REPUBLIC OF RWANDA

Ministry of Trade and Industry

Made in Rwanda Policy

December 2017

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Acronyms and Abbreviations

CPCs	Community Processing Centres
CRMs	Critical Raw Materials
DMRS	Domestic Market Recapturing Strategy
EAC	East African Community
EBM	Electronic Billing Machine
EDPRS	Economic Development Poverty Reduction Strategy
EGF	Export Growth Fund
FONERWA	National Climate Change and Environment Fund
GOR	Government of Rwanda
HACCP	Hazard Analysis and Critical Control Points
IAP	Industrial Attachment Program
ICT	Information Communications Technology
IDEC	Industrial Development and Export Council
ISIC	International Standard Industrial Classification
MINAGRI	Ministry of Agriculture and Animal Husbandry
MINICOM	Ministry of Trade and Industry
MINECOFIN	Ministry of Finance and Economic Planning
MINIRENA	Ministry of Natural Resources
MIR	Made in Rwanda
NAEB	National Agricultural Export Board
NEP	National Employment Program
NES	National Export Strategy
NIRDA	National Industrial and Research Development Agency
PSDS	Private Sector Private Sector Development Strategy
PSDYE -SWG	Private Sector Development and Youth Employment Sector Working Group
PSF	Private Sector Federation
RAB,	Rwanda Agricultural Board
RDB	Rwanda Development Board
RPPA	Rwanda Public Procurement Authority
RRA	Rwanda Revenue Authority
RRECPC	Rwanda Resource Efficiency and Cleaner Production Centre
RSB	Rwanda Standards Board
RWF	Rwanda Franc

SDU	Supplier Development Unit
SEZ	Special Economic Zone
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Enterprises
TVET	Technical Vocational Education and Training
UNEP	United Nations Environmental Protection
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
WDA	Workforce Development Agency

Executive Summary

Rwanda is a rapidly growing developing country, with average GDP growth of over 7% per annum since 2010, backed by a strong policy framework. However, despite this, the country's industrial sector remains small, with most firms facing competitiveness issues due to several supply-side constraints, exasperated by the country's small size and geographic location. 98% of Rwandan firms are SMEs[1], with limited access to finance, raw materials and skills. The cost of trade increases sales prices by an average 20%[2] and access to serviced land is limited. The economy remains largely agrarian with a persistent trade deficit, despite emerging positive trends in recent years in terms of diversification and the trade balance.

The Made in Rwanda Policy is aligned with Rwanda's aspiration to become upper middle income country by 2035 and higher income by 2050 and recognized its contribution to meeting these targets will ensure Rwanda moves into the lower middle-income category by 2020 given its potential to contribute both to Rwanda's economic growth in general and the trade balance in particular, as well as to productive employment, The policy prescribes the objectives and strategies for the industrial sector outlined in the vision 2020, National Strategy for Transformation and long term vision 2050 aiming at putting efforts to expand the economic base in a private sector-led Economy.

The Made in Rwanda Policy is a holistic roadmap aimed at increasing economic competitiveness by enhancing Rwanda's domestic market through value chain development. It does so through two channels**:** firstly, it brings together existing government interventions under a clear policy framework; secondly, it addresses supply-side bottlenecks via targeted interventions aimed at deepening specific high potential value chains, improving quality, and boosting cost competitiveness. The Policy has five main pillars:

1. Sector Specific Strategies
2. Reducing the Cost of Production
3. Improving Quality
4. Promoting Backward Linkages
5. Mind-Set Change

The Made in Rwanda policy is based on several guiding principles and on the promotion of domestic market development. Rwanda is an open market economy, committed to promoting private-sector-driven growth. Rwanda is also a developing economy, characterised by a small private sector struggling with competitiveness and supply-side capacity issues, which negatively affects the ability of companies to respond to market signals and compete globally. The combination of a commitment to free and open markets on the one hand, and a small private sector with supply constraints on the other, has led to the persistent trade deficit. Reconciling the two requires close cooperation between the government and the private sector. This is the core of this policy.

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[1] NISR, 2014 Establishment Census

[2] Own calculations based on comparisons of fob and cif prices in BNR statistics.

With the core objective of enhancing Rwanda's economic competitiveness in mind, the following table summarises the key interventions of the policy, linking them to the MIR pillars as well as the observations that triggered their development.

Barrier	MIR Pillar	Interventions
High-potential value chains lack sufficient investment to expand to meet domestic demand	Sector-Specific Strategies	Comprehensive value chain strategies and implementation plans will be developed, targeting: 1. The policy, legal and regulatory environment 2. Availability of skills, both basic and those needed for innovation 3. Product testing facilities and standard certification capacity 4. Existing and potential market linkages, domestic, regionally and internationally 5. Sector-specific public-private dialogue
High production costs make the overall operating environment uncompetitive	Reducing the Cost of Production	1. Improve access to industrial inputs through supporting regional value chains, simplified procedures for taxes and import duty exemptions and monitoring the supply of critical raw materials 2. Promote resource efficient and sustainable production 3. Boost access to finance through partnership with commercial banks 4. Facilitate SMEs with high growth potential to access land in SEZs 5. Commit to keeping utility tariffs regionally competitive 6. Skills development programmes are expanded in partnership with the private sector
Achieving sufficient quality is challenging for Rwandan producers	Improving Quality	1. Upgrade Quality Infrastructure 2. Boost training, certification and inspection of standards 3. Enhance consumer protection
SMEs struggle to access domestic and international markets	Promote Backward Linkages	1. Public Company Database established 2. Supplier Development Unit established in RDB 3. Cluster Platforms created
Consumers perceive Rwandan products to be inferior	Mind-set Change	1. Country-wide communications campaign 2. Local preference in public procurement

The overall goal of the policy is to increase the competitiveness of the Rwandan economy. This will improve the trade balance both by recapturing parts of the Rwandan market from imports and by improving the ability of Rwandan producers to compete in exports markets, creating productive jobs in dynamic and resilient firms. The Made in Rwanda Policy is expected to significantly narrow trade deficit by almost t USD 450 m p.a (17.8% of import bill) equivalent to USD3.2 billion in the next seven years if all proposed measures are successfully implemented. MIR is expected to create several manufacturing jobs form key priority labour intensive sectors such as light manufacturing in textile and garment, agro processing, and furniture etc. This will be realised by boosting local production to recapture domestic market, addressing factors constraining quality and competitiveness and stimulating sustainable consumption for competitive Rwandan products.

This policy will be implemented in close coordination with other Government agencies and with private sector partners. While MINICOM will be the overall Policy lead, the Rwanda Development Board (RDB) and the Rwanda Standards Board (RSB) will lead on market access and quality, respectively. Much of the policy is dependent on close consultation and coordination with these stakeholders, which will be sought through the development of direct market interventions. The Industrial Development and Export Council (IDEC) will be the main monitoring body, supported closely by the Private Sector Development and Youth Employment (PSDYE) Sector Working Group.

The Private Sector is a stakeholder in all activities, and public-private dialogue frameworks are explicitly strengthened in the MIR implementation framework. The MIR Policy lays the ground work for the development of a competitive economy going forward, where growth is driven by a private sector producing high quality and price competitive products.

1 Introduction and Background

1.1 MIR Campaign – what has been achieved?

The MIR Policy has evolved organically from the success of the MIR Campaign that forms a core pillar of the 2015 Domestic Market Recapturing Strategy (DMRS). MIR initially began as a campaign to increase the awareness of the benefits of buying Rwandan-made products and has turned into an all-inclusive term for interventions that influence economic competitiveness. As the benefits of the awareness campaign are starting to be realised, a broader cross-cutting policy is needed to ensure supply matches the growing demand for local products.

The MIR campaign under DMRS seeks to stimulate demand for Rwandan value-added products, at home and abroad. This is to be achieved via an awareness campaign that sensitizes the public, both commercial and private consumers, to the benefits of buying Rwandan products. The campaign has three main objectives:

1. Improve the image of Rwandan-made products, by promoting them as good-value-for-money products
2. Educate consumers about the benefits of buying locally made products
3. Highlight/showcase specific products and services

The campaign has been very successful in influencing people's opinions (detailed in section **Error! Reference source not found.**). Part of the campaign efforts focused on organising expos to achieve the above objectives. The first MIR expo was held in Gikondo Expo Grounds in February and March 2016, attracting more than 270 exhibitors from various sectors across the country and more than 11,000 visitors. The second MIR expo took place in December 2016 when around 280 exhibitors from different sectors in Manufacturing, Agro-processing, ICT, Construction, Services, Garments and Fashion Design, and Art and Craft sectors attended. In addition, a half day symposium on MIR was organised before the expos, bringing key players in the MIR ecosystem together to engage in an interactive debate and build a consensus on what needs to be done to make the MIR campaign and policy a reality. At this event, producers also offered insights into the fundamental constraints that need addressing for them to compete with imports or to export (as detailed in section 1.3 below).

Simultaneously, a number of other policy measures and strategic interventions linked to MIR have been adopted and implemented across the GoR. These include:

- **Early work to review the EAC Common External Tariff (CET) to ensure that tariff structures are conducive to the emergence of priority sectors. Through this process, inputs and raw materials are strategically favoured over finished goods.** To date, this has been rolled out to raw materials needed for garments and leather production and is being expanded to other manufacturing sectors.
- **Amendments to the Public Procurement Law currently being considered to use GOR demand to promote local suppliers**. Local producers will now have a 15% preference on their bid scores, provided they are able to demonstrate 30% local value-addition, and

certain tenders will be reserved exclusively for local producers meeting that threshold. Other local companies are eligible for a 10% preference.

- **The Rwandan Centre for Design and Clothing is being established** in a Polytechnic college, providing much needed skills and expertise in the priority garment and fashion sector. Rwanda already has one major operational garment producer and one major operational Leather producer. More are in the pipeline, including a jeans producer and several shoe makers, all targeting export markets.
- **Reduction of industrial electricity tariffs.** In December 2016, industrial electricity tariffs were lowered to a regionally competitive level (¢11-12/kWh). The new tariffs came into force in January 2017, thus addressing what has consistently been cited as a key constraint to Rwanda's industrial competitiveness – prohibitively high industrial electricity tariffs.
- **Construction materials:** Expansion of the major cement plant has been completed with increased private sector investment in CIMERWA. Many more investors have expressed interest in iron, steel, cement and other construction materials. A sub-sector master plan has been developed to guide the development and diversification of the sector.
- The Government is partnering with the private sector to establish **Community Processing Centres (CPCs).** These are private companies which serve as incubators, information centres and demonstration plants for SMEs in the corresponding sector. These centres provide access to state-of-the-art technology and training as well as an environment for innovative thinking and product development. Three CPCs are currently operational in the leather, dairy and Irish potato sectors, with four more opening in 2017 in the wood, ceramics and honey sectors. Construction has also begun for a Banana CPC.
- **Support to local food-processing firms to access HACCP[3] certification.** The opening of new international hotels in Rwanda in 2016 has created potential sources of demand for local food producers. However, these hotels follow international standards on food safety and quality, requiring HACCP certification. The Government has and continues to support 50 potential suppliers to these hotels through training and workshops aimed at equipping them with the tools and systems for them to maintain the required standards certification. To-date, 18 firms have been supported through the HACCP certification process, which may take up to two years or more.
- **Establishment of a silk reeling factory for the niche silk market:** This follows MINAGRI's efforts with farmer cooperatives to produce cocoons for silk production. A Korean investor is establishing a silk yarn factory in Rwamagana Industrial Park. NAEB is supporting farmers to rehabilitate 1425 ha of mulberry plantations across the country and is currently planting a new area on 500 Ha for cocoons production.

[3] Hazard Awareness and Critical Control Point; an internationally-recognised standards system in food-processing and hospitality sectors

- **Value-addition in the Mining Sector:** Traditionally a sector exporting unprocessed raw materials, the mining sector is gradually developing its value addition capability with support from GoR. Several projects are underway, including the reopening of the Karuruma tin smelter; the production of gold jewellery by various companies; the testing for quality and suitability of ceramic products, marble flooring and tantalum refinery plant.

Box 1: Reduction in the trade deficit from increased capacity to produce cement

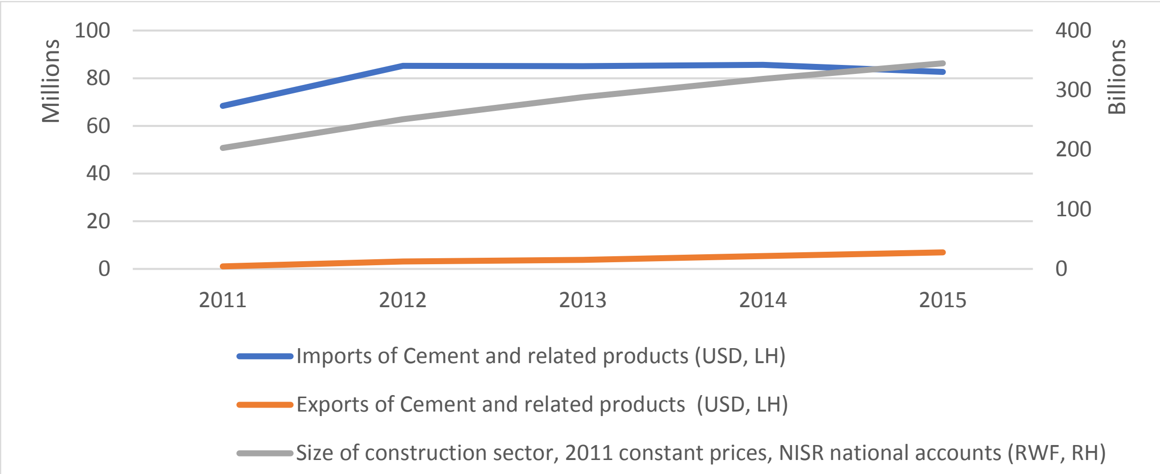


Figure 1: Imports and exports of cement 2011-2015

The Cement Sector

- Total imports have grown an average of 5% per annum over the past five years, but peaked in 2012 (average growth between 2012 and 2015 was -1% per annum);
- Exports have been growing at an average rate of 60% per annum since 2011, albeit from a much lower base of $1.1m in 2011 to $6.9m in 2015;
- The emergence of a strong local cement industry producing quality cement has helped reduce demand for imported cement while boosting exports;
- The construction sector in Rwanda has been growing at an average of 13% per annum for the past five years (Based on NISR GDP Figures);
- Investments in the cement sector were at least $100m over the past 5 years.

1.2 Consumer sentiment survey

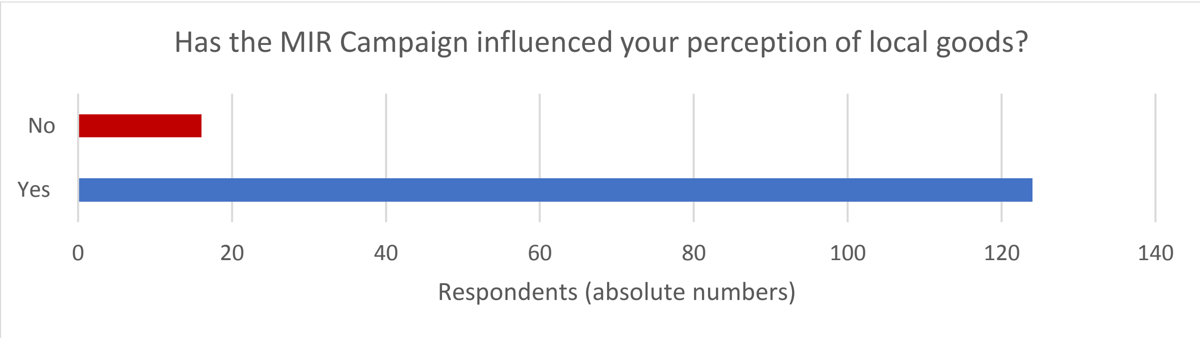
MINICOM carried out two surveys in December 2016 with the sole purpose of measuring the success of the MIR Campaign and to inform this policy.

This first survey targeted consumers to assess whether the MIR campaign influences their perceptions towards locally made products. The majority of the people surveyed fell into the 21-30 years old age bracket. Those surveyed were nearly evenly split between men and women (79:70). Of these, the vast majority were Rwandan (97%) and residents of Kigali (86%). The survey discovered a number of key findings that have directly influenced the MIR policy:

Finding #1: The MIR Campaign has been successful in changing consumers' perceptions towards locally made goods.

89% said that the MIR campaign has influenced their perception of locally made products. There were strong calls for the MIR Expos to be extended to the district level and for increased awareness, communications and marketing campaigns to be carried out across the country. Indeed, this was the number one recommendation from consumers – to expand the MIR Campaign to continue to educate people about the benefits of buying locally.

