth, at 19% per annum, broadly matching export growth. The trade deficit as a percentage of GDP (2011 constant prices) averaged 12% over the past decade (Figure 2) and stood at 17% of GDP in 2014.

Figure 2: Trade as a Percentage of GDP, 2002-2013 (Constant Prices 2011)

Source: NISR GDP Tables (March 2015)

The majority of the deficit comes from an imbalance in merchandise trade, where the deficit in 2014 stood at -16% of GDP compared to minor deficit of -0.006% of GDP for services. The gap to date has been largely financed by aid flows; however a drop in aid flows in 2012 resulted in reduced foreign reserves. This experience brought into focus the need for Rwanda to reduce dependence on foreign aid as a means to financing the trade deficit and prioritise actions to grow export revenue as a means to generating foreign exchange.

2.2.1 Merchandise Exports

Merchandise exports averaged 17% growth between 2008 and 2014. Exports remain concentrated in a few key commodities or traditional export sectors – tea, coffee, and minerals. In 2008, Rwanda's traditional exports amounted to US$ 186 million or 69% of Rwanda's merchandise exports. However the level of concentration has reduced over the past 7 years with traditional export share dropping to 45% in 2014.

Figure 3: Composition of Rwandan Merchandise Exports 2008-2014 (US$ millions)

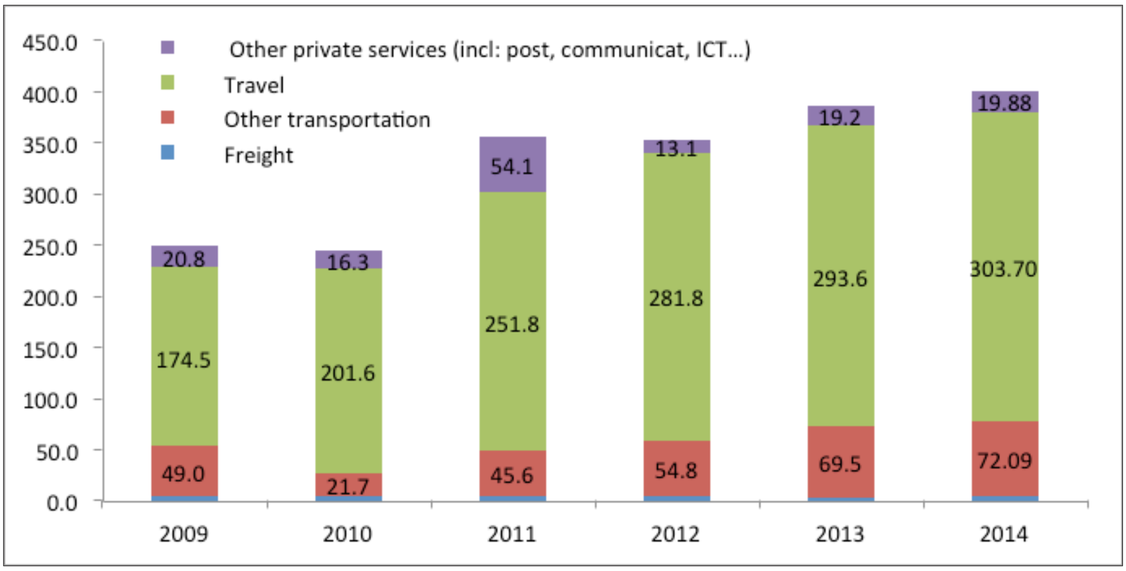
Source: BNR Export Data 2008-2014

Traditional exports averaged 10% growth between 2008-2014, driven largely by growth in mineral exports. Over the same period non-traditional exports and re-exports both averaged 22% growth with informal exports averaging 25%[2] per annum since 2010 when data collection began.

2.2.2 Services Exports

Services exports grew by 10% per annum between 2009 and 2014. The travel sector (including tourism) has steadily increased its share of total services exports in recent years. In 2014, 76% of services receipts were generated in the travel and tourism sector, contributing US$ 303 million in export revenue up from US$ 174 million in 2009. Freight and other transportation services are also important, accounting for 18% of services export revenue in 2014 or US$72 million. Outside of these areas, services exports are low. In 2014, other services exports contributed just US$19.8 million to export revenue.

Figure 4: Services Exports 2009 - 2014 (US$ Millions)



Source: BNR 2014 – Base year set to 2009 because of methodological changes in way services data is captured in 2008-2009. Services data excludes operating costs of embassies.

2 *Informal export growth based on compound average growth rate in exports between 2010 and 2013*

The travel sector averaged 12% growth per annum between 2009 and 2014. Other transportation services average 8% growth while freight averaged just 1% growth. Other private services average -1% per annum.

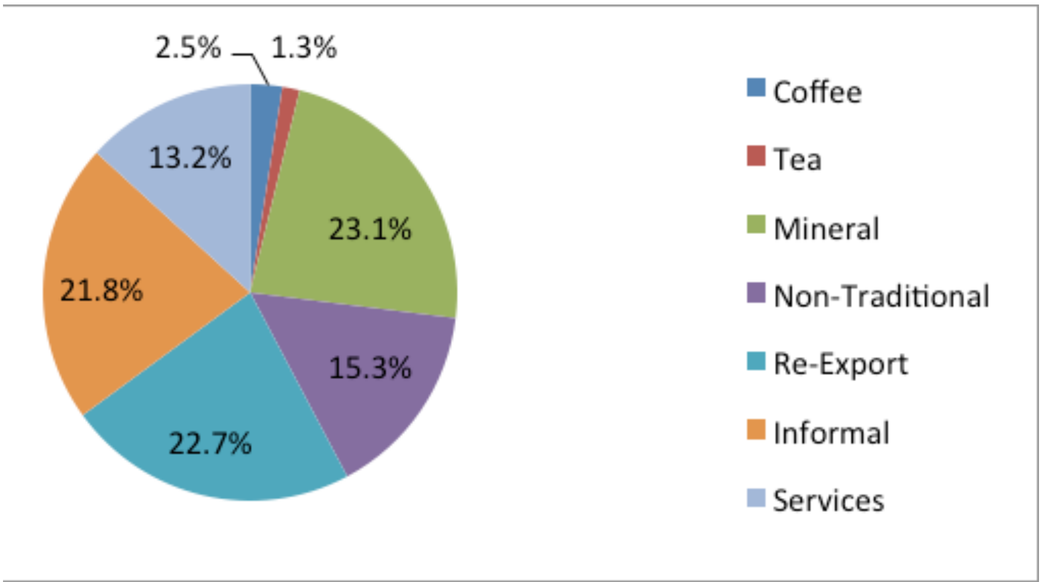
2.2.3 Trends in Export Growth

2.2.3.1 Sector Contributions to Growth

Between 2008 and 2014, exports of goods and services averaged 10.5% growth per annum. Figure 5 below breaks down sector contribution to export growth over this period.

The mineral sector was the largest contributor to export growth, accounting for 23.1%over the past 6 years. Re-exports, informal exports, and non-traditional exports were also important contributors accounting for 22.7%, 21.8% and 15.3% respectively. The services sector as a whole accounted for 13.2% of total export growth while tea and coffee's contribution were small at 2.5% and 1.3% respectively.

Figure 5: Sector Contribution to Export Growth (% Share 2008-2014)



Source: MINICOM Calculations based on BNR Export Data

2.2.3.2 Existing and New Trade Flows

Growth and diversification of exports can be broadly divided into the expansion of existing products to existing markets (the intensive margin) and the expansion of existing and new products to new geographic markets, as well as the expansion of new products to existing markets (the extensive margin).

In the formal merchandise trade sector, Rwanda has seen high levels of growth in exports of existing products to new markets over the past 5 years (Table 4). However much of this growth has come from a shift in mineral markets from Europe and the US to markets in Asia. Rwanda has also been successful in growing new products to existing markets. This is particularly true for non-traditional export products exported to regional markets, mainly Burundi and the DRC. New products to new markets have had little impact on export growth over the past five years.

Table 4: Decomposition ofMerchanise Export Growth (2008-2013)[3]

Existing		Products	
		New	
Markets	Existing	20%	19%
	New	61%	< 1%

Source: MINICOM Calculations based on RRA Data

Rwanda's export growth trends are similar to other countries in sub-Saharan Africa. Brenton and Newfarmer (2012) examined growth of exports from 99 developing countries to 102 markets over the period 1995-2005. They find the majority of growth for sub-Saharan Africa countries on the extensive margin (56.7%) with the majority of that generated through growth in exports of existing products to new markets. The remaining 43.3% of growth was generated on the intensive margin. Interestingly, Sub-Saharan Africa is the only region where the extensive margin's contribution to growth is larger than that of the intensive margin.

3 *Direct Formal Exports only based on RRA trade data between 2008 and 2012*

2.3. Sector Review

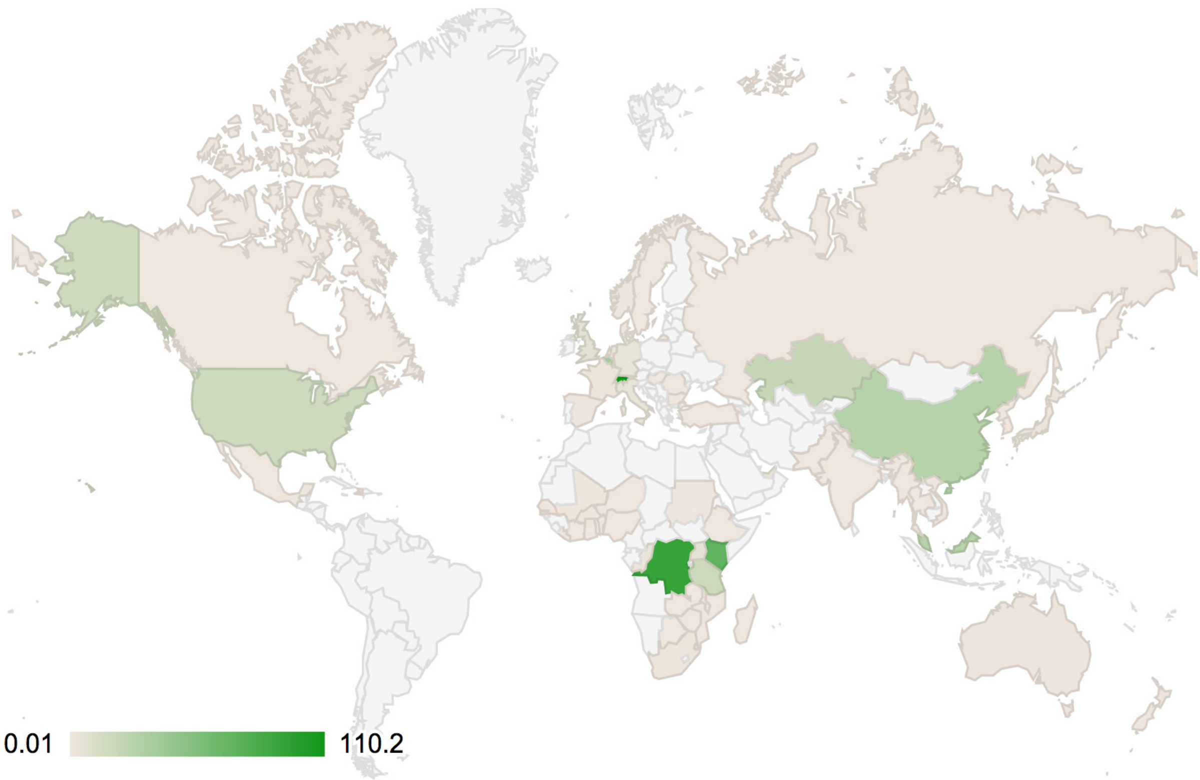
First and foremost, exports are constrained by a lack of goods and services produced in Rwanda and made available for export. Investments in export orientated production and services are therefore key to delivering export growth. This should be combined with targeted interventions to address sector specific constraints to exporting.
Annex 2 of this document presents a sector-by-sector breakdown of opportunities and constraints. It's clear that most sectors already have their own validated growth and export strategies that if fully implemented, could deliver the quantities required to meet export targets. The revised NES does not attempt to replace sector strategies. The NES identifies the key opportunities and constraints for monitoring to ensure activities related to addressing these issues are implemented by the relevant Government institution.

2.4. Market Review

Rwanda exports to a large number of markets across the globe (Figure 6). The DRC is Rwanda's largest single export destination accounting for 13.3% of formal merchandise exports in 2014 up from 6% in 2008. The DRC is also one of Rwanda's fastest growing market averaging 34% p.a for the past 7 years. The EAC's market share was 21% in 2014 with growth averaging 19%. The wider African market has seen its share of exports decline rapidly since 2008, decreasing from 14% to just 1.7% of exports by 2014 and registering an average annual growth rate of -17% p.a. The decline in Africa's share of exports coincides with Rwanda's entry into the EAC Customs Union; however causality has not been determined.

The European market remains important, accounting for 39.2% of exports in 2014, up from 38% in 2008, with exports averaging 18% growth p.a. since 2008. Asia accounted for 15.2% of exports in 2014 with growth averaging 14% per annum.

Figure 6: Rwanda Export Markets (2013)



It is important to note that different products have different markets. There is a clear split between traditional exports destined for international markets and non-traditional exports to the Sub-Saharan Africa market (mainly EAC and DRC). Between 2008 and 2014, 76% of Rwanda's non-traditional exports were destined for markets in Sub-Saharan Africa. Over the same period 76% of traditional exports were exported to markets outside Africa.

