Private Sector Development and Youth Employment Strategy (PSDYES) 2018-2024

Prepared by PSDYE Sector Working Group Secretariat

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ACRONYMS

AFU	Advance Factory Units
BDA	Business Development Advisor
BDS	Business Development Services
BNR	National Bank of Rwanda
CBM	Cross-Border Markets
CBTS	Cross-Border Trade Strategy
CESB	Capacity Development and Employment Services Board
CFTA	Continental Free Trade Agreement
DGIE	Directorate General of Immigration and Emigration
DMRS	Domestic Market Recapturing Strategy
DSDU	Domestic Supplier Development Unit
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy
FDI	Foreign Direct Investment
G2B	Government-to-Business
G2C	Government-to-Citizen
GAFI	Growth Anchor Firm Initiative
GDP	Gross Domestic Product
GOR	Government of Rwanda
HACCP	Hazard Awareness and Critical Control Point
IBES	Integrated Business and Enterprise Survey
ICT	Information and Communications Technology
ICT4COM	ICT for Commerce Strategy
IDD	Investor Dialogue Days
IDEC	Industrial Development and Export Council
IPR	Intellectual Property Rights
KIC	Kigali Innovation City
KLP	Kigali Logistics Platform
KSEZ	Kigali Special Economic Zone
MICE	Meetings, Incentives, Conferences and Events Tourism
MIFOTRA	Ministry of Labour and Public Service
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MINIYOUTH	Ministry of Youth
MIR	Made in Rwanda
MRA	Mutual Recognition Agreement
NEP	National Employment Programme
NES	National Export Strategy

NIRDA	National Industrial Research and Development Agency
NISR	National Institute of Statistics of Rwanda
NST-1	National Strategy for Transformation 1
NTB	Non-Tariff Barrier
OSBP	One-Stop Border Posts
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
PSDS	Private Sector Development Strategy
PSDYE	Private Sector Development and Youth Employment
PSF	Private Sector Federation
R&D	Research and Development
RCA	Rwanda Cooperative Agency
RDB	Rwanda Development Board
RI	Regional Integration
RICA	Rwanda Inspectorate, Competition and Consumer Protection Authority
RISA	Rwanda information Society Agency
RRA	Rwanda Revenue Authority
RRECPC	Rwanda Resource Efficiency and Cleaner Production Centre
RRT	Rapid Response Training
RSB	Rwanda Standards Board
RWF	Rwandan Franc
SCT	Single Customs Territory
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SME	Small and Medium-size Enterprise
SMI	Small and Medium-size Industrialist
SSWG	Sub-Sector Working Group
SWG	Sector Working Group
TFA	Trade Facilitation Agreement
TFP	Total Factor Productivity
TIM	Targeted Investment Missions
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference for Trade and Development
USSD	Unstructured Supplementary Service Data
VC	Value Chain
VCF	Value Chain Finance
WDA	Workforce Development Agency
WPL	Workplace Learning Policy
WTO	World Trade Organisation

1 EXECUTIVE SUMMARY

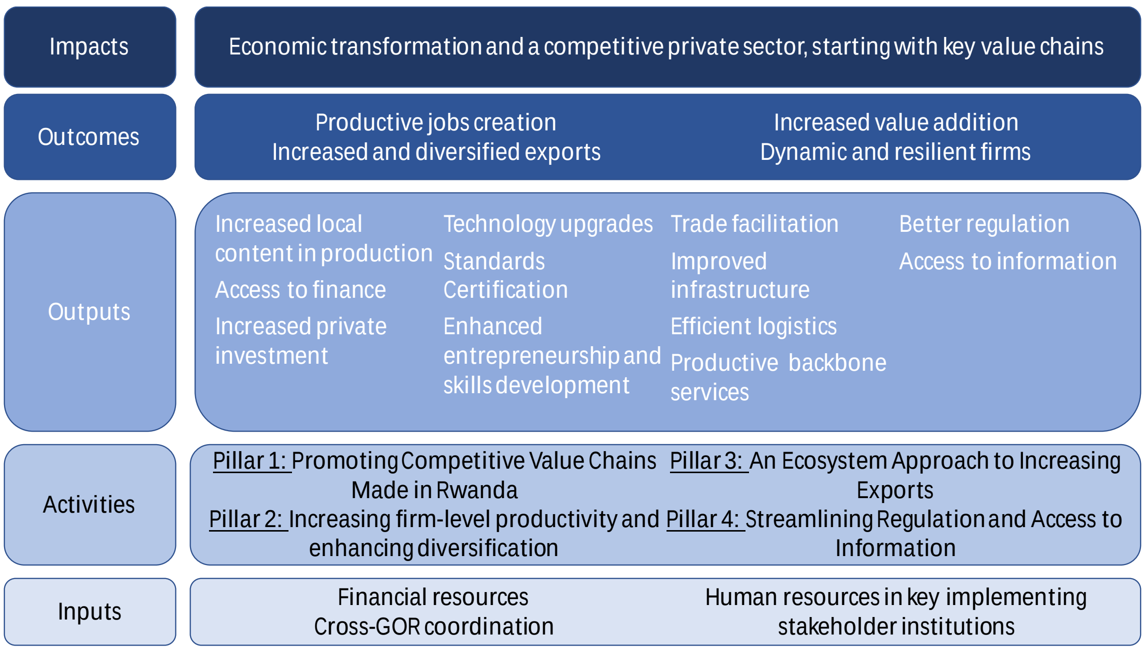
Being a country in rapid development, Rwanda faces increasingly complex challenges. Economic growth averaged 7.9% since 2010. Off-farm jobs are being created at a rate of 146,000 per year. Export growth has averaged 10.8%, finally reversing the trend in the growth of the trade deficit and driven in part by a 75% reduction in the time it takes for a container to reach the Port of Mombasa. However, improvements in data collection and analysis indicate that the quality of jobs is equally important to their sheer number, necessitating a focus on productivity, skills development, entrepreneurship facilitation and on-the-job training. In 2013, the rate of new firms being created was relatively low and the policy focused on accelerating it with great success. Now there is a need to focus on firm resilience, growth and productivity. Thus, the challenges identified in 2013 have begun to be addressed and this strategy in 2017 is focusing on transformation. Notably, certain market failures such as a lack of access to information and inefficient domestic markets are becoming more apparent and more challenging as the economy grows in size and complexity. Therefore, this strategy supports the ecosystem for private sector growth through regulatory reforms to address those market failures, while promoting key value chains and anchor firms with catalytic potential in a targeted manner.

While continuing the ongoing work started in the PSDS1, the PSDYES is therefore informed by a different methodology. This approach – broadly known as the Value Chain (VC) Approach – builds upon detailed analyses and policy work carried out in the sector, drawing out best practices, learning from experience and setting out clear policy principles for the strategy to follow. As always, the PSDYES is built upon consultations with the private sector and a data-driven methodology utilizing various surveys carried out to elicit deeper understanding of the nature of the constraints faced by the different segments of the private sector in Rwanda.

The PSDYES centres on two key initiatives, which embody the spirit of value chain promotion and cross-GOR coordination, namely the Growth Anchor Firm Initiative (GAFI) and the Domestic Supplier Development Unit (DSDU). GAFI will be the single unified umbrella for all support to the private sector targeting so-called Anchor Firms in key value chains, supporting them across the board with technology upgrading support, skills development, access to finance, trade facilitation and more. In return, these Anchors will be required to actively support efforts to transfer knowledge and skills to smaller players in their value chains and lift the chain's overall productivity. To provide support to the non-Anchors in those chains, the DSDU will sit at the centre of GAFI, supporting large buyers to source from local suppliers as well as supporting the suppliers to upgrade their capacity to meet the requirements of large firms. It is this promotion of productive *chains*, over simply productive *firms* that heralds the break with previous GOR policy and sets the tone for addressing the increasingly complex challenges that Rwanda must overcome. For each priority VC, a detailed action plan will be developed, key Anchors will be identified and partnership will be the defining feature of implementation.

Recognizing the key role GOR has to do in facilitating and enabling the private sector, the PSDYES encapsulates the VC approach with renewed focus to improve the regulatory environment. Fourteen specific regulatory reforms have been identified in the strategy for immediate implementation, covering access to finance, technology, contract enforcement, regional harmonization and the protection of intellectual property rights. Each of these reforms have become necessary as the Rwandan economy grows and becomes more complex and the need for a level playing field becomes ever-more important. Most notably, however, the strategy sets up numerous avenues for the private sector to provide continuous feedback to the government about new reforms needed, including a feedback function on the Irembo Business Platform, weekly Investor Dialogue Days, quarterly Made in Rwanda Business Breakfasts, tax advisory councils, Sector Skills Councils and more. This, together with improved internal coordination from GAFI and DSDU, will make for a joined up and coherent approach to private sector development.

Figure 1: PSDYES Results Chain



A detailed M&E system is set out in Chapter 6, while Chapter 7 provides an overview of costs. The monitoring framework is broad, disaggregated by gender and youth where relevant, and aligned to the national set of indicators included in the NST-1 monitoring framework. Implementation costs are estimated at RWF 242bn.

2 INTRODUCTION

Private Sector Development and Youth Employment is a broad sector, covering everything from international trade negotiations and investment promotion to local entrepreneurship and skills development. Setting out a strategy to guide GOR's actions during the implementation of the National Strategy for Transformation 1 (NST-1) is therefore naturally an ambitious endeavour, full of big picture thinking. It involves the concerted efforts of a range of stakeholders, most notably the private sector itself, which has to be part and parcel of the strategy from Day 1. The previous Private Sector Development Strategy from 2013 has made tremendous achievements, not least by reversing the trade deficit's persistent growth trend in 2016 and accelerating off-farm job creation from 90,000 to almost 150,000 per year, while sustaining industrial growth averaging 10% since 2010[1]. The present strategy therefore builds upon clear achievements, keeps it eye on the overall objectives and continues a strong tradition of competent interventions.

The imperative to develop a competitive private sector remains urgent, however, and central to achieving Rwanda's ambitious development agenda. Being small and landlocked, without significant natural resources, yet firmly committed to an open market economy and participation in global trade, Rwanda faces heavy competitive pressures from the region and beyond. Rwanda therefore has no choice but to develop a vibrant and competitive productive sector to generate sufficient exports and jobs for the population. With 39% of the population still living in poverty and 69% still primarily engaged in agriculture[2], there is an urgent need to bring about inclusive economic transformation, focusing on creating productive jobs for the slightly over 200,000[3] young Rwandans entering the labour force every year.

The Government of Rwanda recognizes that the rapid rate at which its population is growing and the consequent curtailing the country's socioeconomic progress and attainment of Vision 2020. Rwanda's population is very youthful with 40.1 percent being under age 15; 20 percent between 15 and 24, and 68.7 below age 30 in 2015. The high dependency burden poses a challenge to economic growth, due to the high costs to the nation and households of essential needs for children, including education and health services. It also impedes the ability of the nation and households to save – an important factor that would increase investments and provide an impetus to accelerated economic growth. Transformation in the age structure could enable accelerated economic growth through the demographic dividend, whose magnitude can be enhanced through concurrent investments in education, health, and job creation.
Interventions to unlock youth potential and harness the demographic dividend are cross sectorial and involve health, education and employment sectors, among others. To enhance youth employment; priority will focus on:
Fully operationalize the Labour Market Information System to link the various stakeholders involved in skill development and job creation including the education sector, job market and job seekers; **Promotion of workplace readiness programmes** including internship, mentorship and on-job training Programme; **Invest in production, value addition and agro-processing to create quality jobs** through sectoral linkages as articulated in the crop intensification programme; **Enhance agricultural production and profitability** by promoting irrigation, increased use of fertilizers, mechanization of agricultural practices, and securing of access to high-value markets for smallholder farmers; **Provide opportunities for greater involvement of youth in entrepreneurship and job creation**, including optimiza-

[1] BNR BOP accounts; NISR, EICV and National Accounts.
[2] NISR, EICV 4, 2013/14.
[3] OECD, 2017 African Economic Outlook

tion of the empowering role of information technology; **Address the infrastructure limitations** that hamper economic productivity and growth of the private sector including investing in consistent and sustainable energy generation and distribution, building roads and railways to link production zones to markets, and investments in technology to improve productivity; **Promote small and medium sized enterprises** by facilitating establishment of cooperative societies; more access to capital; training and capacity building and exploration of lucrative markets; **Diversify the economy by reducing dependence on the agricultural sector** and enhancing **value-addition and manufacturing** to take advantage of international bilateral trade opportunities, and the recently launched "Made in Rwanda" initiative.