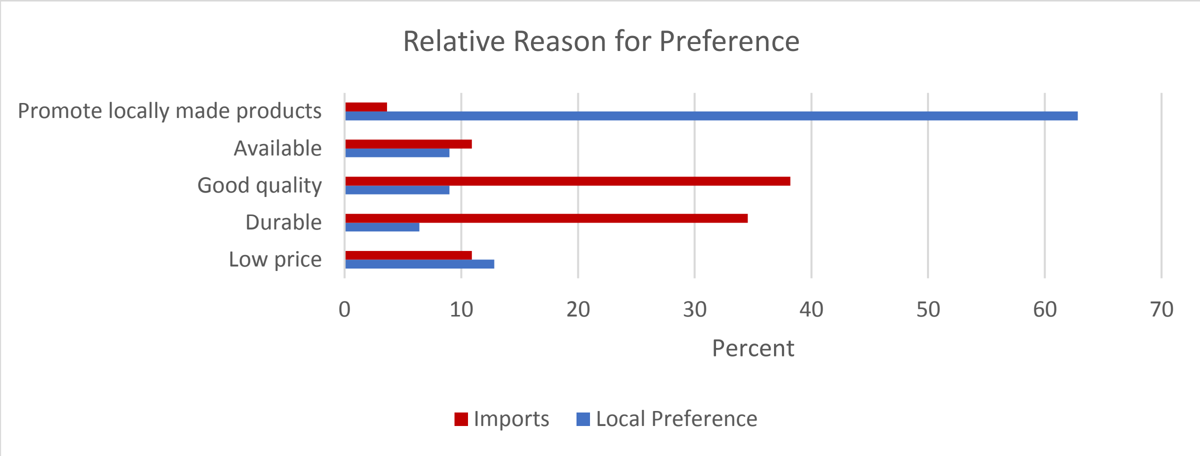
Figure 2: Overall impact of the MIR Campaign



Finding #2: Most consumers prefer local products but hesitate to buy local due to concerns over quality

The survey indicated that 60% of the people surveyed prefer to buy, and do buy, local products over imports. This is in large part a reflection of the success of the MIR campaign, with the number one reason identified for why people prefer locally made goods being a desire to support the Rwandan economy. By contrast, people who prefer imports do so because they are perceived as being of higher quality and more durable. This would suggest that the campaign has been successful in sensitising consumers to the benefits of purchasing local products. However, on its own, such reasoning is unsustainable in the long run. Producers must also convince consumers to buy locally made products not just because they are made in Rwanda, but because they are of good quality and competitive on price. This is a core aim of the MIR Policy.

Figure 3: Why do consumers want to buy locally?



Finding #3: Price wasn't high in consumers' considerations but producers feel the squeeze

Price was not cited as the most important determining factor for why people chose either local or imported goods (see **Error! Reference source not found.** above). The main influencing factors are the product origin (for those who preferred domestic produce) and quality (for those who chose imports), with price coming in at a distant 4th[4]. Despite this, as we shall see below, the cost of production was highlighted as a major constraint by industrialists. This would suggest that Rwandan industrialists are working under already tight margins in order to avoid passing on additional costs to consumers in an attempt to compete with imported products, which inevitably reduces their incentive to produce more and limits their ability to grow. Anecdotal evidence would also suggest that many Rwandan firms compromise on quality in order to compete on price. Currently, producers differentiate their products to suit different segments of the market.

The MIR Policy aims to address these issues and improve on the MIR campaign through its pillar on changing consumers' mind-sets about local products.

1.3 Industrialist Survey

The second survey carried out in late 2016 targeted producers in the industrial sectors. 52% of respondent firms were less than four years old and 81% were less than ten years old. The vast majority of companies surveyed were in the manufacturing sector. Key insights into the supply-side constraints to the Rwandan industrial sector include:

Finding #1: Capacity Utilisation remains a major issue, driven by lack of access to working capital and raw materials

[4] The survey sample is not nationally representative, targeting attendees at the Kigali MIR Expo. National extrapolation of findings should therefore be done only very carefully.

Of those surveyed, the average capacity utilisation was 45% - lower than the 50% utilisation identified in an assessment of industrial capacity utilisation from 2014. This should not be interpreted as an industry-wide downward trend, owing to data limitations and smaller sample size. However, this does point to the fact that capacity utilisation remains a pressing issue to be addressed.

Table 1: Reasons for capacity under-utilisation

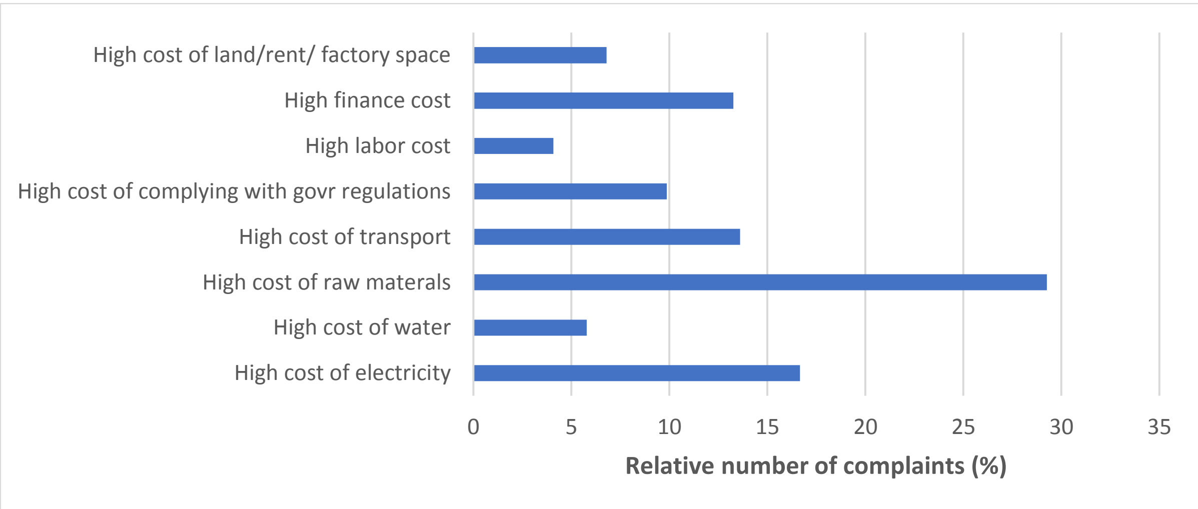
Primary reason for capacity under-utilisation	Share of respondents
Lack of sufficient raw materials	27%
Lack of sufficient working capital	32%
Limited market	22%
Lack of skilled labour	6%
Lack of appropriate technology	10%
Other	2%

When asked about the major reasons for this low utilisation, the majority of the companies cited a lack of working capital (32%) followed by a lack of sufficient raw materials (27%). Both of these issues are addressed in this Policy.

Finding #2: Cost of raw materials impacts negatively on cost of production

84% of companies surveyed said that their biggest challenge was high cost of production eroding competitiveness. When asked to break down cost of production, raw materials came out as the most pressing driver, followed by electricity – a long standing constraint that has recently been addressed, with the new industrial tariffs that came into force on 1st of January 2017. The third, fourth and fifth most pressing cost drivers are the cost of transport, finance and the cost of complying with GOR regulation, which covers taxes, licenses and other mandatory compliance issues.

Figure 4: What causes high cost of production in Rwanda?



Finding #3: Most companies import at least some of their raw materials

An important metric for industrial competitiveness is how well companies manage to integrate vertically into regional and global value chains. This is crucial for the diffusion of best practices and to ensure growth is spread across the economy. It would appear that Rwandan industrialists are already moving into regional value chains to varying degrees and that only 37% of those companies surveyed source all their raw materials in Rwanda, with an additional 35% supplementing local raw materials with imports from the EAC, DRC and beyond. 78% of respondents also indicated that raw materials are "not available domestically" or "not sufficient domestically", necessitating their move into regional markets. Findings from the survey provide a rationale for the strong focus on access to raw materials and backward linkages highlighted in the section that follows.

Finding #4: MIR campaign is already influencing sales

Whilst it is challenging to infer any causality, companies were asked whether they thought the MIR campaign had impacted their sales over the past year. The results would suggest that the MIR Campaign has had very tangible impacts for the industrial sector to date, with 45% of companies experiencing over a 10% increase in sales.

Table 2: Did your sales increase as a result of the MIR campaign?

Sales Increase as result of MIR	Share of respondents
Less than 5%	27%
Between 5-10%	28%
Between 10-20%	17%
Between 20-30%	9%
Between 30-40%	3%
Between 40-50%	6%
More than 50%	9%

The MIR Policy addresses these findings through its core pillar on reducing the cost of production.

1.4 Other 'Made in' campaigns

Other countries promote their local brands and products through concerted, sustained and well-focused efforts. The envisaged outcome for most of these campaigns is to generate economic benefits associated with consumption of locally-made products. These include job creation and safeguarding existing jobs; poverty reduction; growing local investment; establishing a domestic industrial base; encouraging self-reliance and food security; encouraging entrepreneurship and creativity; addressing current account deficits; protecting the environment by reducing transport costs and distances travelled by consumer products; and finally, promoting a sense of patriotism and pride in local capabilities. The table below illustrates a few examples of campaigns that have been run in different parts of the world. Rwanda may well learn from these best practices.

Table 3: Examples of other 'Made in...' Campaigns

Country	Interesting Facts
South Africa: **Proudly South African**	• Established in 2001 • The Proudly South African Campaign aims at encouraging the Nation to make personal and organizational contributions to economic growth and prosperity in South Africa, thereby increasing employment opportunities and reinforcing national pride • To receive the logo, at least 50% of the cost of production must be incurred in South Africa and there must be "substantial transformation" of any imported materials
Australia: **Australia Made**	• Introduced in 1986 • The product must be manufactured in Australia (not just packaged or assembled) • 50% or more of the cost of making it can be attributed to Australian materials and/or production processes. • The AMAG logo supports growers, processors and manufacturers in Australia by helping businesses to clearly identify to consumers that their products are Australian. At the same time, it provides consumers with a highly recognised and trusted symbol for genuine Australian products and produce. It does so in conjunction with a campaign encouraging consumers to look for the logo when shopping.
Ireland: **Guaranteed Irish**	• The Guaranteed Irish program was established by the Irish Goods Council in 1975. Since then, this symbol has become one of the most recognized brands in the country appearing on everything from popcorn to bags of sugar to t-shirts. • A minimum of 50% added value or more at the point of manufacture or conversion is required and can include raw material, production costs, employment costs, packaging costs, promotional material and transport charges. • In 1982, the European Court ruled against the operation of the scheme by a state funded agency. In 1984, to continue with this valuable service to industry and to the community, Guaranteed Irish Limited was formed as an independent non-profit company. To this day, Guaranteed Irish continues to promote the ethos of the original program.

The impact of the programme in other countries

- Consumers are 35% more likely to choose to purchase a product with the Proudly South African logo on it. This shows the strong influence the brand has on consumer choices.
- In Ireland, for every 4 euros increase in weekly household spending on Guaranteed Irish brands, an additional 6,000 jobs are created.

- 33% of the Irish public would be willing to pay more for a product or service that carries the Guaranteed Irish symbol.
- 89% of Australians showed an important preference for locally made products as a result of promoting a strong positive image of locally made goods using the Australia Made brand.

Recently, 'buy local' policies have begun to emerge throughout the EAC. Both Uganda and Kenya are currently developing their own versions of this document to facilitate the increased competitiveness of their economies. The MIR Policy comes at a time when we are likely to witness general improvements in competitiveness across the region, reducing inefficiencies and boosting economic growth in the context of a common market and a strong commitment to regional integration.

2 Need for Further Interventions

2.1 The Economic Backdrop to MIR

2.1.1 Rwanda's Current Trade Position is still Precarious

Despite stable economic growth, Rwanda's trade deficit has been growing over the years. The overall economy recorded average growth of 7.3% since 2010[5]**,** but the trade deficit grew an average 7.6% between 2010 and 2015, despite growth in exports over the same period. Finally, in 2016, the goods trade balance improved, shrinking by 5.9%[6], due to both growth in exports and decline in imports. While the fact that the deficit trend is reversing is an extremely positive development, it is worth remembering that the absolute amount of goods deficit remains at $1.65bn in 2016, which continues to pose a threat to Rwanda's overall macroeconomic stability. Building on the current momentum is therefore a national priority, which will require improvements to the overall competitiveness of the Rwandan economy, to be able to compete both with imports and in export markets.

Table 4: Rwandan trade performance 2011-2016, USD million. Source: MINICOM Trade Performance Report, 2016

	2011	2012	2013	2014	2015	Growth 2011-2015	2016[7]
Goods Imports	1,891	2,199	2,247	2,387	2,320	5.3%	2,248
Services import	618	519	590	670	873	9.0%	N/A
Informal imports	24	24	15	19	22	-2.6%	32
Total Imports	**2,533**	**2,742**	**2,852**	**3,076**	**3,215**	**6.1%**	**2,280**
Formal goods Exports	387	482	573	600	559	9.6%	599
Services exports	514	516	575	592	703	8.1%	N/A
Informal exports	62	97	111	107	108	15.0%	141
Total Exports	**963**	**1,094**	**1,259**	**1,299**	**1,370**	**9.2%**	**741**
Trade Balance	**-1,570**	**-1,648**	**-1,593**	**-1,776**	**-1,845**	**4.1%**	**-1,540**
Export Import Coverage	**38.0%**	**39.9%**	**44.2%**	**42.2%**	**42.6%**	**2.3%**	**32.0%**

2.1.2 Improvements are Visible in the Industrial Sector

Tangible improvements can be seen in the Rwandan industrial sector, even if trends are not yet reaching Vision 2020 targets. Rwanda's strong existing policy framework has contributed to a substantial diversification of the economy, away from the agricultural sector and towards services in particular, indicating rising overall productivity. The industrial sector overall has grown steadily at an average 10.3% annually since 2010, considerably higher than the average GDP growth of 7.3% over the same period. Growth in the manufacturing sub-sector has trailed behind overall industrial growth at 6.9% annually, yet it has been much more stable

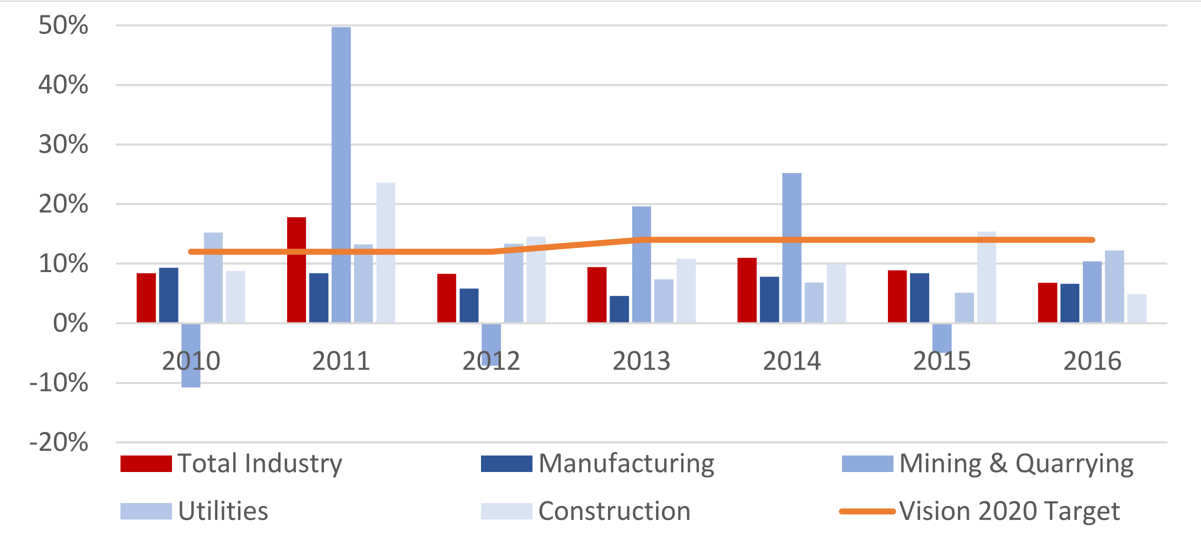
[5] NISR, 2016 National Accounts.

[6] BNR, Monetary Policy and Fiscal Stability Statement, February 2017.

[7] Excludes services trade

than other sub-sectors such as the mining and quarrying sub-sector, which has been quite volatile in recent years. The industrial sector's current share of GDP is 17%, which, if current trends continue, will increase to 19% by 2020, just shy of the Vision 2020 target of 20% GDP share.

Figure 5: Industrial sub-sector growth rates 2010-2016. Source: NISR 2016 National Accounts.



Market entry has also gone up in the industrial sector across the country, as more companies begin operations or shift from the informal to the formal sector. Firm entry is especially visible in the manufacturing sector, which has more than doubled its number of active firms since January 2014. This growth is not only economically diversified, but spatially too, with the number of establishments in the Southern, Western and Eastern provinces catching up with those in Kigali - with the Eastern province seeing the fastest growth in establishments[8]. As would be expected, however, firms outside Kigali tend to be smaller and employ less people on average, but nonetheless provide employment in areas with higher poverty rates.