2.4.1 International Markets

For traditional export products (coffee, tea, minerals), Rwanda has duty free access (mainly under MFN) for all major markets of those products. Options for growing traditional exports through improved market access are limited; however improvements in trade facilitation should increase competitiveness allowing exporters to sell more.

2.4.1.1 Potential New Exports to International Markets

Export growth from new products to markets outside of Africa are expected to come through agricultural products and light manufacturing (mainly apparel) to the U.S. and European markets.
Rwanda already has preferential access for apparel to the U.S. under AGOA and to the EU under the new EPA. However, to date Rwanda has benefited very little from either these arrangements. For example, of the US24.4 million in exports to the US from Rwanda in 2013, just US$ 9,000 was classified as an AGOA import by the US with a further US$ 773,000 imported into the US under GSP provisions (Table 5). In total, just 3% of Rwanda's exports to the US entered under AGOA (including GSP), all of which were in the arts and crafts sector while some mineral exports entered the US under GSP eligible product lines.

Table 5: Rwandan Exports to US (US$,000)

	2011	2012	2013
Total Exports	30,858	33,287	24,448
AGOA including GSP Provisions	597	377	782
GSP	580	369	773
AGOA	17	8	9

Source: AGOA Data Centre (http://agoa.info/data.html accessed 12 May 2014)

Rwanda's experience with AGOA is not unique amongst African LDCs. A systematic review has found that while exports from Sub-Saharan Africa under AGOA to the US have increased substantially since 2000, at best a small share of these increased exports can be directly attributed to AGOA preferences. However, one sector that has clearly benefited from AGOA is the garment industry. A recent review of the textile and apparel sector (TMEA, 2014) in Rwanda found that most garment manufacturers were unaware of AGOA and the requirements for benefiting from AGAO preferences.

Rwanda has also enjoyed duty free quote free (DFQF) access to the European Union under Everything but Arms (EBA) since 2001 and now under the recently signed EPA. EBA was a unilateral commitment by the European Union that grants LDC's preferential access to the EU. As EBA was a non-reciprocal trade agreement, the EU could theoretically remove access at any time. Furthermore countries can graduate from the scheme once they reach a certain level of development and no longer benefit from DFQF access. These uncertainties increase the attractiveness of the EAC-EU EPA agreement. The EPA agreement also offers simpler rules of origin requirements.

Rules of Origin under the EPA

The rules of origin are particularly important for apparel exports. The EPA offers "single stage transformation" for this sector. This means Rwandan exporters to the EU could benefit from duty free access for garments made using textiles from anywhere in the world (see light manufacturing). In contrast the EBA rules of origin were more restrictive, offering "double stage transformation" – this requires clothing exporters to use fabrics and textiles from the ACP or the EU.

For agricultural products, PSTA III has identified several products with strong international export potential. For almost all identified priority export products from the agricultural sector, Rwanda already has duty free access to key export markets. Additionally, for many markets the MFN rate is 0% meaning Rwanda does not benefit from preferential access over other exporting countries. It is anticipated that agricultural exports will mainly find a market in the EU due to its proximity. Here the largest market access constraints are standards and market linkages.

Since 2002, the EU has obliged food business operators to implement HACCP systems on the basis of legislation (Council Directive 93/43/EEC on the hygiene of foodstuffs). HACCP requires a detailed description in a concise process flow diagram with underlined points where hazards may occur, that can be subject to verification by food safety authorities. HACCP provides the type of disciplined monitoring and control that supermarket chains and food manufacturers increasingly demand. It is also essential for meeting EU food safety requirements. All firms exporting horticulture products to the EU should therefore be HACCP certified.

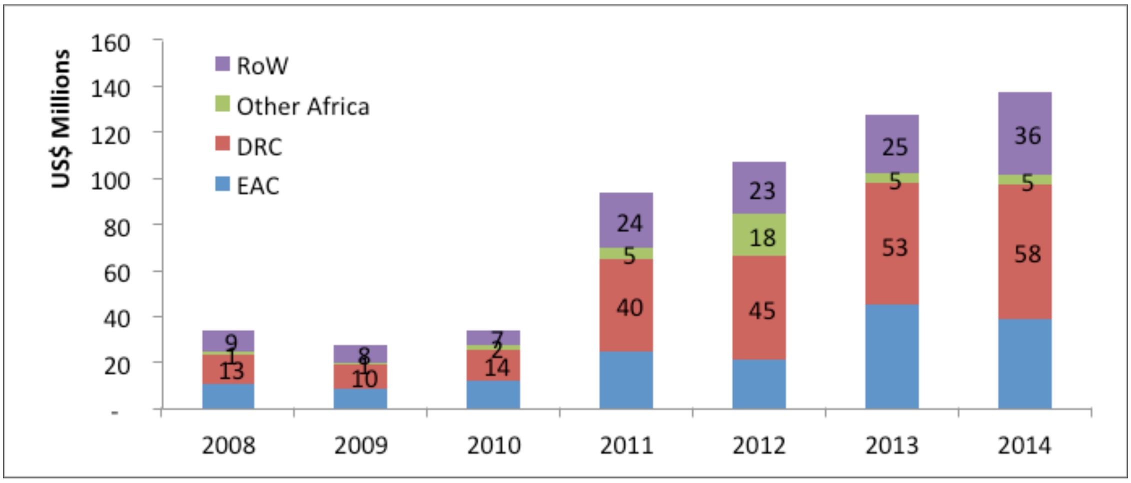
2.4.2 Regional Markets

This section provides an assessment of regional markets with a focus on Rwanda's non-traditional export sectors. Major non-traditional sectors include: live animals and animal produce, vegetable produce, agro-processed goods, manufactured goods, and hides and skins.

Categorizing Non-Traditional Exports by Sub-Sector
There are some challenges in categorizing non-traditional exports according to different product groups. Under the manufactured heading, much of the exports outside the region appear to be either firms or individuals re-exporting between countries. A good deal of these products are cars and other machinery that are registered as originating from Rwanda. Also captured under manufactured goods are metal alloys, which include waste metal, steel rods, and other metal products, but also in some instance capture minerals. Under the live animal and animal produce section goods such as milk, cheese, meat etc. are captured but could also fit under Agro-Processing.

Regional markets account for the vast majority of non-traditional exports. The DRC alone accounted for 41% exports from Rwanda's non-traditional sector in 2014 and averaged 29% growth per annum since 2008. The EAC is also an important market accounting for 29% of non-traditional exports in 2014 and growing at a rate of 24% per annum. The rest of Africa's share remains relatively small at just 3% of exports while the rest of the world accounted for 26% of non-traditional exports in 2014. Figure 7 illustrates value of non-traditional exports by destination between 2008 and 2014.

Figure 7: Non-Traditional Exports by Destination 2008 - 2014 (US$ million)



Source: RRA Export Data 2008-2014

Table 6 below presents a breakdown of market share for different non-traditional export groupings. The figures in red indicate the largest market for each grouping. The figures presented are based on RRA trade data and only include goods that are captured as direct exports. The first row presents the share of non-traditional exports each grouping represents. The Manufactured group account for the largest share (41.8%) of non-traditional exports while Horticulture is the smallest (2.44%).

Table 6: Destination share by Sector in 2014 (%)

	Agro-Processed	Manufac-tured	Hides & Skins	Livestock & Animal Produce	Horticulture	Other
Share of Non-Traditional Exports	25.98%	41.80%	9.87%	5.73%	2.44%	14.19%
Asia	0%	1%	19%	0%	1%	12%
DRC	80%	35%	0%	70%	44%	14%
EAC	8%	41%	66%	2%	53%	9%
Europe	2%	4%	15%	0%	2%	24%
North America	3%	13%	0%	0%	0%	5%
Rest of World	7%	5%	0%	28%	1%	37%

Source: RRA Trade Data, MINICOM Calculations

The main market for agro-processed goods is the DRC, accounting for 80% of all exports from the sector. The EAC market was also important at 8%. Wheat grouts, a residual from wheat processing are exported to the Middle East captured under the rest of world row.

The DRC is also an important market for manufactured goods accounting for 35% of exports from the sector. However, in 2014 the EAC was the largest market accounting for 41%.

Hides & Skins are predominately exported to the EAC with Asia and Europe also important markets. The main market for live animals and animal produce is the DRC, accounting for 70% of exports in 2014. Live Bovine exports to other African markets explain the Rest of Worlds 22% share of exports from this sector. Horticultural goods are almost exclusively exported to neighboring countries, with the DRC and EAC accounting for 53% and 43% respectively.

2.4.3 Countries of Interest to the Private Sector

The RDB undertook a survey of firms that have previously participated in trade fairs, to assess what markets they plan to enter in the near future. Table 7 presents the countries identified by the Rwandan private sector listed in no particular order.

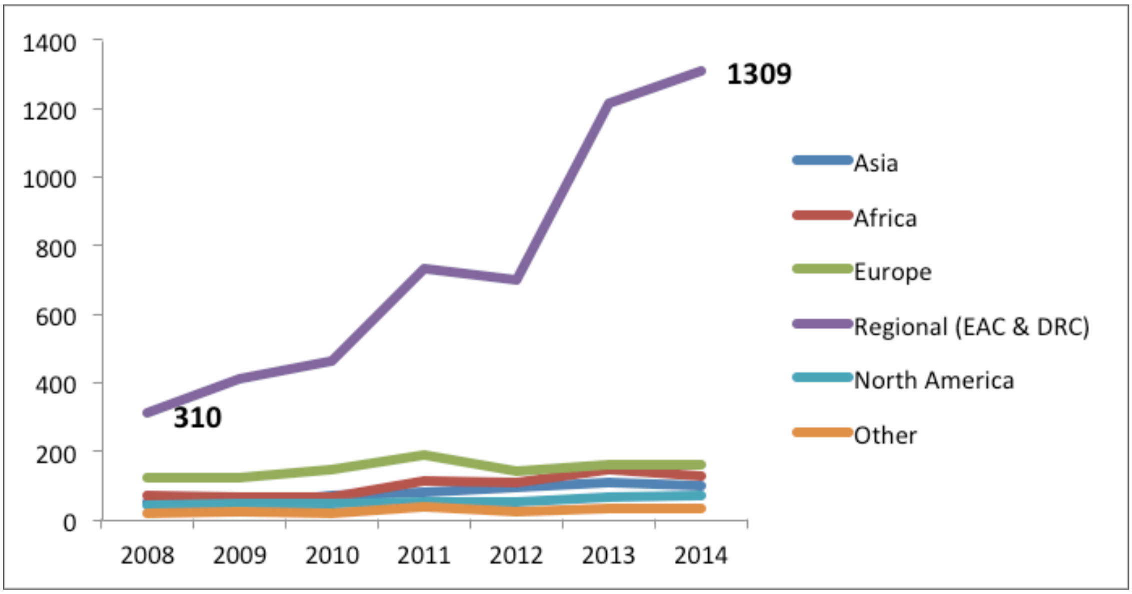
Table 7: Markets identified by Rwanda's private sector as holding good export potential

Country	Identified by Rwanda's Private Sector
DRC	✓
South Sudan	✓
Uganda	✓
Burundi	✓
Tanzania	✓
Kenya	✓
Congo Brazzaville	✓
Somalia	✓

Source: RDB Feedback from Exporter Survey May 2013

Unsurprisingly, regional markets are identified as important by existing exporters. These markets are already the fastest growing, in terms of number of firms exporting. Between 2008 and 2014 the number of firms exporting to the EAC and DRC increased at an average annual rate of 23% per annum, compared to 7% growth in all other markets. Given the rapid growth in the number of exporters to regional markets, it is reasonable to assume that the barriers to entry, and the cost efficiency of Rwandan firms are less of a constraint than for markets outside the region, including the wider African market (Figure 8).

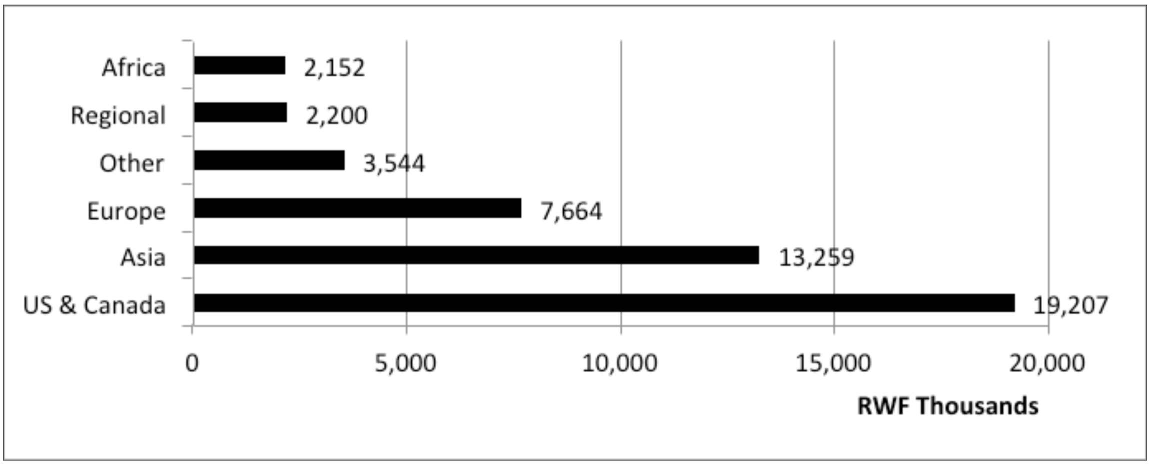
Figure 8: Number of Firms Exporting by Region



Source: MINICOM Calculations based on RRA Data

The relative success Rwandan firms have had in entering the regional market suggests these markets offer an important learning site for exporters. However, the experience of regional exporting does not appear to be translating into a shift from regional to international markets. Possible explanations for this include lower entry costs, less rigorous standards, and lower levels of competition in regional markets meaning firms are not learning to compete in markets outside the region. Furthermore, regional markets have the second lowest median value per exporting firm, ahead of the wider African market only (Figure 9).

