Republic of Rwanda

Ministry of Trade and Industry

NATIONAL CROSS-BORDER TRADE STRATEGY

2012 - 2017

A comprehensive strategy to support Rwanda's exports to neighbouring countries

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TRADE MARK EAST AFRICA

UN WOMEN
United Nations Entity for Gender Equality and the Empowerment of Women

CONTENTS

Acronyms

Abbreviation	Definition
BNR	National Bank of Rwanda
BRD	Rwanda Development Bank
CBT	Cross-Border Trade
CEPGL	Economic Community of Great Lakes Countries
CET	Common External Tariff
CIP	Crop Intensification Programme
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Integrated Household Living Conditions Survey
EU	European Union
FoB	Freight on Board
FMCG	Fast Moving Consumable Goods
FTA	Free Trade Agreement
ICBT	Informal Cross-border Trade
ICT	Information and Communication Technology
ILO	International Labour Organization
IVR	Interactive Voice Response
M&E	Monitoring and Evaluation
MDA	Ministries, Departments and Agencies
MFN	Most Favoured Nation
MINAGRI	Ministry of Agriculture
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Trade and Industry
MINILOC	Ministry of Local Government
MININFRA	Ministry of Infrastructure
MINIYOUTH	Ministry of Youth and ICT

MoU	Memorandums of Understanding
MSME	Micro, Small and Medium Enterprises
NEPAD	New Partnership for Africa's Development
NMCs	National Monitoring Committees
NTBs	Non-Tariff Barriers
OCC	Congolese Customs Control Office
OSBP	One Stop Border Post
PSF	Private Sector Federation
RCA	Rwanda Cooperative Agency
RDB	Rwanda Development Board
RRA	Rwanda Revenue Authority
Rwf	Rwandan Francs
SMFM	Sell More for More
SPS	Sanitary and Phyto-Sanitary
STRs	Simplified Trade Regimes
SWG	Sector Working Group
TID	Trade Information Desk
TIN	Tax Identification Number
ToR	Terms of Reference
TPR	Trade Policy Review
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

Executive Summary

Cross-border trade (CBT) refers to trade in legitimately produced goods and services between neighbouring countries. Most often CBT refers to trade that takes place close to the borders. For Rwanda, CBT refers to trade with Burundi, the Democratic Republic of Congo (DRC), Tanzania and Uganda. CBT can be either formal or informal and includes trade in agricultural produce, manufactured goods and re-exports[1].

A good deal of Rwanda's CBT is small informal trade conducted by women traders. Informal trade is trade which is not officially recorded due to the small quantities traded or because formal regulatory and tax policies are not being applied correctly by border officials. It is important to stress that informal trade is not synonymous with illegal trade. The strategy therefore, has a strong gender component running through interventions to support informal trade.

Neighbouring country markets are also increasingly important for Rwanda's formal sector. Rwanda is exporting an increasingly diverse range of products through an expanding number of small, medium and large manufacturing firms as well as through *'pure trading firms'*. As a result the strategy also included interventions to support Rwandan firms benefit further from export opportunities in neighbouring countries.

Importance of Cross-Border Trade

Cross-border trade is important for Rwanda for a number of social and economic reasons. Firstly, neighbouring countries are important trading partners accounting for 20% of Rwanda's total trade. Official trade data from both the formal and informal sector indicate that informal exports to neighbouring countries in 2011 were 51% higher than formal exports (see table). Over the same period informal imports were significantly lower than formal imports.

TRADE WITH FOUR NEIGHBOURING COUNTRIES 2011 (RWF BLN)

	Exports (Rwf)	% of Total Exports	Imports (Rwf)	% of Total Imports
Formal Cross-Border	21.9	9%	162.4	18%
Informal Cross-Border	33.2	14%	11.5	1%
RoW	187.6	77%	712.1	80%

Source: RRA and BNR official Trade Data

Informal cross-border trade (ICBT) has important implications for poverty reduction as over 80% of ICBT takes place in Rwanda's Western Province. 48.4% of the population has been identified as poor in this province, the second highest rate in the country (EICV3, 2012). There is also an important

1 Re-exports are goods that are imported into Rwanda exported back out of the country in the same state as when they entered.

gender component to CBT as the majority (74%) of informal traders are women. For the formal sector, neighbouring countries are the only export markets for the vast majority of Rwanda's manufacturing sector. These countries represent the most diverse export destinations for Rwandan goods and are the best opportunity for many firms to enter the export market.

The Vision

The vision of the Cross-Border Trade Strategy is dynamic and diversified trade with neighbouring countries, creating jobs and income in both the formal and informal sectors and improving the trade balance. The strategy is closely aligned with the Trade Policy Mission of "growing sustainable and diversified products and services for trading locally, regionally, and internationally, with the aim of creating jobs, increasing incomes, and raising the living standards of Rwandans."

Analysis

The strategy focuses on achieving this through increasing merchandise exports, both formally and informally from Rwanda. Cross-border trade in services will be covered in a separate study. The focus of this strategy is on facilitating higher volumes and values of cross-border exports. Strategies to facilitate importing have not been covered. However certain interventions address both imports and exports.

The DRC is Rwanda's largest regional export market accounting for 70% of formal exports and almost 80% of informal exports to the EAC and DRC region in 2011. While starting from a low base, the DRC and EAC have been Rwanda's fastest growing export destinations over the past decade outside of Rwanda's traditional exports sector (tea, coffee, minerals) destinations. Growth in exports to the DRC and EAC between 2002 and 2010 averaged 50% and 34% respectively.

Informally Rwanda's CBT exports are dominated by local agricultural produce (40%) and livestock (26%). Manufacturing goods such as processed food, fast-moving consumable goods (FMCG) and re-exports of paraffin are also significant. The composition of exports in the formal sector is similar to the informal sector, however there are some important exceptions. Livestock and petroleum exports both significant informal exports are much lower in the formal sector. Beverages, clothing and construction material tend to be exported more often through formal channels as opposed to informal.

The analysis has identified the strategic parameters for cross border trade in terms of: (i) understanding prices (ii) producing to export and, (iii) key sources of export revenue growth.

(i) Cost of Trade

The existence of a border can lead to significant price differences in markets that are often within walking distance of each other and where goods would otherwise not be expected to differ greatly in price. Trading across borders increase prices and higher prices reduce demand, which in turn, reduces exports. Prices for goods in Rwanda's largest cross-border market, the DRC, are on average 24% more expensive for goods traded informally while formally the difference can be even greater (see table).

PRICE DIFFERENCE BETWEEN GISENYI AND GOMA (% DIFFERENCE)

	Informal	Formal
Cost of Border	Between 10% and 20%	-
Traders Margin / Cost	10%	-
Price in Goma	Average +24% Range (-3% to +35%)	Average + 59% Range (9% to 179%)

Source: World Bank Price Survey for Agricultural goods and authors own survey for formally traded goods.

The price difference arises due to a number of factors including; the cost of crossing the border, channels of distribution, and the quality of market and transport infrastructure. These factors impact the informal and formal sectors in different ways.

In terms of the informal sector, crossing the border can be a costly and often risky undertaking. Traders are subject to violence and abuse, can have their goods confiscated and may be required pay fines and bribes for no apparent reason. These costs push up the price of Rwandan goods in neighbouring markets. Despite the risks at the border, thousands of informal traders operate on the borders between Rwanda and her neighbours, moving goods in small quantities across the border. This competitive distribution channel is efficient and relatively low cost. However, poor market infrastructure and inadequate storage facilities increase wastage and push up prices in Rwanda's markets close to the border, this is compounded by a poor feeder road network which hinders agricultural producer's access to markets, reduces supply and increases the cost of goods in Rwandan towns with high volumes of CBT.

Formally exporting is an expensive and lengthy process. Exporting to the DRC can take up to 63 days in document preparation, customs clearance and technical control and costs an average of US$ 3,285 (World Bank, 2012). This can have a significant impact on prices. So far, Rwandan firms have avoided the costs by not exporting directly. Some larger firms rely on a few distributors who control prices and distribution in neighbouring markets. There are indications that these distributors have monopsony power and set prices at uncompetitive levels. The effect is that higher profit margins are captured by distributors with Rwandan exporters losing out in terms of revenue and opportunities. Smaller firms do not rely on distributors but are rather reactionary to approaches from foreign customers. Market and transport infrastructure are not an issue for prices in the formal sector in the context of CBT, as many firms sell direct to customers at the factory gate.

(i) Producing and Supply for Regional Exports

Outside of Rwanda's traditional export sectors (coffee, tea and minerals), Rwanda's output is almost solely produced for domestic consumption. This is true of both the informal and formal sectors. A description of the nature of supply for exporting from the informal and formal sector illustrates this point.

Informal producers primarily produce for their own household consumption, only selling surplus output they might have to middlemen or traders. These producers capacity to significantly increase output for exporting is limited in the short to medium term. However they are constrained by a lack of information on demand and prices. Improved information availability will enable producers to get a better price for their goods and may encourage a market oriented approach to production. .

Many of Rwanda's new and larger manufacturing firms are operating with an eye to supplying both domestic and regional markets. These firms, despite being relatively few in number, are driving formal export growth in the EAC and DRC region. These firms include large and well established manufacturing firms, and relatively new firms often owned by larger regional groups. New investors are attracted by the security Rwanda provides as a production location and the opportunity it presents for rapidly supply neighbouring markets rapidly and efficiently. These relatively efficient producers could benefit from higher prices for their exports through improved market linkages. Reducing supply side constraints, particularly the cost and time of importing inputs is a key factor for increasing competitiveness and ability to respond to demand, an issue that goes beyond the scope of this strategy.

Rwanda's non-export orientated manufacturing firms are generally characterised by low capacity utilisation and export a very low percentage of their total output. As exporting is done mainly on an ad-hoc basis, little or no effort has been made by these firms to forge links with distributors or customers across the border. As a result these firms are unaware of the potential opportunities cross-border markets may hold. Better market linkages with follow up support may help these firms increase output through existing capacity and increase exports.

Rwanda's pure trading (those firms that trade in goods but do not produce) are predominately focused on importing into Rwanda to sell to the domestically, however many do engage in some re-exporting. As with the manufacturing sector these firms either rely on distributors or respond to direct approaches from foreign customers. As they do not have direct links with neighbouring markets they have little information on prices, demand or opportunities. Increasing exports for trading firms is dependent on their ability to match supply with demand in neighbouring countries and access to finance to increase quantities traded.

(i) Sources of Export Revenue Growth

Based on the above analysis, new export revenue growth opportunities have been identified in the informal and formal sectors. These are as follows:

- In the informal sector there is significant opportunity to increase export revenue by reducing the cost of trading. This can be achieved through improved infrastructure along the supply chain and reducing cost of crossing the border. In the longer term increasing agricultural output for exporting is a possibility, however this will require a shift in priorities and practices in small-scale producers.
- For larger productive firms with relatively high export orientation, new export revenue growth in the short term can be realised through better market information which translates into

higher prices. In the medium to long term addressing supply side constrains and attracting new investment is required to reduce costs and increase output.

- For firms with low export orientation and low capacity utilisation, exports can be increased through exposing these firms to export markets, allowing them to have greater sales, greater capacity utilisation and greater productivity. For these firms to achieve this they will need support in market linkages, production processes and product development.

In terms of prioritising markets, the DRC's North and South Kivu regions have been identified as the markets that hold the highest potential for exports. These two regions have an estimated effective annual demand of over US$2 billion per annum. However due to years of instability very little of this demand can be met internally. Uganda and Burundi are also potentially large export markets, however Rwanda's exporters will face stiff competition in Uganda and Burundi has limited purchasing power. Entering Tanzania, Kenya and deeper into DRC will require interventions that go beyond CBT. Some options beyond CBT are discussed at the end of the strategy paper.

The Strategy

The primary objective of the Cross-Border Trade Strategy is to promote cross-border exports of legitimate Rwandan produce to neighbouring country markets. The main objective of the Cross-Border Trade Strategy is to promote cross-border exports of goods from Rwanda to neighbouring country markets. Specifically this objective will be achieved through:

- Reducing the cost of trade to improve competitiveness of Rwandan goods in neighbouring markets, increase volumes exported and increase the profitability of trade;

- Strengthen market linkages between producers, traders and markets in the informal and formal sector;

- Provide targeted financial and export support to producers and traders in the informal and formal sectors; and

- Continue to attract investment in Rwanda's manufacturing sector to produce for the domestic and cross-border markets.

The strategic interventions are outlined below:

- **Facilitation and Coordination of CBT initiatives:** A CBT Facilitation Unit will be established under MINICOM's Director General Trade and Investment. The purpose of the unit will be to oversee implementation of the strategy, coordination of CBT initiatives at national and district level, and information dissemination.

- **Addressing the Cost of Trade:** Cost and time of crossing the border increases the cost and reduces demand for Rwanda exports in cross-border markets. Many of the barriers are not based in legal regulation. The cost of trade affects producers, traders and buyers through reducing the profitability of trade and demand for goods. Reducing the cost of crossing the border will: improve competitiveness of Rwandan goods in neighbouring markets; increase volumes exported and; increase profitability of trade. This can be achieved by:

- Customs and Border Administration:
    - Establish One-Stop Border Posts (OSBP) with EAC neighbours to reduce time and cost;
    - Explore opportunities for small trader border crossings strategically placed along the borders with neighbouring countries. These border posts might have limited opening times but could significantly reduce travel time for traders who are currently not close to borders;
- Sensitisation training for border officials on CBT;
- Implement national simplified export requirements for small traders and promote the use of the regional small trade regime (STR) for small formal traders. An estimated 33% of regional formal export consignments are below US$2000 and could potentially benefit from the STR;
- Engagement –Bilateral and Regional:
    - **Bilateral** - Actively engage with neighbours on CBT specifically to improve conditions for traders and enhance CBT
    - **Regional -** Encourage and support regional initiatives through the EAC, COMESA and CEPGL to improve conditions and simplify procedures for CBT;
    - **Issue based:** COMESA has recognised the challenge of sanitary and phyto-sanitary (SPS) requirements to both the STR and to the cost of formal trade (under the green pass programme) in the long term. Rwanda is already involved and being considered for piloting programmes in this area.

- **Creating stronger market links in the informal sector:** Producers in the informal sector are not linked to cross-border markets. The cost of getting goods to border market are high because of poor transport infrastructure. Poor storage and market infrastructure further increases wastage and pushes up prices for goods. These constraints are compounded by the low market orientation of agricultural producers. Improvements to infrastructure and information will increase supply and reduce costs of goods in Rwandan cross-border markets. Lower prices will increase demand and volumes exported. This can be achieved by:
    - Mainstreaming CBT into national feeder road programme to increase supply of goods in

CBT markets

- Mainstreaming CBT into producer cooperative training programmes close to CBT markets to increase their market orientation and the supply;
- Construct market and storage infrastructure in Rwandan towns with active CBT. These facilities will meet the needs of informal traders and can accommodate high volumes of trade;
- Construct small market places at three strategic locations on Lake Kivu where informal trade is high but currently illegal as it does not meet REMA standards, the cooperation of customs officials would also be required to oversee the trade and maintain its legitimacy;
- Improve information availability for producers through CBT mainstreaming into e-soko market information system and linked to COMESA Trade Information Desks; and
- Establish small trader border posts along

- **Access to Finance for Informal Traders:** Cross-border trade is restricted by a lack of finance available for small informal traders. Access to finance will increase opportunity for small traders to trade in higher volume and value goods and increase Rwanda's exports. BDF will pilot cross-border trade finance programme through Savings and Credit Cooperative Organisations (SACCOs) in districts with high volumes of cross-border trade. The scheme will be targeted specifically towards women traders;

- **Create CBT Business Friendly Environment:** Encourage local business, banks, forex bureaus, and transport companies to synchronise their operating hours with border opening times. This will allow CBT traders to trader over longer periods per day;

- **Support small traders scale up and formalise:** Trading in lower volumes increases the cost per transaction and reduces to profitability and volume of goods traded. Supporting CBT cooperatives improve their management and entrepreneurial ability to scale up and formalise will increase volumes and profitability of trade. Training and support will be provided to traders through the RCA and entrepreneur training provided with funding from UNWOMEN;

- **Creating stronger market links for the formal sector:** Outside traditional export sectors, Rwanda's formal sector export orientation is extremely low. On average just 4.3% of output is exported (IGC, 2012). Only a handful of Rwandan firms regularly export while the rest are mainly reactionary. Export opportunities are missed despite high demand and prices in cross-border markets. Trade fairs will expose firms to new opportunities and buyers in cross-border markets. Increasing their export orientation. Interventions in this area are:

  - Pilot trade fairs in Gisenyi and Kamembe and plan to hold regular trade fairs in cross-border markets moving forward;

- Market survey in CB markets in DRC;
- Create yellow pages of Rwandan firms, highlighting what is on offer to potential customers in cross-border markets;

- **Exporter Support for Rwandan Firms:** New export opportunities are not being met. Largest existing exporters are operating at close to capacity and without new investment cannot meet existing demand. Export growth needs to come from firms not currently exporting. Increase cross-border exports by re-orientation and increased utilisation of existing production capacity:
  - Exporter Development Programme to provide support to non-exporting firms to both scale up production and export goods to cross-border markets;
  - This support is linked to Trade Fairs.
- **Mainstream CBT into Investment Promotion:** Increase cross-border exports by attracting new investment in strategic export sectors. Rwanda is an attractive base from which to export to DRC and Burundi because it offers a safe environment to operate from and option of supplying in low quantities, rapidly to DRC and Burundi markets.

Potential impact of interventions

Exports to region are targeted for average export growth of 31% a year up until 2018. This is based on existing trends in trade to the EAC and DRC, full implementation of all activities within the strategy and continued implementation of other MINICOM initiatives such as the trade and logistics strategy and programmes to grow Rwanda's manufacturing sector, vital for maintaining growth to the region. A good deal of this growth is dependent on Rwanda continuing to attract new investment in the manufacturing sector. Annual export projections to the region up until 2018 are presented in the table below.

EXPORTS TO THE REGION 2011-2018 (US$)

	2011	2012	2013	2014	2015	2016	2017	2018
Projected Growth	89 167 618	116 809 580	126 778 519	153 200 846	186 110 310	226 729 991	276 406 356	336 591 183
Above Trend			35 630 598	63 469 739	98 462 779	142 026 760	195 741 106	261 332 212
Total Exports to EAC and DRC	89 167 618	116 809 580	162 409 117	216 670 585	284 573 089	368 756 751	472 147 463	597 923 396
% Growth		**31%**	**39%**	**33%**	**31%**	**30%**	**28%**	**27%**

1. Context

Cross-border trade (CBT) is trade in legitimately produced goods and services between neighbouring countries. Most often CBT refers to trade that takes place close to the borders. For Rwanda, CBT refers to trade with Burundi, the Democratic Republic of Congo (DRC), Tanzania and Uganda. CBT can be either formal or informal and includes trade in agricultural produce, manufactured goods and re-exports[2].

A good deal of Rwanda's CBT is informal. Informal trade is trade which is not officially recorded due to the small quantities traded or because formal regulatory and tax policies are not being applied correctly by border officials. It is important to stress that informal trade is not synonymous with illegal trade. Women traders make up the majority of informal cross-border traders (74%) in the Great Lakes Region (UNWOMEN, 2012).

Given their proximity, cross-border markets are also Rwanda's largest formal export markets outside the traditional export sectors (coffee, tea, minerals). Rwanda exports a diverse range of products through an expanding number of small, medium and large manufacturing and trading firms.

This strategy identifies opportunities where cross-border merchandise exports, both informal and formal, can be increased through strategic interventions on the part of the Government of Rwanda. Chapter 1 of the strategy describes the importance of CBT for Rwanda and presents the purpose and objectives of the strategy. Chapter 2 provides a detailed analysis of CBT. For the purposes of the analysis trade with Kenya is also included.[3] Chapter 3 details the strategic interventions required to increase cross-border exports on the basis of the analysis. Finally Chapter 4 outlines the implementation framework and expected impact of the strategy.