Table 5: Number of formal, active firms by sector[9]. Source: RRA, VAT data.

	Q1 2014	Q3 2016	Growth
Mining & Quarrying	37	62	68%
Total Manufacturing, of which:	155	327	111%
Food	*34*	*59*	*74%*
Beverages & Tobacco	*5*	*10*	*100%*
Textiles, Clothing & Leather	*13*	*22*	*69%*
Wood, Paper & Printing	*17*	*68*	*300%*
Chemicals, Rubber & Plastics	*6*	*8*	*33%*

[8] NISR,2014. Establishment Census.

[9] Defined as VAT registered firms that have made at least one positive sale in the past 12 months

Non-metallic Mineral Products	*21*	*21*	*0%*
Metal Products, Machinery, Equipment	*15*	*16*	*7%*
Furniture & Other Manufacturing	*44*	*123*	*180%*
Utilities	42	77	83%
Construction	699	848	21%
Total Industry	**933**	**1,314**	**41%**

Registered investment in the Rwandan industrial sector is showing dramatic increases, both from domestic and foreign sources. Investment in 'other manufacturing' in 2016 is only marginally lower than the combined total for 2013-2015; $153m compared with $155m. By contrast, Agro-processing investment registrations, however, seem to have plummeted in 2016. Certain targeted sub-sectors have been performing notably strong in recent years, with 'Other manufacturing' growing at an average of 12% per annum from 2010 to 2016, hinting at the continued diversification of the Rwandan economy.[10]

Table 6: New investments registered in the industrial sector between January 2013 and December 2016. Source: RDB Investment Registrations.

	2013	2014	2015	2016
Mining and Quarrying	29m	25m	49m	99m
Manufacturing	105m	70m	100m	255m
Of which other manufacturing	*53m*	*54m*	*48m*	*227m*
Of which agro-processing	*52m*	*16m*	*52m*	*28m*
Utilities	407m	179m	230m	244m
Construction	120m	67m	28m	64m
Total industry	**660m**	**341m**	**408m**	**662m**

Despite positive developments, the Rwandan economy remains relatively uncompetitive on a number of indicators. 98% of firms are SMEs and a firm that started in 2010 only had a 24% chance of surviving until 2014[11]. As mentioned in the introduction, Rwanda is 58th out of 137 economies in the WEF's Global Competitiveness Report 2017, dragged down by a cluster of efficiency enhancing indicators, such as technological readiness (101st), higher education and training (113th), infrastructure (98th), business process sophistication (101st) and market size (123rd).

[10] NISR 2016. Other manufacturing refers to all non-traditional manufacturing sub-sectors.

[11] NISR, 2014 Establishment Census.

2.2 Rwanda's Policy Framework

The overall policy framework in Rwanda is well developed. Rwanda possesses a number of interlinked development policies and strategies, all of which aim to increase the competitiveness of its economy. The Government of Rwanda (GOR) has formulated targets in its Vision 2020, all of which look to long-term development outcomes. In particular, Vision 2020 sets Rwanda on a path to economic transformation from a subsistence agricultural-based economy to a knowledge-based society. In line with this, policies and strategies formulated within the framework of the economic development and poverty reduction strategies (EDPRS I and II) are focused on economic growth and diversification as well as strengthening the role of the private sector to lead development. At a more practical level, and aiming to reduce Rwanda's persistent trade deficit, GOR developed the National Export Strategy (NES) II, the Private Sector Development Strategy (PSDS) and the Domestic Market Recapturing Strategy, all of which set out specific, complementary projects.

The Domestic Market Recapturing Strategy (DMRS) has been the core guiding strategy for the development of the Rwandan Industrial sector since 2015. The aim of the strategy is to identify sectors where Rwanda could quickly 'recapture' the domestic market and therefore lower imports, with a projected $450m in foreign exchange savings per annum, equal to 17% of the 2015 import bill. The title 'Domestic Market Recapturing' signifies that the objective is to replace imports through fair competition. The DMRS focused GOR's attention on certain clusters and value chains, in which Rwanda may feasibly achieve global competitiveness. The priority sectors highlighted by the DMRS are listed below, including their estimated potential forex savings:

1. **Construction materials ($206m)**: Cement, Iron & steel, Aluminium products, paints &varnishes, plastic tubes, quarrying (ceramic/granite tiles etc..)
2. **Light manufacturing** (**$124m**): Textile & garments, pharmaceuticals, soaps & Detergents, reagents, packaging materials, wooden furniture and insecticides
3. **Agro-processing ($112m):** sugar, fertilizer, edible oil, dried fish, maize & rice.

In order to implement its ambitious plans, the DMRS utilises a number of tools, which are a combination of cross-cutting, sector- and project-specific instruments, including:

- A Communications Campaign
- Support to local producers through Government Procurement
- The design of a National SME Upgrading Programme to regroup various overlapping programmes
- National Quality Infrastructure Upgrades to ensure quality standard of MIR products
- Sector-specific investment programmes and interventions

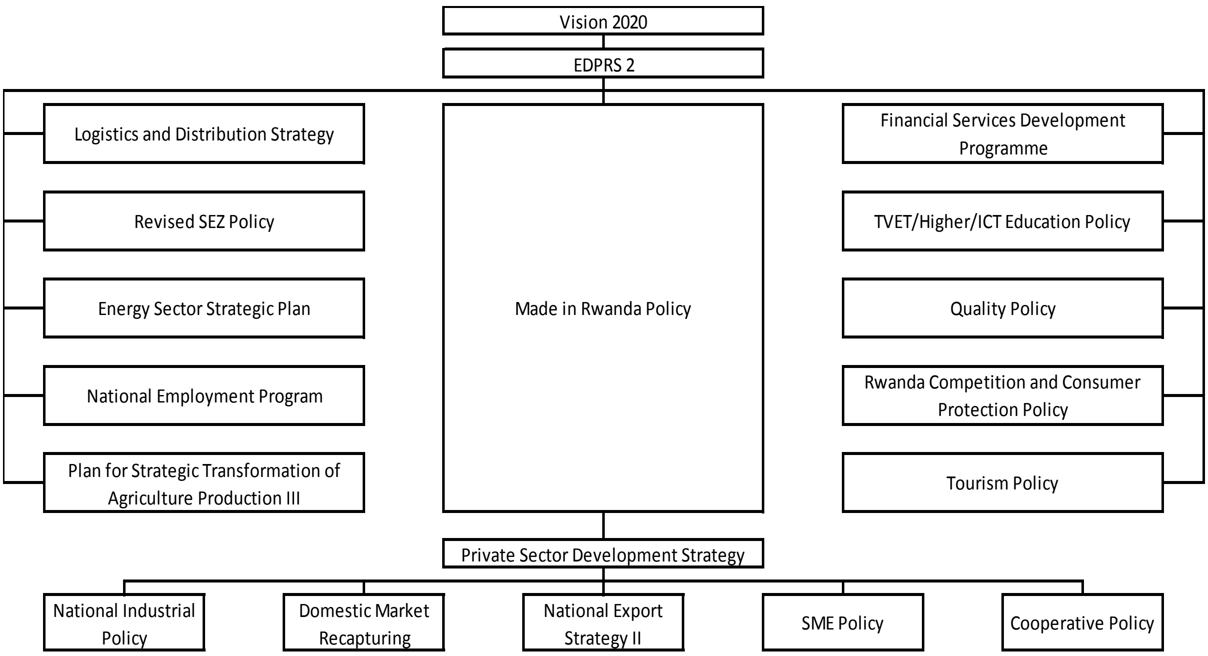
The DMRS places much emphasis on boosting demand for local products, under the assumption that this would lead to the utilisation of latent productive capacity, the creation of new capacity in targeted sectors and subsequently, a reduction in the import bill as consumption switched to local products. Whilst boosting demand for local products is a vital component of the Rwandan industrial policy framework, there are severe supply-side bottlenecks that were left unaddressed by the DMRS, e.g. electricity costs, access to raw materials and access to serviced land.

The DMRS complemented work done under the EDPRS II Sector Strategic Plan (the Private Sector Development Strategy, PSDS), which focused on creating an enabling environment for business growth. Specifically, the PSDS focused on improving the regulatory framework, boosting infrastructure development, credit access and skills development which, together with the DMRS, laid out the foundation for the progress in the Rwandan private sector we have seen in recent years.

The MIR Policy also incorporates some of the interventions in the National Export Strategy (NES) II, which aims at increasing international competitiveness. Priority objectives in the NES II include sector interventions, improved access to markets, upgraded firm capacity to access and grow in export markets, and export growth facility.

During the course of implementing the DMRS, PSDS and NES II, it also became evident that many constraints that negatively affect Rwandan competitiveness cannot easily be addressed by GOR interventions alone. Some issues require cross-GOR coordination and commitment. Most, however, require deep buy-in from, and partnership with, the private sector. Hence this present Policy has been developed, to explicitly foster partnerships with the private sector to establish a single, unifying platform to enhance the competitiveness of the Rwandan economy.

Figure 6: MIR and the wider policy landscape



The Made in Rwanda (MIR) Policy seeks to address the remaining fundamental barriers to achieving competitiveness, within the existing national development policy framework. It is a cross-cutting, holistic policy that incorporates activities and goals from a range of public and private stakeholders, all of whom need to be aligned within a coordinated framework. The MIR policy builds upon many existing and planned activities across various Government

Ministries and Agencies and the private sector, offering a unifying umbrella under which to guide these interventions. The MIR Policy is informed by surveys of both consumers and industrialists, recommending key interventions necessary in order to boost the competitiveness of locally produced goods, both in terms of price and quality.

Linkages between Made in Rwanda Policy and Employment Creation. The overall goal of the policy is to increase the competitiveness of the Rwandan economy. Creating productive jobs in dynamic and resilient firms and therefore will contribute in the creation of e 1,500,000 decent and productive jobs for economic development as provided under the National Strategy for Transformation during 2017-2024 and beyond. MIR is expected to create several manufacturing jobs generated from key priority labour intensive sectors such as light manufacturing in textile and garment, agro processing, and resource-based industries (mining and quarrying), furniture through the operationalization of Integrated Craft Centers (Udukiriro), quantity, quality, skills and upgrading. The MIR policy provides a conducive business environment for entrepreneurship development in particular and realization of the National Employment Programme in general.

Linkages between Made in Rwanda Policy and Export Promotion. Export growth in all sectors is constrained by a lack of goods and services available for export. Investment in production to expand export volumes and capabilities of goods and services is therefore key to unlocking export growth. The MIR Policy backbones the National Export Strategy and will improve the trade balance both by recapturing parts of the Rwandan market from imports and by improving the ability of Rwandan producers to compete in exports markets. Boosting the local production will expand export base and diversification by addressing factors constraining quality and competitiveness and stimulating sustainable consumption for competitive Rwandan products. Direct Interventions in selected segments of the export sector with high growth potential to meet export targets of 17% growth p.a as per NST1 target; a significant investment and coordination is required in a wide range of sectors identified under MIR Policy.

2.3 Why the MIR Policy? Why now?

The MIR Policy is a holistic approach to ensure that most of the remaining bottlenecks are addressed and that the country's ambitious industrial growth targets are met. Being a small, land-locked economy should not be taken as the end of the story and there are multiple avenues to pursue in order to promote productivity and competitiveness enhancements in Rwanda. Specifically, the MIR Policy takes three main takeaways as its starting points:

Firstly, the persistent trade deficit continues to put pressure on overall macroeconomic stability in Rwanda. Recently, interventions to reduce the deficit are beginning to bear fruit, yet the underlying competitiveness drivers of the deficit growth remain unchanged. The MIR policy looks to complement the NES II and DMRS to tackle fundamental supply-side constraints that negatively impact the ability of Rwandan firms to compete in domestic and international markets. As mentioned, 2016 does mark the first time in more than a decade when the absolute trade deficit has decreased, which is a positive momentum to seize and build upon as a matter of priority.

Secondly, domestic consumer sentiment is shifting towards a preference for local products, **meaning that this is an opportune time for domestic production to invest to keep up with growing demand.** Rwandan consumers express a preference for buying locally, yet have concerns over quality. It is therefore important to build on the momentum of the MIR Campaign and support producers to take advantage of the new opportunities generated.

Thirdly, producers are constrained by a high-cost, low-efficiency economic environment, with many compounding factors negatively affecting their competitiveness. This is evident from the low scores on efficiency-enhancing competitiveness indicators from the Global Competitiveness Reports, from Rwanda’s high firm mortality and from the responses from producers – limited access to skills, raw materials, finance and affordable transport all push up prices, forcing companies to compromise on quality and risk putting them out of business. Whilst some level of creative destruction is necessary for developing a competitive industrial sector, inefficiency bottlenecks should be removed to let Rwandan firms grow into sustainable long-term businesses that create jobs and economic diversification.

3 Vision, Objectives and Guiding Principles

The MIR Policy is to be the overarching framework to promote domestic production and competitiveness of Rwandan products and services. The policy sets out pillars that will guide local manufacturers and industry as well as Rwandans in general in understanding the essence of MIR, while providing a clear framework for GOR to focus its interventions on. The proposed pillars are aligned with the findings from the first ever MIR survey and informed by global good practice in promoting local products.

3.1 Vision and Objectives

The Vision of this Policy is:

"With the Made in Rwanda Policy and an effective partnership with the private sector, the Government of Rwanda strives for economic transformation through enhanced competitiveness and industrial growth."

The overall objective of the MIR Policy is to:

"Address the trade deficit and increase job creation by promoting exports, boosting production of and stimulating sustainable demand for competitive Rwandan value-added products by addressing factors constraining their quality and cost competitiveness"

There are multiple aspects to this objective. **Firstly, the key word is 'competitive'.** This policy seeks to promote and develop Rwandan products that meet international standards on all aspects, including price, quality and safety. This policy is geared towards upgrading the quality of domestic production, skills and output through taking stock and complementing current interventions while setting out further interventions that address key drivers of high costs of production.

Secondly, this policy aims to reduce the trade deficit by boosting domestic supply to compete with imports, as well as improving export capabilities. Emphasis is given to value-added products over primary exports and to domestic market recapturing. Value added production supports domestic employment and indirect economic activity through backward linkages to the rest of the economy.

Thirdly, this policy aims to change the perception that Rwandan-made products are of lower quality than imports. This has been a key driver of growth in imports and has negatively affected local production. The policy therefore has a strong communications component, whereby consumers and producers will be sensitised about the availability of quality products that are Made in Rwanda and GOR will lead the way through public procurement supporting local businesses.

3.2 Guiding principles

The following guiding principles have guided the development of this present policy:

1. Safeguarding competition: Rwanda is an open market economy, committed to regional integration, trade liberalisation and private sector-led growth. Rwanda recognises the importance of the EAC and regional cooperation for the continued sustainable development of the region
2. Competitiveness is necessary for long-term development: To achieve the Vision 2020 goals of economic transformation in a sustainable manner, the key drivers hindering the underlying competitiveness of the Rwandan economy need to be addressed
3. Meaningful public-private partnership: Any attempt to enhance the competitiveness of the Rwandan economy needs to be grounded in meaningful relationships with the Private Sector, responding directly to identified constraints and needs, leveraging private investments, knowledge and skills.
4. GOR will facilitate economic transformation: GOR's role is to support the emergence of a competitive private sector which will generate jobs, exports and economic transformation. Where supply-side capacity issues hinder firms' ability to respond to market signals, GOR will support as required
5. Ensuring quality: Cost competitiveness should not come at the expense of quality. The success and sustainability of Made in Rwanda depends on its reputation as being safe, reliable and durable

3.3 Alignment of MIR policy with NST and Vision 2050

The MIR policy is aligned with Rwanda's aspiration to become upper middle income country by 2035 and higher income by 2050 and recognized its contribution to meeting these targets will ensure Rwanda moves into the lower middle-income category by 2020 given its potential to contribute both to Rwanda's economic growth in general and the trade balance in particular, as well as to productive employment, The policy prescribes the objectives and strategies for the industrial sector outlined in the vision 2020, National Strategy for Transformation and long term vision 2050 aiming at putting efforts to expand the economic base in a private sector-led Economy. Alignment of MIR Policy with NST1 towards Vision 2050 is attached as Annex 2.

4 The MIR Policy Framework

This section elaborates the five key pillars of the MIR policy framework, namely; mind-set change; improving quality; addressing high costs of production; promoting backward linkages; and sector-specific strategies.

4.1 Pillar 1: Sector-Specific Strategies

Many constraints to competitiveness are sector-specific. This is particularly the case for government regulation. The first pillar of this MIR Policy therefore sets out a template for developing strategies aimed at upgrading specific value chains in Rwanda. The DMRS analysed potential sectors in great depth and identified certain sectors with potential, namely agro-processing, light manufacturing and construction materials. These sectors are now routinely targeted across GOR's interventions to promote industrialisation and economic transformation.