Rwanda has a strong track record of achieving ambitious targets, notably sustained economic growth accompanied by value-addition and job creation. Building on this legacy, but seeking to surmount it, this present strategy sets out a new ambitious approach to private sector development and competitiveness improvements, namely a **Value-Chain (VC) Approach,** based on holistic intervention design and strong collaboration across its four pillars. This VC Approach represents a novel policy innovation in the history of Rwandan development policy, aiming at addressing specific constraints for each targeted VC in a concerted and inclusive manner. Focusing on value chains rather than individual firms or sectors also allows for a deeper appreciation of the interlinkages and interdependencies that exist between private sector players, which ultimately has significant influence on the overall competitiveness of a final goods and services – and the economy as a whole. This radical shift is explained in detail throughout this Strategy, starting with a detailed explanation of the current situation and common constraints, before delving into the methodology used to develop the VC Action Plans found in the annexes.

24 programmes across four main pillars have been developed to address cross-cutting constraints through the VC lens. Commonly known constraints such as access to and cost of finance and access to skills have been approached with a fundamentally different mind-set, targeting VCs instead of trying to cover the entire private sector through a well-meaning but inevitably diluted scatter-gun approach. The key to the success of this current strategy lies exactly in its break with previous generic interventions which had a cross-cutting focus. The first pillar focused on promoting the links that bind value chain players together and transfer knowledge and skills between them, while the second pillar unpacks the intra-firm constraints to productivity, looking at skills, innovation, technology and entrepreneurship. The third pillar zeros in on the export challenge in recognition of the urgent national priority to improve the trade balance, while the fourth and final pillar focuses on improving the regulatory environment and the ease of accessing information and government services as a business operator in Rwanda. Many of the 24 programmes are not new, but updated versions of existing programmes and successful pilots that may be scaled nationally. Examples include the Kigali Innovation City Model, the Kicukiro SME Park and the Rwanda Institute of Clothing and Design. All were policy innovations that were implemented during the EDPRS2 and achieved results, hence why they are now being rolled out nationally or scaled up to include more sectors.

The Made in Rwanda Mind-set is evident on every page. Made in Rwanda represents a cross-GOR commitment to improving the competitive environment, through concerted efforts to increase demand for and boost the production of high-quality, durable, safe Rwandan-made products and services that are competitive both domestically and in export markets. While the MIR Policy sets out a number of guiding principles and concepts to guide stakeholders, this present strategy takes these principles and translates them into ready-to-implement sector-specific action plans and the 24 key programmes.

As the true experts in their value chains, the voice of the private sector is key to the success of this strategy. This strategy was developed on the basis of in-depth consultations with various private sector forums, including consultations held on topics such as youth, entrepreneurs, skills, Made in Rwanda, contract enforcements and more. The preparation of the individual sector-specific VC Action Plans features even more in-depth and repeated consultations with all VC players, to truly appreciate the sector-specific nature of constraints faced by players along the chain. Implementation of the Strategy will continue in the same manner, with VC-specific PPD Platforms to be set up for each VC chaired by the private sector and with key access to senior policy makers. Furthermore, for each VC at least one Anchor Firm will be identified, ideally a large buyer, who be a key stakeholder in the success of several of the 24 programmes set out, including access to value chain finance, VC skills development, technology upgrades and entrepreneurship promotion.

Within GOR a long list of stakeholders must also come together for the successful implementation of this strategy. These include MINICOM, RDB, MINECOFIN, WDA, CESB, MINIYOUTH, RSB, NIRDA and RRA, complemented by the implementation of other sector strategies from MINECOFIN, MINIJUST, MINAGRI, MINEDUC and MININFRA. Such broad political and institutional coordination is evidence to the strong institutional environment found in Rwanda, upon which, together with a close partnership with the private sector itself, future private sector development in Rwanda will be achieved.

3 OVERVIEW OF THE PSDYE SECTOR AND SUB-SECTORS

This section gives an overview of the current status and trends in the Rwandan economy and highlights the main macroeconomic challenges that this Strategy sets out to address.

3.1 Sector Achievements and Challenges

In the final year of the EDPRS II, the Rwandan economy has achieved tremendous results. Between 2013 and 2016, the economy expanded by more than 20%, over 600,000 jobs were added to the economy, and exports increased by almost 25%[4]. Temporary international commodity price volatility was weathered and several key flagship initiatives have commenced, which, together with continued strong institutional performance, has firmly put Rwanda on the regional and global map, including the Kigali Convention Centre and the Kigali Logistics Platform. Rwanda is again the 2nd best performer in Africa in the World Bank's 2017 Doing Business Indicators and also 2nd in Africa in the World Economic Forum's 2017-18 Global Competitiveness Report.

3.1.1 Sector Status for key indicators

Table 1: PSDS Indicators Status at the end of FY 2016/17. Source: PSDYE JSR Report

Outcome	Indicator EDPRS-II	2012 Baseline	Performance Latest available (*2016; °2016/17)
Export Growth	Exports to GDP (%)	14.6%	16%°
	Non-traditional share of exports (%)	56%	59.9%*
Private Investment and financing	FDI to GDP (%)	2.3%	4.1%*
	Private Investment/GDP	10%	13.3%*
Entrepreneurship and business development	New SMEs registered	9,000	13,610*
Off-farm employment	Off-farm jobs created per year	90,000 *(2005-2011 average)*	150,000 *(2011-2014 average)*
Infrastructure for growth and exports	Ha. of serviced land	0ha	278 ha°[5]
Credit to private sector expanded	Credit to SMEs share of GDP (%)	1.4%[6]	7.8%*

3.1.2 The Economic Backdrop to PSDYES

Despite sustained economic growth at an average 7.9% since 2010, the sectoral composition of the Rwandan economy remains largely unchanged. Agriculture makes up just

[4] NISR, National Accounts and EICV Surveys; BNR Trade statistics

[5] Ha. of serviced land: 278 ha in SEZ fully serviced, while 100ha in BIP is serviced at 37% and 80ha in Rwamagana IP is serviced at 5%

[6] This figure only includes MFI and SACCO credit, since commercial bank credit breakdowns are not available for 2012. The actual baseline may therefore be higher.

under 30% of the economy, while industry and services make up 17% and 48% respectively. However, it is evident that the Rwandan population is shifting away from agriculture into services in particular: Even if just under 70% of the working population remains primarily occupied in agriculture, this is down from 89% in 2000.

Figure 2: Sectoral contribution to GDP and primary occupation of population, 2010-2016. Source: NISR, National Accounts and EICV.

The industrial sector did achieve an average 10.3% growth since 2010, ahead of overall economic growth. Thus, even if starting from a low base, industry's share of GDP is growing and is on track to reach 19% of GDP by 2020, with a high chance that the 20% target from Vision 2020 will be achieved if all ongoing interventions and private investments are implemented and growth is accelerated. The composition of industrial growth, however, has been more volatile, due especially to significant fluctuations in international mineral prices:

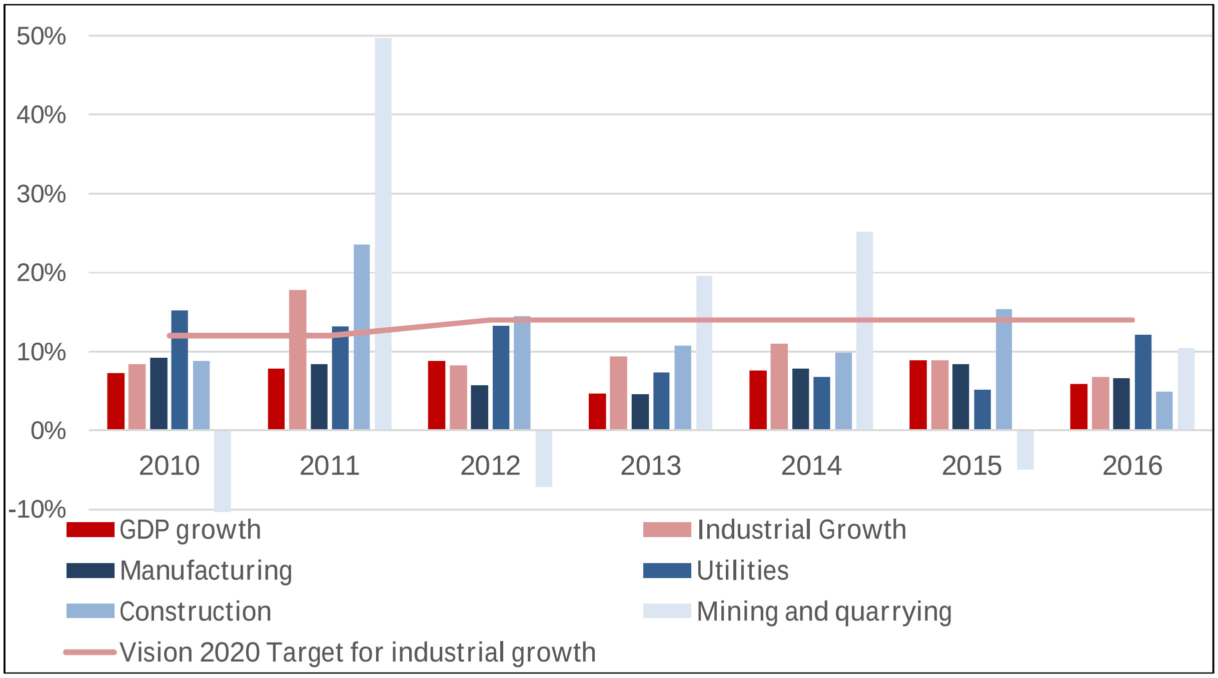


Figure 3: Industrial growth rates 2010-2016. Source: NISR, national accounts

Rwanda suffers from a chronic trade deficit, driven primarily by a large deficit on the formal goods trade. This deficit was growing steadily for over a decade, however, a reversal is finally evident with a 5.9% reduction in 2016 and a further 25.6% in the first half of 2017, as imports declined and exports grew[7]. Thus, the total trade deficit reduced from 23% of GDP in 2015/16 to 16% in 2016/17[8]. This is very positive developments and indication that GOR's sustained efforts are bearing fruit. Even so, the continued trade deficit remains a substantial risk to macroeconomic stability and reducing it, through domestic market recapturing from imports and increased exports, remains a key priority in the short-to-medium term.

Table 2: Rwandan trade performance 2011-2016, USD million. Source: BNR, special trade methodology.