1.1. Importance of Cross-Border Trade

Cross-border trade is important for Rwanda for a number of social and economic reasons. Firstly, neighbouring countries are important exports markets for both the formal and informal exports as they account for a sizable portion of Rwanda's total trade. For informal trade, CBT is important from a poverty and gender perspective. For formal trade, CBT offers the best opportunity for new firms to enter the export market. Cross-border markets are Rwanda's most diverse in terms of number of unique products exported. These areas of importance are described in detail below.

1.1.1. Value of Cross-Border Exports

Trade with Rwanda's four immediate neighbours accounts for a significant amount of Rwanda's total trade. In 2011, 25% of Rwanda's trade was with its four neighbours. Exports were valued at Rwf 55.1 bln in 2011 or 23% of Rwanda's total exports. Imports from Rwanda's four immediate neighbours were

2 Re-exports are goods that are imported into Rwanda exported back out of the country in the same state as when they entered.
3 Kenya is an important regional comparator country as it is the only country in the EAC which is not also a cross-border market.

3 times higher than exports at Rwf 173.9 in 2011 but accounted for a smaller portion of Rwanda's total imports - 19% (see table 1).

TABLE 1: TRADE WITH NEIGHBOURING COUNTRIES 2011 (RWF BLN)

	Exports (Rwf)	% of Total Exports	Imports (Rwf)	% of Total Imports
Formal Cross-Border	21.9	9%	162.4	18%
Informal Cross-Border	33.2	14%	11.5	1%
RoW	187.6	77%	712.1	80%

Source: RRA and BNR official Trade Data

Official trade data for the formal and informal sector show that informal exports in 2011 were higher than formal exports to neighbouring countries, Rwf 33.2 bln informal exports compared to Rwf 21.9 bln formal exports. Over the same period informal imports were significantly lower than formal imports. Informal imports were just Rwf 11.5 bln in 2011 compared to Rwf 162.4 bln formal imports.

Box 1: Capturing Data for Informal Trade

In 2009 the Government of Rwanda, initiated a survey of informal cross border trade at 53 formal and informal border crossings. The survey, led by BNR, aimed to measure the extent to which informal CBT was taking place and who and how the trade was happening. The survey has been running since April 2009, with a gap of five months between June and September 2010. The data is imprecise due to the difficulties in capturing and recording informal trade. Large differences in the value of trade between the two annual data sets could be an indication of improvements to the capturing of data overtime as opposed to actual increased volumes of trade. However the surveys are still a good indicator of the scale of informal trade and the direction of trade flows.

Informal cross-border trade (ICBT) has implications for Rwanda's balance of trade. In 2011 Rwanda ran a trade surplus of Rwf 21.7 bln for informal trade. In the formal sector Rwanda ran a trade deficit of Rwf 665 bln in world merchandise trade. Incorporating informal trade data into official trade figures could potentially reduce Rwanda's total merchandise trade deficit by 3%.

1.1.1. Gender

As much as 74% of informal cross border traders are women (UNWOMEN 2012). It is estimated that 90% of these women traders rely on CBT as their sole source of income. However informal trade is highly gendered with women traders missing many of the best opportunities. Strategic gender responses are required to ensure that women traders opportunities are fully realised. The types goods traded and volumes traded are highly gendered. Men trade tend to trade in more capital intensive goods such as manufactured goods while women trade predominately in lower value primary products (International

Alert, 2012). Quantities traded also differ between men and women due to differences in physical strength. Trading in lower quantities increases the cost per transaction for traders and reduces their profits.

The proportion of female traders in cooperatives is still relatively low compared to the proportion of female traders involved in ICBT. It is estimated that as little as 10% of traders in cooperatives are women. As a consequence, women miss out on the advantages of belonging to a cooperative such as greater government support, increased security and improved contact with relevant institutions and agencies.

1.1.1. Impact on Poverty

Over 80% of informal cross border trade takes place in the Western Province where the percentage of the population identified as poor is 48.4% (EICV3), the second highest rate in the country. Cross-border trade is the sole source of income for many traders in those districts with high volumes of CBT. Supporting cross-border trade offers an opportunity to improve the livelihood population in the Western Province through higher volumes of trade and improved linkages with local producers to cross-border markets.

1.1.2. Main Market for Rwanda's Smallest Exporting Firms

Neighbouring countries are the sole export market for the majority of Rwanda's exporting firms. More firms export to neighbouring countries than to any other destination. In 2010 an estimated 317 firms exported to the DRC and EAC compared to 103 to Rwanda's 5 largest non-neighbouring markets (see table 2) 106 different firms exported to Uganda, 87 to DRC, 68 to Burundi and 38 to Tanzania. Switzerland was the highest non-CBT country with 27 firms exporting to it (IGC, 2012)

TABLE 2: NUMBER OF FIRMS EXPORTING TO A COUNTRY IN 2010

Country	Number of Firms (EAC and DRC)	Country	Number of Firms (RoW)
Uganda	106	**Switzerland**	27
DRC	87	**Belgium**	26
Burundi	68	**China**	19
Tanzania	38	**UK**	18
Kenya	18	**USA**	13
Total	317	**Total**	103

Source: IGC, 2012

Despite the high number of firms export to the DRC and EAC region, the quantities traded are often low. An estimated 33% of export consignments to neighbouring countries in 2011 were under US$2000.

1.1.3. Diversity of Exports

The diversity of exports, in terms of unique products exported to a single destination, are far greater in cross-border markets than in any other market.

The DRC is Rwanda's most diverse export market in terms of unique products, with an estimated 147 different products exported there in 2010. Uganda is the second most diverse market with 74 products, Burundi is third with 68 products and Tanzania fourth with 28 products. Excluding cross-border markets, the most diverse export destination was Belgium with 15 unique products, almost 10 times less diverse than DRC (IGC, 2012).

1.1. Alignment with Existing Government Policies

One of the key pillars of the Vision 2020 is the development of a private sector led economy. This strategy has been developed with a sharp focus on a market led approach to expanding cross-border trade.

The Cross-Border Trade Strategy draws on current national strategies and policies with a view to complementing existing efforts. The strategy should not be viewed as separate from existing strategies but rather aims to leverage on-going initiatives to deliver a product that at once alters perceived conceptions of the nature of Rwandan trade and shifts priorities for certain agriculture and manufactured products, from one of food-security and sale to the domestic markets to potential export products..

The cross-border trade strategy establishes trade, formal and informal, with Rwanda's neighbours as a central component of Rwanda's export base and is particularly well aligned with the Government of Rwanda's National Export Strategy and National Post-Harvest Staple Crop Strategy which has a long term goal of moving Rwanda from subsistence agriculture towards market-oriented agriculture and the soon to be completed National Logistics and Distribution Strategy. .

The strategy is aligned with the National Trade Policies articulation of the need to form stronger links between export development and socio-economic growth, and shares its vision with the National Export Strategy. The strategy is complementary with the MSME Development Programme which aims to increase the competitiveness of Rwandan small traders at a regional level. Finally the strategy is in line with MINICOM's Strategic Plan 2009-2012 to increase the value of existing exports.

Finally the CBT is aligned with Rwanda's committed to the achievement of the Millennium Development Goals , of which Goal 3 is gender equality as well as the empowerment of women as defined in the EDPRS. Gender equality is a cross-cutting issue in the EDPRS which needs to be integrated in all sectoral policies and strategies because "men and women experience the process of development and the impact of policy in different ways."(EDPRS 2008-2012, P58)

2. Vision and Objective

2.1 Vision

The vision of the Cross-Border Trade Strategy is dynamic and diversified trade with neighbouring countries, creating jobs and income in both the formal and informal sectors and improving the trade balance. The strategy is closely aligned with the Trade Policy Mission of "*growing sustainable and diversified products and services for trading locally, regionally, and internationally, with the aim of creating jobs, increasing incomes, and raising the living standards of Rwandans.*"

2.2 Objectives

The main objective of the Cross-Border Trade Strategy is to promote cross-border exports of goods from Rwanda to neighbouring country markets. Specifically this objective will be achieved through:

- Reducing the cost of trade to improve competitiveness of Rwandan goods in neighbouring markets, increase volumes exported and increase the profitability of trade;
- Strengthen market linkages between producers, traders and markets in the informal and formal sector;
- Provide targeted financial and export support to producers and traders in the informal and formal sectors; and
- Continue to attract investment in Rwanda's manufacturing sector to produce for neighbouring markets;

The strategy has not looked in detail at measures to reduce the cost of importing into Rwanda. However, some of the interventions, particularly those aimed at addressing the cost of the border should facilitate trade moving in both directions. The strategy does not cover services as MINICOM intends to develop this area in a separate study.

3. Methodology and Analysis

3.1 Methodology

The strategy has been developed through a combination of activities including:

- **Literature Review:** An extensive literature review of relevant publications and reports on cross border trade in Rwanda, the Great Lakes Region, Africa and Internationally. Special attention was given to available literature on the role of women in informal trade. The review was also used to validate identified strategic interventions through experiences in other regions and understand the impact of the EAC and COMESA simplified trade regimes; and examine the Cross Border Community Agreements together with the CEPGL initiative to facilitate the movement of people in the border communities.

- **Data Analysis:** Detailed analysis was conducted of available data on informal cross-border trade 2 year data set), Rwanda's formal trade with neighbouring countries between 2007 and 2011, agricultural production by region in Rwanda, and differences in prices between towns in Rwanda and DR Congo, as well as major Rwanda cross-border market towns and Rwanda as whole;

- **Meetings and Focus groups:** Discussions were held with various stakeholders including Government Ministries, Departments and Agencies (MDAs), cooperating partners including donors and civil society organisations involved in areas of relevance to the strategy, cross border traders and transporter & cooperatives and the private sector;

- **Field visits to border crossings:** Field visits to border posts at Petite Barrier, Grand Barrier and Gatuna were conducted to understand how cross-border trade is conducted and where constraints arise.

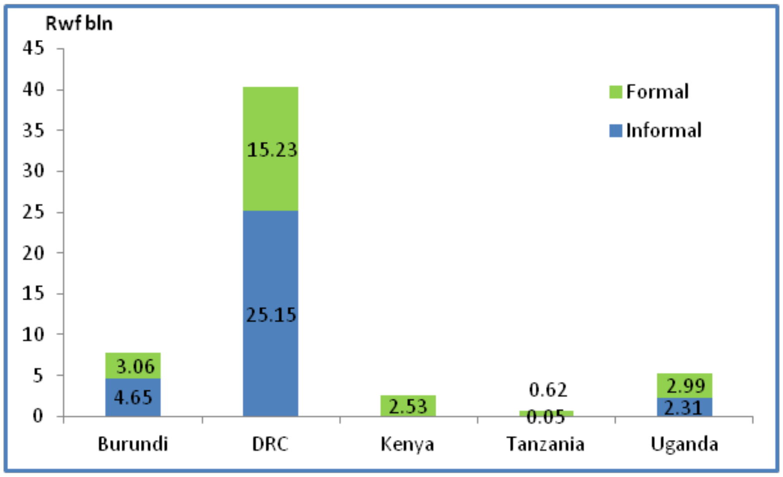
- **Review of, and consultation on, co-operating partners' support programmes:** Because of the wide ranging and relatively comprehensive support to the informal and the agricultural sectors in Rwanda, the strategy has gone beyond its initial scope to examine on-going and planned support of co-operating partners. This has enabled an identification of those key activities that are, are will be, supported. This prevents a re-invention of the wheel and should allow implementation to focus on those areas where additional resources will be needed.

3.2 Analysis of Cross-Border Trade

3.2.1 Value of Exports and Imports

The value of Rwanda's exports varies considerably depending on the trade partner. The DRC is Rwanda's largest regional export market. In 2011 Rwf 41 bln was exported to DRC both formally and informally (see figure 1). Exports to the DRC accounted for close to 70% of total formal cross border exports and almost 80% of informal exports. Burundi is Rwanda's second largest cross-border market accounting for Rwf 8 bln in 2011. Informal exports are greater than formal exports for both the DRC and Burundi. Total exports to Uganda were Rwf 5 bln in 2011 while total exports to Tanzania were under 0.7 bln. Rwanda does not trade informally with Kenya as the two countries do not share a common border. Formal exports to Kenya in 2011 were Rwf 2.5 bln. This figure does not include tea exports which pass through the Mombasa auction.

FIGURE 1: EXPORTS BY DESTINATION 2011 (FORMAL AND INFORMAL)

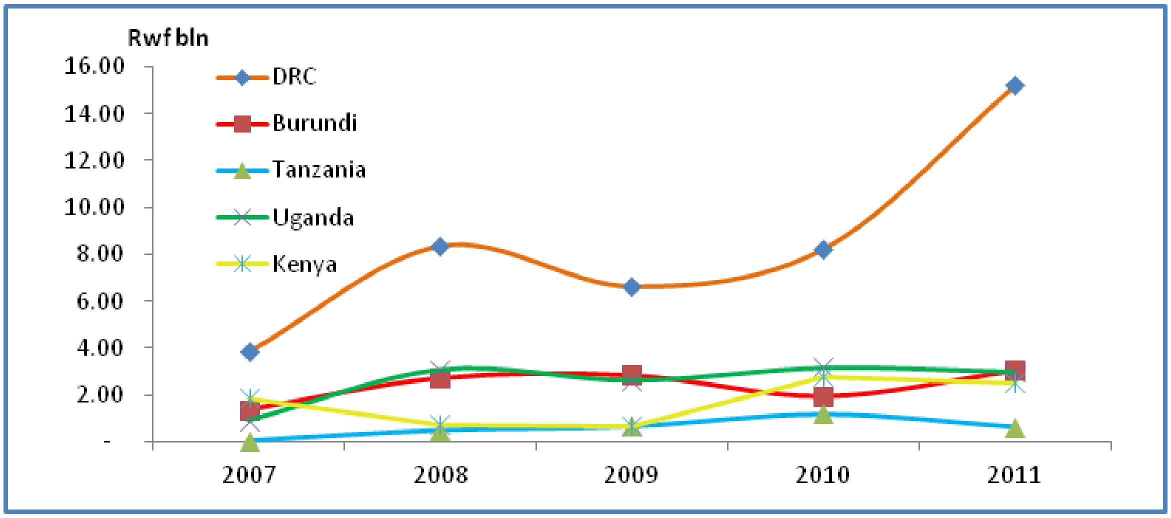


Source: BNR and RRA Trade Data

In terms of trends, The DRC accounted for approximately 54% of formal exports to the DRC and EAC region over the past 5 years, with its share of exports gradually increasing. While starting from a low base, the DRC and EAC have been Rwanda's fastest growing non-traditional[4] export destinations over the past decade. Growth in exports to the DRC averaged 50% between 2002 and 2010 while to the EAC, growth average 34% (IGC, 2012). Exports to the DRC and EAC increased at a rate of US$ 3 million per year over the past decade (Ibid, 2012).

4 Non-traditional exports excludes Rwanda's three largest traditional exports; tea, coffee, minerals.

FIGURE 2: TREND IN FORMAL EXPORTS TO EAC AND DRC (RWF BLN)

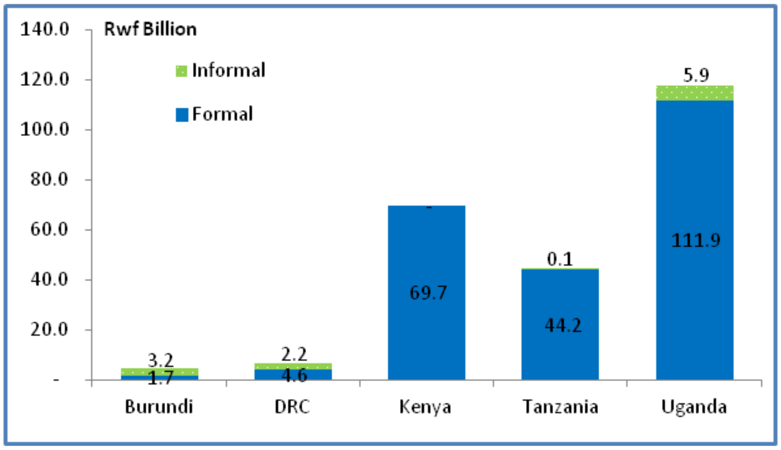


Source: RRA Trade Data

The strong recent upswing in exports to the DRC has been driven by the coming on-stream of production of a number of new large firms in the agro-processing and construction material sector. It is estimated that 2 companies alone accounted for over US$10 million in additional exports to the DRC and Burundi in 2011 (IGC, 2012). It is important to note that the recent impressive growth in exports is likely to reduce as the largest existing exporters reach production capacity. Sustained high export growth will be dependent on new investment in the manufacturing sector and re-orientation of established companies to the export market.

As with exports, the value of Rwanda's imports from the EAC and DRC region varies considerably depending on the trade partner. Uganda, Kenya and to a lesser extent Tanzania are all major sources of regional imports for Rwanda. In 2011, Rwanda imported approximately Rwf 920 bln both formally and informally from the region (see figure 3). Informal imports account for just 0.01% of Rwanda's total imports.

FIGURE 3: IMPORTS BY ORIGIN FORMAL AND INFORMAL 2011 (RWF BLN)



Source: BNR and RRA Trade Data

Unlike exports where informal trade forms the majority of trade, informal trade for imports forms just 1% of total imports. The fact that Rwanda's informal imports are so low in comparison to formal imports is a reflection of the proper application of import procedures by Rwandan border officials who allow a relatively low amount of trade to enter into Rwanda informally.

3.2.2 Products Traded

Rwanda's informal exports are dominated by food and livestock. Food exports, including processed and unprocessed, accounted for approximately 50% of informal exports between 2009 and 2011 while livestock accounted for 26% of exports over the same period (see table 3). These products are largely produced in Rwanda. Petroleum based products, mainly paraffin, accounted for approximately 11% of informal exports and is a re-export. Fast moving consumable goods (FMCG), which includes products such soaps and beauty products and basic household items account for 4% of informal trade. Products in this category include goods products in Rwanda as re-exports. Clothing and footwear (3.5%) primarily comprises of second-hand clothing re-exports.

TABLE 3: TYPES OF PRODUCTS TRADED IN THE INFORMAL SECTOR

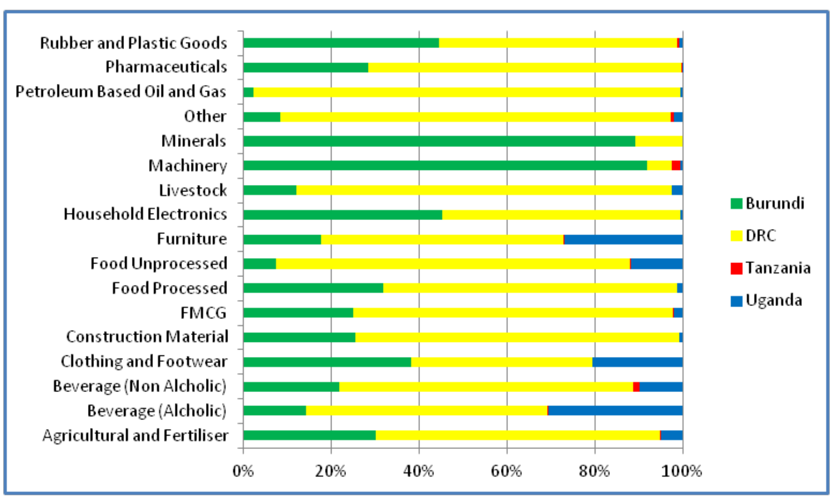
Type of Export	% of Informal Exports	% of which are Re-exports
Food Unprocessed	39.92%	16%
Livestock	26.47%	0%
Petroleum Based Oil and Gas	10.86%	100%
Food Processed	8.98%	26%
FMCG	4.17%	23%

Clothing, textiles and Footwear	3.48%	62%
Construction Material	2.14%	3%
Rubber and Plastic Goods	0.94%	4%
Other	0.90%	0%
Household Electronics	0.63%	100%
Beverage (alcoholic)	0.61%	4%
Agricultural and Fertiliser	0.34%	5%
Beverage (Non-alcoholic)	0.26%	17%
Machinery	0.24%	100%
Pharmaceuticals	0.03%	100%
Minerals	0.02%	0%
Furniture	0.01%	0%

Source: BNR Informal Trade Survey

In terms of product destination, the DRC is unsurprisingly the main destination for the majority of products. However there are some important exceptions. Burundi is an important destination for manufactured goods and minerals. Only 7% of unprocessed food exports are exported to Burundi compared to 32% for processed food. As a largely agrarian economy with a small manufacturing sector this is expected. Uganda is an important market for furniture, second-hand clothing and alcoholic beverages (figure 4)

FIGURE 4: DESTINATION MARKET FOR INFORMAL PRODUCTS



Source: BNR Informal Trade Survey

Food and beverages account for 48% of Rwanda's formal exports to the DRC and EAC. Other important export types include: Clothing and footwear (7.8%), construction material (6.9%), and machinery (5.6%). Much of Rwanda's formal exports outside the food and beverage sectors are actually re-exports to the DRC and Burundi (table 4).