Value chains that have received targeted support under MIR already include the textile, garment and leather sub-sectors, for which a specific action plan was approved by Cabinet in April 2016 and the implementation of which is well underway. The next value chain to be targeted is the meat value chain, which is a complex value chain comprising many stakeholders and in which there are many issues that need addressing. However, the potential value addition to Rwanda's economy is also potentially enormous, estimated at more than $50 Million worth of exports to the DRC alone, excluding the domestic market. Development of the meat value chain will also strengthen work underway to develop leather production in Rwanda.

Going forward, MINICOM in close dialogue with the private sector will continue to identify and select strategic value chains for which sector-specific strategies may be developed. These will be sectors with high potential and high return on public investments. MINICOM will further take the lead in developing sector-specific intervention packages as and when opportunities are identified. Strategic sub-sectors will be identified using the criteria from the DMRS, namely:

- Significant impact on current and future trade balance
- Existing significant potential for increases in domestic production or value addition to existing production
- Identified market for Rwandan made products, either domestically or exports

With such criteria in mind, a list of priority sectors to be developed next has been highlighted below. These sectors draw on core recommendations raised by the DMRS (such as sugar) but also other sectors not addressed by the strategy (e.g. meat). Pharmaceuticals not only represent a significant sector in terms of savings but also marks a step up in terms of technological upgrading, a clear shift into higher value–added production.

Table 7: Potential value chains to be targeted

Value Chain	Exports	Domestic market recapurng	Job creation	Value additio n	Analytical source
Agro-processing, such as meat and dairy, milling products, sugar, soy beans and Irish potato	X	X	X	X	PSTA-4; DMRS 2015; Meat Export Strategy 2016; Industrial Master plan for the Agro-Processing Sub-Sector 2014-2020
Construction materials, such as wood-based products, metallic, cement and ceramics-mining and quarrying		X	X	X	DMRS 2015
Light manufacturing, such as textile/garments, electronic assembly and pharmaceutical equipment	X	X	X	X	DMRS 2015
Horticulture	X		X	X	Horticulture Strategy 2014; National Export Strategy 2 2015
Tourism, including high-end leisure tourism, medical tourism and MICE	X		X	X	MICE Strategy; Tourism Masterplan; NES2
Knowledge-based services, such as finance, ICT and BPO	X	X	X	X	National Export Strategy 2 2015
Logistics and transport	X	X	X	X	Logistics and Transport Strategy 2012; DMRS and NES2

These sector-specific strategies need to be comprehensive and address all necessary elements for upgrading a value chain. As such, as a minimum, strategies must set out clear proposals for addressing gaps in:

- The policy, legal and regulatory environment
- Availability of skills, both basic and those needed for innovation
- Product testing facilities and standard certification capacity
- Existing market linkages, domestic, regionally and internationally
- Sector-specific public-private dialogue

In line with the central principle of MIR, all such strategies should be developed via close partnership between the public and private sectors.

Resource based industries and Made in Rwanda Policy. The Made in Rwanda Policy also recognizes the role of **resource-based industries specifically mining and quarrying sectors** of which aims to transform into vibrant, dynamic and efficient sector through promoting geological knowledge, investments, increased value addition and linkages with other sectors of the economy to spur economic transformation through industrialization.

Mining and quarrying sectors have got potential to become one of the key drivers of economic transformation because of its high potential for growth contribution and employment and forward linkages that will overall generate substantial social and economic benefits to the Rwandan society.

The mineral value chain include: i) extraction and its related processes such as exploration, construction, mining, ii) transformation with mineral processing, smelting and refining, semi-fabrication, and final product manufacture, and iii) consumption which include marketing, and sale of goods to consumers in their final form.

Currently Rwanda operates only in the first stage where the least value is added and even then not comprehensively and the major proportion of the added value is done abroad. The new mining policy seeks to formulate policy actions aimed at unlocking the sector's potential along the value chain linking the upstream and downstream supply of local services for the economy to benefit from the mining industry.

Key issues in the sector include the following: Low level of technology used in the extractive process, resulting in inefficient recovery of ores; insufficient power supply and frequent outages; continued export of minerals without value addition; no tradition of linkages to the rest of the economy, except in quarrying; High cost of beneficiation especially for the tantalite, tin and tungsten products; shortage of professional skills in all the stages of the minerals value chain; decades-long focus on exploitation of tantalite, tin and tungsten products; No comprehensive value chain analyses undertaken for any of the minerals currently extracted; poor infrastructure at national level limited the extent minerals to be integrated into overall development (roads, rail, ports, energy, water, etc…)

In the implementation of pillar 1 of the MIR Policy namely Developing Sector-specific Strategies whereby it is recognised that many constraints to competitiveness are sector-specific. **Therefore mining and quarrying sectors have been prioritized among other key sectors for which comprehensive sector strategic plans will be developed** to address issues aforementioned through value chain approach geared to:

- Promote investment in beneficiation and full value addition through Public Private Partnership with the aim for the Government to gradually disengage and leave the venture to the private sector;
- Promote semi-industrial and industrial mining operation through investment incentives by putting in place mechanisms to attract local and foreign direct investment in mining and move the economy in the medium term to manufacturing driven partly by minerals sector;
- Explore the provision of basic infrastructure facilities to lower production costs and harmonization with of supply and consumption of energy, water, roads, internet etc..

- Encourage expansion into other minerals commodities and seek new product opportunities;
- Promote skills development, employment generation and use modern technologies in mining operations and enhance strong linkages and partnership between mining industry and education sector starting with the newly established School of Mining and Geology of the University of Rwanda and Mining Engineering Department of Integrated Polytechnic Regional Centre (IPRC) Kigali;
- Promote community engagement in the participation of investment while supporting local content development and linkages of mining sector with other sectors of the economy to stimulate spillover effects;
- Foster long-term initiatives that promote use of its minerals for industrialization both locally and in the sub region while adopting regulatory measures for the market and foreign investment;
- Develop strategy for gemstones business promotion and mineral value addition.

4.2 Pillar 2: Reducing the Cost of Production

A major driver of competitiveness is the general cost of production of a given locality and Rwanda scores low on several fronts, including cost of trade, cost of electricity (until recently) and labour productivity. This negatively affects the competitiveness of Rwandan exports as well as the country's ability to recapture local market share from imports. Reducing various cross-cutting issues is thus central to boosting production in Rwanda. This pillar sets out a broad policy framework to guide GOR in making Rwanda a competitive origin for value-added goods. It builds upon various on-going and planned initiatives insofar as they already address certain cost drivers e.g. the revised National Export Strategy and the Trade and Logistics Strategy clearly set out GOR direction and interventions on reducing the high cost of exporting from and importing to Rwanda.

4.2.1 Access to Industrial Inputs

Access to affordable, high-quality industrial inputs is often cited as a top constraint to domestic industrial production. Inability to access raw materials is one of the factors that have kept the average utilisation rate of installed capacity in the Rwandan productive sector low. A study done in 2013[12] found that average capacity utilisation across all industrial sectors is 50%, meaning that companies on average produce only half of what their equipment is capable of. The 2012 Industrial Survey found this number to be 65% whilst the MIR Survey above found average capacity utilisation to be 45%[13], albeit for a smaller sample. Underutilised capacity drives up the unit cost of production by making it much more expensive for firms to recoup their investments when their factories are running at half steam, thus increasing unit costs. All the above studies also found that the major cause of capacity under-utilisation is that firms struggle to access affordable, high quality raw materials. As such, addressing issues related to raw materials will in the short to medium term lead to a reduction in production costs per unit and an increase in supply. Access to raw materials has several dimensions and therefore needs several complementary interventions, such as:

4.2.1.1 Increasing local production of raw materials and improving domestic value chains

Where possible, domestic production of raw materials will be maximised to meet industrial demand. Being overwhelmingly made up of agro-processing, Rwanda's manufacturing sector's productivity and competitiveness is thus directly influenced by agricultural productivity and the efficiency of domestic value chains. Improving agricultural productivity is the target of several ongoing interventions such as MINAGRI's Crop Intensification Programme (CIP).

GOR has in recent years also focused on improving the efficiency of domestic value chains and markets, yet more remains to be done. The East African Commodity Exchange opened a trading house in Rwanda, trading sorghum, coffee and wheat initially but looking to expand into other commodities such as beans and maize. GOR has also developed various legislative enablers, such as the Warehouse Receipt System whereby banks may accept warehouse receipts as collateral and the receipt itself is tradable. Yet data from MINAGRI's e-soko database continues to find large price differentials between districts, and hence point to continued existence of friction in domestic markets. For instance, the price of fresh milk is

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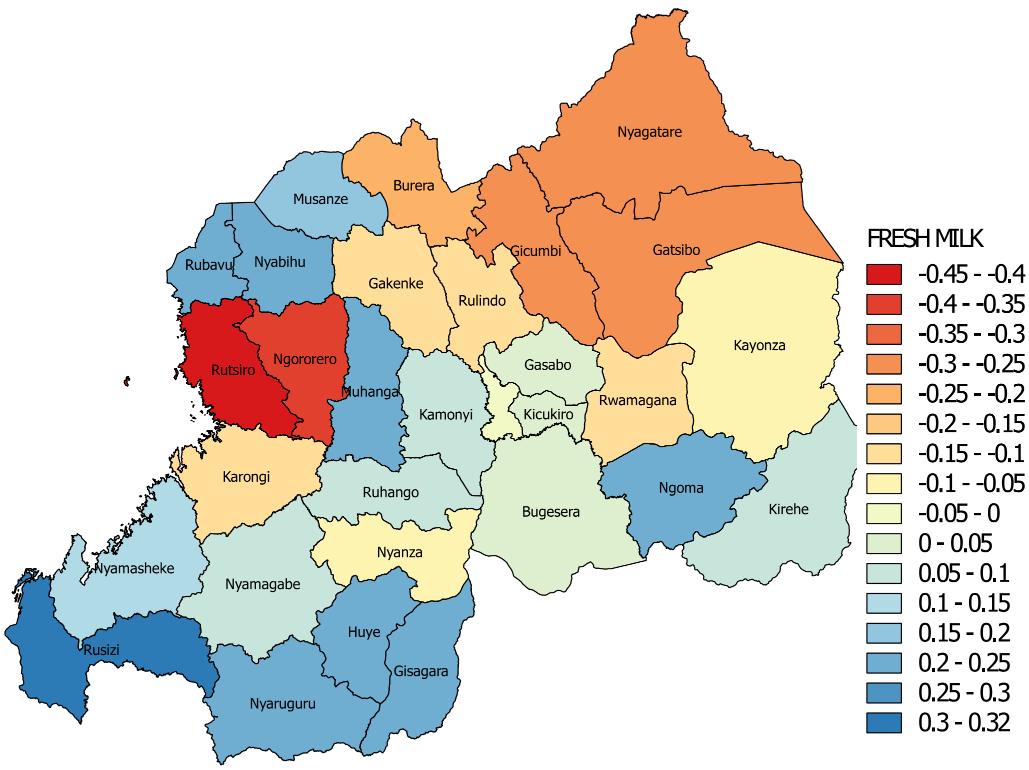
[12] Comprehensive Assessment of the Industrial Capacity Utilization in Rwanda, MINICOM, 2013.

[13] MIR Producer Survey 2017.

almost 50% lower than the national average in Rutsiro and Ngororero districts, while more than 20% above the national average in the neighbouring Rubavu, Nyabihu and Muhanga districts. Smoothing domestic value chains is key to the success of the MIR Policy.

Figure 7: Price index differentials for fresh milk across markets in Rwanda. Source: MINAGRI, e-soko data, 2016.



4.2.1.2 Plugging into regional and global value chains

For some raw materials and inputs, local production is not a feasible option and imports are necessary. In certain value chains and industrial sectors, Rwanda does not have a comparative advantage in input production, yet the potential for value-addition and job creation is high. In other sectors, domestic supply may be seasonal, volatile or the opportunity cost of increasing land area for production is too high. Ultimately, the Rwandan economy is diversifying and will reach a point where the agricultural base cannot specialise in all required raw materials and imports will be the only feasible option.

GOR should facilitate Rwandan producers to access these inputs at competitive prices, starting with strategically reducing import duties. Rwanda's import tariffs are largely set by the EAC Common External Tariff (CET), governing the EAC common market. GOR will therefore actively engage in the ongoing and continuous review of the CET to secure strategic alignment between EAC tariff structures and the raw materials and inputs that are currently unsupplied to Rwandan industrial sectors. Where appropriate, strategic utilisations of Stays of Application will be deployed.

Where tariff reduction is not possible or sufficient, access to important inputs from abroad will be facilitated through a supplier linkages programme. In some cases, tariffs on inputs are already negligible or further reduction is not politically feasible. RDB and PSF currently support exporters to establish market linkages abroad. Such facilitation, however, could work equally well to facilitate access to inputs and could be carried out by PSF and Rwandan missions abroad in collaboration with the exporting nation's export promotion agencies. This may be done on a sector-wide basis, thereby helping producers access bulk discounts by pooling orders. If successfully implemented, this initiative would significantly increase domestic production of value-added products and increase capacity utilisation of installed industrial capacity, thereby creating jobs and increasing supply volumes for domestic consumption and exports.

4.2.1.3 Critical Raw Materials Observatory

Access to certain raw materials matter for the Rwandan economy as a whole. These are what may be called Critical Raw Materials (CRMs), the loss of access to which may have significant economic consequences. A CRM is defined as follows:

- Necessary input into an industrial sector either currently contributing significantly to GDP or identified as a national priority by e.g. the Industrial Policy, Domestic Market Recapturing Strategy or a sector strategy under this MIR Policy

MINICOM will compile a list of the 10 most important CRMs and monitor their supply in the economy. This will involve monitoring not only whether current supply is adequate but also conduct horizon scanning of what is happening to global supply and in particular the countries that Rwanda imports CRMs from, allowing early engagement with other potential suppliers. If, for instance, a CRM is a key crop staple and Rwanda's main import source experiences a drought which will jeopardise future supply, MINICOM will proactively engage importers from other destinations to ensure smooth supply at affordable prices. This will in many instances require close coordination with MINAFFET, which will facilitate the establishment of bilateral links with new potential CRM origin countries.

4.2.1.4 A MIR approach to VAT implementation

According to the 2011 Industrial Policy, where inputs are unavailable or uncompetitive domestically in the short- and medium-term, policy actions should be tailored to securing sufficient and affordable imported inputs. The MIR Policy expands on this position to address key constraints faced by Rwandan producers, driving up their cost of production. The EAC Common External Tariff means Rwanda has to seek to influence the bloc's common tariff or apply for a stay of application in order to adjust its import tariff. However, each country domestically controls their VAT rate and offering duty and VAT exemptions on industrial inputs and capital equipment is a well-established practice in the region and internationally. The cost of industrial inputs was highlighted as a key constraint in the MIR survey, and when combined with a more active linkages program, such as what is discussed above, reducing taxes on inputs can facilitate the removal of a substantial bottleneck to industrial production in Rwanda.

Currently, Rwanda has a number of different fiscal incentives offered to companies depending on the composition of their products and end-market. Companies operating in the garments manufacturing sector, are exempt from paying VAT and import duty on all imports of raw materials and capital machinery through a sector-specific exemption scheme. A new Prime Ministerial Order will also extend this VAT exemption to the whole manufacturing sector, but there is further room for more clarity and transparency to be introduced to address how these exemptions are administered.

In the past, manufacturing companies were also requested to pay VAT on inputs and then seek a refund – in practice, this has led companies to simply absorb the tax in their production costs and pass it on to their consumers, rather than seeking the rebate. Attempts have been made to streamline this system. However, the process is still plagued with challenges: for instance, companies have to first register with MINICOM, outlining the raw materials they require, which is then passed on to MINECOFIN for approval before being sent to RRA for implementation. This process may take several weeks to complete and needs to be manually completed for each firm. While an improvement over previous situations, this system still requires that firms proactively apply for the exemption and are able to comply with the documentation requirements, which is regressive and skewed against smaller producers with less capacity. It is therefore important that Rwanda learns from international best practices in this regard and streamlines VAT exemption processes by making it more inclusive for all companies in the appropriate ISIC bracket[14], and effective immediately upon company registration, allowing companies to be responsive to market forces without unnecessary processes.

Firms in the same sector tend to share the same inputs, and moving from firm-level to product-level VAT exemption offers significant potential for boosting MIR. Despite idiosyncratic production differences and different levels of technological sophistication, firms producing the same outputs may be assumed to use the same inputs. If one firm can demonstrate the necessity of an input in its value-adding production process, thus qualifying for the VAT exemption above, this exemption should be extended to all firms in the same 4-digit ISIC code. PSF, as the main private sector advocacy organisation, has a key role to play to spread awareness of existing VAT exemption eligibilities and to support companies that have their inputs listed in the VAT exemption database. Moving from firm-level VAT exemption to product-level will also simplify the administrative burden of implementing and complying with the current regulations, which was another cost driver raised in the MIR producer survey. Finally, the new system has the advantage of moving the administrative burden of ensuring that inputs are used in value-adding processes and not traded raw to RRA, away from the individual company, thus levelling the playing field for smaller and less tax-knowledgeable firms.