	2011	2012	2013	2014	2015	2016	Av. growth 2010-16
Goods imports	1,891	2,199	2,247	2,387	2,320	2,248	2.9%
Services Imports[9]	530	425	472	517	886	958	10.4%
Informal imports	24	24	15	19	22	32	4.9%
Total Imports	**2,445**	**2,648**	**2,734**	**2,923**	**3,228**	**3,238**	**4.8%**
Formal goods exports	387.3	468.9	574.6	598.9	558.5	599.3	7.5%
Services exports[10]	356	354	386	401	587[11]	597	9.0%
Informal exports	55.09	71.4	101.9	110.7	107.5	100.5	10.5%
Total Exports	**798.19**	**894**	**1062.6**	**1110.2**	**1253.2**	**1296.7**	**8.4%**
Trade Balance	**-1,647**	**-1,754**	**-1,671**	**-1,813**	**-1,975**	**-1,941**	**2.8%**

[7] BNR, February and August 2017 Monetary Policy and Financial Stability Statements
[8] NISR, National Accounts
[9] Excludes Government services and PKO
[10] Excludes Government services and PKO
[11] Revised up from $453m to $587m

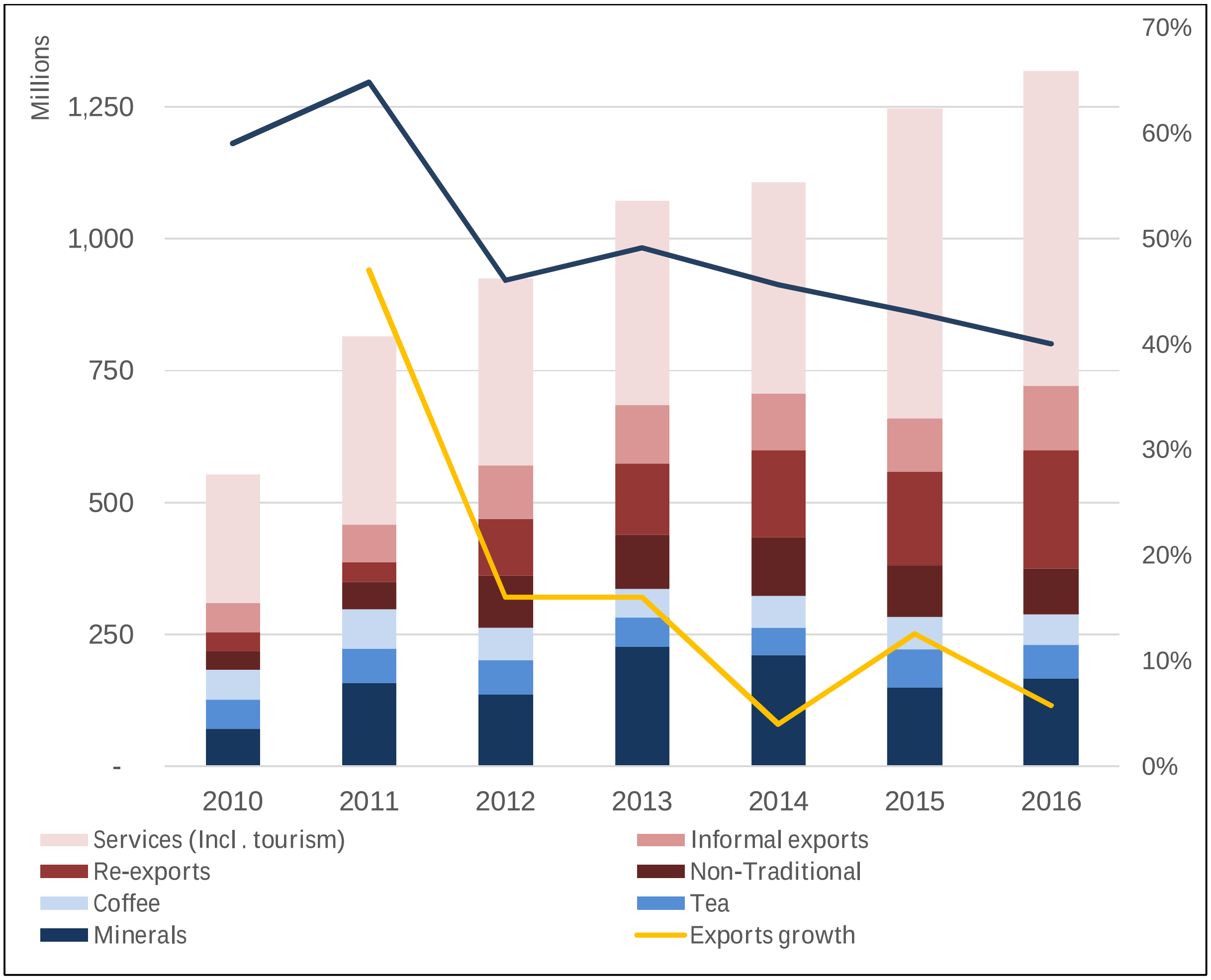
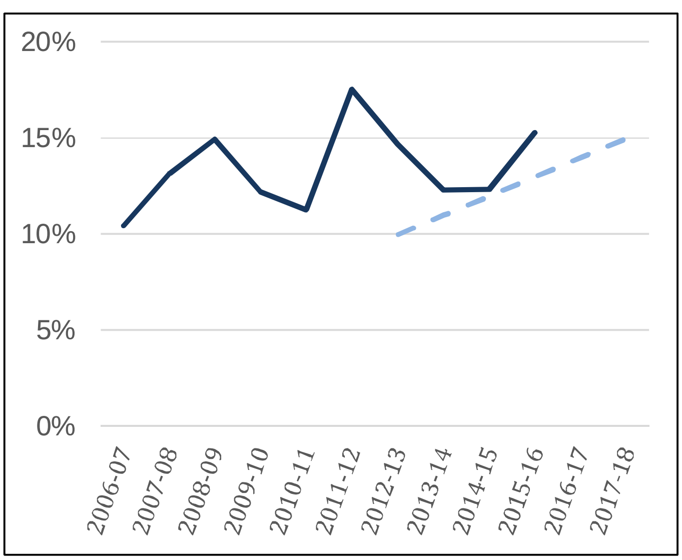


Figure 4: Exports composition 2010-2016, USD million (Left axis) and Year-on-Year Exports growth (Right axis). Service export data from 2016 is preliminary. Note that services exports for 2015 have been adjusted upwards compared to previously available information, indicating 12% overall growth in exports for that year, instead of 1%. Source: BNR, specialised trade methodology.

The composition of Rwandan exports, however, has improved significantly. Growth has come from increases in service exports, informal exports and re-exports, while traditional and other goods exports have remained largely unchanged. Mining, tea and coffee have all experienced global price volatility since 2013, putting strain on the balance of payments. Therefore, continued diversification away from commodity-based exports towards value-added products and services is another key priority for the strategy, to reduce Rwanda's vulnerability to external trade shocks.



Registered investments have performed well, coming in above targets throughout EDPRS II. Even so, and despite the fact that in absolute amounts registered investments reached $1.3bn in 2015/16, a large share of this comes from a handful of single investments, including $245m from three infrastructure investments and $100m from one education project. Similar to the exports structure therefore, there is a need to diversify investment inflows to reduce the volatility and vulnerability of investments registered at any given time.

Figure 5: Actual and targeted registered investment as share of GDP. Source: RDB

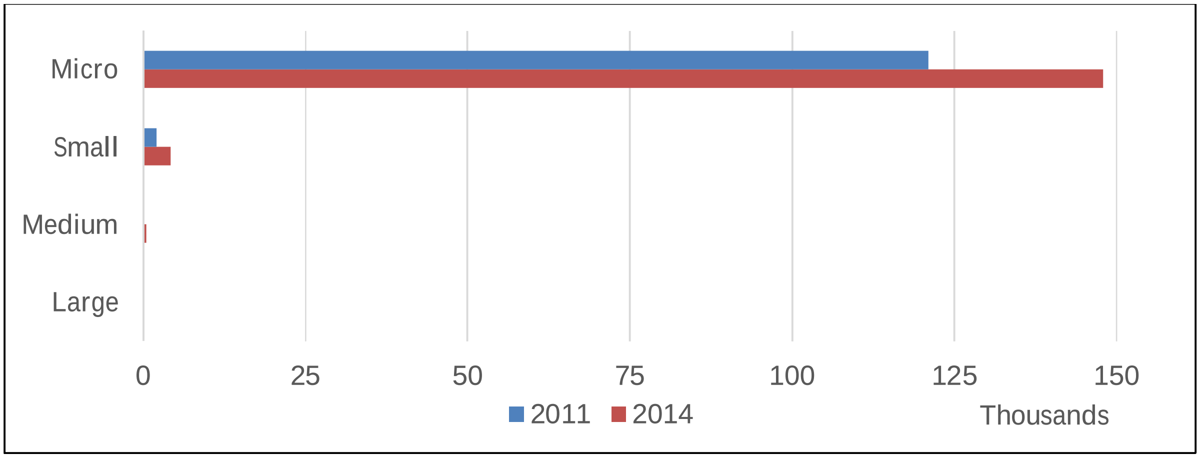


Figure 6: Number of establishments in Rwanda by size, 2011-2014. Size categories are defined as: Micro (1-3 employees), Small (4-30), Medium (31-100) and Large (100+). Source: NISR, Establishment Census.

The Rwandan private sector remains dominated by micro-establishments[12], with some small and very few medium-sized or large ones, and suffers from a lack of dynamism. The informal sector still accounts for 95% of firms even if 1,000 new formal firms emerged between 2011 and 2014[13]. This structure is common for low income countries, where the vast majority of firm populations consist of informal, one-person firms with limited dynamism. In Rwanda, a recent study[14] found that only 35% of firms survive three years, and that a further 70% of these never grow beyond self-employment, meaning that as little as 10% of firms manage to add jobs beyond the owner. The study also found that 68% of the observed job creation since 2011 came from an increase in the number of firms[15], rather than firm growth. Job creation is highest in areas with good access to markets (higher population density) or where the climatic conditions are favourable. This is the case even for off-farm employment, indicating that the secondary and tertiary sectors of the Rwandan economy are still intractably linked to agriculture. This is an important insight that guides the selection of value chains in this strategy. Furthermore, the majority of net job creation (i.e. beyond the churning of firms exiting and entering) stem from one-person firms becoming 2-3 person-firms, while firms with 5-50 employees actually shed jobs between 2011 and 2014. Crudely, the firms most likely to grow are young, formal enterprises in Kigali in service sectors, run by men with some post-primary education. It would therefore appear that there are significant structural barriers to growth especially for female business-owners, entrepreneurs outside Kigali and those operating in non-service sectors.

Just over 200,000 people enter the Rwandan labour market every year[16], creating both challenges and opportunities. Creating jobs for that many people is no small feat, but utilised well, such a relatively large labour force increase may translate into a significant demographic dividend for the country, reducing dependency ratios and easing pressures on public

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[12] Note that there are many different types of establishments captured in this term; including limited companies, sole traderships and cooperatives. The terms 'firm', 'enterprise' and 'company' are used interchangeably throughout this document and includes all forms of for-profit private establishments, including cooperatives.
[13] Establishment Census 2014.
[14] World Bank, 2016, *Which firms grow? Evidence from a matched firm database in Rwanda.*
[15] For every firm exiting the economy, the study found that 1.37 firms enter.
[16] OECD, African Economic Outlook 2017.

services through concurrent investments in education, health, and job creation. The crucial factor is whether this youth bulge is sufficiently skilled and engaged in productive activities, or whether they linger idle and underemployed, creating social tensions and discontentment. Creating productive jobs is therefore the second central challenge for Rwanda, after promoting exports. The median income from Rwandans' main employment is a mere 31,300 RWF per month ($37) and the composite rate of labour underutilisation is 60.3%[17], while average output per worker is just shy of 1 million RWF per year ($1,120). Significant improvements on these indicators will be necessary to reach the Vision 2050 goal of a high quality of life for all.

Accelerating inclusive economic growth that creates enough decent jobs for the growing youthful working age population is central to optimizing Rwanda's chances of harnessing the demographic dividend and achieving its long-term development aspirations. Although the economy has grown steadily over the past two decades or so, more needs to be done in the short term to reinforce fiscal discipline and create a conducive and attractive business environment, which will be key to enhance productivity of businesses and purchasing power of the population. In the medium to long term, efforts should focus on diversifying the economic base, expanding and strengthening the effectiveness of the private sector, improving the economic infrastructure (including energy, transport and communication), and addressing the shortage of high-level skills. These economic reforms will enhance economic productivity and attract foreign direct investment that is needed to propel sustainable growth in the long term.

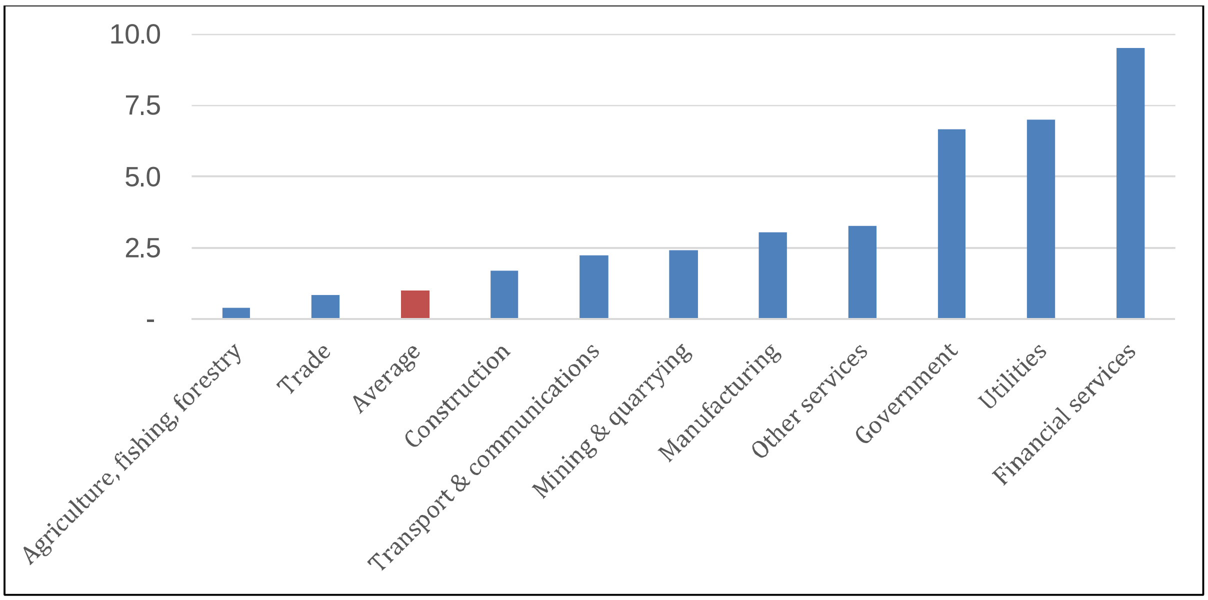

Figure 7: Output per worker 2014, million RWF. Source: NISR, National Accounts and EICV4.