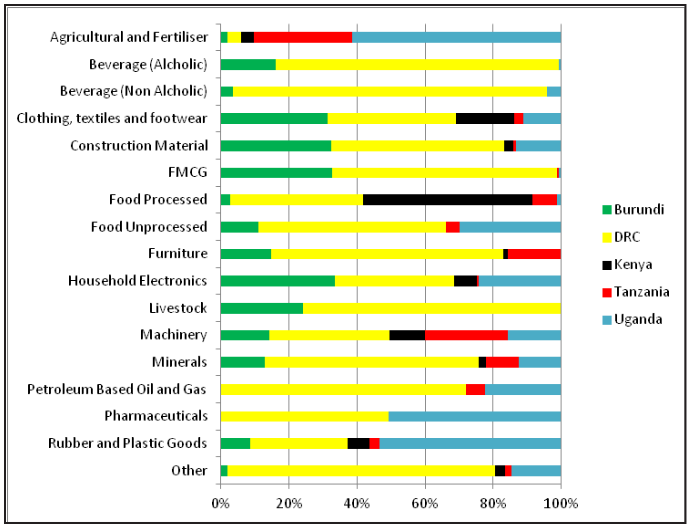
TABLE 4: TYPES OF PRODUCTS EXPORTED IN THE FORMAL SECTOR

Type of Export	% of Formal Exports	% of which are Re-exports
Food Unprocessed	26.45%	7.12%
Beverage (Alcoholic)	7.91%	0.84%
Clothing, textiles and footwear	7.82%	41.67%
Food Processed	6.95%	58.77%
Construction Material	6.92%	61.72%
Beverage (Non-alcoholic)	6.71%	0.86%
Minerals	6.59%	38.71%
Machinery	5.73%	100.00%
FMCG	2.67%	65.04%
Agricultural and Fertiliser	1.08%	69.50%
Livestock	1.05%	0.00%
Household Electronics	0.86%	99.93%
Rubber and Plastic Goods	0.83%	88.53%
Furniture	0.50%	55.03%
Petroleum Based Oil and Gas	0.36%	100.00%
Pharmaceuticals	0.08%	100.00%
Other	17.49%	96.69%

Source: BNR Informal Trade Survey

As with the informal sector, the DRC is the largest market for goods traded in higher volumes, such as the food and beverage sectors (figure 5). Burundi is also an important destination for categories with high volumes of trade. In the processed food sector Kenya is an important export destination due to exports of wheat flour residuals which is then used for animal feed.

FIGURE 5: DESTINATION MARKET FOR FORMAL EXPORTS



Source: RRA Official Trade Data

Uganda is an important destination for rubber and plastic goods. This could be an indication that Rwanda is well placed to serve bordering areas of Uganda with bulky plastic goods, such as water tanks. Formal exports of unprocessed food are also high for Uganda, an indication of demand for agricultural produce from Rwanda.

Rwanda imports a diverse range of goods from the region with no one product type dominating. In terms of products imported, Rwanda's main imports from the region are capital goods for the productive sector including machinery, industrial equipment (15%) and electronic equipment (15%). Construction material and petroleum imports are also significant accounting for 12% and 11% respectively (see figure 6). As informal imports account for just 0.01% of Rwanda's total imports, the informal sector has almost no influence on the total percentage of products imported.

FIGURE 6: TYPES OF PRODUCTS IMPORTED FORMALLY AND INFORMALLY (% OF IMPORTS)

Product Type	Formal	Informal	Total
Machinery & Industrial Equipment	15%	1%	15%
Electronic Equipment	15%	1%	15%
Construction Material	12%	8%	12%
Petroleum	11%	0%	11%
Processed Food	10%	13%	10%
Minerals and Metals	6%	2%	6%
Pharmaceutical Products	6%	0%	6%

Clothing / Textiles / Foot-wear	5%	2%	5%
Fast Moving Consumable Goods	5%	10%	5%
Unprocessed Food and Agri-cultural Produce	4%	44%	4%
Fertiliser & Other Agricul-tural Inputs	3%	0%	3%
Other	9%	20%	9%

Source: RRA and BNR Trade Data

3.2.3 Cross Border Trade (Characteristics and Constraints)

This section looks at the characteristics of traders and trade between Rwanda and its neighbours. A description of how trade takes place in both the informal and formal sector is first presented. This is followed by a discussion on how the border is adversely affecting trade to Rwanda's main export destination. The section then looks at the nature of production and distribution in the formal and informal sector and what the implications are for exporting to neighbouring countries.

3.2.3.1 Description of Rwanda's Cross-Border Traders and Exporting Firms

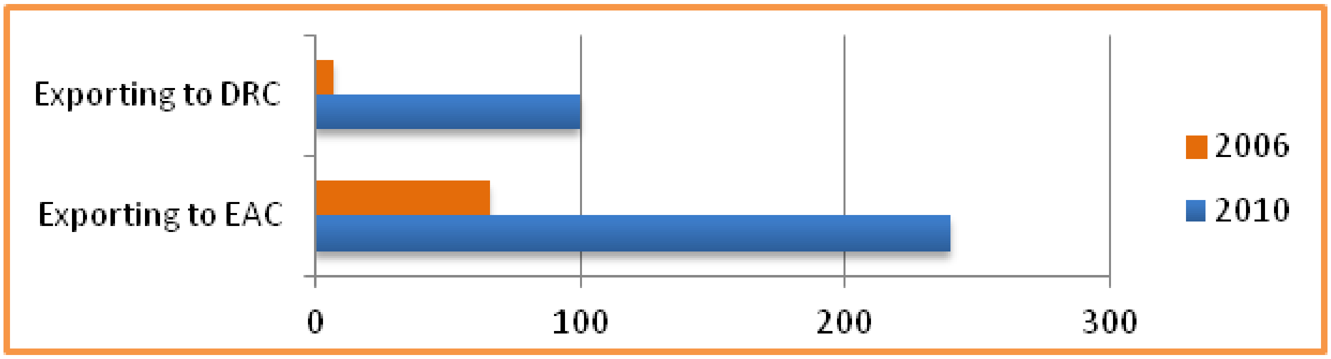
Informal cross-border trade is predominately done by women (74%) carrying agricultural produce from markets on one side of the border to markets on the other. The majority of traders involved in cross border trade are Rwandan nationals. The average age of a trader is 32 with 44% having been involved in cross-border trade for five years or more (World Bank 2011a).

The average start-up capital for a trader is under US$50. For female Rwanda traders, start-up capital is estimated at just US$13.87 (Int. Alert, 2010). Men traders tend to have access to higher levels of working capital than women (Int alert, 2010). The majority of traders source goods from wholesalers, markets and commercial enterprises. Only 11% of traders source their goods directly from producers (UNWOMEN, 2012, P36). There are strong gender dimensions to a trader's portfolio choice with male traders typically trading in goods with higher profit such as beer and clothing, while women trade in lower profit agricultural produce. However there are other factors beyond the profit rate, that a trader may consider when selecting what goods to trade in. These factors include differing levels of risk associated moving the good across a border, the amount of start-up capital required to trade in certain goods, and the ease with which goods are available. Gender sensitive interventions may allow women traders to move into higher profit goods and increase their profit per transaction, however the implications for the composition of goods that they trade in is not clear.

The formal sector has witnessed rapid increase in the number of firms exporting to the EAC and DRC since 2006. 240 firms were exporting to the EAC in 2010, up from 66 in 2006. For DRC the number of exporters grew from 7 to 100 over the same period. Possible reasons for the rapid rise in the number of firms exporting regionally could be Rwanda's entry into the EAC in 2007 and the relative stability in DRC's

North and South Kivu regions, up until recently. (see figure5).

FIGURE 7 NUMBER OF FIRMS EXPORTING



Source: IGC 2012

Despite the strong growth in number of exporting firms to DRC and EAC, CBT exports from the manufacturing sector remain highly concentrated in a few companies. An estimated 7 companies account for 90% of total manufactured exports to the DRC and Burundi (IGC, 2012). There is also a growing trend for merchandise exporters to focus solely on "pure trade" or re-exporting as opposed to manufacturing and exporting. This is demonstrated by the fact that while 70% of exporters were also manufacturers in 2006, that figure had dropped to 40% by 2010 (IGC, 2012).

Rwanda formal sector is not actively exporting. The majority of goods that are exported are the result of neighbouring country customers importing Rwandan goods. As one managing director of a firm with major exports to the DRC put it *"I don't export to the DRC, Congolese customers buy from me."*

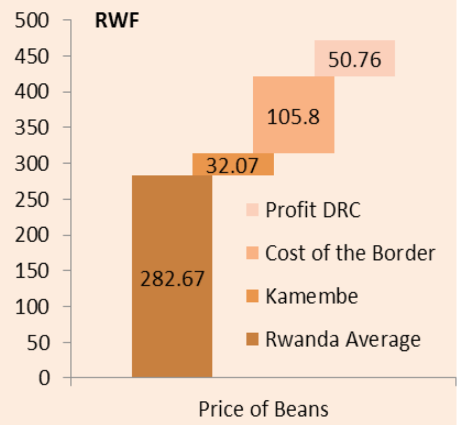
3.2.3.2 Understanding Prices

The existence of a border can lead to significant price differences in markets that are often within walking distance of each other and where goods would otherwise not be expected to differ greatly in price. Trading across borders increase prices and higher prices reduce demand, which in turn, reduces exports. A comparison of prices for goods produced formally and informally was carried out between Rwanda and DRC in order to get an indication of how the border leads to price difference for all goods. The survey included colleting price data on the average price of goods in Rwanda as a whole, the price of goods in Rwanda's largest cross-border market towns (Kamembe and Gisenyi), and the prices in the largest export cities (Goma and Bukavu)

For goods that are more commonly traded informally, prices were compared for the first four months of 2011 for two towns in Rwanda (Gisenyi and Kamembe) and their two closest neighbouring cities in DRC (Goma and Bukavu). Given the close proximity of Gisenyi and Goma (4km from centre to centre) and Bukavu and Kamembe (4.5km from centre to centre), differences in prices can be attributed to the existence of a border. Prices are also higher in Rwandan towns with large volumes of cross-border trade compared to the average price for the same good across the country. Higher prices in towns close to the border are an indication of higher demand (see box 2).

Box 2: Impact of Border on Prices (Example of Beans)

In 2011 Rwanda's informal exports of dried beans were valued at RWF 521 million. The price for beans in Bukavu are as much as 60% higher than the average price in Rwanda and 33% higher than Kamembe (Figure 1). Higher prices for beans reduce demand, and in turn reduce Rwanda's exports of beans. The figure to the right demonstrates how the price of beans are impacted by under-supply in Rwanda's cross border markets and as a result of the border.



Prices for 6 commonly traded goods were compared, between January and April 2011. Excluding maize flour, which is heavily subsidised by the World Food Programme (WFP) in DRC, prices in Bukavu were on average 21% higher than in Kamembe, while in Goma prices they were 24% higher than in Gisenyi (Table 6).

TABLE 5: DIFFERENCES IN PRICES BETWEEN CROSS-BORDER MARKETS IN RWANDA AND DR CONGO FOR GOODS TRADED INFORMALLY

Product	Unit	Average Price RWF (January to April 2011)					
		Gisenyi	Goma	Difference	Kamembe	Bukavu	Difference
Beans	Per Kg	305.03	372.06	18%	314.74	471.3	33%
Cassava	Per Kg	-	256.38	-	169.73	259.87	35%
Cassava Flour	Per Kg	276.19	377.71	27%	212.1	205.39	-3%
Rice - Rwandan	Per Kg	561.11	670.94	16%	519.31	680.95	24%
Beef	Per Kg	1500	2279.85	34%	1873.92	2465.71	24%
Goat	Per Kg	2172.28	2288.11	5%	2092.4	2480.92	16%
Average Difference				**24%**			**21%**

Source: World Bank Price Survey DRC and CPI Survey Rwanda

For goods that are known to be exported formally, a snap survey of prices was conducted for 5 commonly traded goods that are produced in Rwanda's manufacturing sector. Prices were collected for beverages (water and Mango juice), wheat flour, plastic shoes and cement. Prices for the five goods surveyed were higher in DRC than in Rwanda (see table 7). Water and flour had the lowest price differences (10% and 9% respectively) while plastic shoes had the highest, 179% more expensive in the DRC than in Rwanda.

TABLE 6: DIFFERENCES IN PRICES BETWEEN RWANDA AND DRC FOR GOODS TRADED FORMALLY

	Unit	DRC (Rwf)	Rwanda (Rwf)	Price Difference
Bottled Water	1 Litre	330	300	10%
Mango Juice	1 Litre	1188	700	70%
Wheat Flour	25 kg	11940	11000	9%
Plastic Shoes	Per Pair	4179	1500	179%
Cement (Produced in Uganda)	50 kg	11940	9500	26%
Average Difference				59%

Source: CBT Strategy Survey

Comparing the informal and formal sector, it can be seen that the price difference is lower for goods traded in the informal sector (average 24%) than for goods traded in the formal sector (average 59%). However the existence of a border is clearly sustaining higher prices in markets in DRC. Higher prices for Rwandan goods in neighbouring markets reduces demand and adversely impacts Rwanda's exports.

There are a number of factors contributing to the increase in price of Rwanda goods in markets close to the border and in neighbouring countries, these include; constraints at the border, distribution networks, and poor market and transport infrastructure. These factors impact the formal and informal sector in different ways. A description of how these factors impact on prices and exports are described below.

The Border

In the informal sector, there are several contributing factors to the price differences that are a direct result of constraints to crossing the border. These factors can have a far greater negative impact on women traders than on men. The constraints informal traders face are described below:

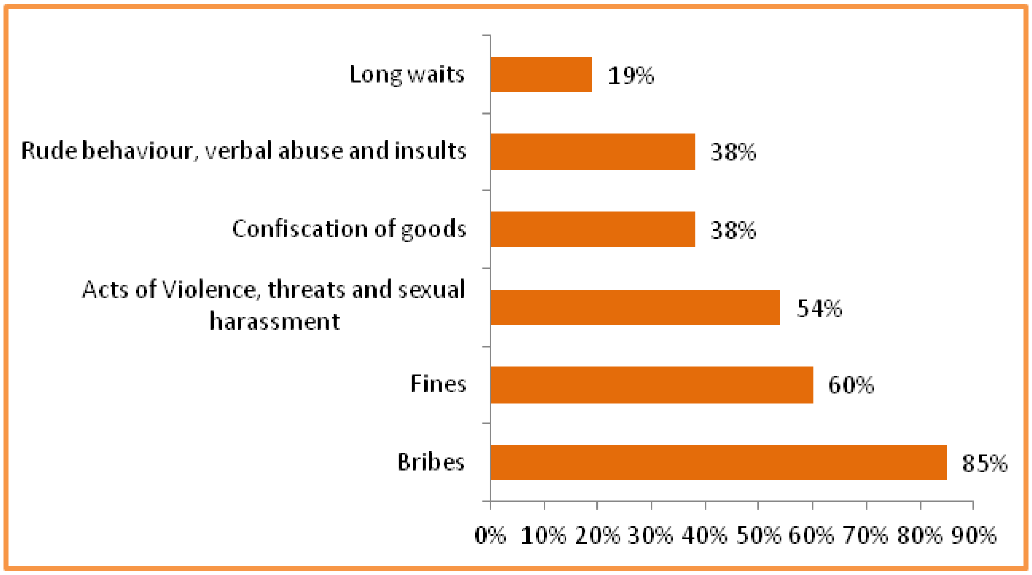
- Security is weak at the border area for traders, particularly for those on the Congolese side. Cross border traders regularly have to pay bribes and are often subject to harassment from officials at the border. A recent World Bank (2011c) survey of cross border traders at the Goma-Gisenyi border found that 85% of respondents had paid bribes to cross the border. A large number of traders had also either had their goods confiscated, been forced to pay fines or were subject to acts of abuse and violence (see figure 6).
- When trading with the DRC, there are numerous customs services, only some of which are authorised to work at the border/ or collect taxes, and taxes are reported to change on a daily basis[5] The World Bank has recently documented these services, and provides an initial indication

5 Celestin Kimanuka and Maria Lange, 'The Crossing' [2010] International Alert, Small Scale Trade and Improving Cross Border Relations between Goma (DR Congo) and Gisenyi (Rwanda) 1–40

of those that are authorised versus those are not based on regulation[6]. For informal traders these taxes are primarily informal and typically cost the equivalent of 50 RWF per payment made in cash or in kind. The number of payments varies but can be as much as 10 separate payments to different officials per crossing.

- Transport: The cost of transport will form part of the cost of the good. If a trader makes use of a bicycle to move their goods the cost is in the range of 700-1000RWF per 100Kg moved.
- Market Registration: For traders to sell their goods in markets they first have to pay an annual subscription fee. The fees in Goma are roughly US$65.00 per year which is comparable to prices on for markets in Rwanda.
- Uncertainty faced by traders when moving goods across the border in terms of taxes or theft, will result in a build-in premium being charged on goods sold in DRC as a form of insurance.
- Traders who have bought goods in Rwanda and are re-selling in Congo will add a mark-up for profit.

FIGURE 8: REPORTED FREQUENCY OF RISKS BY CROSS BORDER TRADERS



Source: World Bank (2011c)

Despite the challenges faced by informal traders, exporting formally to the DRC is a much more complicated and expensive process . According to the World Bank *Doing Business Report 2011*, 9 documents are

6 World Bank Development Prospects Group, 'Facilitating Cross-Border Trade between the DRC and Neighbors in the Great Lakes Region of Africa', 23 June 2012

required for customs clearance in the DRC. These documents are: a bill of landing; certificate of origin; commercial invoice; customs import declaration; import licence; packing list; tax certificate; technical standard/health certificate; and terminal handling receipts. The Customs clearance must be conducted by an approved customs broker, whose commission is determined by the state.

In addition to the tariff, imports are subject to various other levies which are often either unjustified or disproportionate in comparison with the services provided (WTO, 2010; P30). Adhering to import procedures costs an estimated US$3,285 per container and takes a total of 63 days (table 8)

TABLE 7: TRADING ACROSS BORDERS DRC

	Duration (days)	US$ Cost
Documents Preparation	41	790
Customs clearance and technical control	11	300
Ports and terminal handling	9	945
Inland transportation and handling	2	1,250
Total	63	3,285

Source: World Bank Doing Business Report 2012

While the direct cost impact is high, it is the length of time it takes to complete formalities that has the largest impact on cost of trade. For example, the cost of transport from Bukavu to Mombasa (US$220/tonne) is almost twice as high as the cost from Kigali to Mombasa (US$120/tonne) despite the distance being roughly the same (WTO TPR, 2010). The high cost of trading formally is one of the main reasons for why informal trade has flourished between Rwanda and DRC.