4.2.1.5 Access to high quality and affordable packaging

Packaging is a particularly important input, especially for agro-processors. The introduction of Law N° 57/2008, banning the use of plastics in Rwanda, has impacted the cost structure of the industrial sectors. In practice, domestic producers are restricted in using polyethylene, polypropylene, laminates, PVC and polyester for packaging purposes, whilst foreign manufacturers (including those elsewhere in the EAC) may use any of these materials and export to Rwanda with no differential duty. This has placed Rwandan companies at a competitive disadvantage vis-à-vis imports, due to the lack of supply of and knowledge about viable alternatives.

The development of a Centre of Excellence (CoE) in packaging will therefore significantly support SMEs to meet their packaging and branding requirements. The CoE will help SMEs develop market-responsive packaging designs and brands that will enhance aesthetics, utilising packaging materials available and allowed under the current legal framework in

[14] International Standard Industrial Classification is the prevailing international classification system for economic activities, also used in Rwanda. The four-digit ISIC code details a firm's specific economic activity, e.g. 'Manufacturing of basic chemicals' and 'Processing and preserving of meat' are two 4-digit ISIC codes.

Rwanda. The CoE will also commission surveys and studies to periodically assess the impact of SME labels on the market, thus continuously enhancing their offer. The CoE will be a shared facility housed in the National Industrial Research and Development Agency (NIRDA)**,** since its mandate is aligned with overall goals of the CoE of fostering industrial growth of the local packaging industry and SME development.

In order to address this issue in a sustainable manner going forward, it is also important to facilitate the development of a dynamic domestic packaging industry, supplying biodegradable and market-appropriate packaging materials. Most developing countries have domestic packaging industries and there is therefore no strong reason to suspect that it cannot emerge in Rwanda. As a first step, there is a need to review the CET structure and packaging's current goods classification under the Rwandan VAT Law, to ensure these do not put domestic producers at a disadvantage.

4.2.1.6 Access to Affordable Trade Logistics

High trade logistics costs are a major impediment in meeting the country's growth objectives. Trade constitutes more than one third of the country's GDP and is affected by high costs of trading in a number of ways. High costs lead to more expensive imported industrial inputs and decreased competitiveness for exports.

Innovative steps must be taken to decrease the cost of trade logistics in landlocked countries. GoR has started a number of interventions within the country in this direction, including the development of the Kigali Logistics Platform (KLP). KLP aims at having the same functions as that of a seaport by consolidating and distributing goods. It is expected to include container and break-bulk/bulk handling and storage facilities, space for stakeholders dealing with freight transport and the provision of accompanying services such as customs inspections, tax payment, maintenance and repair, banking and information communication technology connections. KLP is expected to provide the following benefits to the economy: consolidation of import volumes, faster truck turnarounds, a boost in the Rwandan trucking industry, efficient distribution of products, improved services for manufacturers, and employment generation.

KGL will be complemented by the construction of bonded warehouses, which will reduce working capital costs and delays and difficulties in accessing the wholesale market. Exports and re-exports from Rwanda are dominated by trade with the EAC and the DRC in terms of volumes. Two bonded warehouses are currently being developed, both on the border with the DRC in the towns of Rubavu and Rusizi. These locations were chosen because they are a natural point of entry of cargo to Goma and Bukavu. They will both serve traders from Eastern DRC using the Mombasa and Dar es Salaam gateways, and for traders bringing goods into the DRC.

4.2.2 Access to Modern Technology

Competitiveness is a dynamic goal and one that requires continuous investment in industrial research and development (R&D). NIRDA's was established in 2014 with the mandate to facilitate firms to become more competitive through the use of applied research, technological development and innovation. This mission is at the heart of MIR and NIRDA is therefore a key implementing partner of the MIR Policy, already implementing the flagship

Community Processing Centres (CPCs), where producers may use modern equipment and gain knowledge about improved production processes.

4.2.2.1 Resource Efficiency and Cleaner Production

Given that raw materials and indeed working capital are scarce commodities for most industrialists, it is important that production processes are efficient in terms of raw material and utility utilisation. Resource efficiency contributes to lower overall production costs, freeing up working capital and lowering prices, while also carrying significant environmental benefits. Many companies waste significant amounts of their inputs through inefficient technologies, inadequate storage facilities or lack of skills. Reducing resource wastage is therefore a critical component to improve competitiveness in Rwanda.

MINICOM through NIRDA together with UNEP and UNIDO established the Rwanda Resource Efficiency and Cleaner Production Centre (RRECPC) in 2008. This centre provides capacity building and spearheads the adaptation and adoption of more efficient production technologies in the Rwandan industrial sector. Their work focuses on reducing companies' resource consumption across the board, including energy, water, materials, waste and chemicals and has achieved great results to date. Examples include support to Mata Tea Company which led to increased production by 38MT per year purely by increasing process efficiency; and to Kinazi Cassava Plant to reuse their own waste products as an energy source, thereby saving them operating expenses for electricity. In general, direct economic benefits from RRECPC so far are estimated at USD 2 Million between 2009 and 2015 2009, while environmental benefits are estimated at almost 1,300t CO_2 equivalents reduction per year per company and 1,800m3 waste water reductions per year per company[15]. RRECPC is currently in the process of establishing itself as a semi-autonomous government agency, upon which it will be able to support more firms to reduce wastage and generate efficiency savings.

GOR should leverage the experience and expertise of RRECPC to enhance the input efficiency of Rwandan producers. This is essentially a process standards issue, whereby implementing best practises on storage, transportation and processing may reduce wastage of scarce raw materials. RRECPC guidelines should therefore be streamlined into the existing business registration processes in Rwanda in order to support companies in achieving increased efficiency without increasing bureaucracy. Upon registering a business, companies should be facilitated to access RRECPC's services such as information available on the RRECPC website and a clear checklist on common quick wins as part of the registration process. These guidelines also need to be harmonized with, and included in, the RSB SME checklist it provides to new businesses. Additionally, RRECPC guidelines should also be mainstreamed into requirements for the Environmental Impact Assessment and construction permits processes in order to ensure companies are aware of how best to increase resource efficiency in their production and construction processes.

When connected to RRECPC upon registering their company, owners may request support in them to optimise their factory design in terms of floor charts, layouts, storage facilities, lighting and isolation. RRECPC also facilitates companies to identify their skills needs and sensitise them about the benefits and specifications of modern equipment. For many companies, such awareness from the onset will translate into significant savings in operating

[15] RRECPC reports.

costs as demonstrated in the examples above. At any point in time, a company can, for a small fee, request RRECPC together with RSB to do a full resource efficiency audit. RRECPC will go through facilities and the entire production process and offer detailed recommendations on where and how improvements may be made, which will translate into tangible cost savings for that firm. This audit and implementation of recommendations may also support the firm to obtain various ISO standards faster, often required for exports to international markets. In cases where implementing the recommendations imply significant investment costs, the National Climate Change and Environment Fund (FONERWA) may be approached for loans or grants. RRECPC through the support of UNEP and SIDA is targeting to support 70 industrial firms by the end of 2017. However, in order to substantially improve Rwandan competitiveness, this number needs to be substantially increased and the capacity of the centre enhanced.

In order to incentivise companies to invest in cleaner production, GOR will introduce an award for companies that meet cleaner production criteria. In the future, compliance with these guidelines could be made a necessary criterion for the attainment of the MIR trademark - highlighting that Rwandan products are not only good quality but also eco-friendly.

4.2.2.2 Support to Industrial Research and Development for MIR

To facilitate access to modern, appropriate technology, NIRDA will partner with firms in strategic value chains. The aim of this partnership is to upgrade their current technologies and to adapt international innovations to the Rwandan context, thus increasing production efficiencies and encouraging a move into related product lines. One key area of focus is the creation of by-products from what is currently considered waste materials, but which may have economic value as input to another production process. This is fully aligned with RRECPC's work detailed above and it is envisioned that the two institutions will continue to work closely together.

NIRDA also specifically targets the dissemination of technology across sectors once one firm is able to demonstrate improved competitiveness and quality due to technological advancement. This knowledge sharing component holds enormous potential to unlock latent productivity gains across the economy, by sharing context-specific and locally applicable success stories for demonstration effects. NIRDA is therefore establishing an entire unit dedicated to knowledge management. This unit will oversee the dissemination process while also carrying out gap assessments to inform NIRDA's choice of strategic value chains to target its R&D support to, focusing on sectors where significant technology gaps are found.

4.2.3 Access to Finance

Access to finance is the #1 constraint reported by producers in the MIR Survey and in the WEF Global Competiveness Report 2016. Producers report lack of access to credit for vital investments and that even once accessed, the cost and terms of repayment are prohibitive for all but the most lucrative ventures. Total outstanding credit to the private sector grew by 7.8% in 2016 (reaching almost RWF 1.3tr), only marginally ahead of overall economic growth at 5.9%, and much lower than credit growth in 2015 which stood at 30%[16]. RWF 1.3tr equals 20% of GDP, which is ahead of other EAC countries, except for Kenya which is the regional

[16] BNR, Monetary Policy and Financial Stability Statement, February 2017

leader at almost 35%. Furthermore, most bank credit in Rwanda is extended to mortgage and hospitality sectors, with manufacturing receiving just 9% of new loans in 2016 and mining less than 0.1%. The prime interest rate remains stubbornly high at 16-18% and loans are typically less than five years in duration. Hence, there is a need to improve the extent to which savings are intermediated into long-term, affordable capital available for investment and business operations under Made in Rwanda.

On the other hand, Rwanda's commercial banking sector reports both good growth and healthy profits. Apart from the 12 commercial banks in Rwanda, there are two other major institutions working to promote access to finance, both set up by GOR and later (partially) privatised. These are the Development Bank of Rwanda (BRD) and the Business Development Fund (BDF). BRD typically deals in the medium and larger segment of the market, while BDF focuses on smaller investments. At the micro-level, there are three micro-finance banks and one cooperative bank, dealing in small-scale credit for consumption and investment purposes. In June 2016, total bank assets stood at RWF 2.3tr, which grew almost 20% compared to the year before. Profits after tax totalled RWF 19.3bn in 2015/16 and BNR reports indicate that the banking sector is generally healthy and stable[17].

The financial sector is a part of the private sector like any other and its composition and products reflect the current composition of the private sector. Being an LDC, Rwanda's financial sector is therefore also still underdeveloped and focused on a few simple financial products, such as collateralised credit and payment services. The financial sector is one of the so-called backbone service sectors, which feed into all other sectors and has capacity gaps in which have knock-on effect through the economy. MINECOFIN, together with BNR, spearheads the development of the Rwandan financial sector and has amongst other things focused on raising domestic savings rates, both through the Rwanda Social Security Board (RSSB) and the Agakiro Development Fund.

The MIR producer survey further highlighted a specific aspect of the access to finance constraint that producers view as particularly limiting – access to working capital. Working capital refers to funds for purchasing inventory, stock and raw materials, rather than investing in productive capacity such as real estate or equipment. Lack of working capital is a cause of the low capacity utilisation rates observed in Rwanda, whereby firms do not have the cash flow to sustain operations continuously and cannot service more than a few contracts at a time. Delayed payments are particularly damaging to firms with cash flows struggles, and the interventions mentioned above for GOR payments to be made on time will go a long way to inject much needed liquidity into the private sector. However, there is an obvious gap for the financial sector to fill on working capital, which will require diversification of the products on offer and the promotion of a currently negligible type of finance – trade finance.

4.2.3.1 Partnership with the financial sector to spur financial product innovation and asset diversification

Being a backbone service sector, productivity increases and innovation in the financial sector have catalytic effects on the rest of the economy. Conversely, skills gaps here quickly translate into credit squeezes to the rest of the economy as low-productivity banks become risk averse and prefer to channel credit to perceived safe investments such as government

[17] BNR, Annual Financial Stability Report 2015/16.

security or credit with very high collateral. Skills gaps in the financial sector are symptomatic of the general skills deficiencies that affect most industries in Rwanda, Emerging sectors and new products will always be perceived as higher risk by a banking sector more familiar with extending credit to agriculture, construction projects, hospitality projects and government bonds. Supporting the banking sector to become more comfortable with new industrial sectors with high economic potential will therefore be catalytic for Rwanda by unlocking existing funds and making them available for domestic producers.

A key intervention is therefore to set up a strategic partnership with the financial sector to help them pivot towards MIR. One objective of this partnership will be to develop the necessary regulation on new financial products where gaps currently exist such as on factoring and on securitisation of accounts receivables via the Rwandan Stock exchange, both common ways of securing working capital across the world. Currently the lack of certain regulations and tax clarity on trade financing increases risks to the financial sector, thus stifling financial innovation. In other cases, the lack of regulatory nuance means that non-deposit taking credit institutions have to comply with unnecessarily high prudential regulations, designed for commercial banks, thus stifling their entry to the Rwandan market. Another objective will be to support commercial banks to become more familiar with new emerging industrial sectors through TA and sector experts available on demand for banks to assess the creditworthiness of a new, unfamiliar loan request. Naturally, any such program must be combined with the continued provision of business advisory services to Rwandan SMEs in order to increase their financial literacy and increase the quality of loan applications.

4.2.3.2 Increased Capacity of the Export Growth Fund (EGF)

Commercial bank credit alone will not be enough to address the severe credit constraints faced by Rwandan producers. The Rwandan financial sector is quite liquid with most assets being in the form of short-term credit, government securities and cash. The task of intermediating the growing savings stock from e.g. pension funds and insurance companies into long-term, affordable credit to the private sector, is currently too great for any single commercial bank to take on. There is therefore a need to increase the capacity of the Export Growth Fund (EGF) which will perform this function, channelling substantial amounts of credit to productive purposes at affordable rates.

Rwanda is not alone in facing this challenge and may beneficially learn from regional experience in industrial finance intermediation. Indeed, both Kenya and South Africa have special credit institutions aimed at servicing the productive sectors, namely the Kenyan Industrial and Commercial Development Corporation (ICDC) and the South African Industrial Development Corporation (IDC). Both were created in the mid-20th century to develop a domestic industry of competitive and productive enterprises and thus hold decades of experience for Rwanda to learn from. In Rwanda, the the increased capacity within EGF would help to focus on identifying and supporting projects in the industrial sectors that are labour intensive and have high potential for either exports or domestic market recapturing. Key amongst its services should be flexible and tailored financial solutions at affordable rates with the long-term aim of promoting economic transformation.

4.2.4 Utility Tariffs

The cost of energy emerged as the second most pressing issue in terms of cost of production identified by the industrial sector during the MIR Survey. During a similar survey conducted for the 2017 review of the Special Economic Zone (SEZ) Policy, the cost and quality of electricity supply emerged as serious constraints that had to be addressed for any serious industrialisation to happen.

As with other areas under this policy, GOR has already taken several steps to address this problem, particularly since the new industrial tariff structure was implemented on the 1st of January 2017. On this date, industrial electricity tariffs were lowered to a regionally competitive level (¢11-12/kWh) and for many large companies, this has resulted in a 20-30% price reduction. Similarly, water tariffs were also reduced to regional levels for industrialists. However, a number of issues have undermined the effectiveness of this reduction, most notably the large discrepancies between peak and off-peak charges. The margins between these charges need to be reviewed, with companies receiving information and technical support required from RURA, and indeed RRECPC, to ensure they maximize their benefit from these reduced tariffs.

This lower tariff structure is a deliberate decision by GOR to keep industrial production costs regionally competitive. Going forward, industrial tariffs for medium and large industrial firms will therefore remain at a level benchmarked against the regional average, keeping Rwandan utility costs in line with the region and thus competitive.

4.2.5 Access to Affordable, Serviced Land

Another widespread constraint on the Rwandan productive sectors is the cost and availability of serviced land. GOR, through its ambitious SEZ Programme, is investing heavily in the provision of high quality industrial estates, specifically to alleviate this constraint. Once fully developed, Rwanda will have more than 1000ha of affordable, serviced land available for industrial production, facilitated by regulatory streamlining through One-Stop Shops. The eight new SEZs are already proving popular with 73 applications for land received by April 2017.

A component of the Revised SEZ Policy also seeks to specifically address the constraints faced by many small and medium-sized industrialists (SMIs), for whom the cost of relocating to an SEZ is prohibitively high. Many SMIs are also operating in premises which are inappropriate for their production, creating negative environmental and social consequences and hindering their growth potential. The revised SEZ Policy therefore details how such SMIs may be facilitated on a cost sharing basis to relocate to a designated area in SEZs, if they are able to demonstrate that they have high growth potential and that their current premises are holding them back. This will go a long way to alleviate the negative impacts of having industrial firms scattered across the country, while also facilitating SMIs to GOR support programmes such as business development services.