Figure 9: Mediam Annual Value of Exports per FIrm by Region (Thousands RWF)



Source: MINICOM Calculations based on RRA Data

2.5. Firm Review

2.5.1 The Importance of Exporting

As Rwanda is a relatively small market, firms will eventually need to expand into new markets in order to grow. Much of Rwanda's existing exports already come from firms producing first and foremost for the domestic market but gradually orientating part of their production toward regional and international markets. Growth in exports is therefore partially dependent on firms' ability to grow within Rwanda.

There are benefits, beyond expanding markets, associated with exporting. Few countries have managed to develop rapidly on the basis of exports of primary products alone. A more diverse structure of exports reduces vulnerability to demand shocks and price swings in overseas markets. A diverse base also creates greater opportunities in regional and global markets.

At the company level, exporting firms in both developed and developing countries tend to be more productive than non-exporters with much of the research suggesting causality running from exporting to efficiency, particularly in the African context. There are a number of possible explanations for this: first, the gains from exporting are large because of wide knowledge and experience gaps between domestic firms and those in international markets. In this context, exporting offers scope for increased discipline of competition, and contact with foreign buyers provides scope for learning. Bigsten & Söderbom (2005) find that the productivity gains for SSA firms from exposure to exporting, in term of value-added are 20-25% in the short run and up to 50% in the long run. Increasing the number of firms exposed to exporting can therefore benefit Rwanda in terms of a more competitive private sector as well as increased export revenue.

2.5.2 The Importance of Large Firms

Analysis of Rwanda's trade data indicates that a handful of firms exporting over US$ 1 million (Million-Dollar Exporters or MDEs) have been responsible for delivering the majority of Rwanda's formal sector direct export growth and diversification over the past 5 years. Between 2008 and 2014, firms formally exporting over US$ 1 million have accounted for between 80% and 90%4 of Rwanda's total exports. They come from both traditional and non-traditional export sectors (Figure 10). However, these million dollar exporters have been increasing at a much lower rate than the total number of firms exporting. Between 2008 and 2014 the total number of firms exporting increased by 293% while the number of million-dollar exporters increased by 50%.

4 This figure only covers formal direct merchandise exports and does not include firms re-exporting or firms from the services sector, for which no data is available;

Figure 10: Decomposition of Million Dollar Exporters (Direct formal Merchandise exports only)

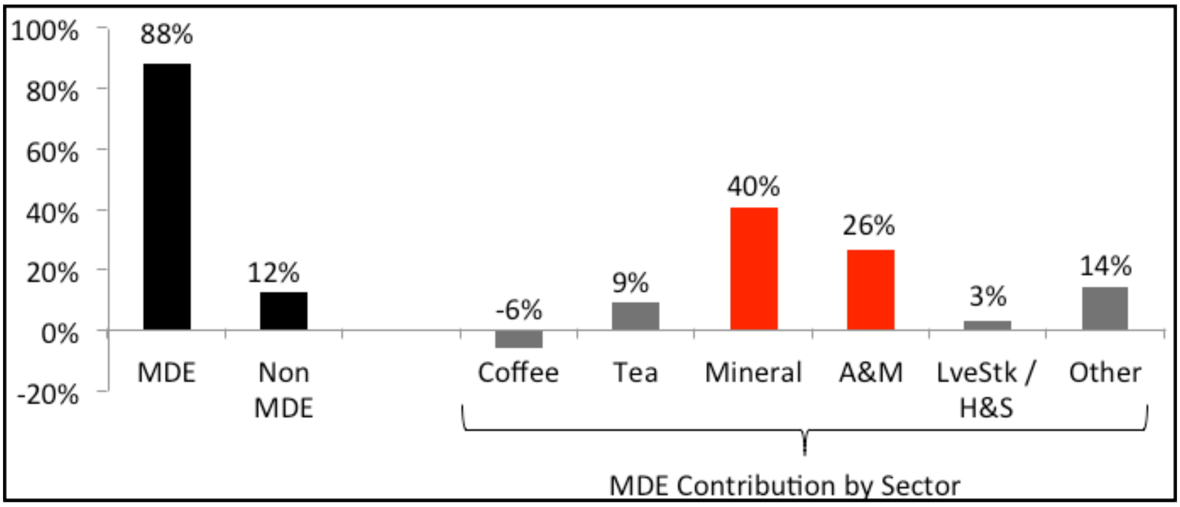
	Number of Million $ Exporters			MDE Share of Sector Exports (2014)	MDE Export Value Growth 2008-2014	Sector Export Value Growth 2008-2015
	2008	**2011**	**2014**			
Coffee	10	8	12	86%	1%	1%
Tea	4	9	12	98%	9%	9%
Mineral	17	14	18	99%	13%	13%
Livestock, Hides & Skins	2	3	4	49%	12%	22%
Agro-Process & Manufacture	6	12	14	63%	39%	29%
Other2	3	8	4	43%	19%	22%
Total	42	54	64	84%	13%	13%
Total Number of Exporting Firms	515	972	2025			

Source: MINICOM Calculations based on RRA Data

The mineral sector has the largest number of million dollar exporters (18 in 2014). While million dollar exporters from the tea and coffee sectors accounted for over a quarter of formal direct exports over the past three years, they have contributed little to export growth despite the privatization of the tea sector and focused support on coffee washing stations. Commodity exporters are also subject to price variations, so while not ignoring these important sectors, significant focus needs to be on increasing large exporters outside these sectors. A sector that has performed particularly well is the Agro-Processing and Manufacturing sector, where million dollar exporters have accounted for 63% of the sectors exports, and averaged 38% growth p.a. since 2008 compared to 29% for the sector as whole.

MDEs drove the majority of Rwanda's export growth since 2008 accounting for 88% of total export growth between 2008 and 2013 (Figure 10). Breaking down growth by sector, the largest MDE contributors to export growth are in the mineral sector and agro-processing and manufacturing sector (A&M).

Figure 11: Contribution of Million Dollar Exporters to Export Growth



Source: MINICOM Calculations based on RRA Data

What is clear from the above analysis is that if Rwanda is to hit export targets set under EDPRS II, a rapid increase in the number of million dollar exporters, combined with sustained export growth from existing million dollar exporters is required. This is because the evidence suggests that "large exporters" not "many exporters" drive export growth.

2.5.3 Creating Large Exporters

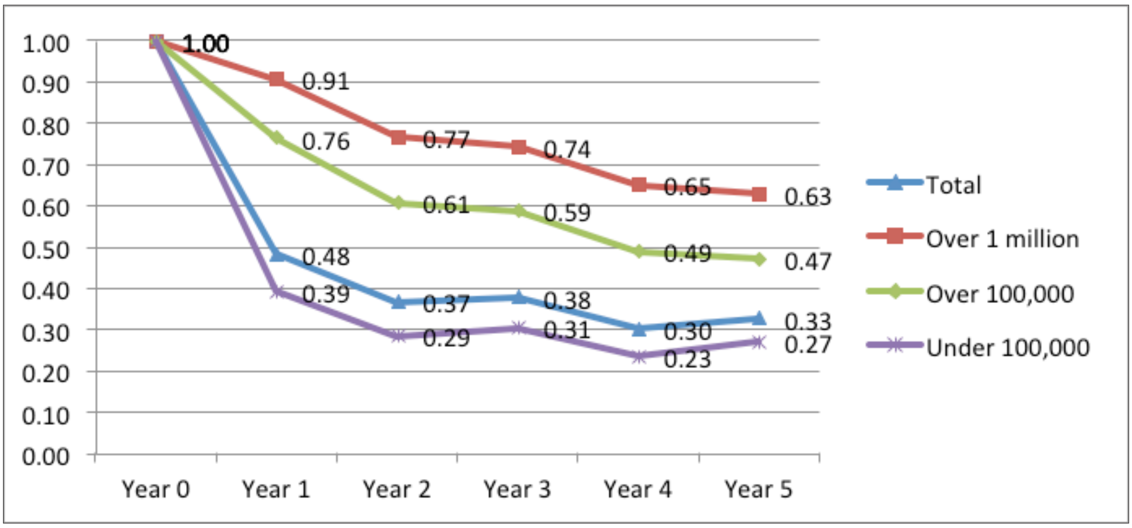
2.5.3.1 Home Grown Large Exporters

Larger exporters can emerge through large-scale investment (domestic or FDI) or businesses can grow over time. Of Rwanda's 65 Million Dollar Exporters in 2013, 26 (40%) graduated from exporting under US$ 1 million per annum into

Million Dollar Exporters since 2008.
Of the 26 firms that graduated into the MDEs since 2008, 8 come from traditional export sectors. Given that traditional export sectors are purely export focused and are already well established, most exporters from these sectors would be expected to be large. The agro-processing and manufacturing sector produced the most number of MDE graduates with 8 firms. All of these firms were first successful in the domestic market before pursuing growth through exporting to the region; this is discussed in more detail later in the section covering the manufacturing sector.

2.5.3.2 Improving Firm Survival
Improving firm survival by establishing longer export relationships with markets is important to achieving higher aggregate exports. Just 48% of Rwandan exporting firms export for 2 consecutive years, dropping to 27% after 5 years (Figure 13). However, the size of the initial export flow goes some way to explaining subsequent duration of flows with larger exporters having significantly higher survival rates than smaller exporters.

Figure 12: Firm Survival Rates By Export Category (2008-2013)



Source: MINICOM Calculations based on RRA Data

Improving firm survival rates can be achieved in two ways. Firstly through a cross-cutting range of interventions that create an aggregate improvement in survival rates. Interventions here include reducing the cost and time of trade, simplifying procedures and providing in-market support in markets where many firms are exporting. The second way of increasing survival rates is through increasing the number of large exporting firms where survival rates are higher.

2.5.4 Why smaller firms don't Export
In Rwanda, 82% of SME output is sold within the district it is produced, while 16 percent is sold to the rest of the country and just 2% exported.

A recent OECD report on barriers to exporting produced a list of barriers based on the results of a survey of 900 SME exporters from around the world[5]. Table 7 shows the top ten barriers identified with a breakdown of likely policy responses from government.
These findings are in line with Rwanda's own SME survey.

5 *Removing Barriers to SME Access to International Markets" – OECD 2006*

Table 7: Top Challenges Facing SME Exporters

Barrier	Potential Government TPO response
Access to Finance	
→ Shortage of working capital to finance exports	→ Export Loan (guarantee) Schemes, Cost sharing grant schemes, equipment leasing support, invoice discounting
→ Cost of transport & infrastructure	→ Streamlining transport systems, removal of NTB's, infrastructure development and upgrade programmes
Market Intelligence	
→ Limited information to locate and analyse markets and identify opportunities	→ Market Intelligence Services, subsidised market studies and visits
→ Identifying foreign business opportunities	→ Market Intelligence Services, Due diligence, Consulting services, Strategic planning, in market TPO's
Export Promotion	
→ Inability to contact potential overseas customers	→ Consulting support, in-market TPO's, Trade Fairs and missions, promotional materials
→ Lack of understanding of international standards and high cost of product certification and meeting standards	→ Subsidized access to product testing and certification services for qualified exporters → Technical training provision for selected sectors
Management	
→ Developing new products for foreign markets	→ Consulting support, Cost Sharing Grants, Venture Capital, equipment leasing schemes
→ Lack of managerial time to deal with export/internationalization	→ TA support, graduate trainee programmes, in-market advisory services
Skills & Knowledge	
→ Unfamiliar exporting procedures/paper work meeting export product quality/ standards /specifications	→ Training programmes, Market Intelligence services, consulting support, Cost Sharing Grants
→ Inadequate quantity of and/or untrained personnel for export /internationalization	→ Training & coaching programmes for Exporters
→ Unfamiliar foreign business practices	→ Training and consulting support – local and in-market

Source: OECD, 2013

2.6 Cross-Cutting Constraints

2.6.1 Export Finance

A cross cutting factor affecting exports is availability of finance. This is finance to fund investment in export related activities, adjust production practices to meet technical standards in export markets and fund pre and post shipment activities related to exporting are all key to delivering export growth.

Export finance is defined as inclusive of key exporting activities, but excludes other types of finance such as agricultural finance or SME funding - important as these may be to an exporting economy. Export finance is provided in two phases, which are closely linked: pre-shipment finance and post-shipment finance.

- Pre-shipment finance encompasses all value-adding activities required to prepare and deliver product to market. In agricultural exports, for example, this process begins after the crop has been harvested, and includes activities such as grading, packing and storage. The process may include value-addition such as the washing process of coffee beans; and aggregating volumes of produce from small farmers;
- Post-shipment finance is created by the credit terms agreed between buyer and seller. These range from payment of merchandise shortly after loading on board, to deferred payments, up to six months after shipment (but rarely for more than six months depending on industry and product).

A qualitative assessment of the gap points to the following issues related to export finance. Commercial banks state that there is no significant gap in export finance. The gap that exists is downplayed by the banks, and not considered as highly significant because projects which are not considered bankable are not considered as part of a gap. In this context, “bankable” means well-collateralized. All “bankable” transactions are indeed financed by the commercial banks.