Box 3: Formally Exporting to the DRC

Regular importers and exporters to the DRC must be in possession of an import-export number issued by the Ministry responsible for Trade and Industry in the DRC. The import-export number costs US$250 per annum for legal persons and US$125 for natural persons (WTO TPR, 2010). If the f.o.b. value of the goods being traded exceeds US$2500 a "Declaration" issued by an approved bank is also required. Additional authorisation issued by the Ministry of Agricultural is required when importing agricultural products.

For all imported goods, with the exception of those with an f.o.b. of less than US$2500, mandatory inspection is required upon arrival. During this inspection the volume and price of the goods is checked by a privately contracted company, BIVAC, on behalf of the Congolese Control Office (OCC). All imports, irrespective of their mode of transport undergo preshipment inspection. The goods are then accompanied by an AV (clean report of findings) by BIVAC (Ibid.)

Documents required for preshipment inspection include: a copy of the import permit or prior declaration obtained from the Central Bank of Congo or from any approved commercial bank; a copy of the pro forma invoice for the goods, the purchase order, the price list, the letter of credit, and any other document considered necessary by BIVAC for supplying its services (WTO TPR, 2010; P2)

An inspection and control tax is levied at 0.75% of the f.o.b value or a minimum of US$100 for imports valued over US$2,500. For goods valued at US$2,500 the minimum charge amounts for levy of 4% of the value of those goods.

Interviews with importing firms in the DRC highlighted that point that it is possible to remove the time constraint completely by double paying for each procedure. For example it takes 41 days to clear prepare and clear import documents and costs US$790. The time it takes to clear the border can be drastically reduced if the importer pays twice for the procedure, once officially and once unofficially. However, as a result of this practice, goods imported into DRC are substantially more expensive than in Rwanda.

Distribution Channels

For informal trade the distribution channel is highly competitive. Traders are numerous and small, so none of them has market power. The majority of products are basic commodities, so branding and information asymmetry are not important in consumer choices. There is little variation in the quality of products carried by traders, as much of them arrive from the same source and traders have information on the differences in prices between the two markets and prices from wholesalers or producers. Due to the close proximity of the markets trading occurs nearly "instantly" and transaction costs are similar in both markets. In this competitive market the price difference for goods can be attributed to the cost of crossing the border. Reducing the costs associated with crossing the border for informal traders will reduce the cost of Rwandan goods in neighbouring countries and increase exports.

Extensive interviews with Rwandan manufacturing firms, trading firms and firms operating in DRC, indicate that Rwandan firms to do not engage in formally exporting to the DRC themselves. Regular exporters often rely on distributors to clear customs, provide transport and store and distribute goods in neighbouring markets. Distributors are few in number and have exclusivity agreements. Distributors often set prices at uncompetitive levels due to the monopsonistic nature of the market. Firms without distributors do not export directly. Some firms service large neighbouring markets by establishing distribution depots in Rwandan towns close to the border. They then sell directly to small traders who then carry the goods informally across the border. Other sell on an ad-hoc basis to foreign customers. Exporting firms have stated that they are satisfied with the systems in place for getting goods to the DRC and see few constraints to exporting.

In normal market conditions, firms would prioritise markets where prices are higher by 20% and upwards higher. Because Rwandan firms are not directly linked to the market they are not receiving the feedback they would under normal conditions to adjust supply and prices accordingly. As long as Rwandan firms voluntarily avoid directly exporting, the situation will be sustained and opportunities to increase the value and volume of exports continue to go unmet. The high price does not benefit Rwandan producers and serves to reduce exports. Overcoming these constraints, through revealing price and demand information should help to boost the value and volume of formal exports the DRC.

Infrastructure

For small, predominately informal producers and traders, inadequate market, storage and road infrastructure increase wastage along the supply chain and increase costs of goods in Rwandan markets close to the border. The construction of improved market and storage facilities will provide wider marketing opportunities for producers (EIF, 2012) by encouraging an increase in supply and quality. Markets close to the border will also improve opportunities and safety for traders, helping to keep the price of goods competitive for sale across the border.

A significant amount of informal cross-border trade takes place on the shores of Lake Kivu[7]. The estimated value of exports carried by boat was RWF 4.8 billion 2011 or 14% of total CBT exports. A large number of exports are live animals (live bovine, pigs, sheep, goats) which account for 83% of exports through Lake Kivu. These goods are sold in small informal markets on the edge of the Lake and transferred by boat across the lake to markets inside the DRC. Much of the goods are brought to markets in Goma and Bukavu, however some are also brought directly to other large towns along the lake including Ijdew. The use of the lake opens up markets to cross-border trade that would otherwise be inaccessible.

Currently markets are informal and close to the edge of the lake often in contravention of REMA regulations which specify no commercial activities within 50 metres of the shore. These regulations are in place for environmental purposes. The trade is also considered as itinerant trade which is illegal in Rwanda. Informal markets are regularly shut down for failing to comply with regulations. Without proper market facilities, it is likely that tensions between traders and regulators will continue. The largest markets are at Rugari, Nkora, and Karongi. The provision of simple market infrastructure, constructed by the Government, would allow this trade to take place legally.

Transport infrastructure is another contributor to the higher cost of Rwandan goods. Marketing costs for agricultural produce in Rwanda are often dominated by the cost of transport. It is estimated that a lack of feeder road infrastructure results in a combined loss for smallholders of between US$39.7 and US$106.1 million a year (OTF, 2010). Emphasis on developing efficient feeder road systems across food producing areas in regions close to our major cross border markets will contribute to reducing prices for agricultural produce close at Rwanda's main cross-border markets.

In the formal trading sector, market and transport infrastructure is not a major contributing factor to the cost of goods, at least in the context of CBT. Manufacturing firms do not rely on feeder road to get their goods to the main cross-border markets. Often they sell directly to distributors and customers from neighboring markets and do not engage in the storage or selling beyond the factory gate.

7 The markets on the shores of Lake Kivu are: Hepfu, Rugari, Mugonero, Kirambo, Karongi, Nkora, Brasserie-Gisenyi

Access to Finance

In the informal sector, access to finance is the most commonly reported constraint reported by cross border traders. A 2012, UNWOMEN /ILO report found that roughly 80% of women involved in cross border reported insufficient access to capital as their main reasons for not exploiting demand in neighbouring markets. In effect, lack of capital limits the distribution of Rwanda goods traded informally. With improved access to finance, informal cross border traders stated that they would be able to further capitalise on existing market opportunities through trading in higher quantities. Access to finance would also allow traders to trade in higher value, higher profit goods.

3.2.3.3 Production and Supply For Regional Exports

Outside of Rwanda's traditional export sectors (coffee, tea and minerals), Rwanda's output is almost solely produced for domestic consumption. This is true of both the informal and formal sectors. A description of the nature of supply for exporting from the informal and formal sector illustrates this point.

Goods produced in the informal sector are predominately agricultural. Small-scale farmers produce primarily for internal consumption. Production is limited by little or no access to external sources of finance. Market demand is not a motivator in farmers' production decisions and any surplus production is sold either to traders or to markets. Farmers often have no information on where and for what price their produce is sold. Agricultural goods are most commonly traded informally across borders. At no point does the product enter the formal sector on either side of the border, meaning the good is not subject to formal taxes, however the goods may still subject to informal charges.

Supply for exports in the formal sector differs depending on the firms' circumstances. Rwanda's formal firms can be categorised into three groups; (1) Large, relatively export-orientated manufacturing firms, (2) Manufacturing firms that are not export orientated and, (3) Pure trading firms. These three categories are described below in the context of their production for exporting, capacity to increase output, and constraints.

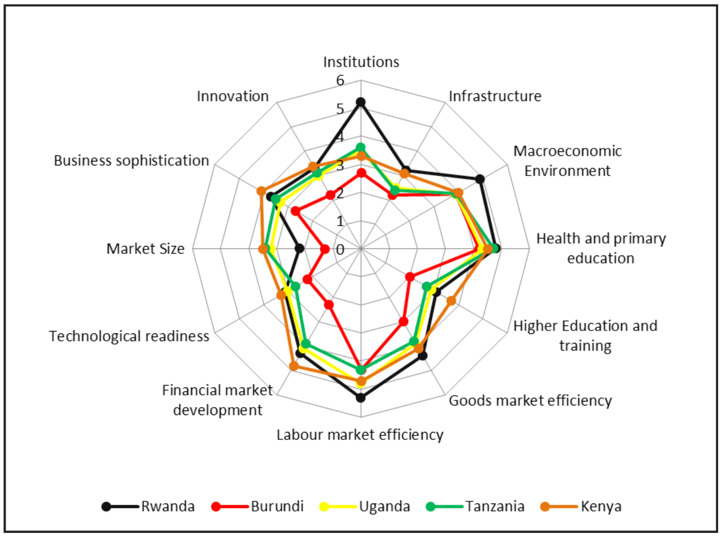
Large and Export-Oriented Manufacturers

A number of firms in Rwanda's manufacturing sector operate with the aim of serving both the domestic and regional markets. These firms, despite being relatively few in number, are driving formal export growth to the DRC and Burundi. Examples of sectors where this is happening include the agro-processing sector, construction material sector and beverages sector. These firms include large and well established manufacturing firms, and relatively new firms owned by large regional groups. New investors are attracted by the security Rwanda provides as a production location and the opportunity it presents for rapidly supply neighbouring markets rapidly and efficiently.

Rwanda is seen as a secure environment to produce and export from. Rwanda's relatively well-functioning institutions, low levels of corruption, and relatively high personal security combine to build confidence in investors. The Global Competitive Report 2012-13 ranked Rwanda 63rd in the world and 3rd in Sub-

Saharan Africa as providing a stable and competitive environment from which to operate. By comparison, Kenya is ranked 106, Tanzania and Uganda were 120 and 123 respectively while Burundi is ranked 144. Rwanda's strengths include strong and well-functioning institutions, low levels of corruption and a good security environment. Relatively efficient labour and banking markets also contributed to Rwanda's high ranking. Areas for where Rwanda ranks low include the country's infrastructure, low secondary and tertiary enrolment rates and technological readiness (WEF, 2012). Market size is another area where Rwanda's score is low, however if markets in DRC's Lake Kivu Region were included, Rwanda's ranking would improve (Figure 7).

FIGURE 9: COMPETITIVENESS OF SELECTED EAC MEMBER STATES (2011)



Source: WEF, 2012-2013

Rwanda is well positioned to serve DRC and Burundi markets. Rwandan firms can efficiently sell in relatively small quantities and deliver in as little as 6 hours to almost any border in the country. The benefits for buyers in the DRC and Burundi include smaller upfront payments and rapid delivery times. This option is not available to producers from other parts of the EAC. For example, when exporting from Tanzania or Kenya, goods have to be ordered in high quantities to keep transport costs down, meaning larger upfront payments for the customer; furthermore given the time it takes to export formally (as much as 63 days to DRC) it can be weeks before delivery is made. The rapid increase in the number of exporting firms exclusively focused on trade, rather than production demonstrates the attractiveness of using Rwanda as a hub from which to get goods into the DRC and Burundi. These trading firms can deliver goods as far as the Rwanda border where they are collected by the foreign customer.

Rwanda's largest exporting firms have largely avoided exporting directly, instead choosing to operate through distributors or direct approach by foreign customers. Their knowledge of neighbouring markets is limited in terms of prices, demand and opportunities for new products.

The largest and newest of these firms are already operating at close to capacity and require further capital investment if output is to be increased. However the largest constrained to increasing output is low access to raw materials, both from within Rwanda and abroad (IGC, 2012).

Non-Export Orientated Manufacturing Firms

These firms have prioritised production for the domestic market and are characterised mainly by low capacity utilisation and low export orientation. Just 4.25% of Rwanda's manufactured output is exported (IGC, 2012) demonstrating the low export orientation of firms in Rwanda.

Rwanda's Industrial Survey (2012) gauges the utilisation of total available capacity for firms. In 2010/11 the average level of capacity utilisation stood at just 54.6%. Larger firms were more efficient with their available capacity according to the survey, with micro enterprises utilising little over half of capacity (51%) compared to large firms operating at almost two-thirds of capacity (64%). Cooperatives operated at less than half capacity (49%) (ibid. 2012). With the right interventions these firms could increase output in a relatively short period and begin exporting to the region.

Reasons for under-utilisation of capacity were captured by the industrial survey, with low demand being the most commonly cited cause (40% of respondents). Inadequate capital and unreliable supply were quoted as an issue by 33% and 28% of firms respectively. Some 21% of firms found frequent breakdowns to be of concern, but just 7% cited low energy to be problematic for capacity utilisation (Ibid, 2012).

As exporting is mainly on an ad-hoc basis, little or no effort has been made by these firms to forge links with distributors or customers across the border. As a result these firms are unaware of the potential cross-border markets may hold in addressing the issue of low demand. As with export-orientated firms, access to inputs remains a major constraint in terms of increasing output and reducing costs.

Pure Trading Firms

Rwanda's pure trading (those firms that trade in goods but do not produce) are predominately focused on importing into Rwanda to sell to the domestic market, however many do engage in some re-exporting. As with the manufacturing sector these firms either rely on distributors or respond to direct approaches from foreign customers. As they do not have direct links with neighbouring markets they have little information on prices, demand or opportunities.

Increasing exports for trading firms is dependent on their ability to match supply with demand in neighbouring countries and access to finance to increase quantities traded.

3.2.4 Sources of Export Growth

Based on the above analysis it is possible to identify several areas where new export revenue growth could materialise. These are as follows:

- In the informal sector there is significant opportunity to increase export revenue by reducing the cost of trading. This can be achieved through improved infrastructure along the supply chain and reducing to cost of crossing the border. Increasing agricultural output is a medium to long term intervention that will require a shift in priorities and practices in small-scale producers.

- For larger productive firms with relatively high export orientation new export revenue growth, in the short term can come through better market information which translates into higher prices. In the medium to long term addressing supply side constrains and new investment is required.

- For firms with low export orientation and low capacity utilisation, exports volume can be increased through exposing them to export markets, allowing them to have greater sales, greater capacity utilisation and greater productivity. For these firms to achieve this they will need support in market linkages, production processes and product development.

In terms of prioritising markets, focusing on markets with the highest demand for Rwanda products and where Rwandan products are most competitive will produce the best results. Market potential is estimated according to population size in neighbouring districts and provinces and annual per capita expenditure. Based on these factors, annual effective demand in neighbouring markets is estimated.

DRC's North and South Lake Kivu region are the largest markets due to the size of the populations in both provinces. Estimated effective annual demand in both markets combined is over US$2 billion per annum (table 9). As a result of years of instability, these regions have very few industries and agricultural production does not match demand[8]. These two provinces are already Rwanda's largest cross-border export markets for both formal and informal trade and hold the greatest potential for future exports. Uganda and Burundi are also large markets but both present challenges. In Uganda, Rwandan exporters will face stiff competition from local producers with lower production and transport costs, however some firms may be able to compete in certain sectors on quality. Burundi is a large potential market for manufactured goods however effective demand is low due to low per capita income and a forex shortage. Tanzania's cross-border population is relatively small and disperse limiting the opportunities for small cross-border traders.

TABLE 8: ESTIMATED EFFECTIVE ANNUAL DEMAND IN CROSS-BORDER MARKETS

Market	Potential Cross-Border Market Population	Per Capita Nominal Expenditure (US$)*	Est. Effective Annual Demand (US$)
DRC (North Kivu)	5,600,000	214.85	1 203 160 000.00
DRC (South Kivu)	5,100,000	214.85	1 095 735 000.00
Uganda (Southern Dis-tricts)	1,300,000	438.75	570 375 000.00

8 Current agricultural output in the DRC is estimated to be less than 50% of the level it was in 2009 (IPC, 2009 reproduced in World Bank, 2011a)

Burundi (Northern Districts)	2,000,000	179.33	358 660 000.00
Tanzania (Western Provinces)	334,939	331.17	110 921 748.63

**Source: AFDB: Comparison of Real Household Consumption Expenditures and Price Levels in Africa (2012)*

These markets are described in greater detail in Annex 4

A number of domestically produced goods have been identified with high regional export growth potential (table 10) These products are matched against existing available production capacity, an indicator of Rwanda's ability to rapidly increase exports. Prices in Rwanda's largest export markets are also presented as an indicator of levels of unmet demand.

TABLE 9: PRODUCTS WITH EXPORT POTENTIAL

Product	Regularly Exported*	% Production Capacity Available in Existing Firms**	% Price Difference in Major CBT Markets+
Footwear	Yes	60-80%	>100%
Vegetable Fats	No	-	-
Beauty Products	Yes	50%	-
Fruit Juice	Yes	40%	70%
Cement	Yes	>30%	26%
Plastic Products	Yes	10%	-
Beans	Yes	-	25%
Meat	Yes	-	5% - 36%
Rice	Yes	-	20%
Fish	Yes	-	-
Construction Material (excluding cement)	Yes	50%	-
Clothing	Yes	40%	-
New Edible Vegetable Products	No	-	-
Furniture	Yes	45%	-
Processed Food	Yes	50%	9% - 27%

** Based on RRA and BNR Official Trade Data*

***MINICOM Industrial Survey 2012*

+ *Based on World Bank Price Surveys and research conducted for this Strategy*

What is apparent from the products identified above, is the potential in a number of products areas to substantially increase export revenue through supporting linkages between markets and producers, combined with supporting firms scale up production through exporter support programmes in the short term and addressing supply side constraints in the longer term.

3.3 Regulatory Framework

This section describes the regulatory framework in place designed to support trade with Rwanda's neighbours at both the bilateral and regional level. The EAC free trade area provides the framework through which Rwandan exporters can access EAC markets. While both Rwanda and DRC are members of COMESA, DRC does is not a signatory to the COMESA FTA, meaning Rwandan is not granted preferential access to DRC market. However for small-scale informal CBT with Burundi and the DRC, Rwanda has successfully engaged through the CEPGL framework. For small-scale informal trade with other EAC member states the Government should continue to work with its EAC partners to improve the small trader simplified trade regime.

3.3.1 National Policies Affecting Exports

3.3.1.1 Export Procedures and Charges

All formal exporters are required to obtain a Tax Identification Number (TIN) from the RRA free of charge. The purpose of the TIN is to facilitate the processing of exports and for capturing accurate statistical trade data. Furthermore exporters are required to register their business with the RDB for a fee of RWF 25,000. A maximum of nine mandatory and optional documents are required for formally exporting. The mandatory documents required are commercial invoices and a packing list. All other documents are optional and these are: Bill of lading, certificate of origin (depending on destination), customs export declaration, technical standards / health certificate, terminal handling receipts, and transit documents. No national regulatory framework covers informal trade due to the very fact that it is informal and escapes the regulatory framework.

There are no levies or taxes on exports and exports are zero-rated for VAT refund purposes. There is anecdotal evidence from small cross-border traders that border officials sometimes apply taxes when they are exporting. Given that the majority of small informal traders cannot produce TIN numbers nor a business licence when requested, it is possible that border officials are instead applying ad-hoc export requirements. The legal status of small informal traders is currently a grey area and should be addressed as a priority with the cooperation of the RDB, the RRA, other border agencies and MINICOM.

3.3.1.2 Other Issues Affecting Exports

While Rwanda does not subsidise exports, exports of goods or services of the value of between US$3-5 million attract an income tax discount of 3% while exports above US$5 million receive a discount of 5%.

VAT is applied at the standard rate of 18% on goods and services that are either imported for domestic consumption or produced domestically. For goods produced within Rwanda, VAT is calculated on the sale price, while for imported goods VAT is levied on the c.i.f value including the import tariff, excise tax and handling fees. Goods exempted from VAT include, amongst others, agricultural and livestock products and agricultural inputs. Goods that are exported are subject to zero rate VAT.

Business must register for VAT once their gross turnover is above RWF 20 million per annum, or RWF 5 million over a period of three consecutive months.