4.2.6 Skills Development and Labour Productivity

Labour productivity is a measure of output per worker, and it is a crucial determining factor of the competitiveness of products such as garments, where some 60% of production costs are salaries paid to workers. Access to skills came as a close second-most important impediment to competitiveness in the WEF report, yet the MIR survey did not find skills to be as important. The foundation of skills development and labour productivity is high quality basic education, whereby outcomes such as functional literacy, numeracy and knowledge retention are the foundation of further skills development programmes, whether through formal or on-the-job training. As such, at a foundational level the success of MIR will depend on the success of the Rwandan education system, from pre-primary to secondary education, to produce capable and productive workers and entrepreneurs. However, base-level skills won't suffice to achieve the required quality and labour productivity needed and there is equally a need to develop specialised skills and knowledge, tailored to the specific sectors targeted under MIR. In the short term, WDA will continue to offer its on-demand Rapid Response Training to all investors, covering the entire cost of training their workforce for up to six months. This is a key investment promotion tool and one that has proven increasingly popular.

Skills shortages are found throughout the Rwandan economy, compounded by the reluctance of firms to invest in their staff due to high turnovers. The lack of practical skills and core workplace soft skills of Rwandan workers is something that has been highlighted by the National Skills Audit (2011), the PSDS and numerous other reports. In the medium term, there is a continued need to invest in technical and vocational education and training (TVET) and in higher education. There is a need across-the-board to continuously update curricula, attract qualified teachers, invest in high-quality premises and foster partnership with the private sector. Due to the nature of TVET programmes, having modern equipment and machinery on which students may practise is critical, yet the specifications and cost of this equipment may at times be very specific and quite high. Therefore, the skills development programme under this Policy needs to be developed in partnership with the private sector in order to ensure that programmes adequately address current and future bottlenecks. As a minimum, key anchor firms need to be involved in determining specifications for equipment used in training, in curricula development and assessments. Wherever possible, WDA should seek to establish partnerships with the private sector, whereby WDA covers the cost of training while a private sector partner specifies learning outcomes and uses the premises and students for their production lines - in a similar vein to the ongoing Industrial Based Training. MIFOTRA, WDA and PSF will on a regular basis carry out skills gaps assessments, identifying which skills are in most need across the private sector to further inform policy.

The interventions under the Workplace Learning Policy (WLP) also help to address this skills deficit, through the creation of a formalized Apprenticeship program as an alternative form of TVET, the formalization of stricter standards for internships and Industrial Attachment Programs (IAPs). However as mentioned in the policy, if these initiatives are to take off there needs to be more ownership from the private sector - through mandatory private sector involvement in the boards of skills development programs and agencies. This will help overcome current issues faced by TVET students, where close to one quarter fail to find an appropriate firm to conduct their mandatory IAP.

Finally, higher education institutions are also partners in the implementation of the MIR Policy, fostering research and development across the economy for dynamic improvements in competitiveness. Obvious fields of relevance are the science, technology, engineering and mathematics (STEM) subjects, which form the backbone of industrial and economic competitiveness. MINEDUC and the higher education institutions will therefore continue to invest in programmes targeting those subjects, all the while remaining in close dialogue with the private sector, establishing internship programmes and soliciting feedback about the quality and appropriateness of the skills their students have acquired through the course of their study. Facilitating more international internships for Rwandan graduates will also promote innovation, knowledge transfers and ideas for Rwanda's future business leaders.

4.3 Pillar 3: Improving Quality

The MIR Policy aims for Rwandan products to be known for their quality, reliability and durability at home and abroad. As efforts to change mind-sets work to instil this image amongst consumers, it is important that the product-reality reflects expectations on quality. The MIR Survey hinted at the fact that high costs of production are forcing industrialists to choose between price and quality in order to compete in the local market. This does not mean Rwandan producers are creating sub-standard goods, but rather that the Rwandan market by-and-large is more price-sensitive than quality-sensitive. Lower quality products, however, are harder to export. In order to overcome this duality, many firms have developed different products for different segments of the market; some high-quality and higher price, while others are cheaper and hence less durable. However, such differentiation is not possible in every sector and creating multiple products can be costly, inhibiting the utilisation of economies of scale. Facilitating the achievement of high quality while keeping costs affordable is therefore the second pillar of the MIR Policy.

There are two channels through which GOR will support the private sector to invest in quality. Firstly, it will create the necessary environment for firms to invest in quality, and secondly it will enforce mandatory standards and consumer protection so that firms who do invest in quality are not being undercut by producers of sub-standard products.

4.3.1 Upgrading Quality Infrastructure and Support

Rwanda Standards Board (RSB) was established in 2002 to offer Government verification and certification of companies' processes and product standards. RSB offers subsidised certification and inspection services to facilitate exports and domestic sales of quality products. Recognizing that many companies are not ready to have their processes or final products certified, a core part of RSB's work is to raise awareness about the importance of standards and to conduct trainings. To date, RSB has developed more than 1700 standards for the national market (i.e. standards that products must comply with to be sold in Rwanda), while certifying more than 330 products and 20 production systems. RSB also acquired HACCP[18] accreditation in 2017, which is the key basic standards system on food safety, supporting sixteen firms to date, a number which will increase rapidly in the coming years as RSB rolls out its strategic focus on agro-processing under the MIR Policy. The establishment of the Rwanda Inspectorate and Competition Authority (RICA) will also streamline and enhance GOR's ability to enforce standards and thus incentivise companies to make the necessary investments.

However, awareness of standards is one thing; being able to make the necessary investment in production systems and skills is another. This section details a number of interventions to be carried out by RSB and other stakeholders in partnership with the private sector, to develop the capacity required to make investments in quality.

4.3.1.1 Expansion of quality infrastructure

The ability for a firm to meet a certain standard is only the first step - it must also be verified and trusted. The MIR trademark will only be awarded to products that can demonstrate their reliability, quality and safety to consumers – yet, this requires that the entity awarding

[18] Hazard Awareness and Critical Control Point Standards

certificates has the necessary capacity, equipment and resources to process applications and carry out testing of samples. The DMRS recommended a major upgrade of RSB's testing facilities, large parts of which have been achieved. However, RSB still lacks the ability to test entire categories of products, which would otherwise qualify for the MIR Certification if the capacity was there to mark them as safe and reliable. Producers then have to go through international standards agencies that charge as much as $100,000 per certificate, whereas RSB's services are substantially subsidised in recognition of the important trade facilitating role of standards. RSB will therefore continue to expand its certification offer, starting with the priority sectors under MIR. Each sector-specific strategy to be adopted under this policy will therefore detail which investments are required in the Rwandan quality infrastructure facilities.

4.3.1.2 Technical assistance to selected companies through experts and Graduate Placements

Firm-level engagement is necessary to boost the productive capacity and quality levels of the private sector. MINICOM and other stakeholders have in recent years provided technical assistance (TA) to selected anchor firms in strategic sectors under the MIR concept. This has shown positive results. An early lesson learnt was to change this TA from cross-cutting consultants to sector experts embedded in companies to better build capacity at the firm. Embedding experts is expensive, however, which limits the number of firms that may receive support.

Therefore, RSB will set up a graduate placement programme, whereby recent top university graduates in food science, engineering or other relevant subjects receive an intensive short course on standards, after which they are attached as fulltime employees in companies in priority sectors. Graduates are remunerated on a cost-sharing basis to encourage ownership from firms and will be supervised by a senior expert overseeing 15-20 graduates and visiting the companies on a regular basis. This will not only provide companies with qualified employees, who they may otherwise struggle to employ, but will also provide recent graduates with valuable hands-on experience, thus providing them with the skills and experience to maybe even start their own businesses one day.

In the future, HACCP and other relevant standards, as well as modules focused on quality, should also be incorporated into relevant TVET and university courses, ensuring awareness of the importance of these standards and how to implement them, from the beginning. MINEDUC through WDA will take the lead on ensuring that the relevant curriculums provide the necessary practical and theoretical training.

4.3.2 Regulation and Enforcement for Consumer Protection

Those producers that absorb the necessary costs involved with upgrading quality often face unfair competition from products that do not meet the necessary minimum standards to ensure consumer safety. The newly established Rwanda Inspectorate and Competition Authority (RICA) will be responsible for ensuring that sub-standard products are taken off the market. RICA will also have the mandate to check the quality of imports entering Rwanda. It is important that this capacity is expanded so as to ensure that Rwandan firms are not facing unfair competition from imports that also do not meet minimum quality standards. The EAC has in recent years taken tremendous steps to harmonise standards so that one country's certificates are valid across the region. RICA will therefore be looking to see standards verified by any EAC member state or any other internally accredited standards agency.

4.4 Pillar 4: Promoting Backward Linkages

Vertical business integration through supply contracts to multi-national firms is perhaps the most effective way to increase domestic quality and supply capacity. The past few years have seen several big international firms starting operations in Rwanda, providing potentially huge opportunities for vertical business integration of their supply chains. They include several international five-star hotels, international airlines and several big manufacturing plants and agro-processors. In order to realise the full development potential of these high-profile investments, it is important that they establish strong links with the domestic supplier base and source their inputs and supplies locally, as much as is possible.

Many such anchor firms are ready to purchase local products and often try to do so as part of their commitment to Rwanda. However, they typically face two major obstacles: First, many anchor firms are international and do not have extensive local networks, hence do not know who may supply them. Secondly, their orders are typically large and with detailed technical specifications, meaning that smaller firms struggle to access contracts. The interventions outlined above address the second challenge, while this pillar focuses on addressing the information barrier. It therefore complements the market access programmes already implemented under the National Export Strategy II and the AGOA and EU Market Entry Strategies which together support Rwandan producers to access foreign markets.

4.4.1 Access to Accurate Business Analytics

RDB as the company registrar already has information on all local companies, including their sector, main activities, shareholding structure and key financials. This information has potentially enormous economic value in terms of business intelligence and RDB is already sharing select parts of it with potential investors, policy makers and individuals who request access. The raw data on registrations and activities becomes especially useful when analysed and presented in a user-friendly manner, highlighting key sector insights into profitability, key players, geographical location and industry trends and gaps. The potential to generate this kind of analytics is enormous from the data already collected by RDB. There is also ongoing work to match RDB's information about companies with that of RRA's, facilitating major improvements in data accuracy and user access and removing dual processes for companies to register with both RDB and RRA.

The MIR mind-set is already present in RDB and RRA's work but there is potential to maximise it further. Getting access to key sector-wide analytics is one thing, but there is potential to render business analytics publicly available to allow firms to demonstrate their reliability to potential buyers and credit institutions. For instance, a history of profitability verified by income tax receipts may convince a bank to offer more lenient repayment terms, and a bank may be less averse to lending to an emerging sector if reliable information is available about business trends. Similarly, a track record of large supply contracts evidenced by VAT receipts may convince an international investor that a local company has the supply capacity to deliver on large orders. Such integration of information gleaned from tax data may also have the additional benefit of making it more attractive for companies to report accurate turnovers and incomes in order to improve their standing with potential buyers, thus increasing the accuracy of their tax returns. Naturally, there are data sensitivities to be managed whenever one is dealing with tax information and it is paramount that all data is handled in a careful manner and set up in such a way that companies' privacy and sensitive information is not compromised.

4.4.2 Supplier Development Unit (SDU)

RDB already supports international investors to develop local supply chains but this could beneficially be strengthened through the establishment of a dedicated Supplier Development Unit. This would strengthen existing investment promotion efforts and link to work carried out on SME development. It could be part of the investment promotion package to receive a comprehensive package of relevant sector information and the offer of a supplier matchmaking service, which is a model that e.g. the Ethiopian Investment Committee has had significant success with[19]. Winners of public contracts would also be connected with the SDU in order to facilitate domestic sub-contracting.

The SDU will work closely with each large buyer to intimate understand their sourcing strategy in order be able to provide business-friendly advice and support on sourcing locally. Intimate knowledge about each buyer's requirements and procedures will allow this unit to facilitate the switch to a local supply base without causing disruption to the investor's operations. SDU will also have to work closely with potential suppliers for each contract opportunity, supporting them to address supply gaps and make necessary investments in standards, certification and processes.

It is likely that the SDU will find significant capacity gaps in certain potential supplier bases in Rwanda, both for private supply contracts and for public procurement. This means that the SDU will have a prominent role to play in identifying the need for and facilitating the delivery of required training modules for suppliers who fail short of meeting investors' or GOR's requirements. SDU should therefore start off with developing a Supplier Verification Programme, where potential suppliers may undertake training on contract delivery principles, quality assurance, and communicating with customers. SDU can further support local suppliers with accessing support from e.g. RSB and others as well as facilitating potential buyers to write supporting statements to bank loan applications. SDU may also facilitate local suppliers to connect with business development services offered by GOR or private institutions, where more fundamental gaps are found. Finally, SDU with the support of the NEP Secretariat, could facilitate industry-based internship programmes and shadowing schemes, where young graduates may receive work experience in multi-national production facilities[20].

4.4.3 Cluster Platforms

MINICOM has played a strong role in coordinating the Rwanda SME sector across multiple clusters via the SME Forum and newly developing SME Portal - seeking to reduce information failures and better coordinate SMEs in the same value chain. The development of new cluster platforms will ensure greater coordination along the entire value chain,

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[19] IGC 2016 Policy Note: *Maximising the impact of FDI on domestic industrial capabilities and job creation*.

[20] This has been part of the mandate given to the Tanzanian LCU, which in addition to facilitating supply contracts also builds the capacity of local firms to access such contracts through training, shadowing schemes and skills development programmes.

allowing for discussions between large industrialists down to small raw material producers in a value chain. This additional level of coordination will help boost capacity of smaller producers, build synergies along domestic value chains and develop stronger quality control by allowing producers along the chain to discuss the issues they are facing and product requirements that they face. Furthermore, platforms act as an important supporting mechanism for the Supplier Development Unit by facilitating coordination, and through this, aggregation of smaller suppliers.

4.5 Pillar 5: Mind-Set Change

The perception among consumers – not necessarily true – that imported products are superior in quality or price, dampens demand for locally made products. There are two core channels through which mind-set change will be achieved: A Communications Campaign and Local Preference in Public Procurement. The communications campaign will build on the work already being done by government in terms of sensitising the public to the benefits of buying locally made produce. As is evident from the MIR Survey, the communications campaigns have already been successful in this regard. The MIR policy therefore builds on existing momentum and incorporates some of the suggestions raised from the consumer sentiment survey. Local preference for public procurement is GOR's way of leading by example and using its substantial purchasing power to further boost demand for local products.

4.5.1 Sensitization and Communications Campaign

The main objective of the communications campaign is to encourage Rwandan consumers to buy more locally produced goods and services. This will be achieved by targeting consumers' perception of local products and the campaign is therefore a fundamental part of the MIR policy. The campaign will be spearheaded by MINICOM in partnership with PSF and RDB. The MIR Communications Campaign has three main objectives:

1. Improve the image of Rwandan-made products
2. Educate consumers about the benefits of buying locally
3. Showcase specific products and services through annual expos that are dedicated specifically to MIR products

A core part of the communications campaign is centred on the criteria for determining whether a company can receive the MIR logo[21] on their packaging. This logo acts as a symbol of quality assurance and should be reserved for those products that represent the core objective of the MIR Policy – that Rwandan products be known for their quality, safety and reliability. Promoting the MIR brand as a whole will raise awareness about the existence of quality products and assure regional and international markets that every product with the MIR logo is of the best quality. The MIR brand therefore, out of necessity, must be exclusive in order to maintain this reputation for quality and will act as an incentive for firms to continue the process of improving their process quality.

[21] Specifically, the MIR logo will be a certification mark that is protected and only companies meeting minimum certification standards in their line of business will be allowed to access the logo for their branding.

Globally, there are usually criteria for domestic value addition governing access to the national certification mark (50% in all cases highlighted) and the assessment is usually carried out by an independent agency. In Rwanda's case, the following points must be adhered to for a product to acquire the MIR Certificate:

1. The product must comply with EAC Rules of Origin, being either wholly made or substantially transformed in Rwanda, and
2. The product must have acquired the appropriate standards for international trade

Products and companies should be reviewed on an annual basis to ensure that they still meet the strict criteria to maintain the MIR logo. Receiving the MIR Logo will mean companies will have access to the full weight of the Rwandan brand and reputation for high quality, affordable products. This should be protected to ensure its usefulness as a brand.

4.5.2 Local Preference in Public Procurement

Public Procurement is a significant source of demand in the Rwandan economy. In 2012, GOR procurement stood at 12% of GDP[22] across a range of economic sectors such as furniture, clothing, chalk and construction works. As a major consumer, GOR should therefore lead the way in promoting MIR by sourcing locally wherever possible, while remaining mindful of getting value for public money. In practice, it will be worth it for GOR to pay a slightly higher price for goods and services, if this translates into economic benefits such as jobs, increased output and taxes paid in Rwanda.

The Public Procurement Law is being amended to reflect the potential economic benefit of using GOR purchasing power to promote the Rwandan economy. Local producers who can demonstrate at least 30% local value addition to their products are now able to claim 15% preference on their bids for public contracts, when so advertised by the procuring entity. A 30% threshold on local content or value-addition is significant, but it is necessary to promote companies that add value and create jobs. Equally important is the fact that tenders for services below RWF 10 Million and works below RWF 100 Million are reserved for local suppliers.