However, almost unanimously, private companies believe that there is a gap, which must be bridged to enable the sector to grow. Reported constraints include: high interest rates (averaging 18% for Rwanda francs and 8% for dollar loans) making it difficult to profit from exports, banks do not advise properly about available finance options that apply to each transaction and each industry, banks require too much security, and banks are slow to approve export finance requests which is transactional business based on quick turn-around times.

Perceptions differ because the banks and firms focus on different aspects of export finance gap. In this manner the gap in export finance continues because well-collateralized projects are the only type of export finance worth considering for banks.

2.6.2 Standards and other technical requirements

Standards are necessary for many reasons, including environmental protection, safety, national security and consumer information and protection. Although standards and technical regulations vary by country, they are crucial for countries interested in promoting competitiveness, exports and economic growth. If not harmonized within a regional bloc, such as the EAC, standards can become Non-Tariff Barriers (NTB).

Approximately 1200 voluntary standards have already been harmonized for uniform application within the EAC. However there is currently no formal structure for the application of SPS measures at the regional level. As a result the recognition of certification marks among regionally traded goods within the EAC has so far proven difficult to implement. Several existing exporters to regional markets have reported that the RSB Standard Mark is not recognized in other EAC partner states. Some EAC member states are now enforcing prohibitively strict standards with different compliance requirements spread across several agencies. This is effectively blocking exports of certain goods from Rwanda to the target market.

Beyond the EAC, many exporters are unaware of the standards and technical requirements for accessing international markets. There have been a number of instances where firms exporting from Rwanda have come up against challenges at customs in the importing country. In some cases these issues have been resolved - for example, in the case of apparel exports to the US were the exporter did not have an AGOA visa - but in others the failure to comply with regulations results in the destruction of the consignment - as happened with honey that was exported to Europe without the appropriate certification.

2.6.3 Tax on Exports

In line with international best practice on VAT regimes, Rwanda’s VAT legislation provides for zero-rating of exports to allow businesses to export goods and services on an equal and competitive footing with similar businesses around the world without the encumbrance of irrecoverable VAT changes for customers. This is also the reason why most VAT regimes -Rwanda inclusive - have procedures for accounting for VAT on imported goods and services. Revenue authorities can thus ensure that no one business gains advantage over another because of its location.

However, there are some anomalies with how Rwanda’s existing tax legislation is applied in the case of services exports. Article 5(1)(e) of the VAT law (n0 37/2012) provides that for services to be considered as exported from Rwanda and therefore not subject to VAT, the services should be “rendered abroad”. The RRA interprets this to mean that the service should be physically performed abroad for zero rating to apply. VAT on services rendered within Rwanda (even where the client is foreign based) is applied according to the origin principle6. This means that VAT is levied on value created within Rwanda whereas VAT is generally applied as a tax on consumption, i.e. the VAT should accrue to the jurisdiction where the final consumption takes place and not where the value is created – the destination principle.

There is also the issue of delays in refunding of VAT paid on goods that are exported. Firms can reclaim the VAT that is paid on goods received from suppliers once the good is exported at the VAT free price. The exporting firm carries the cost of financing associated with the 18% VAT until RRA refunds the VAT. Given the high interest rates in Rwanda, the costs associated with financing the payment gap can be considerable. Firms have reported that it takes an average of 172 days to receive the VAT refund. Assuming the cost of finance at 18% per annum then over a period of 172 days the firm will pay 8.13% interest on VAT leading to a direct additional cost of approximately 1.46% on total sales.

2.6.4 Transport Costs

One of the main barriers to accessing markets is the cost of trade itself. Export competitiveness is directly linked to the costs of international transport services. Transportation costs are often a more important inhibitor to participation in the world economy than are policy barriers to entry into export markets. The World Bank (2002a p 356) finds that (a) a doubling of shipping costs is associated with slower growth of more than half a percentage point and (b) potential access to foreign markets, of which transport costs are a determinant, explains up to 70% of variations in country GDP. A reduction in transport costs can lead to a significant increase in trade orientation with Limao and Venables

6 *The Origin Principal levies VAT on value created within a countries own border*

(2001) finding relatively high elasticity's of trade volumes in response to reductions in transport costs.

The EAC has been largely ineffective in reducing the cost of trade over the past decade. Rwanda, Burundi and Kenya have all seen costs gradually creep up over the past six years (World Bank DB Reports, 2009-2013). Addressing the cost of trade requires a regional response and cannot be achieved by any one state alone. Factors influencing the cost of trade go beyond the cost of ports and trade corridors and include the efficiency and competition within the regional freight transport sector, in-country distribution infrastructure and logistics services. A wide set of trade policy reforms also affect the performance and competitiveness transport sector.

Efficient distribution and logistics services demand significant investment in terminals, handling equipment and yard management systems as well as the right set of policies and regulations. To be financially viable, without overcharging, requires a minimum activity threshold in terms of tonnage or number of containers. Ideally the transport service provider should offer scheduled services that guarantee delivery despite limited traffic and geographical remoteness. The services should also be affordable enough to allow smaller firms to plug into international trade channels. This requires a competitively priced freight transport sector that can both serve the needs of the market while also being commercially viable.

Development of logistics and distribution services that meet the needs of Rwanda, where transport costs are amongst the highest in the region, is therefore essential to unlocking export potential. This involves developing logistics platforms, off-dock container terminals at the ports, bonded warehouses and in-country agro-logistics centres to help consolidate production and benefit from economies of scale when distributing them. Furthermore, enhancing the competitiveness of Rwanda's trucking sector will also help bring down costs.

CHAPTER 3: STRATEGIC INTERVENTIONS

3.1. Four Strategic Pillars for NES II

The strategy has been developed based on the analysis of export growth trends for Rwanda. The rationale for the strategic interventions, already highlighted in the analysis, are summarized below:

- **Strategic Objective One**: Export growth first depends on the ability of firms to produce goods of sufficient quality and quantity to supply potential export markets. This requires an environment that supports and encourages firms to rapidly invest and begin production or increase output through productivity gains. Here putting in place infrastructure for export oriented investment, and sector specific interventions to increase output from established export sectors is key to driving growth. In some circumstances this is already planned and will be monitored, in other cases the NES II introduces new activities. This is covered on a sector by sector bases under Strategic Intervention One;

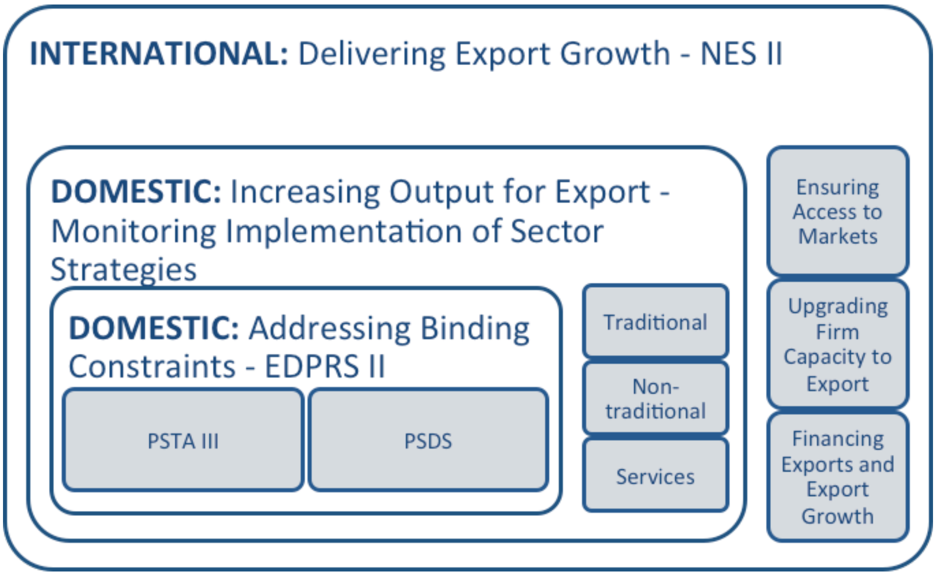
If supply side constraints are overcome and there are goods available for export then the following export specific strategic interventions are necessary:

- **Strategic Objective Two**: Export growth depends on the infrastructure, policies, regulations, and agreements – and their implementation - that facilitate entry into new markets and entry of export orientated investment into Rwanda. If distribution and logistics infrastructure are not in place, or if they are too costly the firm cannot enter potential markets. Beyond infrastructure, if regulations are costly to comply with and Rwandan goods face high taxes and duties they will once again be uncompetitive in destination markets. Here a combination of the right set of infrastructure linked with a conducive regulatory environment is key to encouraging firms to export;

- **Strategic Objective 3**: Export growth also depends on the capacity of firms to establish themselves in markets and establish strong and lasting relationships with those markets. Often firms lack information on market opportunities and an understanding of the requirements to maintain exports over a sustained period of time. Here, firm level support services to develop exporters' capacity to enter markets are necessary. Linked to this are the trade agreements in place that encourage trade between Rwanda and export markets;

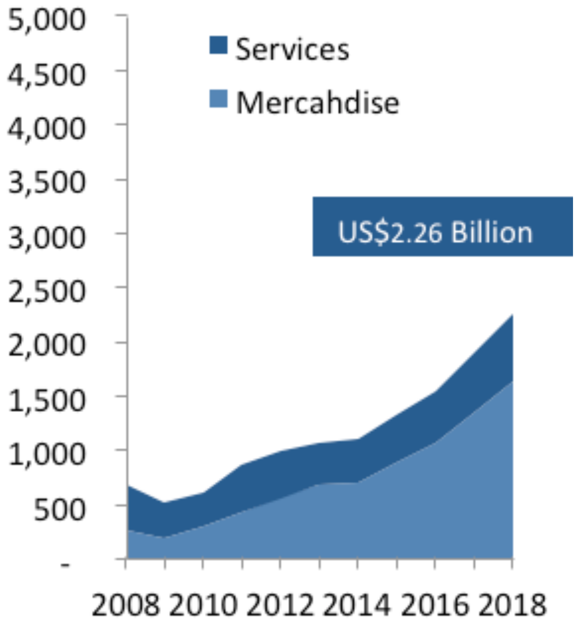
- **Strategic Objective 4:** Given the importance of finance, this has been kept as a stand alone strategic objective. The gap in export finance needs to be addressed in order to allow firms to export. This requires interventions by both the banking sector and Government to address challenges at the pre and post shipment level.

The four strategic interventions are presented in the image below. It should be noted however, that the NES fits into a broader range of private sector development activities and its success, to a large extent is dependent on delivery of commitments for private sector development made under the EDPRS II programme and sector specific interventions.



As already mentioned in chapter 1, the EDPRS II export target set for Rwanda over the next 5 years is 28% average annual export growth or approximately US$ 4.5 billion of goods and services exports by 2018. Based on a detailed audit of exporting sectors and the planned interventions by sector, total exports are expected to reach approximately US$2.3 billion by 2018.

Figure 13: Projected Export Growth Path



Export Growth Projections to 2018 as determined by lead implementing agencies based on planned interventions:

- 16% average annual growth or US$ per annum between 2013 and 2018
    - Goods 19% PA
    - Services 16% PA

3.2 Strategic Objective 1: Sector Interventions

Increasing output for export covers a range of sector specific interventions to either increase the number of firms operating in a sector or improve the productivity existing producers. The GoR has already developed growth strategies for a wide number of goods and services sectors. Given the scale of export growth required under EDPRS II, NES II has attempted to document how each sector could conceivably contribute to reaching export targets up to 2018 based on their existing strategies. A review of each sector strategy was undertaken for the purposes of this strategy. We find that is all planned interventions were fully funded and well executed, and all binding constraints ideally removed exports will reach 2.26 billion by 2018. Meeting this target would still require a massive effort across multiple sectors. Rwanda hitting EDPRS II export targets is only conceivable under the most optimistic scenarios.