In summary, there are three key priority objectives to be achieved, in order to reach the Vision 2020 objective of economic transformation and to set the country on a path to achieve the bold aspirations of the reaching high-income status and high quality of life for all Rwandans by 2050. Firstly, there is a need to reverse the trade deficit. While reduction has been achieved since 2015, this has largely been driven by a reduction in imports, while export growth continues to be lacklustre. Growing exports is therefore the first main priority of this strategy. Secondly, the jobs challenge remains central. Not only is there a lack of job opportunities for young Rwandans, but significant shares of those that do exist are not productive. Creating decent, productive off-farm jobs is therefore the second main priority of this strategy. Finally, the Rwandan economy remains heavily dependent on agriculture, including for growth in non-agricultural sectors. In order to achieve the kind of growth that will create ex-

[17] 2016 LFS Pilot.

ports and productive job creation, it will be necessary to promote structural transformation, whereby industry and high-end services take up increasingly larger shares of the economy and workforce.

3.1.3 Common Constraints to Private Sector Development at the end of EDPRS II

The PSDS I (2013-2018) identified 7 major constraints to be addressed during the course of EDPRS II. Some of these constraints are deeply structural in nature, and while progress has been noted, they continue to dampen private sector development in 2017. Other constraints, notably the observed low level of entrepreneurship observed in 2013, have abated, whereby recent years have seen a large increase in the number of firms entering the private sector. However, the dynamism of these firms is limited and a new angle is therefore necessary for promoting entrepreneurship, i.e. one that emphasizes growth and productivity over crude firm creation. This section highlights the constraints faced by the private sector in 2017.

3.1.3.1 Access to Finance

As is the case in most developing countries, firms in Rwanda struggle to mobilise finance for their operations. This is evident across all sectors and all company sizes, except for the very largest. The Rwandan financial sector is dominated by commercial banks, all of whom require more than 100% finance value in collateral. The prime interest rate remains stubbornly high at 16-18%, making access to finance untenable for all but the most lucrative ventures. 40% of firms report that access to affordable finance is a problem for their operations[18], making access to finance the number one constraint to private sector development in Rwanda, similar to what was the case in 2013. While a part of this challenge is caused by the low capacity of Rwandan firms to design bankable projects, challenges also exist within the financial sector to understand and mitigate the specific risk factors of individual economics sectors. As such, domestic credit to e.g. mining and quarrying does not reflect the potential of the sector at a mere RWF 1.4bn in December 2016[19]. As a result, almost two-thirds of commercial banking credit is extended to real estate and hospitality sectors, especially mortgages and housing, and there is a need to channel more credit to key export sectors such as manufacturing, agriculture and professional services.

Financial product diversity is also limited in Rwanda and access to investment capital is equally as scarce as access to working capital products and insurance. A narrow range of finance availability adds another layer to the access to finance constraint, whereby one third of firms' struggle to operate their facilities at full capacity due to working capital constraints[20] and frequently face existential risks from adverse events due to the lack of insurance. Firms looking to export need to obtain letters of credit which can also be challenging to obtain, while receiving international payments cost as much as 5-20% in fees and currency exchange losses[21]. Together, the general underdevelopment of the financial sector creates multifaceted constraints to the Rwandan private sector.

While financial sector development is not directly within the scope of the PSDYE sector, several programmes in this strategy do work to address this issue. Investment promotion in financial services is one such key intervention supported by key regulatory reforms in

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[18] 2015 Integrated Business and Enterprise Survey (IBES), NISR.

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

[20] IBES, 2015

[21] Data from www.remittanceprices.worldbank.org receiving money from Canada and the UK. This database does not consider bank to bank transfers, but only money transfer firms. However, the prevalence and prices charged by these firms illustrate that banks are no serious competition for international transfers.

section 0, while the factoring platform in section 5.1.3 specifically seeks to diversify the range of financial products available in Rwanda.

3.1.3.2 Access to Skills

Overall labour force productivity is low in Rwanda. Wages in non-primary sectors appear competitive at face value around $40/month (31,300 RWF)[22], however, almost 20% of firms report access to skills being a constraint to their business[23]. This is largely driven by relatively low educational attainments, where only 31% of adults aged 25 and above have at least completed primary education while another 30% are fully illiterate. This figure does improve for the younger generations, whereby amongst youth aged 15-24 only 15% are classified as illiterate, a number that is expected to go down further still in the coming years and decades. However, high-quality data on labour productivity in Rwanda is not readily available at the moment, adding to the challenge of monitoring and addressing the issue.

GOR through WDA and NEP has been targeting skills development, especially through TVET provision. Some success is evident; however, training programmes have faced significant challenges finding suitable apprenticeship programmes for their students. So far, the private sector has not responded with much enthusiasm, which has limited the ability of programmes to deliver their courses, which rely heavily on on-the-job training in line with international best practice. Furthermore, several of the priority VCs rely heavily on soft skills and language skills, especially tourism and hospitality sectors. Developing these skills will be a key requirement going forward.

The PSDYES continues the sector's focus on skills development and entrepreneurship, through NEP, innovation promotion and technological upgrading. NEP remains a central PSDYE programme as described in section 5.2.1, while specific attention is given to the process of improving technology absorption capacity, innovation promotion and high-growth entrepreneurship, targeted in section 5.2.2.

3.1.3.3 Enforcing small business contracts

A September 2016 MINICOM consultation covering 20 districts across all provinces found that a major constraint to especially small businesses is the inability to enforce business contracts. This is a result of the widespread informality and verbal nature of private sector relations in Rwanda, as well as the practical challenges involved with taking any action against contracting parties reneging on agreements, a constraint in particular felt by female business owners. Consumer protection regulations in Rwanda do not cover business-to-business sales (B2B). Conflicts were found to be prevalent in situations where the business relation is characterized by asymmetrical power relations, i.e. a small buyer has little recourse against a big supplier delivering faulty goods, or a small suppler has little recourse against a big buyer refusing to pay.

A key regulatory reform measure proposed in section 5.4.2 therefore specifically addresses this issue. Through a combination of an amendment to the Internal Trade Law clearly specifying implied contract terms that parties have to adhere to, the commercial small claims courts being established by MINIJUST and a national awareness campaign, the ability to enforce contracts will dramatically improve for small and informal businesses.

[22] 2016 Labour Force Survey pilot, NISR.
[23] 2015 Integrated Business and Enterprise Survey (IBES), NISR.

3.1.3.4 High cost of trade and regulatory compliance

At an average $3,633 per container from Mombasa to Kigali, Rwanda remains one of the most expensive places for a container to reach[24]. This has serious negative consequences for the competitiveness of the Rwandan economy. Prices have remained stubbornly high, only reducing 28% since 2013, despite a 72% reduction in the time it takes to reach Kigali. Bringing down the time and cost of trading has been a priority for Rwanda and the EAC since the inception of the Northern Corridor Integration Projects in 2013, one key of which is the Single Customs Territory (SCT), which is credited with the reduction in the time to trade, even if the cost remains high.

At an estimated 3.1% of GDP, the cost of complying with regulatory requirements also remains high[25]. This cost does not cover taxes paid, but rather the efforts and hours spent on complying with paper work, approvals, permits and the like. Such costs are pure inefficiencies in economic terms, meaning that the effort spend does not yield a return. Reducing the cost of compliance as well as search costs is therefore necessary to promote private sector development.

Sections 5.3.3 and 0 address the cost of trade compliance, while sections 5.2.2 and 5.4.1 focus on making information about requirements more accessible to the private sector. Key initiatives include the Irembo Business Platform for government services and information portals as well as advisory desks in key public institutions that entrepreneurs may approach for advice. The ambitious reform agenda under the WTO Trade Facilitation Agreement is expected to reduce the cost of trading by as much 23% for LDCs and African countries, as detailed in section 5.3.3.

3.1.3.5 Insufficient access to and quality of Infrastructure

Similar to most developing countries, Rwanda faces an infrastructure gap, hindering its economic transformation. This is despite heavy public investments and key achievements over the past two decades in bringing access to affordable electricity, water, sewage and internet to the entire country. Even so, the 2015 IBES still found that 31.5%, 33% and 34.6% of firms find that access to electricity, water and internet is a challenge to their operations, respectively. This is particularly the case for larger firms in manufacturing and high-end service sectors for whom high-quality connectivity is paramount.

In general, access to readily available, serviced land is a major constraint, often raised as one of the biggest challenge by foreign investors looking to set up operations in Rwanda. The Special Economic Zone programme is intended to address this constraint and as soon as the parks are fully developed, it is expected that access to serviced land will feature less prominently in future surveys. Other infrastructure that is currently lacking is improved trade and logistics facilities as well as ready factory shells for investors to move into.

3.1.3.6 Internal market inefficiencies, both for raw materials and for final products

Domestic markets in Rwanda are characterized by low levels of overall efficiencies. This is evident from consistently high spatial price differentials across the country. Recent research[26] indicates that for most agricultural and horticultural produce prices may be up to 70% above or below the national average in any given location, due to fluctuations in supply, seasonality, inefficient logistics and inappropriate handling practices. Such price and quality fluctuations in turn make sourcing steady supplies of raw materials a major challenge, partic-

[24] *Measuring the Social and Economic Impact of NCIP Projects on Rwanda.* Vanguard Economics, 2017.

[25] Christensen, 2016. *Red Tape Assessment, Free State, South Africa.*

[26] Vanguard Economics Databank, accessed August 2017.

ularly for agro-processing, and has significant cost implications for farmers and cooperatives struggling to sell their products. Overall capacity utilization remains low at 63.1%, driven largely by lack of access to buyers (64.2%), unreliable supply of inputs (42%) and lack of working capital (33.3%). There is significant sectorial variation, however, with the manufacturing sector utilizing on average 64.7% of their installed capacity, while wholesale and retail trade and construction use 28.5% and 70%, respectively.