Given the weight of its purchasing power in the Rwandan economy, however, GOR needs to carefully manage its decision to purchase locally, so as to not generate negative price effects in the short run. As a first step, MINICOM has therefore developed a list of products where existing production already meets or may easily be increased to meet GOR demand without distorting local markets. This list of products will be prioritised for immediate implementation of the local procurement preference. GOR will then continue to support the private sector to build adequate supply bases where domestic capacity is not yet fully in place, so that over time more products may be added to this list.

Furthermore, procuring entities must take utmost care to pay suppliers in a timely manner, given that most domestic suppliers struggle to access working capital. Delayed payment to a lead contractor has further ripple effects down their supply chains to sub-contractors, further exacerbating working capital constraints. Delayed payments by public entities may thus trigger negative effects throughout the economy, also signalling that meeting payment deadlines is not mandatory. Delayed payments also inflate bids received from contractors

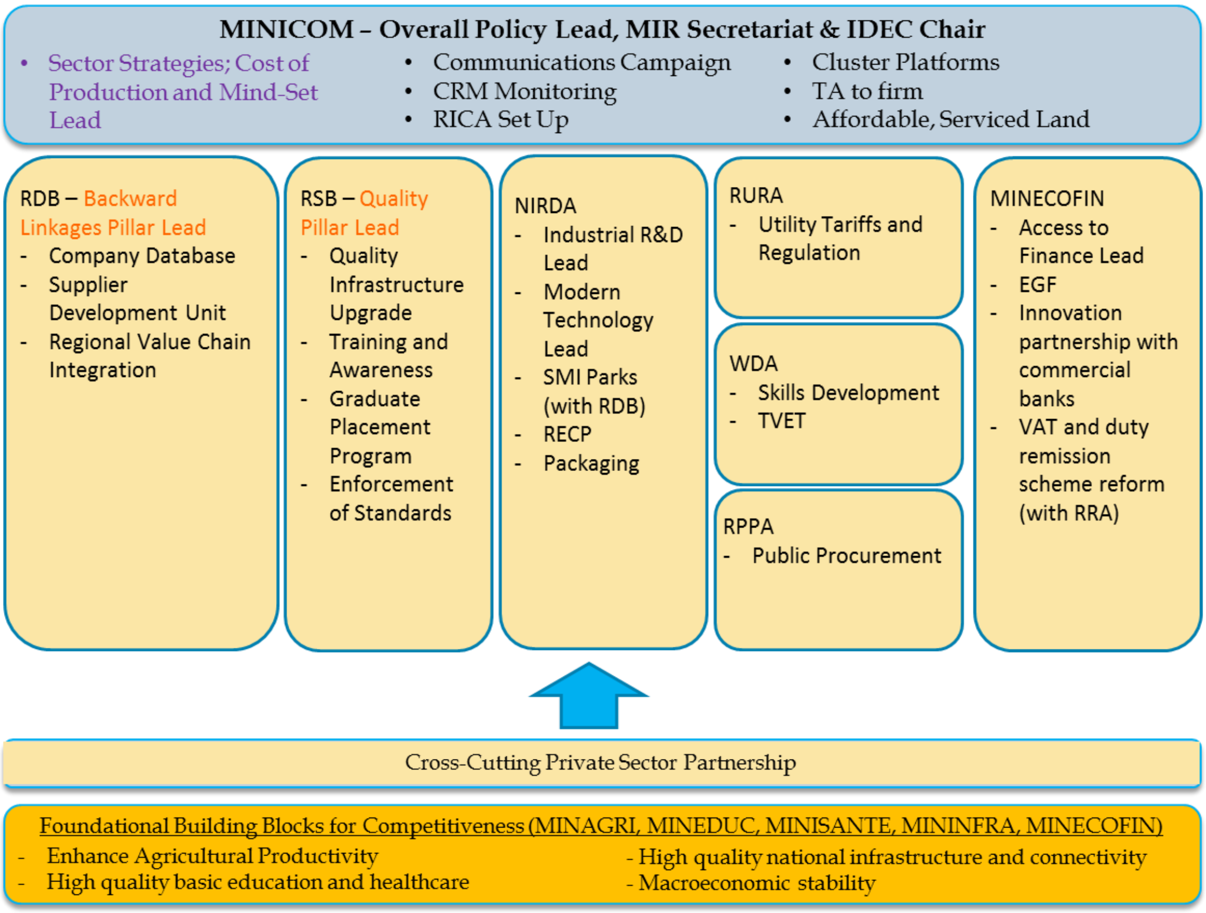
[22] Karisimbi Partners, 2014, *Encouraging Growth of SMEs through Public Procurement.*

expecting to be paid late – ultimately costing GOR 16-18% on its procurement bill annually. The amended Public Procurement Law therefore stipulates that all government entities must pay their contracts within 30 days unless otherwise agreed upon in the contract and that they must publicise on their websites how many invoices they currently have delayed to pay, both in terms of number and in terms of value. This will incentivise institutions to pay invoices in a timely manner. In addition, PSF will set up an inquiry desk for company complaints. RPPA will also set up an e-payment system that will facilitate the payment of public procurement. MINECOFIN will strive to release the required funds for paying local contractors as a matter of priority and, together with RPPA, work with procuring entities to solve the matter.

5 Implementation Framework

The success of the MIR Policy will depend on the efficiency of its implementation, and in particular on the effectiveness of the monitoring and evaluation system to measure the impact of its interventions. A first step is therefore clarifying the roles and responsibilities of each stakeholder involved.

Figure 8: MIR Implementation Framework



As far as possible, the MIR Policy will be implemented using existing institutional frameworks, reflecting the fact that it is a mind-set to be mainstreamed into existing work rather than new interventions to be implemented in parallel. The institutional framework that supports the implementation of the policy, and the monitoring and evaluation structure have thus been designed to reflect this and to allow for a dynamic and responsive policy, which will enable its continuous updating and upgrading to reflect changes in the operating environment and incorporate lessons learnt during the course of implementation.

MINICOM, RDB and RSB are the key leading institutions implementing the five pillars of the MIR Policy. Ensuring the capacity of the three lead institutions is therefore crucial for the success of this policy and MIR needs to be owned by each stakeholder at the most senior level. MINICOM as the overall policy lead will play the role of coordinator and high-level policy supervisor. As evident from the figure above, the three major implementers are assisted by a wide range of GOR stakeholders, each with their piece of the puzzle. Close coordination is paramount to overall success.

5.1 Institutional framework

The MIR Policy will partly be mainstreamed into existing industrial development coordination mechanisms. This way, the MIR will leverage the networks and know-how of key existing institutional frameworks. These are the Industrial Development and Export Council (IDEC), the Private Sector Development and Youth Employment Sector Working Group (PSDYE SWG) and the SME Forums. However, a new Made in Rwanda Secretariat will be created to ensure the successful implementation and monitoring of the policy. In addition to these consultative platforms, regular and meaningful engagement and consultation with the private sector are a key part to establishing the public-private partnerships that are the hallmark of this policy. Such targeted PPD will allow for a more efficient mechanism to track progress and to get direct feedback from the private sector, to allow for swift action and follow-up by the senior decision makers.

5.1.1 Industrial Development and Export Council (IDEC)

IDEC currently mainly focuses on the promotion and coordination of exports. However, the mandate of IDEC also covers promotion of productive sectors, and therefore competitiveness issues. MINICOM is also the chair of IDEC, so IDEC will naturally take on the role of steering committee to oversee the MIR Policy.

5.1.2 Made in Rwanda Secretariat

A Made in Rwanda Secretariat will be created to coordinate the implementation and the monitoring of the MIR Policy, as well as support implementing institutions to keep the MIR mind-set throughout. The Secretariat will be placed under MINICOM, under the supervision of the Director General for Industrial Development and Entrepreneurship.

5.1.3 Private Sector Development and Youth Employment Sector Working Group

The PSDYE SWG is a key coordinating forum where GOR stakeholders in the private sector development and employment sectors coordinate with development partners. Naturally, this forum holds a key part of the puzzle for successful implementation by leveraging development partner support and expertise, which will be crucial for overall success.

5.1.4 Quarterly Private Sector Breakfast Sessions

Conducting quarterly private sector breakfast sessions will maintain momentum on the implementation of the MIR Policy through dedicated PPD. Thus, it will ensure that the implementation process remains dynamic, responsive, and inclusive by taking into account concerns and feedback from the private sector. It will also facilitate the private sector to own the MIR concept and to steer GOR interventions towards their priorities.

The private sector breakfast sessions will take place every quarter and will be held at a venue outside of the Ministry allowing for a relaxed and friendly atmosphere. The breakfast will be hosted and chaired by the Minister of MINICOM and attended by captains of industry and leaders from the Private Sector Federation (PSF). The meeting will start with a short presentation of findings from regular company visits and IDEC and PSDYE fora. The final half of the session can be entirely dedicated to Q&A in order to listen to the private sector. MINICOM will take the lead in analysing and following up the implementation of proposed recommendations by engaging with the necessary actors, and providing policy guidance no later than the next breakfast session. This initiative will also allow the private sector to network, bring forward new ideas or constraints, and provide a platform for friendly and dynamic public-private dialogue.

5.2 Impact Monitoring and Evaluation

The GoR will build strong business relations in which certain performance improvements from firms in terms of recapturing domestic market, export performance, job creation, quality standards, and productivity gains in return for support. More efforts will be made to monitor the implementation of such performance requirements and take appropriate action when they were not met. The GoR will instil Performance contract with the private sector with commitments on deliverables from each side. This mechanism will create a framework to measure the effectiveness of MIR incentives and support through performance based contract with each company benefiting support or incentives under the MIR Policy.

MINICOM in collaboration with other key stakeholders will serve as key leading institution and will be responsible for the implementation of the five pillars of the Made in Rwanda Policy as detailed in the implementation plan. A joint forum for effective and efficient monitoring and evaluation system will be established. Ensuring the capacity of the three lead institutions is therefore crucial for the success of this policy and MIR needs to be owned by each stakeholder at the most senior level.

Indicators ranging from the macro to activity impact levels were elaborated to enable tracking of impact of the MIR policy actions and **will be integrated in the macroeconomic framework after establishment of baselines, targets and projections with key assumption for key selected indicators.**

The exercise of measuring the outcomes and impact of the MIR Policy for both consumers and producers is critical for the success and continuity of the policy. This exercise will entail the design of surveys to be conducted on an annual basis as well as an M&E system that takes into consideration the results of the survey to inform policy amendments and action wherever necessary. The surveys will be drafted in a way that tracks and measures the performance of each of the pillars described in chapter three above. Secondly, the surveys will be anonymous, and will be administered in paper form and/or electronically. Two types of surveys are proposed:

Consumer Sentiment Survey:

The purpose of the consumer sentiment survey is to assess whether the MIR campaign is positively influencing consumer perception towards locally made products. The survey should be carried out to a randomised sample frame of consumers across the country.

Industrial Survey

The Industrial Survey aims at measuring the impact that the MIR policy has had on businesses, industries and manufacturing entities.

5.3 Financial Implications

The cost of implementation set under the MIR implementation plan in the next seven years (2017-2024) was estimated at RWF 274.5 billion of which 90% (245.9bn) will be from the development budget while the recurrent budget will account for 10% (28.3bn). The largest costs, estimated at 54%, will be spent on activities to attract private investments. These are key infrastructure projects under pillar two on reducing the cost of production, which has the lion's share of total costs of around 83%. A detailed costing is provided I the implementation plan.

5.4 Legal and Regulatory Implications

The policy does not require any further legal and regulatory implications than the ones in existence. However, during the development of sector specific plans there may necessitate some key regulatory reforms to unlock sector potentials while attracting investors in key priority sectors along the value chains.

6 Annexes

6.1 Annex 1: Implementation of the Communication Campaign

This section outlines the general narrative on how MINICOM alongside other implementing partners will improve the image of Rwandan-made products and educate consumers about the imperative of buying local, with a long-term objective of changing mind-sets. The action plan is formulated to implement communication activities that directly correspond to the objectives of the MIR Policy, as outlined in previous sections above.

Mind-set Change

Mind-sets drive behaviour and are based upon a set of assumptions, methods or systems held by one or more people or groups of people. They are usually so established that they create a powerful incentive to continue to adopt or accept prior behaviours, choices or tools. As a result, changing well-established and often deep-rooted mind-sets is a long-term process that requires a concerted effort. Therefore, in implementing the MIR Communication Campaign, there are three important elements that will form the basis of changing mind-sets of MIR products and services.

Elements to Consider

- **Assessment**

  For any campaign to be successfully executed, an assessment of current perceptions to the products or services must be carried out. As indicated above, a MIR survey has been conducted, which informs the policy and Campaign. Moving forward, such surveys should be carried out on an annual basis to constantly gauge how people's mind-sets and behaviours are changing overtime as they further embrace MIR products and services. In addition to this, surveys conducted by MINICOM in partnership with local media will help inform MINICOM on how the Campaign is being received.

- **Consultations**

  A consultative outlook is what should characterize the MIR Campaign, providing platforms for citizens and policy-makers to constantly engage with each other at every crucial stage of implementing the MIR policy. The Campaign in nature is people-centred and aimed at changing mind-sets and behaviours. Frequent consultations between all relevant stakeholders will therefore be a necessity for successful outcomes. This method is outlined in the section that explains the *Channels and Tools* of the Campaign.

- **Linking Traditional Values to MIR Communications Campaign**

  As part of the Campaign, a creative and authentic way to effectively change mind-sets towards the MIR Policy can be by linking it to traditional and/or cultural values. Slogan messages can subsequently be developed and used in different stages of implementation of the Campaign. Using positive elements of Rwandan values in disseminating and implementing the MIR Policy has the potential to draw in massive citizen support and as such, will require less enforcement by authorities. This will undoubtedly foster ownership by stakeholder actors across the country. Below is a table linking the traditional value in term of meaning to the key aspects of the MIR Policy.

Table 8: Campaign elements and their root in traditional Rwandan cultural values

No.	Key Elements of MIR Policy/Campaign	Corresponding Rwandan Traditional Values
1	Value	Agaciro
2	Quality	Ubwiza
3	Competitiveness	Ihiganwa ku isoko
4	Safety	Ubuziranenge
5	Self-reliance	Kwigira

Implementation

So far, the MIR Communications Campaign has organized two expo events aimed at showcasing MIR products and services, in 2016. Various TV and radio programs have been aired on the subject. Brand collateral has been developed (brochures and a brand logo). However, a more intensive, strategic, planned and long-term campaign with key additional elements is necessary.

In order to successfully implement the objectives of the MIR policy, one must develop messages to be disseminated; effectively develop the tools to do so; identify the target audiences; and select the most efficient channels of communication.

Messages

The first and most crucial step of the Campaign is to develop key messages for dissemination country-wide. The MIR Policy builds on and complements several other documents such as Vision 2020 and EDPRS II, Domestic Market Recapturing Strategy, National Export Strategy II, Private Sector Development Strategy, etc. Within the Policy therefore, are key messages that need to be developed and packaged for dissemination using different tools, to different audiences. **Message content** needs to be developed for:

- A MIR website;
- Brand collateral (brochures, flyers, posters, billboards, TV & radio adverts, etc);
- MIR policy briefs;
- Media kits.

Examples of messages that can be further developed for the above-mentioned platforms are:

- *"MIR: Quality, Safety, Value."*
- *"Buy Local, Support Your Own*!"

Channels and Tools

As part of the Policy, the MIR communications campaign aims to change mind-sets on a national level regarding the value and competitiveness of Rwandan-made goods and services. As such, consultations between the relevant stakeholders (policy –makers, private sector, development partners and civil society) must form a core component of the Campaign. Based on the above, the necessary channels and tools in disseminating the MIR policy for implementation include:

- Consultative district town-hall meetings across the country i.e. during Umuganda meetings;
- Technical sensitization workshops (e.g. on price, quality & safety of products);
- Periodic (quarterly) forums between policy-makers/government and private sector;
- Mass media using print, radio and television;
- Social media campaigns (Twitter & Facebook);
- A regularly updated website dedicated to the MIR Campaign.

Target Audience

Based on research carried out as outlined in the introduction of the policy, the primary target audiences nation-wide to whom communication of the MIR Policy will be directed to include government, private sector companies (Industries, Manufacturers, SMEs) civil society, and local consumers.

Table 9: Campaign overview

	National Level
OBJECTIVES	• Improve the image of Rwandan-made products. • Educate consumers about the benefits to buying locally.
AUDIENCE	• Local consumers, • MSMEs • Civil society, • Corporations/large companies, • Public Institutions
MESSAGES	• *"MIR: Quality, Safety, Value."* • *"Buy Local, Support Your Own!"* **Message content** to be further developed and packaged for: • Website | Brand Collateral | Policy briefs | Media Kits
CHANNELS/ TOOLS	• Print, radio and TV, • Social media, • Annual MIR expos, • District town-hall meetings on MIR Policy/Campaign, • Technical workshops/forums.