Table 8 presents export projections based on planned interventions by the implementing agencies, breaking down each sectors contribution to export growth over the next 4 years. The table also identifies the key constraint to export growth and the major activity necessary

Table 8: Export Targets and Key Activities To Realise Sector Export Potential

Sector	Lead	Value of Exports (US$) 2014	Sector projections to 2018 based on planned interventions by implementing agencies				EDPRS II Export Target 2018 (US$)	Key Constraints	Key interventions to Deliver Targets
			2015	2016	2017	2018			
Total Exports		**1,110,463,142**	**1,338,526,791**	**1,559,557,131**	**1,899,223,706**	**2,263,369,007**	**4,514,978,242**		
1. Traditional		322,798,052	400,700,000	459,300,000	526,400,000	599,200,000	769,200,000		
1.1 Tea	NAEB	51,758,341	73,400,000	81,000,000	89,300,000	94,900,000	94,900,000	• Supply for export; • Access to finance for tea producers to increase production.	• Construction of 4 additional tea factories by 2018 (14 currently operational); • Expansion program by 6,000ha(25,500ha currently planted); • Train 4,700 tea growers using FFS for productivity gains; • Capacity Building of tea pluckers and tea makers for quality gains • Export Growth Facility to increase access of finance for investment in production
1.2 Coffee	NAEB	59,677,998	76,200,000	85,100,000	95,000,000	104,300,000	104,300,000	• Supply for export; • Access to finance for production and exporting.	• Implement Coffee Zoning Policy to increase utilization of CWS; • Improve coffee husbandry practices through FFS training; • Expand fertilizer application from 20% to 80%; • Implement turnaround program in coffee cooperatives; • Upgrade coffee processing; • Export Growth Facility to expand investment in production and productivity and enabling direct exporting

Sector	Lead	Value of Exports (US$) 2014	Sector projections to 2018 based on planned interventions by implementing agencies				EDPRS II Export Target 2018 (US$)	Key Constraints	Key interventions to Deliver Targets
			2015	2016	2017	2018			
Total Exports		**1,110,463,142**	**1,338,526,791**	**1,559,557,131**	**1,899,223,706**	**2,263,369,007**	**4,514,978,242**		
1. Traditional		322,798,052	400,700,000	459,300,000	526,400,000	599,200,000	769,200,000		

1.3 Mineral	MINI-RENA	211,361,713	251,100,000	293,200,000	342,100,000	400,000,000	570,000,000	• Regulatory and management weaknesses
								• Low extraction rates among artisanal miners with no options for financing technology upgrade;
								• Access to finance for exporting
									• Migration of licenses from exploration to mining.
									• Former Government concession to be licensed and proper monitoring of the agreement signed between GoR and private companies;
									  ◦ Gatumba concession: tender is ongoing
									  ◦ Bisesero: Agreement is being negotiated
									  ◦ NRD with five concessions : Pending for being licensed/ tendered
									  ◦ Musha and Ntunga: The plant is under construction to completed in August,
									  ◦ Rutongo Mines and Nyakabingo: long term agreement,
									  ◦ Rwinkwavu and Gifurwe Concessions: agreement has been signed;
									  ◦ Bibare concession: The processing plant is under construction,
									  ◦ New serious operator to come in: eg. Mawarid Mining/ Nyanza project;
									• Improved legal and regulatory framework:
									  ◦ Long and medium term licenses issued to attract strategic investors,
									  ◦ Professional consultancy board established to help companies undertake geological studies and other studies like business plans,…
									• Improved management system of the sector: Cadastre system
									• Organized mining sector: strengthening the capacity of Rwanda Mining Association and mining cooperative federation to improve negotiates in partnership agreements with funding investors or financial institutions;
									• Export Growth Facility to increase efficiency and extraction rates of artisanal miners by enabling investment in technology and financing for exporting related activities.
									• Diversification of minerals

2. Non Traditional		111,216,722	152,431,730	204,043,716	339,898,489	458,043,949	1,213,729,275		
2.1 Agro-Processing	RDB	32,619,753	42,251,901	54,728,284	105,888,765	126,821,205		Access to raw materials; Access to finance for production; High risk to exporting and new standards requirements in target markets	•Map underutilized public land, earmark and gazette land for commercial farming; •Support Private Sector to acquire or lease agricultural land in other countries for export to Rwanda; •Co-operatize farming through land lease: this increases the productivity of the farmer and secures raw material for the factory. •Export Guarantee facility promote investment in production, de-risk export and matching grant fund standard requirements in new markets.
2.2 Manufacturing	RDB	25,672,599	35,253,351	57,072,591	90,791,312	122,265,691		Inadequate infrastructure to attract investors; Access to finance for production and exporting;	•Construct 60,000 m2 factory spaces with export processing zone status in the Kigali SEZ. These would provide flexible space for investors to enter Rwanda and immediately begin production. Target sectors include apparel and electronic assembly; •Supported by industrial energy tariffs and dedicated power lines to industrial zones; • Export Growth Facility for investment in new production and exporting;
2.3 Agriculture	NAEB	4,992,125	18,845,752	26,628,391	66,449,505	119,137,432		Availability of Land; Access to finance for production; •High risk to exporting and new standards requirements in target markets.	• Facilitate access to land (2000 ha for nucleus and 6000 ha for out growers); • Invest in cold chain infrastructure and negotiate air rates; • Improve quality planting materials; • Export Growth Facility for investment in production expansion, meeting standards and export finance
Fresh Fruit & Vegetables	NAEB	3,297,394	10,872,765	13,577,813	14,740,357	16,008,802		Land for extensive farming; Finance for Exports.	•PPP investment in fruits and vegetables: 5 irrigated sites available, investors started showing interests; •Conduct feasibility studies to assess requirements in zones targeted for each of targeted horticulture crops; •Export guarantee facility to de-risk exporting, catalyse fund to expand production.
Flowers	NAEB	-	278,964	2,454,322	15,375,000	47,175,000		Delayed development of Gishari & surrounding out grower schemes; Finance for Exporting.	•Finalize the development of infrastructure (road, water, electricity, greenhouses); •PPP investment in floriculture: a 20 ha land available in Gishari, 10 ha to be completed by 2015 and 65 ha by 2017; •Export Guarantee Facility to de-risk exporting;
Stevia	NAEB	-	1,584,000	12,750,000	16,200,000	25,920,000		Availability of land.	•Consolidate land – 1,000 ha. Invest in R&D; • Seed multiplication and extension services;

Essential Oil including Pyrethrum	NAEB	1,694,731	6,110,023	10,596,256	20,134,148	30,033,630		Poor marketing; Identifying markets; •Finance for exports.	•1,500 ha rotational land available in Gishwati for expansion; •Initiate the use of fertilizers in pyrethrum. •Move from multiplication using splits to multiplication using seedlings and tissue culture •Farmers mobilization to rotate Irish potato with pyrethrum • Export Growth Facility to encourage market development and finance post shipment
2.4 Other		47,932,245	56,080,727	65,614,450	76,768,907	89,819,621		Lack of finance for investment in new production activities.	• Export Growth Facility to encourage investment in diversified sectors • Export Development Programme to build export capacity
3. Re-Exports	MINICOM	165,351,979	200,144,830	243,664,606	296,647,383	361,150,812			
4. Informal	MINICOM	110,498,181	145,701,162	167,556,336	192,689,787	221,593,255		Quality and quantity of goods available at major cross-border centres	• Cross Border Markets constructed at 8 market sites; • Access to finance and skills for small traders;
5. Services*		400,598,208	439,549,069	484,992,473	543,588,047	623,380,992	2,532,048,967		
5.1 Tourism	RDB	303,700,000	326,600,000	355,900,000	390,100,000	430,500,000	1,074,981,689	Facilities and management of MICE strategy, Training and quality of offer;	• Finalise Convention Centre and launch convention bureau; • Increase tourism numbers through better marketing; • Diversify tourism offer and training for service providers;
5.2 Transport, Logistics & Distribution	MINICOM	77,017,216	80,868,077	84,911,481	89,157,055	103,000,000	1,457,067,278	•Infrastructure &competitiveness of Rwandan firms in sector	•Develop off-dock container facilities at ports; •Finalise investment in Kigali logistics platform; •Construct bonded warehouses; •Continue investment and expansion of RwandAir; •Grow Rwanda trucking fleet
5.3 ICT & BPO	RDB	-	10,000,000	20,000,000	35,000,000	50,000,000		•Infrastructure and skills backed up by relevant investors	•Branding – build an brand image for the ICT /BPO export market; •Targeted marketing through trade fairs, road shows, G2G sales etc; •Introduce industry certifications for companies exporting services/products; •Develop high quality technical talent through targeted trainings for ICT/BPO operators; • Complete Phase 1 of the Kigali Innovation City; • Funding to support the various growth stages of ICT/BPO companies and more specifically supporting export activities; •Create 1000 High tech export jobs though collaboration with Japan;
5.4 Other Services*	RDB	19,880,992	22,080,992	24,180,992	29,330,992	39,880,992		• Diversity of offer and availability of skills	• Health: Implementation of Radio, Oncology and diagnosis centres projects for medical services; • Education:Attract medical students and patients from the region for new health campus;

*Services does not include operating costs of embassies

3.3. Strategic Objective 2: Improved Access to Markets

As pointed out in the analysis section, different markets matter for different products. Priority interventions for improving access are listed according to market. Likely sources of growth and proposed interventions are presented below broken down by market.

3.3.1 International Markets

3.3.1.1 The United States

Already an important market for coffee, pyrethrum, and handcrafts, has been identified as holding good potential from apparel and accessory exports. New exports from this product group are expected to grow in the following manner:

1. New large investors establishing in government constructed advanced factory units and exporting apparel. As of 2014, two investors have committed to establishing production units in Rwanda. These investors know what products they will export and how to benefit from AGOA. They plan take advantage of the EAC's EPZ regime to import inputs duty free for single transformation before exporting. They do not require support in accessing the market. Rwanda's ability to attract foreign investors depends on its' ability to create the right domestic conditions that reduce factor costs and enable investors to enter Rwanda and within a period of three to six months begin exporting;

2. Major established clothing and apparel brands in the US, sourcing goods from Rwanda as part of their Corporate Social Responsibility Strategy. A number of US high street brands are already working with producers in Rwanda to create sustainable and profitable clothing and accessory lines for sale in the US. These US firms require advice on how to benefit from domestic regulations that could support their operations in Rwanda and on how to export to the US under AGOA, through for example being granted an AGOA visa and having their consignments certified as originating from Rwanda;

3. There are small producers in Rwanda who have identified the US market as a potential export market. These producers require support at all levels, from sourcing inputs in a cost effective manner (including potentially duty free through EPZ), understanding what preferences they could benefit from and creating linkages with buyers.

4. **Mineral Exports:** Rwandan's mining sector is in need of major government, industry and end user advocates to legitimize Rwanda's compliance with Dodd Frank and mainstream the acquisition of minerals sourced in Rwanda by buyers in the US market;
5. Growth from high value agro-processed goods such as Stevia and pyrethrum is also possible. However supply side constraints and linkages to markets need to be addressed before growth becomes a real possibility.

Specific interventions to support new export growth to the US market is through intensifying existing export flows and improving Rwanda's ability to take advantage of AGOA. Key interventions for this market are:

- Expand list of goods covered under AGOA: Tariffs on products excluded from AGOA, especially on agricultural goods, remain relatively high. AGOA's broader economic impact could be improved if preferences were extended to all products;
- Extending preferences to all product lines should be coupled with less restrictive rules of origin[1]. The surge in apparel exports under AGOA clearly illustrates the powerful effect of liberal rules of origin. The 35 percent value added rule on non-apparel goods is in all likelihood too demanding for firms in Rwanda. Lobbying for a 10 percent value-added requirement would give AGOA exporters the flexibility they need to source inputs globally and exploit their comparative advantage in labour intensive products. An alternative would be to lobby for a phased introduction of the 35% value added rule over a 5 to 10 year time horizon. This would allow for the development of local supply chains in the medium term;
- Sensitize relevant sectors on AGOA: Existing producers in Rwanda are either unaware of the opportunity presented under AGOA or do not understand the requirements for qualifying for duty free access under AGOA. AGOA sensitization training is required on a regular basis to ensure new entrants to the sector learn of the potential benefit. This can be provided through USAID regionally funded Trade programmes.

1 *The RoO method used under AGOA is Value addition (35 per cent) calculated as a percentage in the ex-factory price of the finished product represented by the cost of local originating material, labour and direct costs of processing.*

3.3.1.2 The European Union

The EU is important for existing tea and coffee exports, while also holding good potential for new horticulture and apparel exports - – for the latter this is dependent on EPA (as opposed to EBA) market access in order to allow for single transformation under rules of origin. New exports to the EU are expected to grow through the following routes:

- New investment in the horticultural and floricultural sectors reaching production stage in the next two years. Here avocado, macadamia and floriculture investors have already entered the market but have yet to begin exporting. These investors are already operating in other countries in the region and have established links with markets in the EU. They also have the ability to meet EU food safety standards and requirements. New exports from agricultural goods will come through facilitating investment by firms experienced in exporting to the EU.
- Apparel exports to the EU will come through the same type of firms as those entering the US but real growth is only possible once an EPA is agreed and simpler rules of origin introduced.

Specific market access interventions to support export growth to the EU are the following:

- Mineral Exports: As with the US, Rwandan's mining sector is in need of major government, industry and end user advocates to legitimize Rwanda's compliance OECD guidelines and mainstream the acquisition of minerals sourced in Rwanda by buyers in the European market;
- Sign EPA for reduced technical barriers to trade: Finalizing the EPA was particularly important for apparel exports. The EPA offers "single stage transformation" for this sector. Exporters to the EU would then benefit from duty free access for garments made using textiles from anywhere in the world (see light manufacturing). In contrast the EBA rules of origin are more restrictive, offering "double stage transformation" – this requires clothing exporters to use fabrics and textiles from the ACP or the EU;
- RBS' schemes for food production and product quality certification accredited (HACCP): HAACP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling HACCP provides the type of disciplined monitoring and control that supermarket chains and food manufacturers increasingly demand. It is also essential for meeting EU food safety requirements;
- The EU Data Privacy Directive specifically prohibits the sending of personal data to any country without a "level of [data] protection" considered "adequate" by EU standards. The absence of appropriate and enforced data protection laws in Rwanda therefore curtails BPO opportunities in the European market;
- Pre-travel visa requirements for many European countries is likely a major deterrent for tourists from those countries to visit Rwanda. Adoption of the EAC Single Tourist Visa should go some way to addressing this issue. However pre-entry visa clearance will remain a hindrance to travel.

3.3.1.3 Asia

The Asian market is important for mineral exports (mainly China and Malaysia). Pakistan is also an important market for tea. Rwanda is already granted a degree of preferential access to several Asian markets through WTO declarations. These markets are China, India, Japan, and South Korea. The percentage of tariff lines liberalized under these declarations differ by country with Japan opening up 98% of all tariff lines while South Korea has liberalized just 59% of tariff lines.

Growth in the Asian market is expected to come through traditional export sectors, tea, coffee and minerals. Here increasing exports depends on increased supply as opposed to direct interventions in the market at this point.