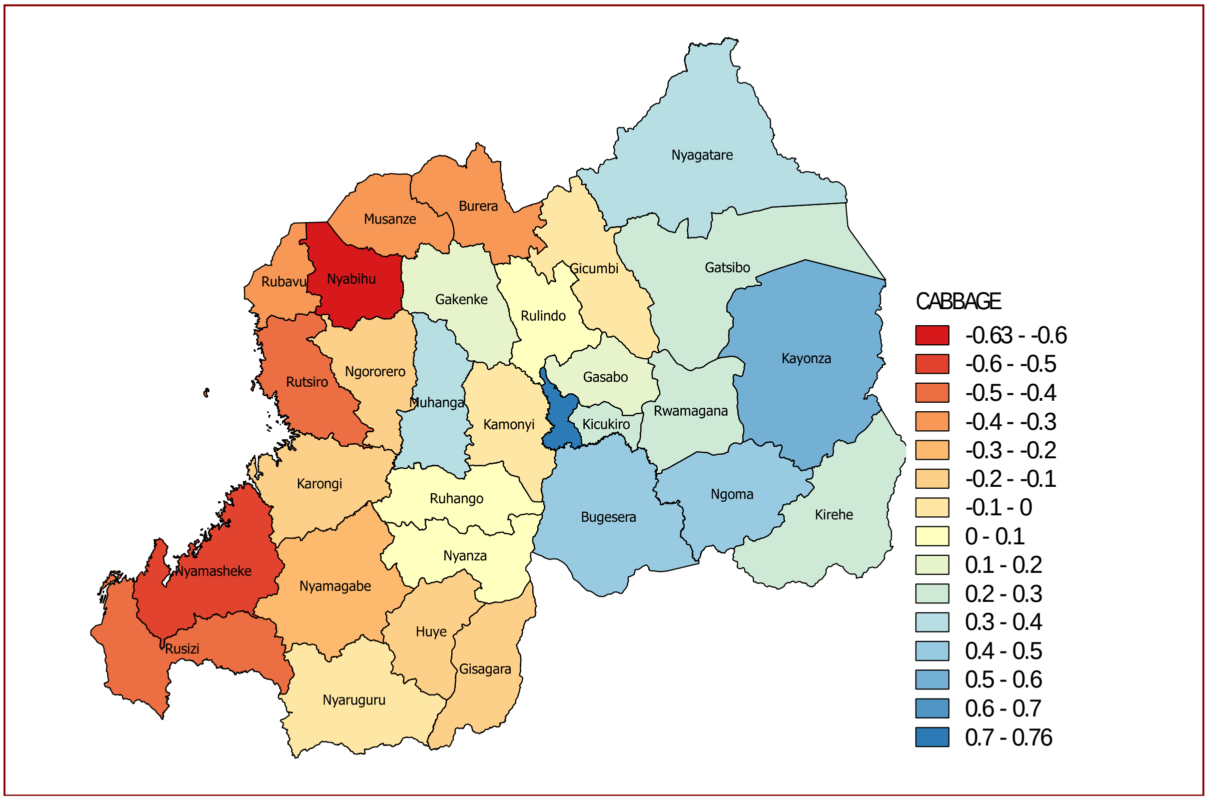


Figure 8: Median cabbage retail prices throughout 2016, as share of average price. E.g. in Nyabihu district cabbage prices are more than 60% lower than the national average, while in Kigali they are over 70% above the national average. Similar patterns are observed across more than 70 agricultural and horticultural products. Source: Vanguard Economics; based on e-soko data.

The Value Chain Approach and methodology deployed in this strategy is targeted specifically at this issue. By specifically focusing on the linkages between producers and buyers through GAFI and DSDU, investments in logistics and commercial infrastructure as well as the VC specific action plans, the PSDYES focuses heavily increasing the efficiency of markets to promote competitive value chains.

3.1.3.7 Access to and cost of standards and technology

Selling in export markets requires standard certification and reliable quality. Standards are a way for firms to demonstrate the quality, safety and durability of their products, which is challenging for small firms to demonstrate. While GOR subsidizes access to final certification through RSB, the majority of the challenge lies in getting ready for certification which is a lengthy and costly process, often involving serious upgrades to production processes and technology. Even acquiring knowledge about standards requirements and the process of obtaining them is a barrier for firms, and one that is exacerbated by the lack of access to affordable finance described above. Lack of access to standards is again further amplified by lack of knowledge of and access to proper packaging materials and marketing skills (34.8% of firms[27]).

Technology itself is a broad and often misunderstood term. While of course covering equipment and tools, technology also refers to the intangible processes, practices and standard operating procedures used by firms as they deliver on their contracts. It is therefore closely linked with skills and training, and access to finance, and thus a key driver of productivity and profitability. A more skilled technician will have more knowledge about efficient processes utilizing different kinds of equipment, thus reducing waste and maximizing outputs. Low technology usage means that companies waste inputs and do not utilize their capacity to the fullest, driving up unit costs and puts unnecessary strain on the Rwandan environment.

While relatively little data is available about the average productivity of Rwandan firms, 32% of firms report that access to tools and machinery is a challenge[28]. However, access to technology is a constraint that is hard to measure using self-reported data – after all, a manager may not know what technology is available, nor know that the company's current operating procedures are ineffective. The experience from Rwanda Resource Efficiency and Cleaner Production Centre (RRECPC), however, would suggest that low levels of technology is a major constraint to the overall competitiveness of the Rwandan economy – during 2009-2015 the Centre has helped generate more than $2m in direct cost savings by supporting firms to adopt technology aimed particularly at reducing resource wastage. The potential for scaling up is enormous since within-firm R&D and innovation is near zero in the Rwandan private sector[29].

This strategy focuses on improving competitiveness and productivity, for which technology and innovation is crucial. Sections 5.1.5, 5.2.1, 5.2.2 and 5.3.4 all work to address the different aspects of this constraint, including skills, entrepreneurships, technology upgrade support and demonstration effects, investment promotion and innovation facilitation.

3.2 Policy Context

Private sector development has been on GOR's agenda for a long time. The NST-1 and Visions 2020 and 2050 further provide clear frames of reference for the overall direction of the country, while well-developed thematic policy areas provide guidance on specific subject matters so as to ensure coherency and alignment across GOR. This section gives a summary of the vision and policy guidance set out by GOR to address the challenges identified above and achieve the structural transformation required for achieving overall prosperity.

3.2.1 National, Regional and International Policy Priorities

Rwanda's current flagship policy document is the **Vision 2020,** which aims to achieve middle-income status by 2020 through economic transformation from an agrarian to a high-productivity knowledge-based economy. This has been the guiding vision for all development policy since its adoption in 2000, emphasizing private-sector-led development, good governance, human resource development, big investments in infrastructure and a strong commitment to regional integration. A number of key cross-cutting areas are set out from the onset to be mainstreamed, including gender equality, environmental protection and sustainable natural resource management, and science, technology and ICT.

In order to implement the Vision 2020, GOR has prepared medium-term strategic implementation plans, the so-called **Economic Development and Poverty Reduction Strategies (EDPRSs).** Implementation of the EDPRS II is coming to a close in 2017/18, and this present

[27] IBES, 2015
[28] Ibid.
[29] 2016 Science, Technology and Innovation Policy Review, UNCTAD

document is the PSDYE Sector Strategy feeds into the next plan, renamed as **National Strategy for Transformation 1 (NST-1) and aligned with the Seven-Year Government Programme**. The EDPRS II focused on economic transformation, rural development, productivity and youth employment and accountable governance. The new NST-1 continues to focus on transformation in economic, social and governance areas. Annex 8.2 provides a summary of how the PSDYES is aligned with and supports the implementation of the NST-1.

Looking further into the future, **Vision 2050** provides policy guidance on the long-term development vision of Rwanda. Always ambitious, GOR aims to be a high-income country by 2050, with high standards of living for all its citizens. Targeting a knowledge-based and productive economy, GOR envisions a country where there is universal access to high-quality public services, a competitive and innovation-driven private sector and smart and eco-friendly urbanization, all underpinned by strong Rwandan values of self-determination, unity, equity and accountability. The private sector is expected to be the engine of growth to achieve this transformation and the present strategy is therefore a central piece to achieving the Vision 2050 goals.

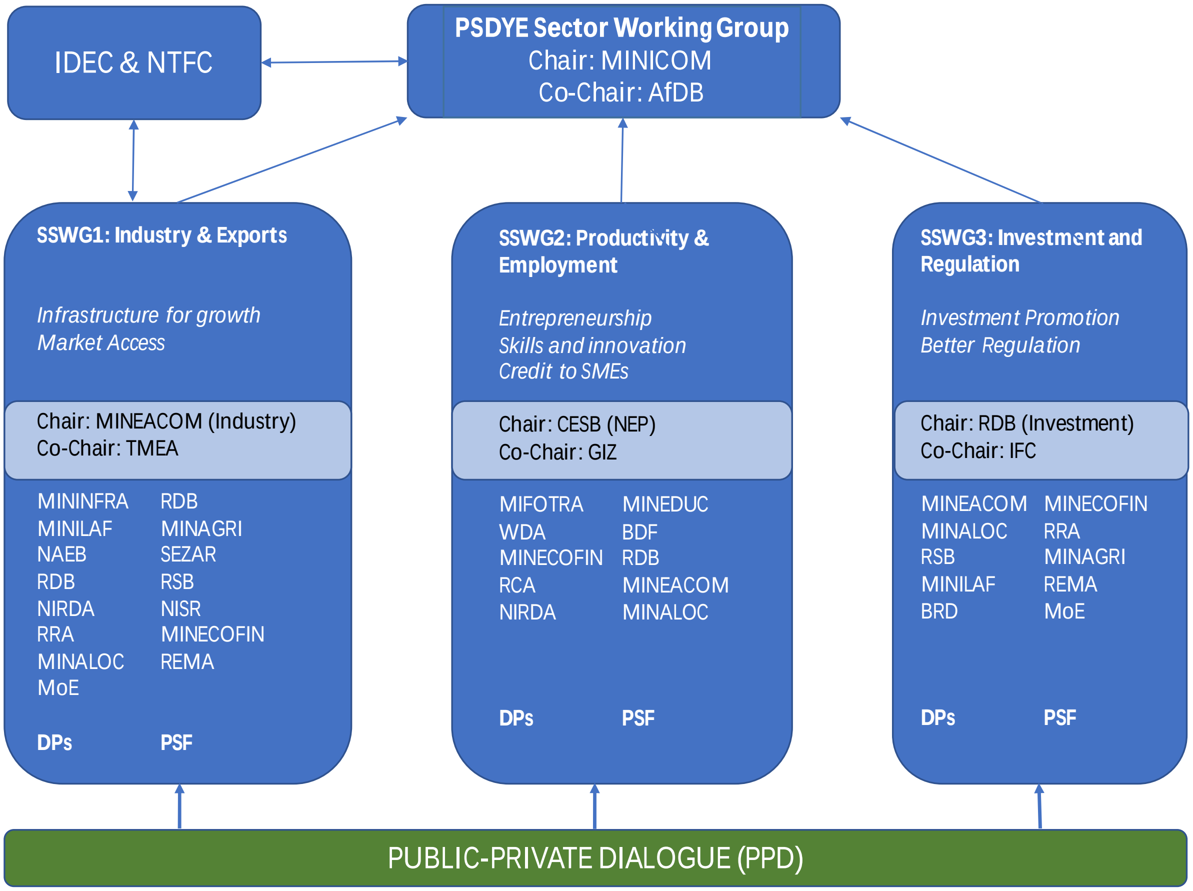
Finally, there are a number of regional and international policy documents which GOR has committed to mainstreaming in its development interventions. These include the **EAC Vision 2050;** the **AU Agenda 2063** and the **UN Sustainable Development Goals (SDGs)**. The EAC Vision 2050 aims to propel the region to upper-middle income status by 2050, through sustained investments in infrastructure, agriculture and rural development, industrialization and value addition and increased social and political cohesion and cooperation. The AU Agenda 2063 takes a continental view, emphasizing politically and culturally inclusivity on the path to achieving economic prosperity and focusing on implementing a select few flagship initiatives by 2023, including the continental free trade agreement (CFTA); high-speed connectivity; value addition to commodities; continental peace and stability; and financial development. Lastly, the global SDGs target the total eradication of extreme poverty and malnutrition by 2030, together with promoting decent work and economic growth for all (SDG 8) and industrialization through innovation and infrastructure development (SDG 9). Rwanda has ratified all the above documents as they are finalized, and this present strategy therefore also ensures alignment with the country's global commitments.

3.2.2 Sector Policy and Stakeholders

Private Sector Development and Youth Employment is a broad sector. There are a range of actors and policies that the PSDYES needs to take into account. The most important stakeholder of course is the private sector itself, being the engine of growth to drive Rwanda towards middle-income status and beyond.

The **Private Sector Development Strategy 1 (PSDS1) Implementation Plan (2013-18)** had 18 projects under five pillars to be implemented by the end of 2017/18. These are: 1) Exports Development, 2) Investment Promotion, 3) Infrastructure for Growth, 4) Entrepreneurship and 5) Institutional Capacity Building. By the end of FY 2016/17, four projects had already been completed, 11 were ongoing while four were yet to commence (one of which have been overtaken by events). Additionally, several projects were never included on the implementation plan and have subsequently not been implemented. This include important unfinished business such as reform of the insolvency process and leveraging supplier linkages to generate backwards linkages from key investment projects. Ownership across the various implementing institutions has generally been positive, however some challenges have still been encountered. These include lack of budgets; delays during procurement and regulatory delays, especially for infrastructure projects; and projects being overtaken by events. Wherever relevant, this current strategy picks up upon this unfinished business and incorporates it to enhance accountability. Annex 8.1 provides details of the current status of PSDS implementation as of end of FY2016/17, as well as specific challenges encountered for each project and catch-up plans to ensure their successful implementation.