3.3.2 Regional Cooperation

In a broad sense, Rwanda is already actively pursuing a programme of simplification of the regulatory framework through engagement with the EAC, COMESA and Tripartite Free Trade Agreement (TFTA). The TFTA, for example, provides the best opportunity yet, for removing rules of origin (RoO) requirements within the EAC by overcoming the problems associated with overlapping membership of EAC partner states of multiple Regional Economic Communities (RECs).[9] Pursuing deeper regional integration within the region is the most appropriate response to removing constraints at the border, including the border itself, and ultimately facilitating cross-border trade.

3.3.2.1 EAC Customs Union

Rwanda became a member of the EAC, and began implementing the Common External Tariff (CET) in 2009. Under the CET all internal tariffs with the EAC have been removed. The EAC is not a fully-fledged customs union due to the multiple membership of each of the partner states to various RECs.

The EAC secretariat has identified non-tariff barriers (NTBs) as the biggest impediment to intra-regional trade. NTBs affecting intra-EAC trade include: Poor infrastructure of ports and roads, police road blocks, weigh-bridges, the non-harmonisation of technical regulations, sanitary and phytosanitary requirements, poor application of rules of origin and slow and burdensome customs procedures and documentation.

Each of the member states have inaugurated National Monitoring Committees (NMCs), along with a regional NMC, to facilitate monitoring and reporting on the elimination of NTBs.

3.3.2.2 The EAC and COMESA Small Trader Simplified Trade Regime

In recognition of the importance of cross border trade in terms of promoting exports and providing a livelihood both directly and indirectly for potentially millions of people in the two regions, both COMESA and the EAC have introduced simplified trade regimes (STRs). Under a Simplified Trade Regime, simplified customs procedures are established in consultation and agreement with members of the regional community. These simplified procedures are designed specifically for use by small scale cross traders in

9 Burundi, Kenya, Rwanda and Uganda are all members of the EAC and COMESA, while Tanzania is a member of the EAC and SADC.

order to facilitate easier import and export of goods.

The STR aims to simplify cross border trade in the following ways:

- The STR is only applicable to volumes of good that constitute small consignments. The COMESA STR originally defined small consignments as amounting to $500 or less. Recommendations from the STR Evaluation Report (October 2010) for increasing the threshold to $1000 or less have since been adopted following an STR Ministerial meeting in August 2011. The EAC STR defines a small consignment as US$2000 or less;
- The STR makes use of a simplified rules of origin certificate which is required by traders, the simplified certificate of origin is issued at the border;
- Duty free access of goods under the STR only applies if the goods appear on the Common List of products that have been agreed by the respective parties. This list should be available and displayed at all border posts but is often not;
- The STR saves small traders time and costs associated with the processes and formalities that are adhered to by large-scale traders;
- Trade Information Desks with officers are available at some border posts to assist small traders. Rwanda has trade information desks in Gisenyi on the border with DRC and plans to establish more at Gatuna, Kagitumba, Cyanika and Nemba. Currently the STR is not being applied at borders between the DRC and Rwanda as the DRC is not a member of the COMESA FTA;
- STR only exempts small traders from paying customs duties and does not exempt payment of other domestic taxes that may apply. The STRs does not prevent small consignments from being subjected to random verification and law enforcement checks at the border posts.

The STR has been met with limited success. The primary limitations of the STR in supporting cross border trade include the following issues:

- The STR does not exempt the trader from other domestic taxes that may by applicable. As such, all traders are required to be registered for VAT, however informal trade, by its very nature would be automatically excluded from meeting this requirement as informal traders are not VAT registered.
- The STR does not make any changes to the various national border requirements that exists across EAC and COMESA member states, i.e. immigration requirements, licensing and certificates, export permits as well as phyto-sanitary measures.

Relaxing SPS Requirement at the Border

The challenge of SPS for cross border trade, and for the STR for informal traders, was recognised at the COMESA Ministerial Meeting on the STR in 2011. Ministers called for a consideration of how best SPS can be applied on products traded within the STR and beyond. An initiative has since been launched to address the key challenge, which is the mutual recognition of SPS measures between countries; and bilateral agreements that (a) remove the need for SPS inspections for goods under the STR and (b) beyond the STR, allow for inspection to be done once and once only in the country of origin – with border inspections only to verify authenticity of documents. The later objective is linked to COMESA's Green Pass project which has been on-going since 2009. Work on relaxing SPS requirements under the STR is, however, at the inception phase, with resources still to be mobilised.

3.3.2.3 Trade Information Desks

Rwanda has trade information desk (TID) in Gisenyi, Petite Barrier, on the border with DRC, fully funded by the COMESA secretariat. There are plans to establish more at the borders of Gatuna, Cyanika, Kagitumba (border with Uganda) and Nemba (border with Burundi). The main objective of the TID is to facilitate and support small-scale cross border trade. The TID operates by providing and disseminating information on issues related to the border including; certificate of origin, simplified customs document, SPS standards and Non-Tariff Barriers (NTBs), information on transport, accommodation, and commodity prices. The TID also acts as a support centre for traders where they can raise issues or concerns related to crossing the border. The TID can then engage with border institutions to help resolve these issues.

3.3.2.4 The CEPGL

The CEPGL has proven to be an effective vehicle through which trade facilitation cooperation between Rwanda, DRC and Burundi can take place.

The CEPGL Protocol on the Free Movement of People within the CEPGL

In November 2009, it was agreed by the Heads of State of the three CEPGL members, Burundi, DRC and Rwanda to introduce a CEPGL travel document from the 1st January 2010. Users of the travel document will be allowed free movement within the CEPGLE territory for a maximum period of three consecutive days and a cumulative total of 30 days per annum. For residents living in border areas a national identify card can be used as a valid for of travel identification.

The document to be issued by immigration services in each of the countries will cost US$10 and be valid for a period of 1 year for all nationals of member countries and three months for expatriate residents.

The border communities' agreements are instrumental in facilitating Rwanda's informal exports of agricultural exports in particular. This is because food and agricultural products, carried by residents of the border communities (and below the value limit of the STR), can cross into DRC and Burundi, with very light sanitary and phyto-sanitary (SPS) requirements; often little more than a visual inspection[10]. The legal status of these arrangements is unclear as the EAC Customs Management Act and the EAC and COMESA STR recognise the right of sovereign States to ensure the health and safety of their population

10 There are instances of more substantive collaboration on food safety issues. For example, the abattoir and veterinary services in Gisenye collaborate with veterinary and customs services in Goma.

through enforcing health and safety (including SPS) standards at the border[11]. ***It is clear, however, that the application of SPS requirements to bring the majority of Rwanda's informal exports to a halt.***

Protocol for Liberalisation of Trade in Raw Products Originating in the CEPGL

The CEPGL has restated its desire to promote intra-community trade with a focus on liberalising trade in locally produced goods. The draft protocol for liberalisation of trade in raw products originating within the CEPGL aims to support this trade through focusing on the removal of tariffs and non-tariff barriers to trade in these goods.

The protocol will cover unprocessed goods (animal products, mineral or vegetable) originating from the member countries of the CEPGL. These goods should not have undergone any transformation of an industrial nature. The protocol will cover products from member states that are:

- mineral products extracted from their soil or deposited on the shore of their coasts;
- live animals born or reared;
- the animal products harvested thereof;
- the products of fishing and hunting practices in their territories;
- Products obtained from the sea by vessels registered in a Member State and flying the flag of that Member State or otherwise, recognized from CEPGL;
- The above listed products and by-products which, without resulting in industrial processing, received treatment designed to preserve them in state or facilitate their movement (freezing, placing in brine, dried, salting, smoking, liming, pickling, grinding, etc.)

Lists of the specific products to be covered under the protocol have been drafted and are annexed to the draft revised protocol. Products on these lists will circulate freely within the Community, free of all duties and taxes on imports and exports, excluding, where appropriate, internal taxes such as VAT.

The proposed protocol is currently under review by member states and has yet to be signed. While the products will be free of tariff and trade duties, the application of VAT will still apply. For products traded informally this could pose problems as many small traders are not registered for VAT. Another outstanding issue is that of standards and sanitary and phyto-sanitary (SPS) measures. Currently informal trade does not comply to SPS requirements. The application of SPS requirements would bring much of informal trade to a halt. This issue is not addressed within the draft protocol and should be resolved before the protocol is signed.

For its part, the CEPGL will ensure the following: cross-border traders are aware of the content of the agreement, improve access to finance for small traders, encourage traders to form cooperatives; institute

11 In the absence of full mutual recognition between countries of standards and quality infrastructure

a community mechanism for advocacy for trader rights, organisation of fairs for local products.

3.3.3 Bilateral Engagement

Rwanda has engaged at a bilateral level with Uganda and Burundi on the issue of CBT. Memorandums of Understanding (MoUs) have been signed between Rwanda and both countries to cooperate in facilitating CBT.

3.3.3.1 MoU on CBT with Uganda

Rwanda and Uganda have agreed to cooperate in a number of areas with the intention of developing cross border trade between the two countries through trade facilitation. Areas of cooperation are:

- Establishing Trade Information desks at common border posts;
- Embracing and upgrading ICT at the borders;
- Promoting and operationlising cross border trade Committees at specific border points;
- Improving infrastructure and security at the borders on both sides;
- Providing for storage and value addition facilities to cross-border traders;
- Expediting Integrated Border Management systems;
- Development and implementation of joint regular capacity building programmes to upgrade the skills of border agency and border trade committees in order to enhance the quality and efficiency of operations at the borders;
- Promotion of transparency by encouraging different institutions to publish procedures and statutory charges in order to improve service delivery and performance standards;
- Adopting and implementing trade facilitation measures as provided for in the EAC, COMES and WTO initiatives;
- Promoting trade dispute resolution mechanisms between cross border traders from both sides.

A "CBT Bilateral Committee" will be established to monitor the implementation of the MoU. A Terms of Reference (ToR) for this committee has been drawn up, however the committee was yet to be established at the time of writing. The duties of the committee are to:

I. Identify any problems that hamper the development of cross border trade between the two countries and recommend solutions that may resolve such problems in the regions.

II. Examine ways and means of increasing and diversifying mutual cross border trade relations between the two regions;

III. Develop, study and submit proposals with the aim of recommending to the Agreeing Parties measures for the dynamic development of cross border trade between the two countries;

IV. Act as a Dispute Settlement Body (DSB) for disputes arising out of cross border trade between the Parties. In acting as a DSB, the following procedures shall be followed

3.3.3.2 One-Stop Border Posts

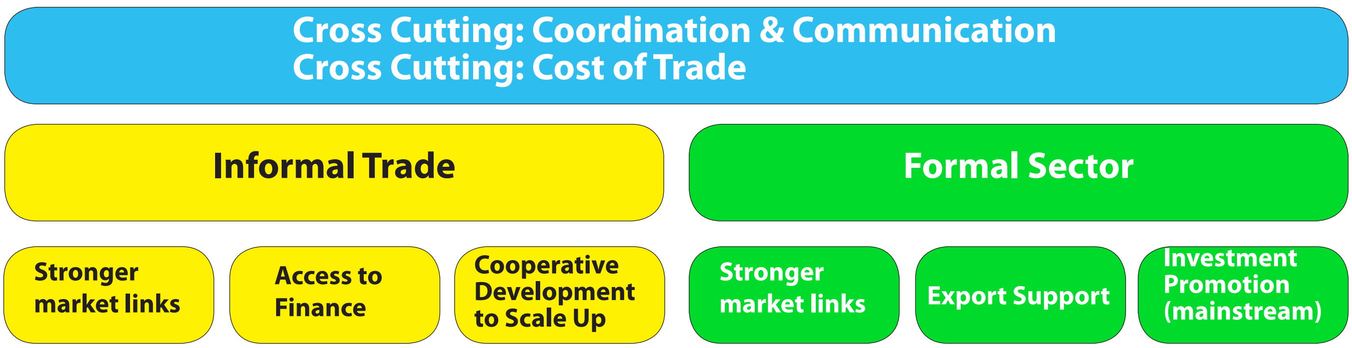
In March 2012, the Governments of Rwanda and Burundi entered into an agreement for the establishment and implementation of a one-stop border post (OSBP) at the border Kasenyi and Nemba. The objective of the OSBP is to enhance trade facilitation through the efficient movement of goods, persons and services within the EAC. The OSTP will reduce the number of stops and procedures involved in crossing the border and, simplify and harmonise border documents and procedures. Combined this will increase the speed and reduce the time it takes to cross the border.

There is also an agreement between Rwanda and Uganda to cooperate in fully implementing a OSBP at the border Gatuna/Katuna and at Kagitumba / Mirama Hills. Currently there is an agreement for the Border crossing at Gatuna / Katuna to remain open for 24 hours a day. There are also plans to house both countries border institutions within a single building in the near future.

Rwandan and Tanzania are in discussions to begin the process of establishing a OSBP on the border at Rusumo.

4. Strategy for Support Cross Border Exports

The strategy has been developed based on the analysis of trade, formal and informal, with Rwanda's four neighbours. The strategy is built around first addressing cross-cutting issues that affect exports, both informal and formal before presenting a differentiated approach for the informal and formal sector.



4.1 Cross-Cutting Constraints

4.1.1 National CBT Facilitation Unit

There is a number of on-going initiatives that support cross-border trade either directly or indirectly. These initiatives are being undertaken both by government Institutions, regional institutions, the donor community and civil society organisation. Examples of direct initiatives include: the establishment of new market facilities in some cross-border market towns; training to CBT cooperatives; establishment of a COMESA Information desk in Gisenyi; development of access to finance facility targeted toward WICBT. Examples of indirect support include: producer support programmes (production, harvesting and post-harvest handling) which in turn increase supply in CBT markets; producer cooperative training; BDF finance facilities for small businesses; support programmes to manufactures etc. While these efforts are necessary, there is a lack of coordination, oversight, and communication of these efforts from a CBT perspective. The implications are that many initiatives only go part of the way to addressing CBT issues with duplication in certain areas, and potential beneficiaries missing out on important opportunities. With better coordination the impact on CBT could be increased through more efficiency and better communication of initiatives to final beneficiaries.

With the launch of the National CBT Strategy is no necessary to put in place a structure to oversee implementation of the CBT strategy as well as coordination and communication of CBT relevant initiatives at the national level. A **CBT Facilitation Unit** should be established under MINICOM Directorate of Trade and Investment to oversee coordination, monitoring, impact and communication of CBT support initiatives. This should happen as soon as possible. This unit will ensure the complementarity of the various support programmes, avoiding the duplication of efforts, and support continuous monitoring and learning from the various programmes. Improved national coordination and communication of these initiatives can also ensure better recognition of the opportunities, presented through cross-border trade. Responsibilities of the unit will include the following:

- General oversight of implementation of CBT Strategy;
- Ensuring CBT initiatives are gender sensitive;
- Coordination of Cross Border related programmes between Government Ministries and Agencies, regional programmes, the donor community, Civil Society Organisation, and the private sector;
- Oversight and monitoring of activities at district level with regular updates on district level activities. This includes constant support and advise to districts through regular district level meetings with different stakeholders, ensuring infrastructure is *"CBT ready",* communicating with districts on CBT initiatives, identifying needs and addressing challenges;
- Advising CBT districts on best practices in CBT support and facilities;
- Initiating and overseeing CBT support programmes through, for example, RCA cooperative training, communication of finance facilities to traders through BDF, and ensuring CBT sensitisation training to Border Agencies is delivered and applied;
- Initiate studies on CBT opportunities and disseminate findings;
- Oversight of Trade Information Desks and establishment of new information desk where appropriate;
- Information dissemination on CBT issues to stakeholders at all levels;
- Ensure CBT mainstreaming into relevant programmes;
- Review of regulatory framework and propose ICBT alignment;
- Compilation of CBT data from BNR and cooperation with neighbouring countries on collection of CBT statistics;
- Monitoring and regular reporting on CBT and initiatives and issues through a mix of quantitative and qualitative reporting.

The coordination unit should have at least two full time staff members, dedicated to running the unit and overseeing coordination and communication of CBT activities. The expertise required is a CBT Coordinator and Communications expert.

4.1.2 Addressing the Cost of Trade

As described in the analysis section, the cost and time it takes to cross the border is a significant barrier to trade. The border increases the cost of goods exported and as a result, reduces demand for Rwandan exports in neighbouring markets. For goods produced in the informal sector, the price difference between Rwanda and DRC averaged 22.5% while for manufactured goods the price difference averaged 59%.

The costs associated with the border occur as a result of inefficient and outdated procedures, time delays, deviation from rules and regulations by border officials and insecurity. The high costs associated with the border both prevent traders and manufactures from directly accessing Rwanda's largest regional export markets and limits access of foreign consumers to goods and markets in Rwanda. Informal traders face these challenges head on, and have continuously raised constraints at the border as a major barrier to trade. Formal exporters have so far managed to avoid the issue by not entering the market directly, and have not raised barriers at the border as a constraint to their trade. However avoidance of the issues can only go so far and at some point the private sector will have to overcome the challenges at the border for the export revenues to be substantially increased. The World Bank (2011a, P26) states that the "success of cross-border trade depends upon the ability of individuals to routinely cross the border without being subject to violence or harassment and without having to pay large unofficial payments or prohibitive tariffs or charges." In effect, constraints at the border act as a break on demand for Rwandan exports, whether or not they are acknowledged by the private sector, and it is necessary to address these constraints in order for Rwanda to further realise its export potential.

Interventions aimed at reducing inefficiencies and costs of the border will improve the competitiveness of Rwanda goods in neighbouring markets, increase volumes exported and increase profitability for exporters. MINICOM is already actively engaged in separate initiatives to improve customs and border administration with both the EAC and the DRC and these initiatives should continue to be supported and rolled out further. The interventions required to reduce the cost are outlined below.

Customs and Border Administration

For exports to the EAC, Rwanda should continue to engage with its neighbours on the establishment of one-stop border posts (OSBP). The benefits of OSBP are both in terms of enforcement and economic. The ability of border authorities from two countries to perform joint border controls results in improved enforcement efficiencies through cooperation, sharing of intelligence and better resource utilisation. In terms of economic benefits OSBPs are proven to significantly reduce waiting times and costs as traders now only have to comply with a single set of procedures and regulatory requirements. A one-stop border post has already been established with Burundi at Kisenyi and there are plans to establish OSBPs at Gatuna and Kagitumba, on the border with Uganda. We have discussed the option of establishing OSBPs with the DRC with MINICOM and the RRA. However in the short to medium term, the feedback was that their establishment is not feasible.

For cooperation with the DRC, there are several interventions already on-going. It is necessary for

MINICOM to continue to support these initiatives and take a more visible role in engaging with DRC to implement the initiatives. Activities to be supported as part of the cross-border strategy include:

- **CBT Sensitisation Training for Border Agencies (Gender Sensitive):** Develop a tailored made training programme targeted towards Rwanda border officials on how to appropriate behave and treat small informal cross border traders.. The training will include appropriate ways of providing services for informal cross border traders, such as when documentation beyond ID should be requested, what goods should be allowed through and when further documentation should be requested from traders. The training should also include a section on trading under the simplified trade regime within the EAC. RRA officials should be fully aware that no taxes should be applied to traders when exporting from Rwanda. Border officials should also be sensitized on the importance of cross-border trade for Rwanda, to ensure they view CBT as a legitimate source of trade and not treat it as illegal;;

- **Visibility:** Improve visibility and increase awareness of role of COMESA trade desks in Gisenyi and increase responsibilities of trade desks. TIDs should also be established on the border with Bukavu, and at Gatuna, and Kanyaru. These desks are funded through the EAC and COMESA secretariats.