3.3.2 Regional and African Markets

Regional and wider African markets are important for manufactured goods, agro-processed goods, livestock, animal produce and horticulture. The regional market is also important for services exports, particularly medical, transport, distribution and logistics. The DRC and Burundi are the two most important markets; however there is interest from the private sector in growing into new markets in Africa including francophone markets for services.

Growth within the region is closely linked to increased productive capacity within Rwanda to supply regional markets. Attracting new investors and growing existing exporters to produce both for Rwanda and beyond is key to unlocking exports from the manufacturing and agro-processing sectors. For horticulture, effective operationalisation of the collection centres and agro-logistics centres to increase supply and efficient distribution to regional markets is important.

Within the region the GoR needs to engage EAC partners to ensure implementation of the Common Market Protocol. An issue here is ensuring the mutual recognition of standards and qualifications to facilitate the movement of goods and services. A number of firms in Rwanda have so far been unable to access other EAC markets because of restrictions in these areas.

Increasing taxes on exports charged by the DRC as well as restrictions on the movement of traders and professionals between the DRC and Rwanda pose a threat to growth in exports to Rwanda's single largest export destination. Here, cross-border engagement between businesses, traders and government officials is required to reduce restrictions at the border.

Beyond the region, creating linkages both in terms of reliable and affordable transport services and stronger business linkages with strategically identified export markets such as South Sudan, Congo Brazzaville and Gabon is important. Exporting firms to these markets may have some experience in exporting to neighbouring countries but will require a good deal of firm level support and in-market country assistance in order to enter new markets. Specific market access interventions by region are provided below

3.3.2.1 East African Community

Within the EAC, the focus is on better aligning existing structures with Rwanda's development needs as well as ensuring implementation of commitments made under the Common Market Protocol.

- Expand NTB National Monitoring Mechanism to cover restrictions on trade in services This is important for policing commitments already made by member states and ensuring the rapid removal of any barriers (primarily regulatory) that may have been put in place be EAC members;
- Harmonisation and mutual recognition of standards within the EAC: The harmonization and recognition of standards across the EAC will facilitate the free movement of goods within the region and remove obstacles associated with the non-recognition of the RBS Quality mark for certain products in other EAC partner states;

3.3.2.2 DRC

- Cross-border cooperation on trade related issues: This does not have to necessarily be government to government. Strengthening business linkages and using support offered by development partners on both sides of the border trade with the Kivu region of the DRC can be enhanced to ensure continued flow of exports from Rwanda into the DRC.

3.3.2.3 Africa

- Market Linkages: Exporting to the wider African market suffers from a chicken and egg problem. On the one hand there is insufficient and irregular supply meaning transport and distribution costs remain expensive and in some cases unreliable. This reduces the incentive of firms to strengthen linkages with African markets and reduces supply thus pushing up the costs of transport and distribution in those markets. This could be addressed through a combination of "in-market support" in a few selected African markets through for example multi-service centres, linked to routes that have already been established. Overtime it is expected that through this approach the cost of accessing certain markets in Africa should be reduced and exporting to those markets become more attractive;
- Trade Agreements: Rwanda does not have preferential access to most countries identified by the private sector as markets of interest for growth in non-traditional exports. For example, tariff rates in South Sudan, Congo-Brazzaville and Gabon are all high for Rwandan goods. The accession of South Sudan into the EAC would open up this market to free trade. With other countries in Africa new trade agreements would have to be negotiated through the EAC, a long process;
- Low Grade Coffee Exports: Coffee traders have identified new markets for low grade coffee (Sudan and Egypt) but require support in developing the markets. This is covered through interventions under SO3 of this strategy.

3.3.3 Cross-Cutting Market Access and Trade Policy Considerations

- Special Economic Zone and Export Processing Zones: The Kigali Special Economic Zone currently operates as a normal industrial zone. There is no special infrastructure or tax regime operating in the phases currently occupied. It is likely therefore that the Government will move to implement the EAC Export Processing Zones law on a company by company basis. The EPZ law offers tax advantages to exporters of manufactured products who sell more than 80% of their turnover outside the EAC. As an example, this is the tax regime under which Light Industry investors would expect to operate. Encouraging investments to take advantage of EPZ status will be an attractive incentive to reducing the costs of inputs for planned export goods outside the EAC.
- Effective and Innovative Logistics Services: The distribution and logistics services strategy identifies what needs to be done to improve the competitiveness of these services and reduce the costs of trade with the region and the rest of the world.
- Leverage Trade Facilitation Support: The WTO TF Agreement is aimed at reducing transaction costs through elimination of red tape, increased transparency, streamlined border procedures and formalities as well as reduction of import-export documentation requirements; automation; reduction of fees and charges; enhanced cooperation among border agencies; expedited clearance and release of goods among others. The TF Agreement

contains flexibilities for the implementation of the Agreement by developing countries as well as provisions for technical assistance and capacity building. Donors committed to provide financial and technical assistance. Rwanda should finalise its needs assessment for trade facilitation and begin leveraging for support through development partners.

3.3.4 In Market Support (Multi-Service Centres)
The role of an international Trade Promotion Organizations (TPO_ varies depending on the market and the specific needs of exporters. Activities undertaken can include:

- Partner identification (qualifying partners, submitting samples, promoting specific products, arranging missions and visits, drafting agreements)
- Market Research (standards, market size & potential, competition, distribution, price points)
- Event organisation (inward missions/outward missions)
- Trade fair (pre, during and post event activities)
- Fixing local market problems (customs, tax, payments)
- Identification and coordination of in country support networks including; sector experts, transport, warehousing, lawyers, accountants, designers, PR experts and other relevant services
- Undertaking generic PR to promote the country

Through its Embassies and RDB nodal offices, Rwanda has a small but qualified presence in a number of key export markets. However the emphasis on Investment Promotion can often leave commercial attachés with little time to actively support export activities.

It is therefore proposed that based on the recommendations of the Agro-logistics strategy, RDB and MINICOM will review the opportunity to establish either 100% government funded or PPP's with local in market partners to deliver services in addition to those provided by Rwandan embassies (e.g. Warehousing and Distribution) or full TPO services in those markets where Rwanda has no diplomatic representation.

Ideally such services should be delivered on a fully commercial basis where users pay for services consumed such that GOR has no long-term financial commitment. However in the short term where new markets are being considered and where trade flows cannot justify a fully commercial arrangement, it may be necessary for some form of short term PPP between GOR and a selected in-market partner.

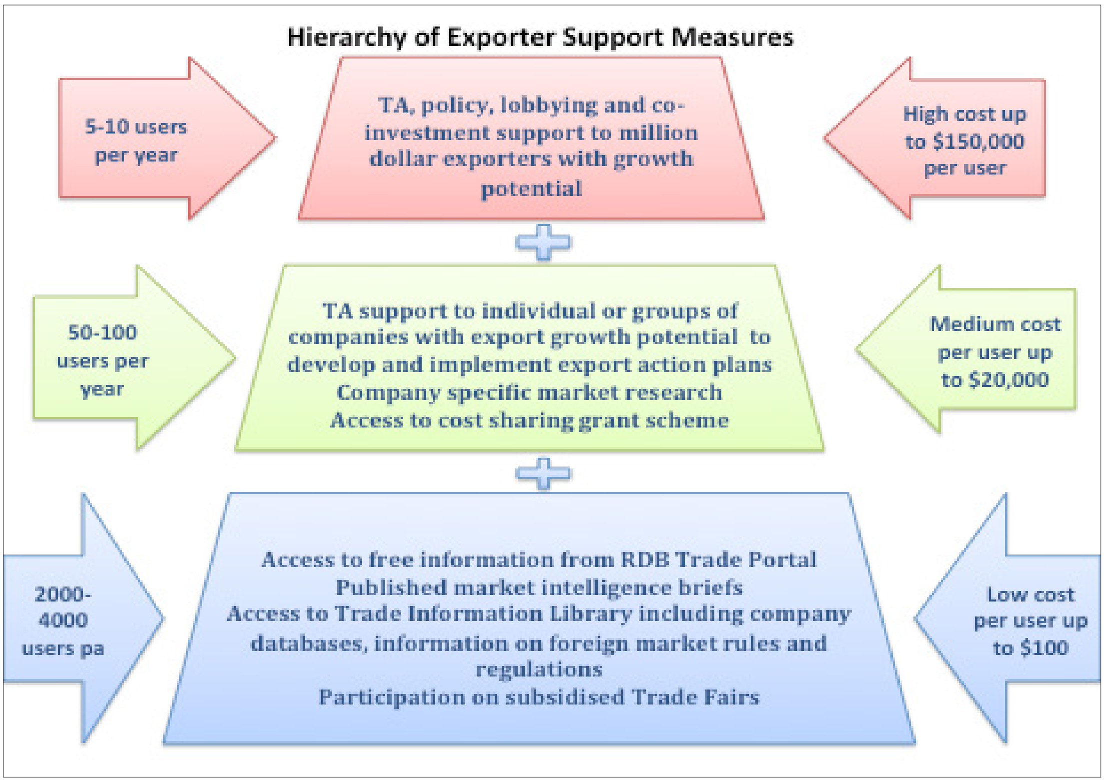
3.4 Strategic Objective 3: Upgrade Firm Capacity to Access and Grow in Export Markets

3.4.1 Access to Government funded support measures
Any company or group of companies who wish to export should ideally be able to access certain levels of government support. However with limited resources support has to be focused on those companies where the best impact can be generated using the resources available. Trade Promotion Organisations therefore tend to segment their services so that some are available to all exporters and potential exporters while others, generally more expensive to deliver are restricted to selected groups most likely to benefit from these services.

It is also worth noting that Government funded TPO's among OECD members often charge for certain services to ensure both commitment from the service user as well as a greater value for money for the public purse. It may be some time however before this becomes common practice in Rwanda.

Figure 13 below shows a possible support hierarchy that might be adapted for Rwandan conditions.

Figure 14: Hierarchy of exporter support measures



The activities planned for SO3 will address most of the key challenges faced by Exporters as identified by OECD and confirmed by RDB staff who have been working on the joint RDB/TMEA funded Export Development Programme. Some of these activities are already planned or are operational. Others are new and will begin implementation once budgets are made available.

3.4.2 Export Capacity Program

The Export Capacity programme aims to grow both the number of successful exporters and the volume of exports per exporter. There are different groups each having slightly different needs as indicated in Figure 13above.

3.4.2.1 New or potential exporters

The target group is comprised of two types of company;

1. Those who have never exported but have interest in doing so in order to increase sales and absorb unused capacity through accessing new markets.
2. A second group of companies whose products are already exported by third parties such as traders so that the benefits of higher margins in export markets go to the traders rather than the producers themselves. These companies lack the skills to plan and undertake direct exporting although they have a product for which there is market demand outside Rwanda.

For this group of companies a major issue is uncertainty and fear of the unknown as well as the additional costs (packaging, certification, and transport) and risks associated with exporting such as getting paid or security of goods in transit. Both of these are addressed by selling to Rwanda based traders who assume the risks but in return reap the rewards of margins that would normally accrue to the producer.
For companies in this target group, the following activities are planned:

- Sensitization workshops in Rwandan districts (why, how and where to export) leading to identification of candidates for export capacity audits
- Access to market and sector opportunity reports from RDB's export portal[2]
- 2 day subsidized (free to company) export capacity evaluations by certified Export Advisers[3]
- Access to exporters handbook (on-line and printed versions)
- Subsidized trade fair participation at events organized by RDB or NAEB

2 To be produced by the proposed Trade Information Centre described in more detail below
3 RDB is currently training 18 potential export advisers and plans to certify at the first 5 by September 2014.

3.4.2.2 For existing exporters

While the number of exporters has grown substantially over the past 5 years to approximately 1,200 many of these are small and 'occasional' small exporters who handle export orders opportunistically on a reactive basis rather than through a planned strategic approach. In fact approximately 80% of Rwanda's exporters operate on this basis and generate annual exports of less than $100,000 per year which together account for less than 5% of total exports. It follows that where GOR can successfully support these companies to become confirmed and proactive exporters this could have an important impact on national export performance.

Of particular interest are those companies regularly exporting between $100,000 /year and $1 million per year – some 150 in all. These companies clearly have the product and potential to grow.
For these companies it is planned to offer the following services:

- Free or subsidized support to develop and implement export action plans by certified export advisers
- Free access to the information services provided by the planned Trade Information Centre, which will provide input to action development and implementation.
- Access to planned Export Growth Facility for qualifying support
- Participation in RDB's Market Linkages Program
- Access to appropriate sector or country focused trade missions and events organized by RDB and NAEB

3.4.2.3 For Large Exporters

At the end of 2013 there were 65 companies with export turnover greater than $1 million (Million Dollar Exporter – MDE) and an average turnover of $8 million. To achieve the growth EDPRS2 growth targets will require a significant increase in Rwandan MDE's. As in the past, some of these companies will be new foreign investors such as Bahkresa and Steelrwa. Many others will be home grown.

These large (by Rwandan standards) companies generally already have successful business models. This potentially limits the scope for direct strategic or tactical intervention by GOR or its appointed consultants. However, often these companies require specific policy actions by government to remove barriers to growth. Issues to be considered may cover supply chains, import duties or other fiscal issues and access to infrastructure.

For large exporters RDB shall provide Export Growth Account Managers (EGAM) whose responsibility will be to work with MDE's and RDB export specialists to identify where appropriate initiatives that could significantly improve their export performance either through market or product diversification.