Figure 9: Institutional Overview of the PSDYE Sector



The PSDYE Sector Working Group remains the sector's central coordination platform, involving development partners, civil society and the private sector. The SWG coordinates closely with the Industrial Development and Exports Council (IDEC) and the new National Trade Facilitation Committee (NTFC). Since the adoption of the PSDS, however, there has been significant new developments in the PSDYE Policy landscape. The remainder of this section provides an overview of the key guiding documents that the PSDYES is informed by.

3.2.2.1 Industrial Policy

The main development since 2013 is the emergence of the **Made in Rwanda Mind-set and Policy.** The Policy sets out a clear objective to improve the general competitiveness of the Rwandan business environment through tackling a number of constraints that increase the cost of production and hinders quality, including high cost of electricity, low access to raw materials and poor backwards linkages from international investors to local suppliers. The focus on the overall competitiveness of the Rwandan economy is a key priority for GOR and therefore also a focus for this strategy. The Made in Rwanda Policy explicitly sets out guidelines for developing sector-specific action plans, which have been followed in this preparation of this Strategy. As a result, in early 2016, GOR began implementation of the **Textile, Apparent and Leather Strategy,** which has seen the growth of that sector accelerate to 10% in 2016 and the ongoing operationalization of three garments and four leather investments taking place, expected to create several thousand manufacturing jobs.

Made in Rwanda as a concept originally emerged from a campaign launched by the 2015 **Do-**

mestic Market Recapturing Strategy (DRMS), which seeks to replace imports and capture export new export markets through a series of supply-side interventions. The DMRS sets out a mix of horizontal measures aimed at improving the general production environment; sector-specific measures, aimed at unleashing the potential of especially agro-processing, construction materials and light manufacturing; and specific investment projects, aimed at correcting observed market failures causing undersupply of e.g. mosquito nets, organic fertilizers and aquaculture products. One of the horizontal measures was the popular Made in Rwanda Campaign which seeks to increase demand for Rwandan products through increased consumer awareness and through preference in public procurement.

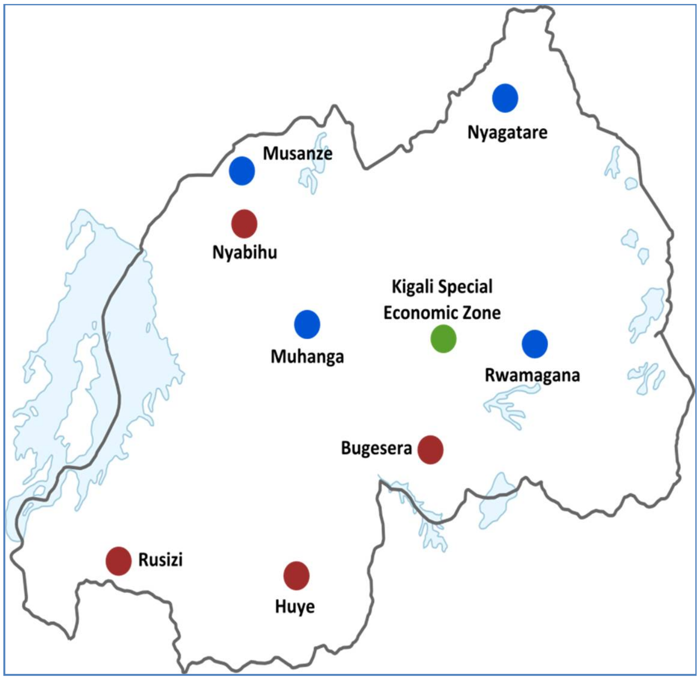


Figure 10: Existing and Planned SEZs in Rwanda. Currently only KSEZ is fully developed, with works ongoing in Bugesera and Rwamagana SEZs. Red SEZs are provincial SEZs, while the blue refers to district-level SEZs.

As mentioned above, Rwanda, like most developing countries, faces a lack of sufficient infrastructure to support its structural transformation and industrialization process. This manifests itself in low quality and sparsely located connectivity in terms of electricity, water, sewage, internet and other infrastructure. As a solution to this challenge and to facilitation investment in priority sectors, GOR in 2006 began a **Special Economic Zone (SEZ) Programme,** initially with 278ha in Kigali, but expanded in 2013 to over 1000ha in eight additional locations across the entire country. Reviewed in 2017, of the **SEZ Policy** clarifies the development process of these significant investments in public infrastructure and sets out clear guidance for the functioning and mandates of the One-Stop-Centres to be set up in each SEZ.

3.2.2.2 Trade Policy

The second National Export Strategy (NES II) was developed in 2015 and remains the guiding document for GOR's efforts to promote exports. The NES2 recognizes that for Rwanda, the export challenge has a significant supply-side dimension which needs to be addressed in addition to trade facilitation. It therefore sets out a number of interventions under four pillars, namely 1) Sector Interventions, focusing on sector-specific export promotion initiatives for traditional and non-traditional export sectors; 2) Improved Access to Markets, targeting the regional, continental and global markets; 3) Upgrade Firm Capacity to Access and Grow in Export Markets, and 4) the Export Growth Facility, which is an export finance fund housed in the Development Bank of Rwanda (BRD), offering export finance in the form of interest rate subsidies, matching grants and export guarantees. Implementation of the NES II is well-underway with the EGF operational, continued engagement in regional and international trade negotiations and achievements made to promote production for exports.

A special kind of exports for Rwanda, as is the case for most developing countries, is Cross-Border Trade (CBT). Rwanda's border communities engage in very dynamic small-scale trading across the border, consisting of goods carried by women by foot across border crossings to especially DRC, but also Uganda, Tanzania and Burundi. The 2012 **Cross-Border Trade Strategy (CBTS)** is nearly fully implemented, with Cross-Border Markets (CBMs) and One-Stop Border Posts (OSBPs) at various stages of completion at all major border crossings, and cooperatives along the borders receiving detailed trainings on management, accounting, trading regulation and standards issues.

A key emerging trade policy area is **digitally-enabled trade (e-commerce), supported by the 2017 ICT4COM Strategy.** E-commerce refers to trade using online or mobile channels and is increasingly important for businesses to reach their markets in Rwanda and beyond. Key amongst the interventions for promoting e-commerce is awareness promotion and generating trust, as well as targeting the specific skills that digitally-enabled trade requires. Doing so requires that back-end logistics and payment solutions are in place and reliable, and improving those two areas is therefore priorities in the implementation of this strategy.

3.2.2.3 Entrepreneurship, Skills and Innovation Policy

The **National Employment Programme (NEP)** was set up in 2014 to create a consolidated and coordinated approach to all cross-GOR employment-related initiatives. Initially housed in MIFOTRA, the dedicated NEP Secretariat has since moved to CESB, from where it continues to coordinate across GOR, DPs and private sector. In addition to enhancing stakeholder coordination, NEP has three strategic areas of interventions, each with a lead implementing organization, namely 1) Skills Development (led by MINEDUC), focusing on developing critical skills for the Rwandan labour market through increased private sector participation in training and education; 2) Entrepreneurship and Business Development (led by MINICOM), focusing on supporting the growth and enhanced productivity of SMEs through coaching, access to finance and linkages to larger firms and; 3) Labour Market Interventions (led by MIFOTRA), which provides institutional assistance to improving employability and supports other stakeholders to mainstream employment into their development plans. All three pillars are mainstreamed into this strategy.

The most effective way to develop new skills and knowledge that is relevant for the labour market is through on-the-job training. The **Workplace Learning (WPL) Policy** is a key GOR document setting out the principles of skills transfer and attachment programmes aimed at developing the required skills and experience that is needed by the Rwandan labour market. Through a host of internship and apprenticeship programmes, the WPL Policy sets out a structured framework for increasing formal and informal private sector participation in skills development in a way that allows individuals to obtain accredited, transferable skills that are in demand by the private sector.

MINICOM is also finalizing a new **Intellectual Property Rights (IPR) Law and Strategy.** The 2009 policy aims to create a system that will enable people to access to the full value of their creations, while ensuring access to the creations of others. The emphasis is therefore not only on ensuring that creators are able to monetize their innovations but also ensuring that spill-over and demonstration effects are encouraged. The 2017 Intellectual Property Rights Law and strategy sets out a clear pathway for achieving this, by setting out transparent legal frameworks for what constitutes IPRs as well as carrying out an extensive awareness and sensitization campaign with creators and enforcers alike. These interventions form part of the implementation of the **Science, Technology and Innovation Policy**, which aims to see Rwanda among the top knowledge-intensive and competitive economies by 2050. In this policy, GOR sets out its vision for promoting innovation and R&D through promoting a conducive ecosystem, encompassing the private sector, research and academia as well as the institutional framework protecting IPRs and a strong focus on building human capital for innovation. The current document will form another pillar of the implementation of the STI Policy through supporting the private sector to participate in innovative activities.

3.2.2.4 Investment Promotion Policy

National investment promotion efforts are coordinated by RDB who promote and facilitate all private sector investment. Commercial attaches in key foreign markets support these efforts in close collaboration and under guidance from RDB. Special focus is awarded on priority areas for which detailed information packages are developed and presented to key regional and international actors in the respective fields. Rwanda's investment promotion efforts take a 'sector-building' approach, whereby business environmental factors are identified on a sector-by-sector basis, and the lack of a certain value chain player is used as a prime business opportunity for further investment attraction.

Special attention is also awarded **not only to 'investment attraction' but to 'investment success'**, which is achieved through strong aftercare services that focus on addressing investor issues, coordinating all relevant government and non-government stakeholders and identify systemic obstacles that investors face. In this regard, the regulatory framework and especially the Investment Code is constantly reviewed and updated as issues are identified and dealt with.

3.2.2.5 Cross Cutting Policy Areas

Achieving **gender equality and family promotion** is a commitment made by the 2003 constitution and Rwanda ranks 8th globally in closing the economic gender gap[30]. This is clear evidence that countries need not wait for economic prosperity before attending to equality matters. The 2010 National Gender Policy establishes the principle for continuing the path to gender equality via cross-cutting mainstreaming into all thematic areas of government, focusing especially on data disaggregation and gender monitoring. For the PSDYES, this means that the sector will continue to disaggregate key indicators on job creation and firm resilience by gender and youth. Barriers to women's economic participation include access to finance and educational attainments, and close coordination with the sectors responsible for those outcomes will be necessary. Similarly, access for **people with disabilities (PwDs) and social inclusion** has been mainstreamed across the sector's work focusing in particular on ensuring access to skills development and training opportunities and a strong commitment to providing disaggregated monitoring information.

Being a largely agrarian economy, Rwanda remains vulnerable to **environmental degradation and climate change.** Vision 2050 talks of achieving a *climate resilient and sustainable economy,* which will require a strong commitment to green growth, productivity enhancements and green energy production. This strategy has, therefore, placed significant emphasis on innovation, technology transfer and improving resource efficiency. While industrialization is positioned as a key objective by the sector, it is always done in a way that safeguards the environment through adequate clean-up facilities, sustainable harvesting practices and minimal resource wastage. The scope for innovation in green growth technologies is enormous and Rwanda aims to position itself as a global leader in green growth technology and climate change mitigation and adaptation going forward.

Rwanda is a small, landlocked economy and therefore has a significant potential to gain from fast-tracking **Regional Integration and International Positioning (RIIP)**. Much of Rwanda's trade policy in recent years has focused on expanding market access for Rwandan producers, for which RI is an important tool through trade facilitation, regulatory harmonization, cross-border infrastructure projects and process and product harmonization across the region to bring down the cost of trade and eliminate non-tariff barriers (NTBs). The East African Community (EAC) is often praised as an internationally good example of the potential benefits of RIIP, allowing free movement of goods, people and capital for shared prosperity. Since 2008,

[30] WEF Global Gender Gap Report 2016.

the EAC has eliminated 114 NTBs, and since 2010 the cost and time for a container to reach Mombasa from Kigali has reduced by 28% and 75%, respectively, while to reach Dar-es-Salaam the equivalent reductions are 5%and 83%, respectively. These are tangible benefits for Rwandan consumers and producers who have gained access to cheaper and a more diverse selection of goods. To promote RI in services, the EAC has focused on signing Mutual Recognition Agreement, of which four have been signed to date, even if this is a policy area that requires more attention in medium term, in combination with increased private sector participation and input to the harmonization processes. RIIP mainstreaming has been done throughout this strategy, especially with regards to creating an ecosystem for exports (Pillar 3) and investment promotion, leveraging Rwanda's strong record on governance.