- **Cooperation:** Improve cross-border cooperation between customs agencies and traders through facilitating a quarterly discussion forum for identification of issues, monitoring improvements and implementation of change. This can be done through the CEPGL framework for DRC and Burundi and through bilateral cooperation;

- **Information:** Clearly advertise official fee and tax information, prices in neighbouring markets, and waiting times at border on electronic advertising boards outside Trade information desk;

4.1.3 Improved Regulatory Framework through Engagement

There are only two mandatory requirements for formally exporting. The exported should have registered their business with the RDB for a fee of RWF 25,000 and should provide a tax identification number. The TIN number is important for monitoring purposes; however the cost of registering a business can be high for the majority of individual small traders. Additionally, informal trade, by its very nature would imply that the trader is neither registered as a business nor for tax. Currently there is confusion over application of these requirements by RRA officials, who sometime charge an exporter tax to the trader if they do not meet the procedures in place.

Creating procedures that are simple for small traders to follow is important for capturing accurate information on CBT for customs and informing policy. To complement the regional small trade regimes, where simplified procedures have been put in place to facilitate small informal cross-border trade, simplified requirements should also be put in place for informal traders at the national level. This would include removal of the need for small traders to be registered as a business and facilities close to the border where traders can register as small Cross-border Traders and acquire a TIN number free of charge. The TIN would be used purely for tracking purposes and not for collection or application of taxes.

At the regional level, The Simplified Trade Regime (STR) was designed to promote informal cross-border trade in the EAC and COMESA regions through the removal of customs duties and the simplification of customs procedures for small traders. It has been met with limited success because certain requirements remain in place that are difficult for informal trader to meet such as the need for the exporter to be VAT registered and SPS requirements. The EAC and COMESA secretariats are reviewing options to improve the STR for informal traders. Rwanda should continue to engage with the RECs in pursuing further improvements to the STR. To this end, Rwanda should encourage efforts to continuously improve the COMESA and EAC Simplified Trade Regime (STR) to better meet the needs of informal traders. COMESA has recognised the challenge of SPS requirements to both the STR and to the cost of formal trade (under the green pass programme) in the long term. Rwanda is already involved and being considered for piloting programmes in this area.

The STR also provides a good opportunity for small formal sector exporters to enter neighbouring markets at low costs. Micro, small and medium sized companies are well placed to benefit from use of the STR. Small exporting firms, with exports under US$2,000 per consignment, can make use of the STR if the good they are exporting has been identified as a commonly traded good. We estimate that 33% of regional formal export consignments are below US$2000. Despite the high number of transactions the total value of these exports are very low, estimated at under 1% of total formal trade. Under the STR, the exporter is not subject to customs duties and can make use of simplified rules of origin and customs procedures. This saves both time and money. In cooperation with the RRA, an awareness campaign should be initiated amongst both border officials and exporters. The awareness campaign should provide advice on how and when to use the STR. Monitoring of implementation would fall under the responsibility of the NTB national monitoring committee.

For trade with the DRC, the CEPGL's cross-border community agreements have already been instrumental in facilitating trade through the creation of cross-border community agreements which allow the movement of people between CEPGL member states and Rwanda using specially issues travel pass cards. People issued with these cards can move within the CEPGL region for up to 3 days without the need for a passport. The CEPGL Secretariat has recently taken steps to revive the protocol on the free movement of raw goods within the CEPGL. This protocol would allow for the free movement of mainly agricultural goods between Rwanda and the DRC's North and South Lake Kivu districts. The Government of Rwanda should seriously engage with CEPGL on this endeavour, however any efforts in this area should remain consistent the GoR's commitments as a member of the EAC. A good opportunity for addressing this issue, is the DRC's recent statement to commit to entry of the COMESA FTA. If this happens, the COMESA STR could be applied at Rwanda's borders with the DRC. Rwanda will continue to support the CEPGL's "Joint Action Committee for Women in informal cross-border trade in the Great Lakes Region".

Rwanda is already engaged on a bilateral basis with some of its neighbours to improve conditions for CBT traders. As the majority of these traders are women, any support should have a strong gender component taking into account the specific challenges faced by women traders. A memorandum of understanding (MoU) has been recently signed between Rwanda and Uganda on supporting cross-border trade through improved border management and infrastructure. An important area identified for improved cooperation is the sharing of information captured through the informal CBT surveys. Burundi and Uganda, like Rwanda, have initiated their own informal CBT surveys. Information sharing on ICBT surveys would improve the accuracy of the survey results and allow for better policy making.

4.2 Strategic Interventions for Informal Sector

Based on the analysis of informal trade, three areas of intervention for the informal sector have been identified. These are (1) forging strong market links, (2) access to finance, (3) scaling up and formalisation. These interventions are outlined below.

4.2.1 Informal Intervention I: Stronger Market Links

Producers in the informal sector are not linked to cross border markets and the costs of getting goods to markets in bordering towns are often high due to poor transport infrastructure. The informal nature of the trade has meant that storage and market infrastructure is not adequately organised to meet the growing volumes of trade taking place, particularly along the border between Rwanda and the DRC.

These inefficiencies adversely affect both agricultural producers and informal traders. Producers suffer from high levels of wastage due to poor infrastructure and often receive low prices for their goods because they don't have information on prices in markets. The implications of this are lower incomes for producers. Weak links between producers and markets result in inadequate supply of agricultural produce in Rwanda's cross-border markets and push up prices for traders.

Through improved infrastructure and information the supply of goods to cross-border markets can be increased. This will reduce the cost of goods and result in increased demand and volumes exported to Rwanda's largest Regional export markets. This will be achieved through the following interventions.

4.2.1.1 CBT Mainstreaming

The focus of this intervention is on cross-border trade mainstreaming in existing and future agricultural production and post-harvest strategies. This will avoid the additional costs and delays of establishing new programmes. Through cross-border mainstreaming, producer support programmes would consider large neighbouring country markets, in particular in the DRC, as alternative markets to Kigali and place greater emphasis of boosting supply to markets in districts with high volumes of cross border trade.

MINAGRI has developed two comprehensive national strategies that address both production intensification and post-harvest support. The Crop Intensification Programme (CIP) is already demonstrating results through improved yields for marketable crops. The National Post-Harvest Staple Crop Strategy has been designed to support producers through strengthening the harvesting, handling, trade, storage, and marketing within staple crop value chains in Rwanda. The Strategy "aims to improve markets and linkages for farmers, and reduce post-harvest losses.

The Post-Harvest Strategy recognises informal cross-border as a source of regional trade, however it is viewed as a relatively small market when compared to domestic consumption. Despite its comparatively small size to the domestic market CBT should not be discounted as less significant. Rwanda has a competitive advantage in horticultural exports to DRC's Lake Kivu region. This is also a region where demand is not being met internally. Through cross-border mainstreaming, post-harvest support programmes should better orientate support towards markets such as Goma and Bukavu where demand is strong and prices are higher. Support to crops that are in demand in cross border markets should also be made a priority. Outlined below are the priority areas for cross-border mainstreaming.

CBT Mainstreaming in Feeder Roads Programme

Emphasis on developing efficient feeder road systems in regions close to Rwanda's major cross border markets will contribute to reducing wastage and prices and increasing supply for agricultural produce. Some of the benefits of feeder roads include:

- Feeder roads influence the type and quantity of goods produced by farmers as a result of improved feedback mechanisms allowing producers to respond more quickly to the demands of the market;
- 75 percent of farmers sell their goods directly to market traders. Feeder roads enhance farmer bargaining power and improve access to out-of-village markets such as town hubs where they receive higher prices for their goods. Direct supply to town hubs can also reduce prices at markets through increased supply and reduced costs of middlemen;
    - Farmers within 7-10 km of a main road report an increase of between 85 and 160 percent in the price they receive for their produce (OTF, 2010);
    - Production in areas with feeder road programmes increased by 81% compared to non-feeder road areas where growth was just 15%. (OTF, 2010);
    - Increased access by larger motorized vehicles to producers allows for movement of larger quantities and improved economies of scale;

The total planned network length for investment in feeder roads is 2850 km over the next four years. To date, prioritisation of districts for feeder road programmes has largely focused on three selection criteria. These selection criteria are (OTF, 2010):

- ✓ Where the density of the rural network vis-à-vis cash crop production is low;
- ✓ Where lack of effective feeder roads are likely to present a binding constraint;
- ✓ Where the highest impact will be in terms of improved foods security.

Under the cross-border trade strategy an additional selection criteria would be added to take into account access to markets in neighbouring countries. This is in line with MINAGRI's broadening in focus from predominately food security to a more market driven focus. The additional selection criteria would not significantly change those districts selected for feeder road support, however it would improve the scores of districts such as Rubavu and Rusizi, which have significant cross border markets.

CBT Mainstreaming in Producer Cooperative Development

Product specific cooperatives are a common way of organising rural producers in Rwanda. Cooperatives are widely seen as the most cost effective way of getting producer output to market, through the pooling of resources for activities such as bulk buying, storage, and transport. Cooperatives also increase the bargaining power of producers in getting better prices at market. However, cooperatives are characterized by uneven access to formal structured markets and marketing services and uneven capacity to serve members appropriately.

Producer cooperatives are already receiving training and support through various programmes including the Sell More for More (SMFM) programme. SMFM provides training to cooperatives in order to meet the quality and quantity specification for buyers such as the World Food Programme (WFP). The SMFM programme includes a marketing training component for cooperatives which trains cooperatives in analysing buyer requirements, market opportunities and supply forecasts.

Through CBT mainstreaming, producer cooperative training programmes will be developed to include training specific to cooperatives operating in districts with high volumes of cross border trade. The benefit of delivering training through smallholder associations and cooperatives is that they are best positioned to disseminate new skills and understanding to the wider population. T

CBT Mainstreaming in Market Information Sharing Systems

Rwanda is currently implementing the e-Soko electronic and phone based market information service for smallholder farmers and farmer associations. E-Soko widens farmers understanding of market dynamics such as price variances and gives smallholder farmers the opportunity to sell to markets where prices are best. The purpose of e-Soko is to alleviate the information gaps that exist between agricultural producers and markets. Producers often rely on middlemen to get their goods to market and negotiations are skewed in favour of the middlemen because of price information asymmetry. The same is true of the traders who purchase goods from middlemen. e-Soko reduces the information asymmetry and improves producer and trader bargaining position (Uwajeneza & Kabahizi, 2010, P6).

Through the CBT strategy the e-Soko system should be expanded to provide access to agricultural market prices in neighbouring countries. Existing regional price information systems are already in operation and e-soko should be able to incorporate these into its service.

4.2.1.2 New Infrastructure to Facilitate CBT

Warehousing and Distribution Facilities in Gisenyi and Kamembe

With growing demand from markets in DRC, it is necessary for larger amounts of goods to be held close to the borders. Some larger firms have already established their own distribution centres in Rwandan towns close Bukavu and Goma to serve these markets through informal trade. Large storage facilities in Gisenyi and Kamembe suitable for a mixed variety of products should be constructed by the Government and made available for private leasing. The benefits of storage close to the border include:

- Formal traders and Informal trader cooperatives can bulk buy goods at lower prices and store safely close to the border;
- Traders and producers trading in goods with high seasonal price variation can build stocks when prices are lower and re-sell once prices increase;
- Storage close to the border provides the option to only move goods once. It is expensive to move goods from one store to another due to additional transport costs and loading and unloading costs.

The benefit of a government built storage facility is the added certainty private traders and producers have that the facility will not go bankrupt. This will incentivise private traders to pay for use of the facility at the market rate for storage. The following activities will be carried out.

MINICOM will conduct detailed feasibility studies in Gisenyi and Kamembe on construction of commercially viable storage facilities. Depending on the results of the feasibility study, storage facilities should be constructed.

Market Infrastructure

Improved market infrastructure should provide wider marketing opportunities for producers and traders (EIF, 2012) encouraging an increase in supply and better distribution. This will attract greater numbers of customers and increase demand for Rwandan goods. There is a need for new market infrastructure both in Rwanda's largest cross border markets and along the shores of Lake Kivu.

The government should facilitate private sector investment in the construction of markets in Rwanda's two largest cross border market towns, Gisenyi and Kamembe. As supply to these two towns increase, the cross border markets will provide an outlet for facilitating increased trade. Market facilities will include a standard pack house with space for cleaning, sorting and grading goods, cold rooms and warehouse facilities. The impact of constructing a market on prices has not been tested due to insufficient data. However based on the EIF Cross-Border Market Infrastructure proposal, the construction of market infrastructure will:

- Strengthen market linkages between producers and markets;
- Reduce post-harvest losses through improved handling practice and increased storage;
- Increase competition and reduce prices;
- Improve quality and supply goods;
- Reduce incidence of itinerant trade and increase security for women traders in particular.

High profile and quality cross-border market infrastructure will establish Rwanda's cross border trade towns as major markets in the region with a reputation for good quality produce at regionally competitive prices. This will lead to an increase demand across the border.

The issues faced by traders on the shores of Lake Kivu need also be addressed. MINICOM will be responsible for conducting detailed feasibility study in pre-identified market sites to assess costs and impact on cross border traders and producers of new market infrastructure. Based on the outcomes of the feasibility study, simple market facilities should be constructed by the Government at sites on Lake Kivu where impact will be greatest. These facilities will allow trade to continue in compliance with environmental regulations.

New Border Posts

There are calls for more border posts to be established along Rwanda's borders. A higher frequency of border crossings would reduce travel times for traders not currently living close to a border but who wish to travel into the neighbouring country by crossing through an official border post. The main benefit of such posts is that they would allow for better monitoring of trade as well as ensuring a higher percentage of imports are captured in the formal sector that may currently be missed.

As a first step it is necessary to identify areas where relatively large populations are already living close to a border but are not within reasonably distance of a border crossing. Currently most urban centres close to a border are serviced by a border post. However the situation may change. As the establishment of new border posts would require cooperation with neighbouring countries, it is necessary for the Government of Rwanda to engage on this issue with regional partners and fully explore the option.

4.2.2 Informal Intervention II: Access to Finance

No or limited access to external sources of finance is the most commonly reported constraint reported by cross-border traders between Rwanda and DRC (Int. Alert 2010) (ILO, 2012) (Randriamaro, 2012). Without access to finance, cross-border traders are unable to capitalise on market opportunities and see lower capital growth over time. Women traders who, on average, have lower levels of working capital than their male counterparts are forced to trade in lower profit products (ILO, 2012). Two recent studies report between 85 and 95% of cross border traders never having borrowed money from either formal or informal lenders (ILO, 2012) (Int. Alert, 2010).

Despite this constraint there are a large number of facilities operational with focus on providing finance to small traders and producers. Often, however, these opportunities are not being properly communicated to the target beneficiaries. Access to Finance forums have been established in each district with aim to provide information on finance opportunities and provide a discussion forum through which issues about finance can be raised. The level of activity of these forums should be assessed as a first step by the CBT Coordination Unit in cross-border districts. If they are not operational steps should be taken to reestablish them.

Plans are underway for the establishment of a special finance facility specifically targeted towards women informal traders. The facility will be provided finance to women traders through a small trader grant and loan scheme. The program will be administered by BDF and executed through Imirenge SACCOs in border districts. Because of their proximity and convenience to the target borrowers, the SACCOs provide the best option to deliver the program across the country and relations with them will be governed by agreements spelling out the partnership guidelines and a working framework to ensure smooth and effective delivery of the micro-loans. Under this programme A special grant fund for women traders will be established, which will provide a loan to women traders capped at Rwf 500,000 per individual. For Loans to groups or associations, the cap will be multiplied by number of members A grant equivalent to 50% of the total loan amount will be made accessible to WICBT borrowers The borrower is then obliged to repay the 50% balance loan amount both principal and interests. Loans above this amount will be distributed through the existing BDF schemes in place.

A pilot scheme is due to begin in three cross-border market towns towards the end of 2012, through joint funding from NEPAD and UN Women. This access to finance scheme has a specific focus on women traders. Based on the outcome of the pilot scheme which begins with an initial €1500,000 of funding, the scheme should be expanded through additional funding to cover all cross-border districts.

BDF should be actively promoted as a source of finance for loans to men or for amount above the ceiling set under the special facility for women.

4.2.3 Informal Intervention III: Scale up Through Cooperative Support

Where it makes strong economic sense for traders to cooperate through the formation of cross-border trader cooperatives, business development services specifically suited to the needs of small-traders should be provided. Cooperatives are organisations owned by their members who manage and control their business activities. The benefits derived from cooperative membership are well documented. They provide an opportunity for small traders to organise themselves and realise opportunities greater than if they operate as individuals. Members of Cooperatives are more visible, have increased advocacy opportunities, have better access to government support and have improved access to finance. Currently, women in informal trade have very low representation in cross-border trader cooperatives. It is estimated that just 10% of members are women, despite women accounting for over 70% of informal traders. As a result, women traders cannot benefit from the opportunities that cooperatives provide. Furthermore those women who are members of cooperatives often find that their needs are not addressed due to the highly gendered nature of cross-border trade.

A programme of Cross-border trader support specifically targeted towards women traders should be initiated to ensure women traders can fully benefit from the opportunities provided through cooperatives. A ToR for this support has been developed by MINICOM and while existing budget for this is available with support from UNWOMEN, this budget is set to expire shortly and new sources of finance should be identified.

Furthermore, the Status Report on Cross-Border Trade by MINICOM in 2010, revealed that Informal Cross-Border traders have inadequate knowledge of existing regional trade regimes, cooperative law, taxation system and basic accounting; insufficient capital to ensure consistence supply chain of goods throughout the year; lack of sufficient market information which could help them to benefit from existing market opportunities within the region. Any training provided to cooperatives should address the issues raised above. In addition training should be made available through existing BDS or through RCA cooperating training programmes that go beyond the general training already provided and include specific entrepreneurial support in the following areas:

- Deciding what to trade in and why;
- Investing your capital in your business (advantages, risks and considerations of investing in transport);
- Using the Simplified Trade Regime to your advantage;
- The benefits and costs of going formal.

4.3 Strategic Interventions for Formal Sector

Based on the analysis of formal trade with neighbouring countries and the nature of that trade, three areas of intervention for the informal sector have been identified. These are (1) forging strong market links, (2) export support, (3) mainstreaming CBT into investment promotion. These interventions are outlined below.

4.3.1 Formal Intervention I: Stronger Market Links

A key constraint raised by the private sector in the Industrial survey 2011, was the lack of demand. However there is ample evidence to suggest a strong mismatch between supply and demand in the domestic and cross-border markets. Rwanda's cross-border exports are constrained by the low export orientation of manufacturing firms, outside Rwanda's traditional export sector. The export orientation of Rwanda's manufacturing sector was just 4.25% of output in 2010 (IGC, 2012). Domestic producers are focused on selling to the domestic market. Selling to neighbouring markets is often ad hoc and reactionary. The activities proposed under this intervention aim to expose Rwandan firms to new opportunities in neighbouring markets and increase their export orientation.

4.3.1.1 Trade Fairs

Trade fairs are a widely used tool of trade promotion, providing exposure to potential distributors and potential customers, allowing for feedback on products, to assess competition and for companies to look for joint venture partners.

RDB together with the PSF, should hold trade fairs in the DRC and the EAC region. For the DRC, two trade fairs should be initially held in Gisenyi and two in Kamembe. In addition to enhancing network and information for current exporters, they would also provide an opportunity to attract producers currently catering for the domestic market only to test to see if there is potential to export in a low cost, low risk way.

Once there is stability across the border, trade fairs should be held regularly in Goma and Bukavu.

4.3.1.2 Rwandan Yellow Pages

Local Business Yellow Pages: The Yellow Pages remains a proven and relevant medium through which businesses can reach customers. In countries where access to internet is low, the yellow pages is perhaps the only way for small firms to advertise their business to customers. The yellow pages offers the option of both free passive advertising (being listed in the book) or active paid for advertising (buying part of or a full page). The average return on investment (RoI) of advertising in the yellow pages was 13:1 in 2008 (CRM, 2008). In South Africa an estimated 85% of urban adults still refer to yellow pages (Trudon, 2012) The following activities should be undertaken in this area: (1) Create a comprehensive "Yellow Pages" of Rwandan business in English, French, Kiswahili, and Kinyarwanda and include Names of Companies, what they offer and contact details. Firms can also choose to pay for advertising space in the booklet. (2) Distribute the booklet freely in, amongst other places, major neighbouring country markets including Goma, Bukavu and Bujumbura; (3) Create a web based portal linked to the Yellow Pages, hosted and maintained within the RDB. RDB is now in the process of developing this through an exporter directory and online web portal.