Services to be provided through the EGAM's could include:

- Tailor made export growth strategies (cost shared with GOR) using local and if required, international experts
- Supply chain development support
- Access to the planned Export Growth Facility for qualifying support
- Policy advocacy to address individual export growth constraints
- Possible GOR co-investments

3.4.2.4 Export Adviser Initiative

To deliver support to exporters of all sizes and capacity will require a cadre of qualified and experienced advisers based in Rwanda who understand the local business context but are familiar with both the process of exporting and that of planning and implementing export action plans. In late 2012, RDB started the process of recruiting and training the first group of future certified Export Advisers. Up to 10 advisers will be certified in by September 2014 and thus ready to provide strategic and tactical support to Rwandan exporters. Given the small number of Rwandan exporters, 10 advisers is probably a good start but at some future date, it will probably be necessary to develop further advisers as well as to help upgrade some of the soon to be certified SME advisers.

The small number of active company consultants in Rwanda signals a challenge for these newly qualified advisers. Many companies are unused to hiring consultants to address challenges or provide strategic or tactical support outside technical areas such as standards or quality and they are even less used to paying for these services. If Rwanda wants to develop a cadre of qualified and professional export consultants then it will be necessary to find a way for them to earn income. In other countries this is often managed through a subsidized consulting scheme where companies pay a percentage of the costs of an approved project and the balance is paid by the government.

The EAI will over the life of the strategy undertake the following activities

- Undertake quality control of subsidized work performed by certified advisers
- Train and certify additional Export Advisers depending on market demand
- Re-qualify existing certified advisers every 3 years.
- Evaluate a senior tier of advisers after 3 years who can train and certify other advisers

3.4.3 Trade Promotion and Buyer Outreach

Proactive promotion of Rwanda and its products and services will a key element in a successful export growth strategy. Currently Rwanda has a very limited coordinated trade promotion strategy outside possibly tourism and coffee. This creates an information gap for potential buyers for whom information about Rwandan export potential tends to be hard to find and superficial. It also means that in general exporters either have to organise promotional activities themselves or they do nothing either because of lack of knowledge or because international promotion can be expensive.

In the medium term it will be up to companies to organise their own promotion. Where necessary in the short term, this can be supported by government agencies as facilitators and trainers.

The Trade Promotion Strategy will contain the activities listed below:

3.4.3.1 Group Branding

Given the small size of most exporters marketing and branding can be an expensive challenge. This is compounded when a large order is received that may require cooperation between producers as could happen for coffee, tea or even textiles. It is recommended that support mechanisms be created to help improve individual company branding (including packaging, web sites, brochures etc) as well as to encourage group branding where opportunities exist.

NAEB has commissioned consultants to develop an overriding brand for Rwandan Coffee. This will not preclude from using their own branding but will provide a quality guarantee for buyers and consumers that the coffee that is 'Rwanda Excellence' or whatever the brand may turn out to be has minimum levels of quality certified by the industry.

This approach could be used for other sectors and indeed it is NAEB intention to also create a sector brand for Tea. 'Rwanda Fresh' has already been registered as a brand for Fruit, Vegetable and Horticulture products. For garments a group of producers could form an association (eg; Rwanda Garment Manufacturers Association – RGMA) that would set minimum standards of quality as well as combining to promote members capacities to buyers in US and EU markets where significant AGOA and EBA duty advantages exist.

To be successful in international markets these new brands and their values will have to be actively promoted both at trade fairs, direct buyer outreach, in-store directly at consumers and through both digital and traditional media in key markets.

3.4.3.2 'Buy from Rwanda' Export Portal

RDB has created a specific portal, **www.buyfromrwanda.rw** that will provide online and up to date information and support to exporters and potential exporters. The portal will also enable potential buyers to learn about Rwandan products and to make sourcing enquiries directly to companies registered in the exporter's database (56 to date) or via RDB who can advise on the most qualified suppliers.

Included on the portal will be a detailed exporter's handbook, currently under preparation by PSF. It is planned that the handbook provides detailed and easy to use information about the essential elements of successful export action plans as well as covering in detail how to handle the mechanics of exporting such as standards, tariffs and duties, transport and logistics, distribution options and getting paid.

3.4.3.3 Buy from Rwanda promotional materials

Promotional materials should be of sufficient quality to be distributed to all Rwandan Embassies as well as to multipliers such as foreign embassies and Chambers of Commerce.

Currently under the "Buy from Rwanda" brand the following elements are produced by RDB in small quantities:

- Export Catalogue listing Rwandan exporters and their contact details
- Penguin stands and banners

3.4.3.4 Trade Fairs program

A key role of any successful Trade Promotion strategy is the organization of effective participation in international trade fairs. Not all fairs will be suitable for Rwandan exporters so events have to be chosen carefully. Since trade fair attendance can be expensive, there are other options that can also be considered such as sales missions to visit targeted buyers. The key to success is proper advance preparation, excellent organization during the event and professional follow-up of the sales leads generated.
Working with NAEB and PSF, RDB will select for each year the trade events that will be supported by GOR budget. These events will be branded overall with Buy from Rwanda and sponsoring agencies or Ministries may offer subsidies to qualified exporters to help defray the cost of attendance. However as a basic principal, sector organizations and associations should take over both the funding and organization of such events. This will permit GOR to focus on market and product diversification through providing support to new events in new markets rather than funding the same event year after year.

Investment in a professional stand profile and structure that can be re-used at different locations to save costs and maintain image should be considered.

3.4.3.5 Market Linkages program

The market linkages programme has already been successfully tested by RDB in Uganda. The programme involves working with committed exporters whose products can mostly meet the standards of the market being targeted.

Following a briefing for participating companies (if a group marketing approach is being taken), product samples are taken to the target market where potential buyers have been already identified by the chosen market linked consultant. The samples are reviewed by the potential buyers and based on their comments a market feedback report is prepared for each exporter.

The feedback report includes comments on product attractiveness (packaging, quality standards, branding and price points relative to existing competition) and likelihood of purchasing interest and interest to meet the producer.

The market feedback reports are used to help prepare exporters for a sales mission, where individual meetings are arranged with interested buyers at their premises. These meetings provide exporters with an excellent opportunity to ask questions about market conditions and the competitive environment as well as to sell their products. They can open the door to short term orders and successful long term trading relationships. Where appropriate export advisers can provide additional support to market linked companies in adjusting their plans or products to take advantage of the opportunities identified.

While the programme has so far been piloted only in EAC markets, the basic principals can be applied to any market[4]. While relatively expensive on a cost per company basis ($5,000-$10,000) it is very efficient and effective and can represent excellent value for money if used with companies that have the appropriate capacity and motivation.

3.4.3.6 President's Award for Exporting

Many successful exporting countries across the globe recognise export success through awards ceremonies. These do not necessarily need to be burdens on the public purse and in fact are often organised as high profile charity events attended by the Prime Minister or the President. Rwanda of course already has a business award ceremony and it may be that the promotion of export success can be given a higher profile in an existing event. Either way, it is important that the public in general and the business community understand the importance of exporting for a small country like Rwanda and that the Government is focused on supporting this activity.

However, the idea of a Presidential Award[5] would not simply award export volumes but rather consistent performance. Products given the Presidential 'seal of approval' would be those that reflect the image and ambitions of Rwanda – quality, innovation and entrepreneurship.

Exporters receiving the award would be able to use the award logo for a designated period of time on all products exported and in their promotional materials.

3.4.4 Trade Information Centre

While RDB offers a one-stop-shop for investors there is no such service for exporters in Rwanda. As a result exporters or their consultants are obliged to contact and often visit a wide range of institutions to gather information about market opportunities or about the mechanics of exporting, a time consuming and expensive business. For smaller companies this can be a major constraint in developing sensible export action plans.

While an Export Portal can provide general information at some stage the information needs of an exporter or potential exporter has to become quite company specific. It is therefore proposed that RDB evaluate the cost and benefits of setting up a small trade information centre to provide a one-stop information and signposting service to exporters. The TIC would be managed by a small well-trained team supported by access to a virtual library of relevant publications, reports and databases.

TIC services could be accessed by telephone, Internet or by personal visits to the centre. Services would be defined during the planning stage but might include;

- Desk research for individual companies (cost sharing)
- Sector opportunity scans including both primary and secondary research
- Market and competitor profiles
- Identification of buyers and distributors
- Information on market entry conditions, costs and requirements

4 *RDB is currently planning an exercise in Sweden together with NAEB*
5 *This could be fashioned using the same principles as the Queen's Award for Enterprise in the UK*

3.5 Strategic Objective 4: Export Growth Facility

The EGF is 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 previous three strategic objects and will be implemented by BRD. The three windows through which finance can be accessed are:

- Investment Catalyst Fund: Encourage private sector investment in export oriented production by bridging the high interest costs between a benchmark export finance rate (6%) and the prime rate (16-19%). The loan will be complemented by the provision of support to companies to prepare for investment through operational capacity development and performance enhancement, using where appropriate Export Advisors and selected components of the export development programme (Strategic Objective 3) but also drawing on other external resources;
- Matching Grant Fund for Market Entry Related Costs: Exporting is expensive relative to selling on the domestic market. Costs specific to exporting might include: meeting new quality and standards requirements, developing a firm level export strategy and promotion activities, and product development and innovation. Where such costs represent a potential constraint to exporting there is a role for government to remove part of this constraint through sharing the cost and therefore the risk of such investments;
- Export Guarantee Facility: Allow exporters additional export finance from commercial banks or directly from BRD by enhancing the credit worthiness of the exporter though the backing of a guarantee. The guarantee encourages exporting by minimizing the efficiency loss due to the effect of nonpayment risks.

The Export Growth Facility will initially be launched 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%. It is currently envisaged that a single pool of funds would finance the three distinct components of the EGF. However, if a donor requested to fund a specific component only (e.g. due to their internal regulations), the ring-fencing of their facility would in principle be possible.

Multilateral and Bilateral donors will be approached for contributions to support the facility, potentially prioritising development partners currently supporting to the private sector development or financial sector development under the Division of Labour. Two types of assistance will be sought:

- Grants to constitute the pool funding for EGF;
- Technical assistance component to enable BRD to create these products.

Should the pilot, as expected, reveal an overall significant demand for lower cost trade finance, longer-term, more sustainable solutions can be considered, including:

- Attracting trade-finance oriented Lines of Credit from multilateral development banks, such as African Development Bank (through their Trade Facilitation Programme), or International Finance Corporation (IFC, through their Trade and Supply Chain Programmes).
- The demonstrated demand for export finance related guarantees could justify the inception of the local offices of existing guarantee-extending DFIs such as African Guarantee Fund.

The ultimate long run aim is to develop a competitive market of commercially viable trade finance products, so that supply is ensured by commercial financial institutions. Increased awareness and understanding of trade finance would further enable the largest exporters to access various DFI trade finance directly.

The consensus is that the Development Bank of Rwanda (BRD) should be the national institution responsible for implementing the proposed Export Growth Facility. The executives of BRD concur with this decision, and point out that the institution already has developed the nucleus of in-house expertise about export-related development and export finance. BRD is also sufficiently resourced to implement the more complex aspects of the programme.

A detailed implementation plan has been developed by MINICOM and BRD including the roles and responsibilities of relevant agencies.

CHAPTER 4: MANAGING AND DELIVERING THE STRATEGY

4.1. Implementation

NES II will be implemented during a period of low global economic growth as developed countries struggle to recover from the global financial crises. Volumes of ODA are also predicted to reduce in the short to medium term. Furthermore, there has been a general slowdown in export growth from Rwanda in the past 12 months as a result of falling demand in DRC and low commodity prices

Achieving ambitious export targets with limited financial resources and weak global demand calls for the correct sequencing and coordination of activities. Harmonization of actions by institutions is necessary for both implementation and monitoring and evaluation. To avoid the need to create new structures NES II implementation will fit into existing bodies.

Inter-Governmental monitoring and coordination of NES II will happen primarily through IDEC who will play a high level monitoring role in the implementation of the NES. Coordination amongst a broader set of stakeholder including development partners will take place through the Private Sector Development Joint Sector Committee for Industry and Exports. This combination of Government and Stakeholder high level monitoring of implementation will translate into adequate sequencing (from short term to medium term interventions) and the clear assignment of responsibilities and roles in their implementation and coordination.

4.2. Institutional Roles

The key implementing institutions of the NES are: IDEC, MINICOM, RDB, NAEB, BRD, MINIRENA and PSF.

4.2.1 Industrial Development and Export Council (IDEC)

The cross-cutting nature of export growth requires a strong monitoring mechanism for overseeing implementation of activities related to export growth as well as for identifying and removing bottlenecks in the decision making process. In response to this need to GoR established the high level industrial development and export council (IDEC) out of a recommendation under NES I.

IDEC is chaired by MINICOM and under recent restructuring, now plans to meet on a monthly basis to oversee flagship projects and priority actions. To drive implementation of NES actions and ensure proper monitoring the technical content for IDEC will be development by the IDEC Secretariat supported by Ministry Focal points

4.2.1.1 Role of the Secretariat in Coordinating and Monitoring NES

The role of the Secretariat should be to prepare the monthly Technical IDEC meetings by the following means:

- Follow up on the flagship export projects in dialogue with focal points in the relevant Ministries and private sector and by other means necessary (site visits etc);
- Follow up on IDEC indicators (which will incorporate NES indicators) and action plan in dialogue with the focal points in the relevant Ministries and private sector;
- Identify where there are coordination failures and address with the relevant Ministries outside of IDEC in advance of any IDEC meeting;
- Provide recommendations and supporting analysis on decisions that need to be taken at the Technical Committee.

The IDEC secretariat will be coordinated and quality checked by a selected member of staff in MINICOM. The coordinator will work with selected analysts who will oversee implementation of their respective agencies commitments under NES. Twenty per cent of the time of each member of the Secretariat will be required for this work and should therefore be allowed for in their Ministry objectives.