The success of this strategy will to a large extent depend on the capacity of the implementing teams, organizations and institutions. **Capacity Development** (CD, previously capacity building, CB) is therefore an important cross-cutting policy area. While the PSDS1 singled CD out as a standalone pillar, the PSDYES mainstreams the issue and considers it as a part of the overall set of interventions necessary to achieve the overall objectives. The PSDYES therefore considers CD at the level of the individual through skills development and training programmes, as well as the level of the institution and organization through adequate systems, procedures, resource allocation and strengthening of especially PPD forums. See annex 8.5 for details.

Other cross-cutting priorities that the PSDYES contributes to include **improved public health,** especially HIV/AIDS and non-communicable diseases; and **disaster management and prevention**, especially ensuring that geospatial developments are planned and executed in a manner that is cognizant of the risk of natural disasters. Annex 8.6 summarizes how these cross-cutting areas have been mainstreamed into the PSDYES.

4 A VALUE-CHAIN APPROACH TO ACHIEVING COMPETITIVENESS

The overall goal of the PSDYES is to increase the competitiveness of the Rwandan economy. This will improve the trade balance both by recapturing parts of the Rwandan market from imports and by improving the ability of Rwandan producers to compete in exports markets, creating productive jobs in dynamic and resilient firms. The overall competitiveness of the Rwandan private sector is a function of local firms' access to markets, finance, capital, skills, technology and backbone services as well as the existence of a strong operational environment, characterized by good regulation, easy access to information and good infrastructure. The activities in this strategy aim to achieve those factors through the intelligent deployment of resources and through broad partnership and coordinated efforts (See Figure 11).

Figure 11: PSDYES Results Framework. While the PSDYES focuses on achieving competitiveness in key value chains, the long-term goal is overall economic transformation and a generally competitive private sector

Impacts	Economic transformation and a competitive private sector, starting with key value chains			
Outcomes	Productive jobs creation Increased and diversified exports		Increased value addition Dynamic and resilient firms	
Outputs	Increased local content in production Access to finance Increased private investment	Technology upgrades Standards Certification Enhanced entrepreneurship and skills development	Trade facilitation Improved infrastructure Efficient logistics Productive backbone services	Better regulation Access to information
Activities	Pillar 1: Promoting Competitive Value Chains Made in Rwanda Pillar 2: Increasing firm-level productivity and enhancing diversification		Pillar 3: An Ecosystem Approach to Increasing Exports Pillar 4: Streamlining Regulation and Access to Information	
Inputs	Financial resources Cross-GOR coordination		Human resources in key implementing stakeholder institutions	

The VC Approach also reflects a recognition that competitiveness is sector-specific and that GOR must prioritize in the short and medium-term. Certain sectors are closer to being globally competitive, whereas others may take longer and require more effort. Focusing on sectors that hold the biggest potential for contributing to Rwanda's overall development objectives while alleviate the pressures on the Rwandan economy in the medium-term through increased job creation, a dynamic private sector and a more resilient current account balance. Meanwhile, through experience, the VC approach can and should be fine-tuned and applied to other sectors as the need and opportunity arises.

4.1 Vision and Objectives

This PSDS has the following Vision:

"Key priority value chains have achieved global competitiveness, as measured by their ability to recapture the domestic market, create productive jobs and to compete in export markets"

As well as the following outcome objectives:

- Increased private investment, both local and FDI
- Increased off-farm job creation
- Improved trade balance and increased diversification of the export base
- Increased productivity and innovation in priority value chains

Success will require close coordination and joint effort across GOR, development partners, civil society and the private sector. For the VC approach to work, a strong political consensus must be formed to truly push the selected priority sectors to achieve global competitiveness. This is required in order for all stakeholders to come together, to convince private investors that their sectors are prioritized and therefore that their constraints will be addressed and that key operational challenges will be attended to.

Strategy to Transform the Textile, Apparel and Leather Sectors, MINICOM, 2016.

When the EAC Heads of State decided to phase out importation of second-hand clothing and footwear, MINICOM developed the prototype VC-action plan in 2016 to facilitate a supply response from the private sector. At the time, the domestic apparel and leather sectors faced numerous challenges, including lack of access to finance and skills, inadequate infrastructure, fragmented value chains and mal-aligned fiscal structures driving up costs. Through implementing this first Made in Rwanda Sector Action Plan the sector's growth has accelerated from 3% in 2015 to 10% in 2016, while significant private investment and FDI has been mobilised, and an expected 5,000 jobs will have been created by 2020.

One of the most crucial success factors for the success of this action plan has been the broad political consensus that has emerged to support the initiative. All relevant GOR institutions have joined hands in promoting these key value chains, from MINECOFIN through RRA overseeing fiscal incentives; RDB promoting private investment both local and foreign direct investment and overseeing the construction of necessary factory shells; MINICOM organising the Made in Rwanda campaign and establishing a tannery park in the new Bugesera SEZ; WDA offering training facilities for new investors; RSB taking a lead at a regional level to establish and harmonise necessary standards for international trade; NIRDA supporting firms to upgrade their technology; and Districts and BDF supporting artisans to establish garment ICPCs across the country. It is this cross-GOR commitment that has led to the increased level of investment from the private sector, triggering both output and employment growth.

Box 1: The Strategy to Transform the Textile, Apparel and Leather Sectors: Progress to date and critical success factors

4.2 Identifying Priority VCs

Choosing the right VCs to focus on is critical to the overall success of the approach. Selection will always be strategic in nature yet there are a number of criteria that may be applied to ensure that VC selection is objective and data-driven:

- **Export or domestic market recapturing potential:** The VC must hold significant potential to positive impact the trade balance, either through increased exports or through recapturing the domestic market from imports
- **Productive employment creation potential:** The VC must be labour-intensive and demonstrate clear potential to create significant numbers of productive jobs through-

out the various stages of the value chain, especially low-skilled jobs and jobs for women and youth
- **Scope for value addition to existing local raw materials:** The VC should play to Rwanda's strengths and offer opportunities for value addition to existing raw materials without requiring significant additional areas of arable land for cultivation
- **Anchor firms are already operational or close to operational:** For the VC approach to work, close partnership with key private sector players will be necessary. Therefore, at least one anchor firm must be identified in each VC to act as off-taker, promote spillover of technology and drive productivity growth

Chapter 3 summarized the broad policy framework and extensive analyses that allows for the selection of VCs. Strategies such as the DMRS, the Made in Rwanda, the NES2 and the Vision 2020 and 2050 as well as numerous sector-level studies form a solid foundation upon which selection may be made. Furthermore, building on the success of the Textile, Garment and Leather Strategy, the Made in Rwanda Policy sets out a clear template for developing VC Action plans, covering:

- The policy, legal and regulatory environment
- Availability of skills, both basic and those needed for innovation
- Potential for job creation for especially youth
- Sector-specific infrastructure and logistics needs
- Product testing facilities and standard certification capacity
- Market linkages, domestic, regionally and internationally
- Sector-specific PPD and cross-GOR coordination

The exact sequencing of the VC action plans will be determined dynamically; whereby annual actions will be developed according to needs. However, the following sequencing is envisioned as guidelines for development of the action plans:

- **Setting the stage – Year 1:**
  - VC identified and broad political consensus established for its development
  - Policy review, key regulatory gaps and challenges identified
  - Anchor firm identified and MOU signed
  - Sector-specific PPD established, or strengthened
  - Capacity building needs of key GOR institutions identified and addressed
  - Youth projects in the VC identified and tailor made products to support them developed
- **Driving efficiency and productivity growth – Year 2-4:**
  - Bankable projects developed and promoted to investors
  - Link youth projects in the VC with Anchor Firm (Supply and production links)
  - PPPs agreed for skills development including significant opportunities for industry-based training
  - VC technology audit completed
  - Regulatory reforms completed as required, including regional harmonisation
  - Sector-specific infrastructure projects completed
- **Innovating and expanding – Year 5 onwards:**
  - Large private investments operationalized
  - Sustain established partnerships between youth enterprises and Anchor Firms
  - VC actors supported to upgrade technology
  - New analysis carried out, looking at further opportunities for product diversification and capturing of additional value chain segments

Based on the above criteria and analyses, the following VCs have been chosen:

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

Annex 8.3 offers a snapshot of the current status of these priority VCs. Detailed action plans will be developed to promote each VC, similar to those that exist for garments, leather and meat. Action plans will clearly set targets for job creation that each priority VC is expected to generate and special business development services and technological support to integrate youth projects into the value chain.

5 KEY PILLARS AND INTERVENTIONS

The remainder of this document focuses on the practical interventions that will be implemented in order to reach the overall objectives. The interventions proposed address both challenges in the overall business environment and go hand in hand with the development of detailed action plans for each of the priority value chains, such as the 2016 Garment, Apparel and Leather Strategic Plan and the 2017 Meat Value Chain Action Plan. There are four pillars in this strategy, each addressing a specific area of the competitiveness challenge, which are summarised here and explained in detail in Annex 8.8:

Table 3: Summary of key interventions for the PSDYES

Intervention	Summary
Pillar 1: Promoting competitive value chains made in Rwanda	
Growth Anchor Firm Initiative (GAFI)	Leveraging the expertise and competitiveness of anchors firms to promote competitive value chains through coordinated and targeted support to key firms in key value chains
Domestic Supplier Development Unit	A specialized unit in RDB supporting anchors and other large buyers to source more inputs locally, while supporting potential suppliers to meet the requirements of buyers
Access to credit and patient capital	Channeling credit to priority sectors through incentives with conditions attached. Targeted investment promotion of patient capital providers such as angel investors and venture capital firms, credit incentive package will be granted to youth gazelle projects that have strong backward and forward linkages in the VC.
Rwanda Factoring Platform and legal reforms	A marketplace for firms to access working capital on the back of supply contracts to big buyers
Investment promotion and Proof of Concept Country	Targeted investment to promote private (including youth) participation in the priority VCs, while leveraging Rwanda's stable macro environment to attract investors looking to trial a concept before scaling it to the region
Pillar 2: Increasing firm-level productivity and enhancing diversification	
Skills development and entrepreneurship	PPP skills development framework and centres for the priority value chains and professionalization of the BDA network
Train a Rwandan Campaign	Nationwide communications campaign to encourage more firms take interns and apprentices and set a framework for international experts to transfer skills to their national counterparts
Technology upgrade support	Firm-level support for firms to identify and acquire productivity-enhancing technology upgrades
Incubate and nurture youth innovative projects	Incubate youth business innovation projects through technical assistance and startup capital and production equipment support. The concept of the Kigali Innovation Center and the agglomeration between world class universities and high tech companies in KIC will serve as incubation for the prospective innovative business projects together with other incubation centers. KLAB will also be supported to incubate ICT driven innovative business projects.
RSB Graduate Placement Programme	Training of standards experts and placement of these in firms in key value chains to support them acquire and maintain standards
High-growth entrepreneurship and social enterprise policies	Targeted interventions at high-growth firms through developing a conducive ecosystem, and clarification of the regulatory framework for social enterprises to increase investment in this growing class of multiple-bottom-line businesses
Backbone service skills development	Skills development through targeted investment promotion of institute of higher education, combined with facilitation of the importation of skills

Pillar 3: An ecosystem approach to increasing exports	
Infrastructure and logistics for exports and Domestic market	Finalization of ongoing major construction works to promote exports (SEZs, AFUs, and trade logistics infrastructure). Completion of Integrated Craft Production Centers-UDUKIRIRO in all Districts and Promotion of ICPCs in vibrant trade centers and IDP Projects
Trade in services	Development of a Trade in Services Strategy, focusing on regional regulatory harmonization, MRAs, and tourism
Trade Facilitation	Implementation of the WTO Trade Facilitation Agreement commitments to ease the flow of goods across borders
Digitally-enabled exports	Promoting e-commerce through regulatory review, training, awareness campaign and logistics enhancements
EGF review	Review of eligibility criteria and targeting of the EGF and scaling the fund
International payments review	Review of regulation around receiving money from abroad to lower the costs for recipients
Targeted trade missions and market entry support programmes	Targeted trade missions for anchors and other key firms to key potential markets, coupled with market entry support programmes
Pillar 4: Streamlining regulation and access to information	
Irembo Business Portal	A single window for the private sector to access government services, pay taxes, comply with regulation, access information and provide feedback
Advisory desks	Helpdesks in each GOR institution facing the private sector, where companies may drop in or book appointments for further support
Enforcing small business contracts	Legal and regulatory reforms to facilitate the enforcement of especially verbal contracts, to support the establishment of commercial small claims courts
Intellectual property rights protection	Finalization of ongoing review of IPR regulation and nationwide awareness campaigns
Employment and investment regulation review	A review of existing employment regulation and taxation practice, looking especially at options for incentivizing firms to hire more young Rwandans, linked with the Train a Rwandan Campaign Review of the investment to offer incentives attached to hiring more youth and skills transfer to youth
Continuous better regulation	Continuous PPD to ensure close facilitation of emerging regulatory issues as they emerge

One of the main objectives of this strategy, namely employment creation, has been mainstreamed rather than a standalone pillar. This reflects that the strategy hinges on partnership with the private sector and if successful, the strategy will achieve increased investment and growth. The sectors targeted are almost entirely labour-intensive and therefore growth and competitiveness in these sectors will also translate into increased, productive job opportunities for Rwandan youth. The project profile documents that set criteria for eligibility of Public Investment projects and projects implemented through PPP will be reviewed to include impact on jobs and skills transfer in eligibility criteria for projects. A review of the procurement regulations looking especially on options for special considerations on skills transfer in bids evaluation. To that end, firms that are employing international experts that show effective mechanisms to peer international experts with national counterparts for skills transfers will be preferred and promoted. The skills development programmes under the second pillar target supply-side challenges by ensuring that Rwandan youth are adequately equipped to take advantage of the job opportunities that arise. Finally, the employment regulation review and 'Train a Rwandan" campaign will address the regulatory obstacles that hinder firms from taking on Rwandan youth, encouraging the creation of youth employment creation specifically.