4.3.2 Formal Intervention 2: Export Support (Cross-Border Focus)

A few large firms account for the bulk of Rwanda's exports to the region. These firms are largely operating at close to capacity and while some of them are planning future investment growth in exports from these producers will take time. However there is an opportunity to increase exports by utilising existing unmet capacity in some producers who have so far shied away from exporting or have been exporting in low volumes and unregularly.

Through the trade fairs under strategic intervention one, Rwandan firms will be encouraged to reorient towards neighbouring markets. The exporter support programme will complement their engagement through the follow-up provision of specialised financial and technical support to produce and trade with neighbouring markets.

RDB is in the process of finalising an exporter support programme. This programme should include a focus on cross-border and regional markets. The following services are provided

- Firms will first be exposed to export opportunities through engagement in trade fairs under strategic intervention one.
- Where opportunities are identified the RDB will provide exporter support
- Initially an export strategy for the firm to fulfil that potential will be developed. The services in this area will include:
    - Export capacity audits;
    - Export strategy development, action plans and oversight / support to implementation; and
    - Development of financial proposals for financing of export activities including increasing production capacity.
- Financial Support to implement the export strategy will be provided through existing exporter grant scheme.

4.3.3 Formal Intervention 3: Investment Promotion (CBT Mainstream)

Rwanda's largest regional exporters are firms who invested in Rwanda with the purpose of supplying the local market and the markets in DRC and Burundi. Many of these firms are new and are the result of investment by existing local or regional firms. Examples of this can be found in the beverage, construction, and food processing sectors. EAC firms investing in Rwanda have often already established links with distributors in DRC and Burundi and arrive *"export ready"*. They have well established supply chains and typically have been selling to Rwanda and the surrounding countries for a few years before deciding to invest in production facilities closer to markets here. EAC producers who understand the local environment are more open to investing in other EAC countries than investors who have little or no experience in the region.

This will be accomplished through a targeted and proactive investment marketing campaign aimed at pre-identified EAC based investors. The primary attractiveness of investing in Rwanda, from a regional investor perspective, is the security and stability of Rwanda as a location for production and the opportunity to service Rwanda's largest regional export markets rapidly. Specific activities in this area will be as follows:

1. Identify the major EAC producers in the sectors identified;
2. RDB to develop detailed cost models for each of the sectors comparing Rwanda with investors current country;
3. Activate commercial attachés in EAC countries, with support from MINAFFET, to approach

identified investors. The average response rate is 10%. ;

4. Invite interested investors to visit Rwanda and sell investment based on investor needs.

4.4 Beyond CBT

4.4.1 Consolidated Container Services to Reduce input Costs

For goods sourced abroad, high transport costs and long time-to-delivery leads to production delays and price uncompetitiveness. Access to raw material is a challenge that larger regionally owned firms have managed to overcome. Often regionally owned firms have well established supply chains that minimise many of the disadvantages Rwanda faces as a landlocked country. For example, a firm with manufacturing operations across the region can bulk purchase the raw material on the world market and ship it to the region at once. From the port the raw material is distributed, often with their own fleet of trucks, across the region to its various operations. There are obvious advantages to operating in this way. On the other hand smaller operators have to purchase in smaller quantities, see none of the advantages of movement by scale and often wait several weeks before delivery. This can add significant cost to their operations and delay their ability to respond to demand.

There is potential to support smaller firms, in particular overcome this constraint through import coordination and cost sharing. Programmes of this nature have already been piloted in other parts of the region through the consolidated container principle.

The consolidation of goods from multiple imports into a single container can significantly reduce the cost of exporting and open up markets to smaller exporters that would otherwise be unavailable. Goods are packed from various firms into a single container. Once the container is full, the goods are shipped to an export market. Upon arrival the container is unpacked and individual consignments are collected.

The scheme can be run on a commercial basis by a shipping company but requires significant coordination in terms of timing and clearing of paperwork. For Consolidated Cargo services to be commercially viable the following requirements must be met (Imani Development, 2010);

- **Coordination –** in the absence of a regular service, coordination is more complicated whilst numerous exporters and importers' jostle for preferred shipment timings. This is made especially risky whilst there are thin volumes
- **Compatibility of loads** - especially with foodstuffs that can be potentially spoiled by cross-contamination from other products (e.g. scents of coffee and tea). Goods need to be screened and sorted into compatible consignments
- **Additional administration costs –** there is a requirement for systems to bill multiple parties for freight costs to be put in place
- **Clearance -** aggregation of paperwork for a variety of loads leads to more complicated clearance

procedures and more management time

- **Counterpart** - need for a partner in the destination market to manage Clearance, forward freight and arrange billing to multiple parties

An export pilot scheme was successfully run between Malawi and Scotland. However, the scheme remains untested for importing. Without Government support to run a pilot programme and test the viability within a regional context it is unlikely the scheme would be implemented. The government should therefore take a lead in test the viability of a consolidated container scheme with a view to privatising the operation, should it be commercially viable.

4.4.2 Deeper Penetration into DRC

Several Rwandan firms are now successfully exporting within the region, and in consultations interest has been expressed beyond the cross border market to include Kinshasa in particular. As one company put it "if we don't start exporting there, someone else will". Our initial outline of the trends in Rwanda's formal exports to the DRC revealed that EAC Partner States are also exporting with tariff payments required on most of these products.

Consideration should therefore be given to the development of a Market Entry Strategy for the DRC beyond the Cross Border Strategy.

5. Implementation Plan and Institutional Framework

5.1 Implementation

A detailed implementation plan for the Cross-border Trade Strategy is attached as Annex 1. The implementation plan outlines actions, timeframes, indicators and implementing institution. The implementation of the strategy should be coordinated through MINICOM with cooperation from key institutions and agencies including; MINAGRI, RRA, MINILOC, RCA, PSF and Cooperating Partners.

5.2 Financial Implications

Following validation of the activities and proposed implementation plan a budget will be drawn up for the strategy. It should be noted that this strategy is based on mainstreaming cross-border trade into on-going and future programmes, coordination of activities, and awareness raising. Some activities are already budgeted for through existing strategies, and support programmes, for example, NEPAD funding for women in informal cross-border trade and MINAGRI feeder road programme. Where additional budget is required some potential sources have already been identified.

A total of RWF 7,374,970,000 is required in additional budget to ensure full delivery of the CBT strategy.

TABLE 10: FINANCIAL IMPLICATIONS OF CBT STRATEGY

No	Item	Lead Institution	New Funding (RWF)	Funding Sources Already Identified
	Cross Border Trade Strategy		7 374 970 000	7 204 920 000
1	Crossing Cutting: Cost of Trade and Facilitation of CBT		407 000 000.00	
1.1	Customs and Border Administration	MINICOM / RRA	111 000 000	Funding for OSBPs in Place
1.2	Enhance Simplified Trade Regime	MINICOM	8 000 000	
1.3	Engagement: National, Bilateral, Regional	MINICOM	7 000 000	Funding for Bilateral Engagement covered
1.4	CBT Facilitation Unit	MINICOM	281 000 000	
2	Strategic Interventions for Informal Sector		510 330 000.00	7 204 920 000
2.1	Stronger Market Links - (CBT Mainstream)	MINICOM	103 000 000	5 131 240 000
2.2	New Market Infrastructure	MINICOM	378 630 000	1 786 680 000
2.3	Small Traders Access to Finance	MINICOM / BDF	16 400 000	164 000 000

2.4	Scale up and Formalisation of small traders	MINICOM / RCA	12 300 000	123 000 000
3	Strategic Interventions for Formal Sector		6 475 640 000	
3.1	Create stronger market links between firms and markets	RDB	48 640 000	
3.2	Exporter Support Programme	RDB	6 165 000 000	
3.3	Investment Promotion	RDB	244 000 000	

5.3 Legal Implications

The Cross-border Trade Strategy will require legal clarification on the status of informal cross-border traders. It is necessary for there to be consistency with Rwanda's commitments and obligations under the EAC Common Market Protocol and implementation of the COMESA and EAC STRs.

5.4 Impact on the Private Sector

The Cross-border Trade Strategy emphasises a market led approach to growth in exports through initiatives to support the realisation of Rwanda's cross-border trade potential. There are several initiatives in the strategy that will have a direct impact on the private sector. These are:

- Reduction in barriers to trade with neighbouring countries;
- Increased information availability and increased awareness of opportunities for trade with neighbouring countries;
- Improved access to finance for small traders and increased opportunities for trade;
- Stronger linkages between producers and firms in Rwanda and markets in neighbouring countries;
- Suitable markets to meet higher volumes of trade and traffic.

The upper limit impact of the interventions above, based on their full implementation, would increase informal exports by between 11% and 14% above trend per year while formal sector exports would increase by approximately 17% above trend.

Beyond the efficiency gains from the reduced costs of trade and strong market links, continued investment in Rwanda's manufacturing sector through CBT mainstreaming into investment promotion campaigns is expected to significantly increase exports from Rwanda's manufacturing sector. Activities in this area include new investments in Rwanda's growing construction material sector, pharmaceutical exports and agro-processing. The CBT strategy also complements the new Trade Distribution and Logistics Strategy.

CBT export projections for both the informal are presented below (figure 10) (table 11). The interventions will support in maintaining Rwanda's export growth at an average of 31% per annum over the next 5 years.

FIGURE 10: PROJECTED EXPORTS 2011-2018 (US$ MILLIONS)

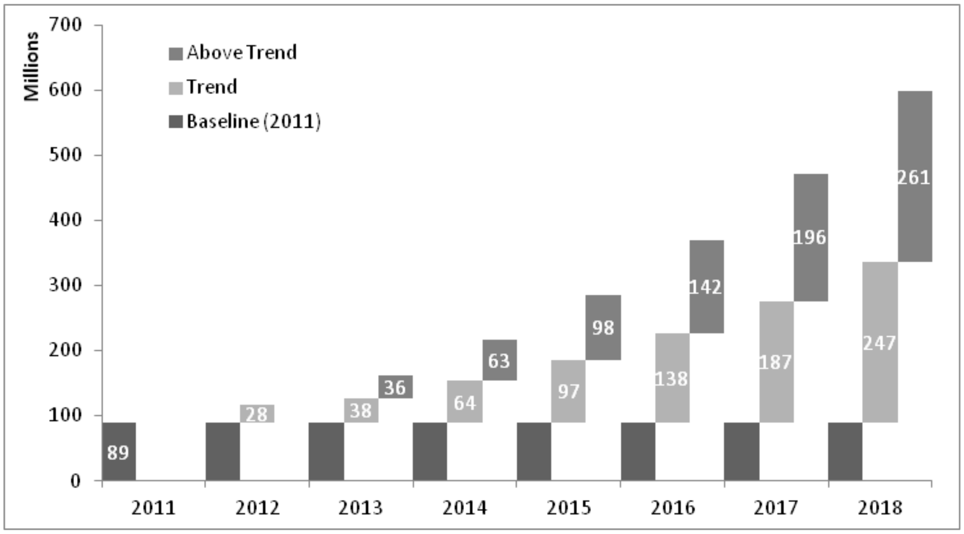


FIGURE 11: TOTAL PROJECTED EXPORTS (2011-2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Projected Growth	89 167 618	116 809 580	126 778 519	153 200 846	186 110 310	226 729 991	276 406 356	336 591 183
Above Trend			35 630 598	63 469 739	98 462 779	142 026 760	195 741 106	261 332 212
Total Exports to EAC & DRC	89 167 618	116 809 580	162 409 117	216 670 585	284 573 089	368 756 751	472 147 463	597 923 396
% Growth		31%	39%	33%	31%	30%	28%	27%

5.5 Impact on Equality, Unity And Reconciliation

The Cross-border Trade Strategy is consistent with Rwanda's Trade Policy Vision of *"growing sustainable and diversified products and services for trading locally, regionally and internationally, with the aim of creating jobs, increasing incomes, and raising the living standards of Rwandans."* The Strategy will increase incomes and improve the living standards of some of the very poorest and marginalised in Society. The strategy has a high gender component by supporting traders, who are predominately women. The focus on locally produced agricultural produce creates additional opportunities for economy development of rural areas.

Through successful mainstreaming of cross-border trade into agricultural programmes and through continuous support to cross-border traders, the strategy will reduce income inequality between urban and rural households and female and male headed households. Equity is vital for fostering unity and reconciliation.

5.6 Dissemination and Awareness

Upon adoption of the strategy an awareness and dissemination campaign should be initiated, to raise the profile of the strategy amongst Government Ministries and its agencies, amongst the donor community and civil society organisations, amongst the private sector, cross-border traders and producers, and finally amongst the general public.

Activities to support this process should include:

- A formal launching of the strategy with high level engagement from all ministries, dignitaries and the donor community;
- Production and dissemination of press releases for publication in national and regional papers;
- Publication of the strategy online.

6. Monitoring and Evaluation

Monitoring and evaluation (M&E) of implementation of the CBT strategy is an important component of the CBT strategy. The Monitoring and Evaluation framework from the cross border trade strategy has the following objectives:

1. Promotion of accountability for the achievement of the CBT Strategy objectives, based on quantitative targets, through the implementation, monitoring and evaluation of the activities, processes, outputs and performance of the partners involved in the strategy. This is of particular importance to monitoring conditions at the border for traders both from the formal and informal sectors. In many ways M&E goes beyond monitoring implementation and evaluation of impact, but rather is a tool for implementation of activities to improve conditions at the border.

2. Effective M&E of progress in achieving results through strategic activities and collaboration with Government MDAs and development partners; and

3. Promotion of learning, feedback and knowledge sharing on results and lessons learnt among all government institutions, as a basis for improving deliver, decision-making on projects, and programme management and as a basis for sharing experience among MDAs in development strategies and policy formulation.

Consistent with the above objectives the strategy work plan in Annex 1 has been designed to aid all partners in monitoring progress in the achievement of the overall strategic objectives and of the project outputs and outcomes. The logframe will be used by a strategy implementation committee to monitor progress of the project outputs and determine impact.

The Ministry with principle responsibility for M&E will be MINICOM which will work in close cooperation with MINAGRI, RDB, BNR and local Government.

A system of regular reporting will be established with quarterly and annual reports required as well as a start-up and final report.

Annex 1: Action Plan and Budget

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
	Cross Border Trade Strategy	Full Implementation of CBT Strategy			7 374 970 000	
1	Crossing Cutting: Cost of Trade and Facilitation of CBT	Addressing issues that increase the cost of trading for informal and formal traders			407 000 000	
1.1	Customs and Border Administration	Improving, streamlining customs and border administration to reduce the costs of trade	MINICOM / RRA / Dept of Immigration		111 000 000	
1.1.1	Continue programme of establishing One-Stop Border Posts on main border crossings with Uganda, Burundi and Tanzania	OSBPs reduce the time and cost of trading across borders. This programme is already underway and should be fully implemented to increase cross-border trade flows	RRA	OSBPs established and fully implemented at Gatuna, Kagitumba, Kisenyi and Rusuma	-	This programme is funded through separate budget

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
1.1.2	Enhance role of existing TID and establish new TIDs at borders of Gatuna, Kanyaru, and Kamembe.	Establish new TIDs and improve visability and information provision through TIDs	MINICOM	Developed clear TORs for Trade Information Desks with clear responsibilities, deliverables and targets in cooperation with Regional Secretariats. Establish Electronic billboards at TIDs at DRC crossings to provide live information feeds to traders	46 000 000	The TIDs are funded through the REC Secretariats. However information dissemination through electronic billboards will require new investment

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
1.1.3	Enhance cooperation between border institutions on DRC Rwanda Border and provide small trader (gender specific) sensitisation training to RRA officals on an annual basis	Conduct a gender sensitive needs assessment of border institutions, cross border traders and transporters on the challenges they face at the border and develop appropriate training for customs officials based on this findings; Develop Training programme and material for training of trainers, based on findings of needs assessment with focus on reducing time and cost of crossing border for informal traders; Engage with institutions in neighbouring countries to address issues and challenges; Facilitate dialogue between traders and border institutions through bi-annual forum to discuss challenges and improvements;	MINICOM / RRA / Dept of Immigration	Develop training material for Border Institutions on CBT; Centralised training for 80 officials per year; 2 Joint Trader - Custom Official meetings per year 2 joint cross-border customs official meetings per year	65 000 000	
1.2	Enhance Simplified Trade Regime	Promote the use of STR amongst larger informal traders and formal traders who regularly trade in values under US$2000	MINICOM		8 000 000	

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
1.2.1	Awareness Campaign of uses of STR amongs formal and informal traders	Brochures and Advertisments in Kigali and main border posts	MINICOM	Billboards in Kigali, Rusomo, Gatuna, and	5 000 000	
1.2.2	Improve visability and awareness of STR at border crossings and amongst Border officials at all border crossings	Posters explaining STR clearly placed at all border posts	MINICOM		3 000 000	
1.3	Engagement: National, Bilateral, Regional	Promote the use of STR amongst larger informal traders and formal traders who regularly trade in values under US$2000	MINICOM		7 000 000	
1.3.1	Establish National CBT Coordination and Monitoring Committee	Cross-Border Trade SWG	MINICOM	SWG Established; Regular meeting minutes	4 000 000	Budget required on an annual basis, and will cover transport, travel, and meeting costs
1.3.2	Proactively engage in CBT initiatives at the regional level	Engagement at regional level on issues of STR and CEPGL JAC	MINICOM	Attendance of MINICOM CBT Rep at regional meetings	3 000 000	Budget required on an annual basis, and will cover transport, travel, and meeting costs

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
1.3.3	Bilateral Cooperation (CBT Mainstreaming)	Ensure issues of CBT are raised when entering into bilateral discussions with neighbouring countries on trade related issues	MINICOM		-	Covered through existing budgets for bilateral engagement
1.4	CBT Facilitation Unit	Oversee Implementation of CBT Strategy and coordination and communication of CBT Activities	MINICOM		281,000,000	
1.4.1	Operationalisation and Staffing of CBT Facilitation Unit	Staff and Running costs of Unit	MINICOM	Unit Established	220,000,000	Initial funding for two years only
1.4.2	Communication, coordination, monitoring, dissemination of CBT issues	Costs to ensure delivery of unit objectives	MINICOM		61,000,000	Funding over two years
2	Strategic Interventions for Informal Sector	Addressing issues that impact on the informal sector specifically			510 330 000	
2.1	Stronger Market Links	Enhance linkages between producers, traders, and markets			103 000 000	

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
2.1.1	Cross-Border Mainstreaming	Ensure CBT is mainstreamed into feeder road programme, producer cooperative development and market information systems (e-soko)	MINICOM / MINAGRI			RWF 5131240000 already committed by Embassy of the Netherlands and through EU Budget support for the districts of Rubavu and Rusizi; Produce Cooperative support already provided but will require additional funding to be CBT mainstreamed (Rwf 12 million); Expand e-soko to incorporate other regional pricing information systems (Rwf 23 million)
2.1.2	New Infrastructure to Support CBT	Construction of warehousing and market infrastructure in strategic CBT market districts	MINICOM /		378 630 000	EIF Funding being sourced for New Market Infrastructure of value of RWF 1 786 680 000
2.2	Small Traders Access to Finance	Establish Small traders finance facility through BDF			16 400 000	164 000 000 worth of funding already in place]