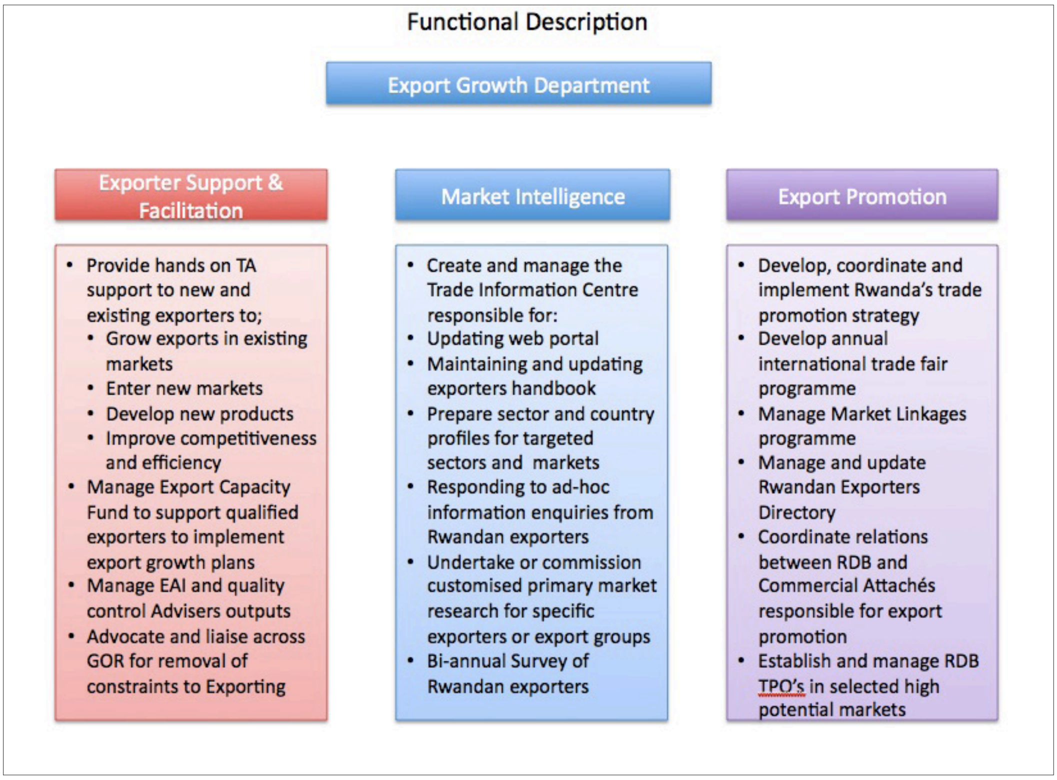
4.2.1.2 Responsibility of Key Implementing Institutions and Agencies

Different Ministries and Agencies play different roles in the implementation of the NES. The lead and supporting agencies necessary for implementation of each of the activities is presented in the action plan for the NES. A summary of the role the lead government implementers will play is presented below. An implementation plan is attached as Annex I of this document.

Role of MINICOM: As the chair of IDEC, MINICOM will oversee and coordinate implementation of the NES amongst relevant institutions. MINICOM will also lead on required legislative, policy reform and trade negotiations.

Role of RDB: It is proposed that RDB create a full department to coordinate and lead in all matters concerning the development and support of exporters and the promotion of Rwandan products and services in key markets.

Currently RDB has a Trade Development Division with 4 staff members. This is insufficient to take a leadership role in developing exporters and promoting exports. The proposed Department will have three divisions whose responsibilities are outlined in the diagram below:



RDB is also the lead implementing agency for Advanced Factory Unit Programme, MICE Programme, and ICT Kigali Technopole project.

Role of NAEB: NAEB is responsible for implementing strategies for developing, within Rwanda, the agricultural export sectors identified in NES (coffee, tea, horticulture, floriculture). NAEB will also work to support exports by: support them in meeting necessary quality standards in target markets; collecting and disseminating information on local, regional and international markets; coordinating activities of stakeholder networks with regard to agricultural products for export. NAEB will report back to IDEC on progress and highlight any challenges faced.

Role of BRD: The new Development Bank of Rwanda will be responsible for overseeing role out and management of the Export Growth Facility. This includes its role out among the wider commercial banking sector.

Role of MINIRENA: Upgrading capacity of artisanal minerals and lead on technical input for regaining access to markets affected by strict restrictions on mineral exports from Great Lakes Region.

Role of PSF: PSF, as the secretariat of Rwanda Exporter's Forum should coordinate private sector engagement with the Government in export related matters. The PSF should closely work with private sector operators to ensure NES activities continue to meet their needs and identify were gaps or amendments are necessary in existing strategies

4.2.2 PSDS Joint Sector Committee to Coordinate Implementation

The PSDS Joint Sector Committee (JSC) on Industry and Export will coordinate implementation of activities between Government and Development Partners. This also ensures alignment of NES priorities with the wider private sector development goals of EDPRS II.
The JSC will, in general, be responsible for coordinating the implementation, monitoring and evaluation of NES II at the technical level, and providing inputs and updates to the Sector Working Group ahead of the quarterly SWG meetings.

Specifically, JSC will:

- Monitor and provide inputs to the development of detailed implementation plans for each programme of the NES;
- Track performance of NES programmes and detailed implementation plans in accordance with the monitoring and evaluation framework set out in the NES;
- Provide quarterly progress updates on key indicators and activities for the assigned programmes for discussion

in Sector Working Group meetings and any additional inputs required for Joint Sector Reviews (JSRs);

- Identify implementation challenges and develop steps for their resolution with clear timeframes and responsibilities;
- Monitor stakeholders' activities and identify outstanding technical assistance needs (e.g. studies, capacity building) within the Industry and Export Sub-Group's area of focus that would contribute towards PSDS programme outcomes, as well as to identify potential funding sources including from Government institutions, Development Partners or other stakeholders;
- Provide the central technical-level forum for discussion of sector diagnostics (including studies), projects, strategies and policies relating to the Industry and Export Sub-Group's area of focus, to increase ownership, maximize synergies, and avoid duplication.

ANNEX 1: IMPLEMENTATION PLAN

	PROGRAMMES	Actions	Output (by 2018)	Lead	with	2015/16	2016/17	2017/18
Implementation of National Export Strategy						6,440,000	15,340,000	44,090,000
Strategic Objective 1: Sector Interventions			Sector Action Plans fully implemented	Various		Covered under existing budgets		
Strategic Objective 2: Improve Access to Markets						1,890,000	1,890,000	490,000
Access to Markets	Accessing International Markets	Sensitisation Programme on AGOA and EU Opportunities		MINICOM	PSF	50,000	50,000	50,000
		Lobby for removal of restrictions on Rwandan Minerals Exports under USA and EU Legislation	Market access barriers removed for minerals	MINRENA	MINAFFET	1,000,000	1,000,000	
		Adoption of Data Protection and Data Security Standards		RDB	MYICT	400,000	200,000	
	Accessing Regional and African Markets	Expand NTB National Monitoring Mechanism to include trade in services		MINICOM	MINEAC	50,000	50,000	50,000
		Harmonisation of Standards within the EAC		RBS	MINEAC	150,000	150,000	150,000
		Fund Cross-Border Cooperation Committees with DRC		MINICOM	RRA	40,000	40,000	40,000
	Multi-Service Centres	Establish centres in export markets strategic markets	5 MSC operational by 2018	MINICOM	PSF / RDB	200,000	400,000	200,000
Strategic Objective 3: Upgrade Firm Capacity						3,550,000	3,450,000	3,600,000

	PROGRAMMES	Actions	Output (by 2018)	Lead	with	2015/16	2016/17	2017/18
Export Capacity Programme	Sensitisation workshops	Design and run 1/2 day workshops in all districts in conjunction with PSF and BDS	500 companies attend workshops	RDB	PSF /NAEB / MINICOM	50,000	50,000	50,000
	Export Capacity Audits (2 days)	Provide support to new or passive exporters in evaluating export capacity and producing indicative action plans by qualified EA's	200 non exporting companies receive export capacity audits	RDB		100,000	100,000	100,000
	Export Capacity Audits (4 days)	Provide support to existing exporters to evaluate their potential to grow export turnover on a cost sharing basis by qualified EA's	250 exporters receive export capacity audits and outline export growth action plans	RDB		200,000	200,000	200,000
Trade Promotion and Buyer Outreach	Group Branding Initiative	Identify and recruit external specialists to work with selected sectors to develop and support the implementation of group branding initiatives	Two group branding initiatives piloted	RDB	PSF/ NAEB	150,000	200,000	200,000
	Buy from Rwanda Portal	Set up and maintain export portal for Rwanda aimed at promoting exports and providing useful information to Rwandan exporters	Successful portal that increases visits by buyers and exporters; acknowledged as the principal source of information for Rwandan exporters	RDB	PSF /NAEB	50,000	75,000	100,000
	Export Growth Planning support	Provide support to qualified exporters to improve export performance through development and implementation of Export Growth Plans	100 companies complete and implement export growth plans	RDB		500,000	650,000	750,000

	PROGRAMMES	Actions	Output (by 2018)	Lead	with	2015/16	2016/17	2017/18
	Export Growth Planning support	Provide support to qualified exporters to improve export performance through development and implementation of Export Growth Plans	100 companies complete and implement export growth plans	RDB		500,000	650,000	750,000
	Appoint EGAM's	Initially use qualified EA's and external experts as EGAM's then use EAI to develop further EGAM's	Initial reports prepared on opportunities and challenges facing 40 MDE's; followed by an action plan and regular support visits	RDB	PSF/ NAEB	400,000	400,000	400,000
	Supply Chain Development	Identify supply chain constraints and develop strategies with relevant stakeholders to increase supplies in a cost effective manner	Supply constraints removed for 25 MDE's; impact on imports documented	RDB	PSF/ NAEB	250,000	200,000	200,000
	Policy Advocacy	Document and quantify the impact of issues in the Export environment that are constraints to MDE's or exporters in general and prepare proposals through PPD platform to address them	Individual export constraints removed for 50 MDE's and overall export environment improved	RDB	PSF /NAEB / MINICOM	200,000	200,000	200,000
	Export Adviser Initiative	Develop professional export advisers who can provide relevant advice and support to new and existing exporters through a programme of training and mentoring	30 EA's qualified; 15 prequal-ified	RDB	PSF/ NAEB	100,000	75,000	75,000
Trade Information Centre	Exporters handbook	Prepare and upgrade Exporters Handbook for distribution to all exporters and potential exporters	Exporters and service pro-viders understand the rules and regulations governing exporting from Rwanda	RDB	PSF/ NAEB/ RRA/ RBS	50,000	50,000	50,000
	Export market intelligence library	Directories, market and sector reports collected in a library and available for free among all exporters and potential exporters	Improved understanding of market opportunities and targeting of potential buyers	RDB		150,000	75,000	100,000
Strategic Objective 4: Export Finance						1,000,000	10,000,000	40,000,000

	PROGRAMMES	Actions	Output (by 2018)	Lead	with	2015/16	2016/17	2017/18
	Promotional Materials	Produce a range of promotional materials under the Buy From Rwanda Brand for use at Trade Events and by Embassies and RDB offices	Rwanda branding and aware-ness of Rwandan goods and services improved	RDB		50,000	50,000	50,000
	Trade Fairs Programme	RDB, partners and private sector develop a plan for 'branded' Rwandan attendance at general and sector focused trade fairs appropriate to the products and services available for export and the competitive environment in the geographies chosen.	10% Increase in sales by new exporters and by existing exporters in new markets	RDB	PSF/ NAEB	400,000	400,000	400,000
	Market Linkages Programme	Highly targeted commando sales support provided to individual companies through product specific market research combined with on-site sales meetings. Can be linked to trade fair attendance	15% Increased export sales by 50 exporters in new markets	RDB	PSF/ NAEB	250,000	250,000	250,000
	Presidents Award for Exporting	Design an awards programme under the Presidents Office (Presidential Award for Exporting) that culminates in a high profile awards ceremony to celebrate and learn from export success	Increased awareness of the importance and benefits of Exporting	RDB	Presidency/ PSF/ NAEB/ MINICOM	150,000	75,000	75,000
	Trade promotion offices	Identify opportunities to increase Rwanda's in market presence in key markets on a PPP basis and negotiate presence according to exporter needs and market potential	In market presence increases sales in that market	RDB	MINICOM	500,000	400,000	400,000

	PROGRAMMES	Actions	Output (by 2018)	Lead	with	2015/16	2016/17	2017/18
Export Growth Facility	Export Catalyst Fund	Subsidize investment for exporting and fund the differential between the current high interest cost of export finance and a competitive rate for exporters;		BRD		500,000	5,000,000	25,000,000
	Matching Grant Fund	Reduce cost associated with entering new markets or exporting new products		BNR	Commercial Banks	250,000	2,000,000	3,000,000
	Export Guarantee Facility	Underwrite export finance transactions (pre and post shipment) for medium-sized exporting companies		BNR	Commercial Banks	250,000	3,000,000	12,000,000
	Mobilise system through commercial banks	Commercial banks to make export finance available at rate periodically determined by BNR	200 Firms accessing programme per annum by 2018	BNR	Commercial Banks	-	-	-

Ministry of Trade and Industry
P.O Box 73, Kigali, Rwanda
Tel: 0252 599 102
Fax: 0252 580 519
Web: www.minicom.gov.rw