6.2 Annex 2: Alignment of MIR Policy with NST1 towards Vision 2050

NST Priority Area	Linkage with MIR Policy	MIR Pillar
Create 1,500,000 (over 214,000 annually) decent and productive jobs for economic development	• Priority sub-sectors with high potential for growth and employment • Create business through entrepreneurship and access to finance. • Develop and enhance Strategic partnerships with private sector companies • Scale up the number of TVET graduates with skills relevant to the labor market • Mainstream employment planning into all key sectors of the economy • Develop a mechanism to support at least one model income and employment-generating project in each village.	Pillar 1: Sector Specific Action Plans will further enhance linkages of NST and MIR Policy
Accelerate Sustainable Urbanization from 17.3% (2013/14) to 35% by 2024	• Promote and develop Local construction materials in collaboration with the private sector in line with the 'Made in Rwanda' policy • Industrial parks in both Kigali and secondary cities will play key role	MIR Policy as prioritized the sector and will developed its Specific Action Plans while implementing Pillar 1
Establish Rwanda as a Globally Competitive Knowledge-based Economy	• Develop and operationalize a thriving skills ecosystem • Support the establishment and operationalization of new and existing Centers of Excellence • Promote research and development for industrial development.	Skills, R&D are key considerations and enablers of MIR policy Pillar 2: Reducing Cost of Productions caters for these.
Promote industrialization and attain a structural shift in the export base to High-value goods and services with the aim of growing exports by 17% annually	• Promote the 'Made in Rwanda' brand working with the private sector • Establish and expand home grown industries working with the private sector • Identify and develop priority value chains. • A big shift in Rwanda's export outlook will be oriented towards services export, including in high-tech areas such as Financial Services/Fin-tech/e-payment, BPOs, Legal, Security services, and other professional services. • Double tourism revenues to USD 800 million by 2024 from USD 404 million in 2016. • Develop a vibrant aviation sector • Reduce the cost of doing business and facilitate trade • Upscale mining sector and Prioritize increased value addition for mineral and quarry products Value addition upgrading will be a key component of agricultural export growth. • Growth of Agricultural exports will be complemented by increasing the volume of	Key sector selected under MIR policy include high value goods. Pillar 1: Sector Specific Action Plans will further enhance linkages of NST and MIR Policy

	traditional agriculture export crops and products.	
Increase domestic savings and position Rwanda as a hub for financial services to promote investments	• Develop Rwanda into a financial services center to support MIR Policy • Increase Payments transactions done electronically as percentage of GDP from 42% (2017) to 80% by 2024. • Bring financial services closer to people • Develop the capital market and increase dynamism • Operationalize long-term savings and pension for all	Access to finance is a key enabler of MIR Policy as highlighted in Pillar 2. NIST plans Pillar 2: Reduce cost of Production recognizes the importance of finance in MIR.
Modernize and increase productivity of Agriculture and livestock	• Strengthen the commercialization of crop and animal resource value chains • Increase the average productivity of key crops in tons per hectare between 2017 and 2024 • Work with the private sector to build post-harvest handling and storage facilities across the country and to add value to agricultural produce (processing). • Scale up the production of high-value crops • Establish a program to improve professionalization of livestock farmers and increase their output in terms of quality, volume and productivity.	MIR policy recognize the importance of agriculture specifically the need to increase local production of raw materials and improving domestic value chains to meet industrial demand. Implementation of interventions under Pillar 1 will provides more detail.

6.3 Annex 3: Implementation Plan

Output	Indicator	Activities	Stakeholders	Required Budget (7 Years)
Outcome 1: Enhanced competitiveness of key priority sectors				
Sector Specific Strategies implemented	Number of Sector Specific Strategies developed	1. Identify and engage key stakeholders in respective sectors for development of sector-specific strategies 2. Produce and validate sector-specific strategies	MINICOM	1,400,000,000
	Number of Sector Specific Action Plans being implemented	1. Mobilize funds to implement the sector specific action plans 2.Implement the sector specific action plans 3. Conduct M&E for the implementation of sector specific action plans	MINICOM, MINAGRI, MINICOFIN, MINIRENA, PSF, RSB, NIRDA, RDB,	TBD
Outcome 2: Reduced Cost of Production				
Access to Industrial Inputs increased	Number of anchor firms linked to new alternative source of CRM	1. Identify CRMs for Rwandan economy 2. Set up a framework to identify the availability of CRMs 3. Develop strategies to increase the CRM production 4. Strengthen the contracting mechanism between suppliers of CRMs and industries 5. Link anchor firms to the new alternative sources of CRM	MINAGRI, MINICOM	450,000,000

	% of yield productivity increased for key selected agro-based products	1. Avail quality seeds and fertilizers 2. Strengthen agricultural extension services 3. Create awareness on the use of agricultural inputs	MINAGRI, MINICOM	38,843,395,034
	Number of post-harvest facilities available	1. Invest in proper post-harvest infrastructures 2. Create awareness and training on proper post-harvest handling and storage	MINAGRI, MINICOM	TBD

	MIR mainstreamed into fiscal policy and CET review	1. Country report/Position on EAC CET produced (Cost to be covered by EAC under TMEA Support). 2. Participate in re-negotiation of EAC CET 3.Conduct review of existing taxes and the implementation thereof 4. Develop a manual explaining taxation procedures, tariffs and exemptions 5. Organise awareness workshops about taxation procedures, compliance, tariffs and exemptions 6. Address recommendations from tax review	MINECOFIN, MINICOM, RRA, MINAFFET	154,000,000
	Number of local packaging producers	1. Attract investors in packaging industry 2. Establish the CoE for packaging materials 3. Link SMEs to CoE	NIRDA, MINICOM, PSF, RDB, RSB	132,500,000
	% of construction works completed for Kigali Logistic Platform (KLP)	1. Develop KLP 2. Operationalize KLP	MINICOM, MININFRA, PSF AND RDB	5,000,000,000
	% of construction works completed for Rubavu Bonded warehouses	1. Develop Rubavu Bonded warehouse 2. Operationalize Bonded warehouse	MINICOM, MININFRA, PSF AND RDB	2,000,000,000
	% of construction works completed for Rusizi Bonded warehouses	1. Find private developer for Rusizi Bonded warehouse 2. Develop Rusizi Bonded warehouse	MINICOM, MININFRA, PSF AND RDB	1,000,000,000

Access to Modern Technology increased	RECP unit operational within NIRDA	1. Establish the RECP unit within NIRDA 2. Staff and train RECP unit 3. Develop a resource mobilization mechanism 4. Implement RECP unit mandate	MINICOM, NIRDA,PSF	796,921,643
	Number of Industries trained on RECP	1. Raise awareness on RECP services 2. Train industries and companies on RECP 3. Monitor and evaluate trained companies	RECP, RDB,PSF,RSB,REMA,NIRDA, MINICOM	655,513,874
	Amount in savings (Energy, water, materials, chemicals, waste) and reduction of pollution (CO2 emission, wastewater and solid waste)	1. Raise awareness on RECP services 2. Link companies with RECP 3. Institutionlise RECP as business support centre 4.Conduct impact assessment of RECP interventions	RECP, RDB,PSF,RSB,REMA,NIRDA, MINICOM	1,760,780,000

	Increased levels of productivity in industrial sectors through technology upgrades	1. Carry out Technology audit. 2. Develop and implement action plan on the basis of technology audit 3. Support companies to upgrade technology 4. Disseminate locally-relevant technology enhancements through demonstrations 5. Monitor and evaluate technology upgrades	NIRDA, MINICOM, PSF	TBD
Access to Finance Promoted	Access to finance through Export Growth Facility (EGF) increased	1. Conduct assessment on possible increased capacity of EGF 2.Conduct awareness campaign about EGF 3. Mobilize more funds for EGF 4. Conduct a feasibility study on the establishment of the Credit Guarantee Scheme 5.Implement recommendations from the study	BRD, MINICOM, MINECOFIN, RDB	21,000,000,000
	Number of Commercial Banks Mobilized to provide capital Financing to potential enterprises	1. Assess factors affecting access to finance and develop strategies to address them 2. Mobilise commercial banks to provide financing to potential enterprises 3. Implement strategies to address identified factors affecting access to finance	MINECOFIN, MINICOM, BRD, BNR	320,000,000
Affordable Utility Tariffs for Industries Enhanced	Percentage of industries that benefit from the new utility tariff structure	1. Conduct an assessment on the new utility tariff structure 2. Provide recommendations for the implementation of the new utility tariff structure 3. Implement the recommendations 4. Sensitize industries on the implementation of the new electricity tariff structure 5. Monitor and evaluate the new utility tariff structure	RURA, MININFRA, MINICOM, PSF	70,000,000

Access to Affordable, Serviced Land increased	HAs of affordable, serviced land area available in IPs	1. Develop industrial and parks development and management strategy 2. Mobilise private developers/operators for industrial parks 3.Develop infrastructure in Bugesera Industrial Park Phase 1 (100HA) 4. Develop infrastructure in Musanze IP (120HA) and in Bugesera Phase 2 and 3 (220HA) 5. Develop infrastructure in Rwamagana IP (80HA) 6. Develop infrastructure in Rusizi IP (45HA) 7. Develop infrastructure in Huye IP (50HA)	MINICOM, MININFRA,MINECOFIN, RDB, PSF	138,280,000,000
	Number of studies for potential District SME parks developed	1. Conduct assessment of potential District SME parks 2. Conduct feasibility studies for District SME parks 3. Develop District SME parks Development and management strategies	MINALOC - LODA, MINICOM, PSF	1,700,000,000
Industrial Skills Development and Labour Productivity enhanced	Hands-on Skills enhanced and improved through Rapid Response Training (RRT)	1. Assess the needs for skills development and labour producivity in each value chain 2. Include skills development in sector specific action plans 3. Negotiate PPPs with investors for the establishment of professional training centres in key value chains 4. Develop curricula, procure equipment and operationalise training for key value chains	WDA, PSF, CESB	11,900,000,000

	Number of technical internships provided by the private sector	1. Identify and engage private companies to host interns 2. Sign MoUs with interested companies 3. Place interns 4. Monitor and evaluate the impact of the internships	WDA, MIFOTRA, CESB, PSF, MINEDUC	1,920,000,000
	Number of firms benefitting from technical assistance to improve competitiveness	1. Select 15 new anchor firms for domestic market recapturing to benefit from technical assistance 2.Hire a professional firm to provide technical assistance 3. Monitor the impact of the technical assistance on the selected firms	MINICOM, RDB, PSF, RSB, NIRDA, BRD	1,050,000,000
Outcome 3: Improved quality of locally made products				
Quality Infrastructure and Support Upgraded	Number of standards for MIR priority VCs developed	1. Conduct 2 needs assessments of priority standards each year 2. Upgrade quality infrastructure and technology for MIR priority VCs (Procure Quality testing equipment) 3. Develop standards for MIR priority VCs	RSB, MINICOM, MINECOFIN	3,583,503,560
	Number of SMEs supported in HACCP/FSMS certification	1. Develop and implement SMEs maturity model 2. Develop clear criteria for selecting SMEs 3. Train SMEs on the applicable standards 4.Assign SMEs with selected graduates and respective supervisors 5.Certify SMEs on HACCP/FSMS 6. Clearly monitor and evaluate success of program	RSB, MINICOM, RAB, PSF	2,834,173,988

	Number of SMEs that receive QMS certification	1. Operationalize the project 2. Select SMEs 3.Assign SMEs with selected graduates and respective supervisors 4.Deliver training 5. Certify SMEs on QMS 6. Clearly monitor & evaluate the success of the program	RSB, MINICOM, PSF, RDB, BRD	450,000,000
	Number of accreditations acquired	1. Prepare for accreditation 2. Submit Application 3.Conduct accreditation assessments 4.Conduct surveillance Assessment (Maintenance of Accreditation) 5.Renew accreditation contract	RSB, MINICOM, MINECOFIN, RDB, RPPA	1,158,889,691
	Number of experts qualified through RSB Graduate Scheme	1. Establish the scheme 2. Develop training materials for graduates 3. Recruit graduates and their respective supervisors 4. Attach graduates and their respective supervisors to SMEs. 5. Deliver training 6. Assess and qualify the graduates	RSB, WDA, CESB, UR-Rwanda Food Science &Technology Society-(RFST)	380,851,032
	Number of products complying with standards (by sector: construction materials, Light Manufacturing and Services)	1. Conduct awareness about standards 2. Categorise SMEs according to standard compliance levels 3. Conduct sector specific training 4. Conduct S-Mark Certification Audits	RSB, PSF, MINICOM, RDB, BRD	2,520,000,000

Regulation for Consumer Protection Enforced	Number of harmonised standards across the EAC	1. Identify a list of standards that could be harmonized across the EAC 2. Negotiate standards for harmonization across the EAC 3. Implement the harmonized standards in Rwanda and encourage the implementation in the EAC	RSB, MINAFFET	272,500,000
	RICA operational	1. Design the structure of RICA 2. Establish and staff RICA 3. Establish enforcing regulations/orders 4.RICA implements its mandate	MINICOM, MIFOTRA, MINAGRI, RSB	25,620,000,000
Outcome 4: Enhanced backward linkages between SMEs and Leading Firms				
Access to Accurate Business Analytics increased	Aggregated enterprise database operational	1. Design and develop new aggregate database that links RDB, RCA & RRA databases 2. Operationalize aggregate enterprise database	RDB, RRA, RISA, RSB, RCA	600,000,000
Supplier Development Unit (SDU) established within RDB	SDU operational	1. SDU TORs designed 2. Approve SDU structure 3. Equip SDU and train staff 4. SDU to implement mandate	RDB, MIFOTRA, MINECOFIN, MINICOM	730,000,000
	# of SMEs that access supply contracts via SDU	1. Map the sources of raw materials for leading firms 2. Identify high potential local suppliers (large and SMEs) 3. Develop the criteria for the Supplier verification scheme (selection criteria) 4. Proactively engage investors to contract local suppliers 5. Support the development of small suppliers to meet investor requirements and to diversify their products on demand	RDB, PSF, RSB, MINICOM	750,000,000

Cluster Platforms established and operationalized	Number of SME Cluster Platforms established for every cluster	1. Organize SME clusters 2. Establish platforms 3. Organise SME Forums 4. Review business models to increase competitiveness 5. Conduct the impact assessment on the establishment of SMEs cluster platforms 6. Implement the recommendations from the assessment	MINICOM, PSF	750,000,000
Outcome 5: Increased positive perceptions of consumers towards Made in Rwanda products from 60% to 100%				
Sensitization and Communications Campaign conducted	Number of MIR Exhibitions organised	1. Organize Made in Rwanda exhibitions	PSF and MINICOM, MINALOC, districts and provinces	5,600,000,000
	Number of surveys on MIR impact conducted	1. Prepare the MIR survey measuring the impact of the MIR campaign 2. Conduct the MIR survey at the MIR exhibition in Kigali	MINICOM	35,000,000
	Number of media houses whose representatives trained on MIR	1. Develop training materials 2. Organise trainings for media houses	MINICOM and RMC	14,000,000
	Number of MIR TV, Radio Shows and press conferences organised	1. Supervise production and broadcast of TV and Radio shows 2. Edit the script before recording 3. Organise presenters and engage public figures	MINICOM, RSB, MINIYOUTH, PSF	385,000,000
		1. Organise press conferences 2. Prepare press package		
	Number of MIR Umuganda organized every year	1. Prepare the MIR brief for local government 2. Coordinate MIR Umuganda	MINICOM and MINALOC	28,000,000

	Number of Social media campaign sessions organised	1. Encourage all GoR Agencies to put in place internal policy with regard to MIR dress code on the last Friday of every month in order to support Rwanda fashion industry 2. Organise and conduct social media sessions on the last Friday of every month	MINICOM, PMO, MINITECH, PSF, RSB	0
	Accessibility criterias and use of MIR logo in place	1. Establish a quality committee that will certify products with the MIR logo (RSB, MINICOM, PSF, BRD, RDB, RRA, RPPA) 2. Register MIR logo 3. Conduct an assessment to determine % of value addition for local companies 4. Develop Criteria for access, ensuring alignment with EAC and S-mark 5. Conduct awareness campaign on access and use of MIR logo	RDB, RSB, MINICOM	0
Local preference in Public Procurement enhanced	Share of public tenders in numbers and value where local preference clause is applied	1. Establish the baseline for the share of public tenders in terms of value 2. Conduct sensitization workshops with procuring entities and suppliers 3. Monitor regularly the application of the regulation and its impact 4. Update the list of MIR products available for public procurement	RPPA, PSF and MINICOM	112,000,000
	Share (%) of public procurement paid on time	1. Establish a database on the payment of public procurement 2. Set up an inquiry desk for private sector within PSF 3. Set up an e-payment system 4. Minimise delays within government procuring entities	PMO, MINECOFIN, MINICOM, PSF, RISA, RURA	60,000,000