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
2.2.1	Pilot Small trader Access to Finance scheme through BDF using NEPAD UNWOMEN Funding	US$150,000 finance facility established and rolled out in three border towns through 2 SACCCOs per town	BDF	Pilot Programme	90 300 000	Funding already provided through NEPAD
2.2.2	Expand pilot scheme after six months to cover other border districts	Based on outcome of pilot programme, roll out scheme across all border districts	BDF	Pilot Programme Reports	120 400 000	Supply an additional US$200,000 of funding for scheme
2.2.3	Awareness raising of facility amongst traders	Ensure visability of programme amongst traders through the training programme, TIDs, advertisements etc	MINICOM		5 000 000	
2.3	Scale up and Formalisation of small traders	Support to small traders to scale up their activities and potential formalise			12 300 000	123 000 000 additional secured through NEPAD funding
2.3.1	Conduct assessment of capacity and status of existing cooperatives	Audit existing CBT cooperatives, understand incentives, challenges and recommendations .	MINICOM	Needs Assessment Report	12 000 000	Budget Available through existing UNWOMEN Nepad Funding - expected to cost US$20,000
2.3.2	Develop Programme specific to needs of cross-border cooperatives	Develop differentiated, gender sensitive training programme and material specific to circumstances of the market the CBT Cooperative operates and delivery of training	MINICOM	Training Programme and Material	25 000 000	Budget available through existing NEPAD / UNWOMEN Funding
3	Strategic Interventions for Formal Sector	Addressing issues that impact on the informal sector specifically			6 475 640 000	

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
3.1	Create stronger market links between firms and markets				48 640 000	
3.1.1	Pilot 2 Trade Fairs in Gisenyi and 2 trade fairs in Goma	Provide an opportunity to attract producers currently catering for the domestic market only to test to see if there is potential to export in a low cost, low risk way.	RDB / PSF	4 Trade Fairs Held	12 160 000	
3.1.2	Run trade fairs on a regular basis in neighbouring markets including; Goma, Bukavu, Bujambura.	CBT mainstream into PSF RDB trade fair programme	RDB / PSF	Trade fairs held in major cross-border marekts on a regular basis	-	Cost of approximately Rwf 3 million per trade fair on-going basis
3.1.3	Yellow Pages	Increase awareness of Rwandan product offer in CBT markets	RDB / PSF	Yellow pages booklet	36 480 000	
4. 1	Exporter Support Programme	Ensure CBT mainstream into RDB small exporter support programme. Provision of specialised financial and technical support to produce and trade with neighbouring markets.			-	
4.1.1	New exporter support programme under validation through RDB	Ensure CBT is mainstreamed into technical and financial support provided to small firms	RDB / PSF	Formal sector exports receive support through exporter support programme	6 165 000 000	
4. 2	Investment Promotion	Target investors from within the region to invest in Rwanda as a place for producing for domestic and regional markets			244 000 000	

No.	Item	Description	Lead Institution	Key indicators at output & outcome level	New Funding Requirements (RWF)	Comments on Funding
4.2.1	Target investors in Kenya, Tanzania and Uganda	Make use of Rwanda's commercial attaches in each country to drive campaign	RDB	Marketing campaigns	181 000 000	
4.2.2	Develop investor promotion material	RDB develops sector specific promotion and market material including specific costs and government support	RDB	Promotion material	50 000 000	RDB investor promotion department (four sectors at US$20,000)
4.2.3	Sponsor investor trips to Rwanda and showcase potential	Bring investors to Rwanda and make sell	RDB	Field visit reports	13 000 000	

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Annex 3: Estimating Impact

Upper Limit Impact for Informal Trade

With the ideal outcome from intervention of the total removal of costs and barriers to cross border, and internal, markets, prices would equalise across the border (with a traders margin). In estimating the upper limit impact result for this ideal outcome we have calculated the increase in exports that would result from this price equalisation, taking into account different demand responses from consumers. For rice and beans, the maximum possible impact would be an increase in a range of 16 to 32% for rice, and 21 to 31% for beans[12]. For foodstuffs in general, which is the largest component of cross border exports, we estimate an increase of between 18 and 30%. In terms of actual value, Rwanda exported approximately RWF 11.5 bln in foodstuffs to DR Congo between 2010 and 2011 translating into an addition RWF 2.1bln to RWF 3.7 bln of food exports per year.

In measuring the impact of the strategic interventions, we look primarily at how reducing the price of Rwandan products in neighbouring markets will increase demand for cross-border exports. On the supply side, prices for Rwandan goods can be reduced in two ways:

- **Reducing the cost of the border:** Costs directly associated with the border are estimated to account for approximately 20 percent of the price of Rwanda goods in DR Congo markets. Completely removing the cost of the border will reduce prices by 20 percent. This is the upper limit of what can be achieved through strategic interventions to reduce the impact of the border on prices.
- **Reducing the price of goods in Rwandan markets close to major cross-border markets:** Prices for goods in Kamembe and Gisenyi, Rwanda's two largest cross border market towns, are between 5 and 10 percent higher than the national average. We estimate the impact based a reduction in prices in Gisenyi and Kamembe down to the national average.

The change in price for a specific good is estimated using the following formula:

$$\%\Delta P^{A}_{DRC} = \%\Delta P^{A}_{CB} + \%\Delta C_{Border}$$

Where $\%\Delta P^{A}_{DRC}$ is the percentage change in the price of good A in DRC, $\%\Delta P^{A}_{CB}$ is the percentage change in the price of good A in Rwanda's cross border market and $\%\Delta C_{Border}$ is the percentage change in costs directly associated with the border.

Once we have estimated the reduction in price we then measure increase in demand under two scenarios based on differing demand elasticities:

1. Under scenario one we assume unit elasticity of demand, meaning a one percent decrease in price will lead to a one percent increase in demand.

12 The higher value results from a unitary own price elasticity, which we consider to be reasonable given the level of income and food insecurity in the DR Congo, and estimates for Kenya and Tanzania (Frisch analysis).

2. Under scenario two we use the average demand elasticity for the EAC region

The measure the impact on demand we use the following formulas:

- Scenario 1 (Unit Elasticity): $\%\Delta Qd_{DRC}^{A} = \%\Delta P_{DRC}^{A} * \eta_1$
- Scenario 2 (EAC Average): $\%\Delta Qd_{DRC}^{A} = \%\Delta P_{DRC}^{A} * \eta_{EAC}^{A}$

Where $\%\Delta Qd_{DRC}^{A}$ is percentage change in quantity demanded, and η_1 is unit price elasticity of demand, and η_{EAC}^{A} is the EAC average price elasticity of demand for product A. Table 9 presents own price elasticities of demand for key food products in the EAC region.

TABLE 11: OWN PRICE ELASTICITIES OF DEMAND FOR AGRICULTURAL PRODUCE

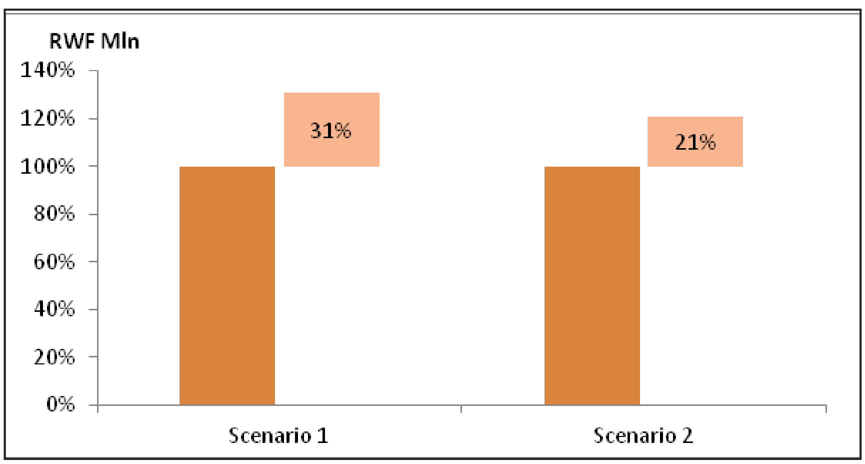
	EAC Average*	DR Congo	Assumption for DRC
Beverages, Tobacco	-1.342	-1	Unit elasticity is assumed due to extreme food shortages in DR Congo's Lake Kivu Region resulting in high levels of unmet demand.
Breads, Cereals	-0.4855	-1	
Meat	-0.6745	-1	
Fish	-0.8125	-1	
Dairy	-0.756	-1	
Fruits, Vegetables	-0.5525	-1	
other foods	-0.6715	-1	

*Based on figures for Tanzania and Kenya: Seale, James, Jr., Anita Regmi, Jason Bernstein. (2003)

Estimating Impact for Selected Products

We first look at the impact of a price reduction on exports of beans to DR Congo (Figure 2)

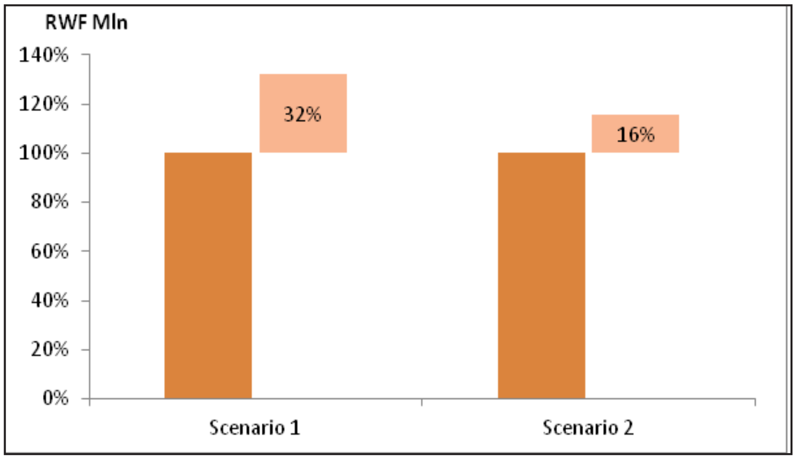
FIGURE 12: UPPER LIMIT IMPACT ON BEAN EXPORTS (SCENARIO 1 & 2)



Under scenario one, where unit elasticity is assumed, the removal of the price of the border and reduction in price in cross-border markets to the national average will result in a 31% increase in demand. Under scenario two where the EAC average price elasticity for beans is used the increase is 21%

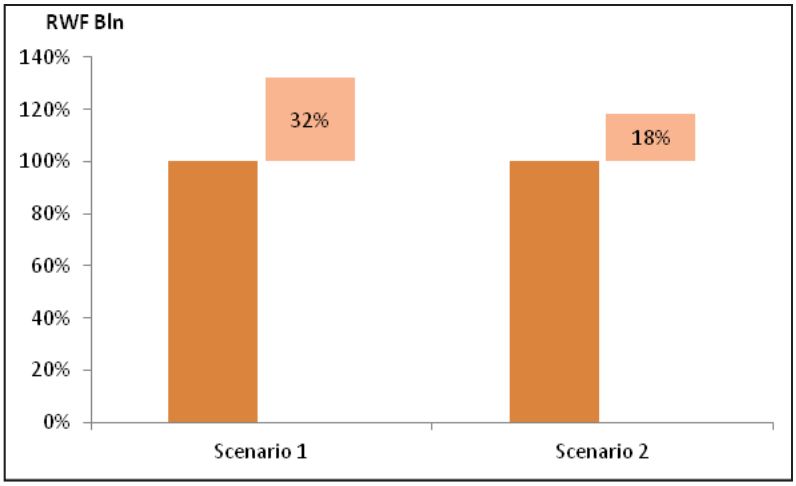
For rice, the impact under scenario one is a 32% increase in demand while under scenario two, the impact is 16%, demonstrating relatively inelastic demand for rice (Figure 3).

FIGURE 13: UPPER LIMIT IMPACT ON RICE EXPORTS (SCENARIO 1 & 2)



Finally we estimate impact on a range of foodstuffs and average impact across those goods. As with rice and beans, the impact under scenario one is just over 30% while the impact under scenario 2 is 18%.

FIGURE 14: UPPER LIMIT IMPACT ON MIX BASKET OF AGRICULTURAL EXPORTS (SCENARIO 1 & 2)



In terms of actual value, Rwanda exported approximately RWF 11.5 bln in foodstuffs to DR Congo between 2010 and 2011. If Rwanda were to achieve the impact under scenario one, it would translate into an additional RWF 3.7 bln of food exports per year. Under scenario two the value of additional food exports would be RWF 2.1bln.

In terms of total informal cross border trade, we have estimated the impact of a reduction in the cost of Rwandan goods in neighbouring countries by 20%. This is based on a reduction in the cost of the border and improved access to markets. Under scenario one total informal trader would be expected to increase by 14% while under scenario two (Unit elasticity) total informal trade would increase by 11.02%.

Upper Limit Impact for Formal Trade

In estimating the upper limit impact for the formal sector, we look at how increased export orientation of Rwandan firms will lead to lower prices for Rwanda products through capacity utilisation and reducing distributor costs. The upper limit impact through these interventions is estimated at approximately 17% increase in exports per year. This impact does not take into account the potentially much greater impact on exports through large new investments in the manufacturing sector. On the supply side, Rwanda goods can be increased in three ways:

- **Reducing distributor costs:** For formal trade, removing the cost of the border is highly unlikely. However improved market linkages could reduce the monopsony power distributors hold in neighbouring markets. The average price difference for goods traded formally between Rwanda and the DRC is 57%. This price difference is sustained by the border, with a minimum of 50% of that price difference a direct result of crossing the border. Trader costs and profit in the neighbouring market accounts for the other 50% of the price difference, however this is over inflated due to monopsony power. Breaking the monopsony power of traders in DRC could reduce the price of Rwandan goods by 10%.

- **Increased export orientation and capacity utilisation of Existing Firms:** Certain industries in Rwanda's manufacturing sector are characterised by low capacity utilisation. Increasing the export orientation of these firms so that they produce for neighbouring country markets would boost the value and volume of exports.

- **Investment Promotion:** Given the trend in export growth from Rwanda too the region, the highest impact in terms of new exports will come for new large investments in the manufacturing sector. Through mobilisation of a regional investment promotion campaign this can be achieved. However it is not possible to estimate impact of the intervention given the number of uncertainties involved.

As with the analysis in the informal sector, two scenarios are considered; scenario one estimates impact where the EAC average price elasticity is used for the product categories, scenario two estimates using unit price elasticity of demand. The results of the impact assessment are presented below as the %

increase in exports per product type.

TABLE 12: UPPER LIMIT IMPACT FOR EXISTING EXPORTS

Product Type	Scenario One (Unit Elasticity)	Scenario Two (EAC Average)
Food Unprocessed	0.64%	0.42%
Beverage (alcoholic)	0.19%	0.26%
Footwear	5.94%	6.40%
Food Processed	3.56%	3.50%
Construction Material	3.55%	3.60%
Beverage (Non-alcoholic)	0.16%	0.22%
Minerals	0.16%	0.16%
Machinery	0.06%	0.06%
Rubber and Plastic Goods	0.42%	0.45%
FMCG	1.85%	1.90%
Agricultural and Fertiliser	0.03%	0.03%
Livestock	0.03%	0.02%
Household Electronics	0.02%	0.03%
Furniture	0.23%	0.24%
Petroleum Based Oil and Gas	0.00%	0.00%
Pharmaceuticals	0.00%	0.00%
Other	1.01%	0.65%
Total Increase In Exports	**17.85%**	**17.94%**

Annex 4: Potential Markets

DRC's Lake Kivu Region

The population of the DR Congo was estimated at 72 million people in 2010 with roughly 30% of the population residing in urban centres. The average household size in DR Congo is 6.1 (USAID, 2009) with average per capital nominal expenditure of US$214.85. According to DRC's Poverty Reduction Strategy paper (2006) approximately 47% of expenditure is spent on foodstuffs. The majority of food sales (93%) take place in informal markets because of their proximity to residential centres and prices are generally lower than in supermarkets (OTF, 2010). Combined these markets accounted for approximately US$68 million in informal and formal exports.

The North Kivu province in the DRC has a population of approximately 5.6 million (OTF, 2011) and an estimated effective annual demand of US$1.2 billion. Approximately 800,000 people live in the capital of the province, Goma, which has witnessed rapid population growth over the past decade due to instability in the east of the country. The rapid growth in population has seen a corresponding increase in demand which cannot be met due to insecurity in rural areas preventing agricultural production from spreading beyond the town and village limits and almost no industrial production.

The South Kivu province is the second largest market. The region has a population of 5.1 million people with effective demand estimated at almost US$ 1.1 billion. Close to 1 million people live in the city of Bukavu, bordering Rwanda. Bukavu has witnessed chronic food shortages in recent years due to insecurity in the surrounding area preventing production and poor infrastructure linking producers to markets in the city (OTF, 2011). Bukavu has also witnessed rapid population growth over the past decade as insecurity has force the rural population to flee to the relative safety of the cities.

The two cities of Goma and Bukavu alone represent a potential market for food of approximately US$387 million per annum. Rwanda's two busiest border crossings for cross-border trade are Poids Lourds, connecting Gisenyi to Goma, and Rusizi I, connecting to Kamembe to Bukavu. Over 50% of Rwanda's informal cross-border exports pass through these two borders. Both borders have also seen recent growth in informal cross border trade indicating increasing demand for Rwandan exports.

Burundi

Burundi is estimated to have a population of 8.38 million people in 2010 (World Bank Statistical Database) with a population density of over 300 inhabitants per square kilometre (WFP, 2008). The average household size is 5.3 (WFP, 2008). 34% of the population live in the north-east of Burundi and 17.5% of the population live in the north-west. These two regions are home to approximately 2 million people. Average annual per capital expenditure is US$179.33, the lowest of Rwanda's four neighbours. Effective demand in Burundi's Northern provinces is estimated at just under US$359 million.

67% of household expenditure is used to purchase food items. Markets are an important source for certain food items including corn, cassava, rice and vegetables are also frequent sources for animal products including poultry and other meat (WFP, 2008). This represents an opportunity for some informal cross-border trade in agricultural produce. The country has a relatively low industrial base and relies on imports for most of its manufactured goods. However demand is also relatively low given the low levels of per capita expenditure.

Uganda

Three districts in Uganda border Rwanda - Ntungamo, Kabale and Kisoro. The three districts have combined total population of 1.3 million inhabitants. The average household has 5 members and average annual with annual per capita expenditure of 438.75, the highest of Rwanda's four neighbours. The average household spends 45% of its income on food, alcohol and tobacco (UBOS, 2011)

Neither Rwanda nor Uganda have major urban populations on the border. The largest urban centre close to the border with Rwanda is the town of Kabale in the district of Katuna. Kabale has a population of 44,600 inhabitants and is approximately 20km from the border crossing of Gatuna. Other urban centres close to the border with Rwanda include Ntungamo (24,750 inhabitants) and Kisoro (12,900) 14 km from Kidaho in Rwanda. The lack of populations close to the border limits opportunities for cross-border exports.

Uganda has a large industrial base and its industries compete with Rwanda manufactures across the region. Demand for agricultural goods is also limited due to strong domestic production. Over

Tanzania

Rwanda borders two districts in Tanzania, Ngara and Karagwe. Rwanda's border with Karagwe is dominated by the Akagera National Park and the Kimisi Game Reserve, with few inhabitants living close to the border and little or non-cross border trade. The Ngara district borders Rwanda in the South East and the main border crossing at Rusumo forms part of the central corridor linking Kigali with the port at Dar es Salaam. Ngara has a population of 334,939 according to the 2002 Tanzania National Census. The mean household size is Ngara is 5.1 (WFP, 2006) and mean annual household consumption expenditure is US$ 792 (HBS, 2009). Food is the largest single component of consumption accounting for an average of 64% of household expenditure (HBS, 2009).

The closest urban centre on the Rwandan side of the border is the town of Rusumo, which has a population of approximately 17 thousands inhabitants. On the Tanzanian side the closely urban centre is Nyakasanza, which has a population of 43 thousand. The distance between Rusumo and Nyakasanza is roughly 35 km.

Given the relatively small populations living in proximity of the Rwanda Tanzania border and the relatively long distance between the main urban populations informal cross-border trade is relatively low between Rwanda and Tanzania.

NOTES

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