Naturally, the interventions in this strategy speak directly to the priority outcomes targeted by the NST-1. The sector falls under the first pillar of the NST-1, economic transformation. A detailed mapping of NST-1 priority areas onto PSDYES outcomes, indicators and interventions is available in Annex 8.2. The M&E Framework in Chapter 6 also directly references the NST-1 priority areas.

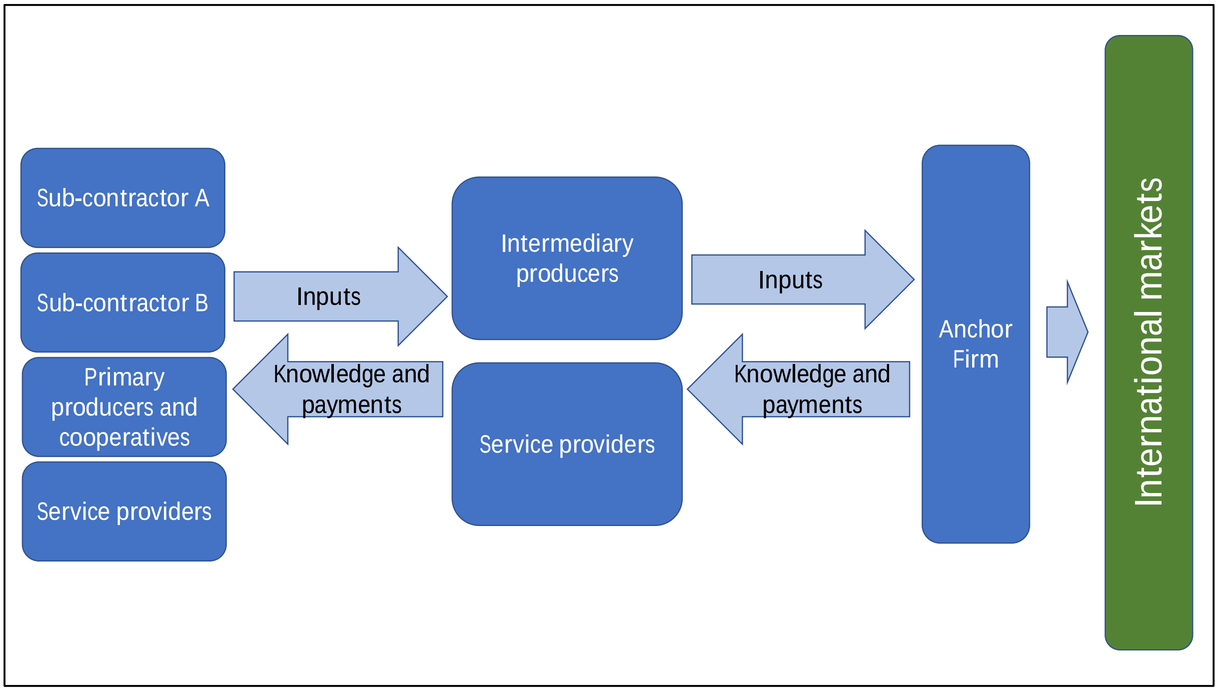
5.1 Pillar 1: Promoting Competitive Value Chains Made in Rwanda

The PSDYES centres on two key initiatives, which embody the spirit of value chain promotion and cross-GOR coordination, namely the Growth Anchor Firm Initiative (GAFI) and the Domestic Supplier Development Unit (DSDU). GAFI will be the single unifying umbrella for all support to the private sector targeting so-called Anchor Firms in key value chains, supporting them across the board with technology upgrading support, skills development, access to finance, trade facilitation and more. In return, these Anchors will be required to actively support efforts to transfer knowledge and skills to smaller players in their value chains and lift the productivity of the entire chain. To provide support to the non-Anchors in those chains, the DSDU will sit at the centre of GAFI, supporting large buyers source from local suppliers as well as supporting the suppliers to upgrade their capacity to meet the requirements of large firms. It is this promotion of productive chains, over simply productive firms, that heralds the break with previous GOR policy and sets the tone for addressing the increasingly complex challenges that Rwanda must overcome. Youth Cooperatives and Companies will be supported technically and financially to integrate their projects into the value chains and Anchor firms with production and supply value chains with youth companies and cooperatives projects linked to their potential services providers.

5.1.1 A Revamped Growth Anchor Firm Initiative (GAFI)

The Growth Anchor Firm Initiative (GAFI) has been fine-tuned over several years and key lessons have been learnt. The PSDS 2013-2018 designed a programme for value chain competitiveness, whereby certain systemically important anchor firms in priority sectors would receive TA from MINICOM in exchange for supporting their suppliers and service providers. Similarly, RDB has been promoting so-called Economic Champions as systemically important firms with the expectation that they would have positive spill-over effects and generate improvements down their supply chains. While Anchors and Economic Champions have experienced growth and increased competitiveness as a result of the increased facilitation, the indirect pull factor has not proven sufficiently strong to lift their supply bases. Anchors entering new markets therefore continued to rely heavily on imported inputs and their potential catalytic impact on the Rwandan economy has not been fully realized.

Figure 12: Simplified value chain: The Anchor Firm spreads knowledge from international markets through the value chain to suppliers, sub-contractors and primary producers



The PSDYES therefore introduces a revamped Growth Anchor Firm Initiative, incorporating the lessons learnt. Anchors will receive substantial support and facilitation, but there will be explicit requirements to participate in programmes aimed at creating spill-over effects and Anchors will have to reach key milestones in order to remain in the programme. Anchors will also only be able to stay in the programme for a maximum of five years. Individual MOUs will be negotiated as the first priority, setting out transparent and predictable principles of collaboration and expectations of either side. GOR has signed MOUs with key exporters since 2015, and the revamped GAFI builds upon experiences made through this intervention. Anchors' contributions will include participation in the setup of training programs (section 5.2.1), technology upgrade programs (section 5.2.2), the Rwanda Factoring Platform working capital program (section 5.1.3) and various public-private dialogue forums (section 5.4.3). As a principle, however, the Anchors will not be expected to make financial contributions beyond the investments they have already made to the country. Rather their contribution will consist of knowledge, expertise and a willingness to support smaller firms make the necessary investments to increase competitiveness.

The benefits for key firms to become Anchors will be significant. Anchors will receive increased facilitation, access to senior policy makers, support from DSDU to develop their supply chains (see next section), invitations to trade missions abroad, access to technology upgrading support, workforce development programmes and information about policy incentives and sector-specific support such as packaging and raw material sourcing support for agro-processors or visa facilitation for high-end services Anchors. This package of support has been showed to lead to significant economic benefits for large firms in Rwanda, including large increases in turnover, profitability and market share[31].

The key to the success of GAFI hinges on the focused cross-GOR support to Anchors, the existence of inbuilt sunset clauses and milestones and the credible threat of exclusion should milestones not be met. Access to the programme must be strictly based on the ability

[31] Steenbergen and Javorcik, 2017, *Analysing the impact of KSEZ on firm behaviour.*

to demonstrate potential to trigger transformative impact on their value chains and participation must be continuously reassessed and non-performers excluded. This is a prerequisite to safeguard the project against firms taking advantage of the benefits without catalysing their supply chains or simply not having high enough capacity to be an Anchor. Participants will be required to continuously demonstrate progress on their MOU commitments as well as themselves demonstrate economic growth and productivity enhancements, pushing the domestic efficiency frontier and providing demonstration effects for the rest of the economy. The need for Anchors to themselves demonstrate increased competitiveness is required to ensure that public funds are not wasted on lacklustre performers who do not generate sufficient impact. The threat of losing access must be credible and time bound to a maximum of five years in order to incentivise participants to make the most of the opportunity while it lasts.

5.1.2 Domestic Supplier Development Unit (DSDU)

Supporting Anchors and other major firms to source more inputs locally will require more than initial introductions to potential suppliers. In many sectors, there are significant advantages to sourcing locally if the local capacity exists – proximity often leads to greater flexibility, customization and reliability. The continued high reliance on imports therefore points to the need for GOR intervention to boost the supply capacity of local firms and cooperatives to meet demand. Experience from countries like Tanzania, Ethiopia and Chile indicate that such intervention is best done through a highly capable and specialized Domestic Supplier Development Unit (DSDU) within the investment promotion agency.

The DSDU will be a strategic unit set up to support Anchors, government procuring entities and other large buyers develop locally-intensive sourcing plans. To achieve this, the DSDU will support local suppliers to meet the requirements of these large buyers, through supplier training and verification programmes. Sourcing is of course a very strategic operation for most large buyers, who have very specific requirements for quality, product specification and price. Many local suppliers, however, struggle to meet the requirements of large buyers, having to match international competitors on price, consistency in quality and volumes. The DSDU will therefore work in a very targeted manner with especially the Anchors, focusing on long-term supply relationships with local suppliers through the development of individual improvement plans. It is only through the establishment of such long-term contracts that suppliers may be incentivised to make the necessary investment in quality and productivity that will ultimately drive economic transformation. In line with the Made in Rwanda Policy, there will not be any legal requirement for Anchors to source locally. Rather, the DSDU will embody the spirit of partnership with the private sector, which is the defining feature of this strategy.

As the local sourcing partner for Anchors and other large investors, the DSDU is the obvious place to coordinate several other interventions described in this strategy, including channeling finance to local suppliers, attracting investment, supporting technology upgrades and accessing standards. The DSDU will therefore be the key operational unit for the implementation of this strategy and its establishment is a priority. Based on international best practises from Ethiopia and Tanzania, the DSDU needs to be small to start with, focusing exclusively on a few priority VCs and on establishing close working relationships with Anchors[32].

5.1.3 Access to Finance and Enhanced Liquidity

As discussed above, access to finance remains a major constraint to economic transformation in Rwanda. More than two-thirds of bank credit to the private sector goes to construction projects and hospitality sectors, while the priority value chains are starved, especial-

[32] Steenbergen and Sutton, 2017, *Establishing a Domestic Supplier Development Unit for Rwanda*, IGC policy note

ly in upstream segments involved in primary production[33]. In June 2016, agriculture, transport and warehousing, manufacturing and other services (which make up the key segments required for the development of the priority VCs) only held 2.1%, 6.7%, 9.1% and 3.2% of all commercial credit extended by banks in Rwanda. This pattern is both a symptom and a cause of the observed low competitiveness of these priority VCs. Exporters also report that accessing finance is a struggle, and ensuring that the Export Growth Facility is fully developed and fully deployed is a key priority for the initial phase of this strategy, see section 5.3.5 for further details.

A key first intervention is therefore to encourage banks to channel credit to the priority VCs, through targeted incentives with flexible conditions. Similar to Anchors, banks and other financial institutions need to be brought on board to achieve the country's development objectives and MINECOFIN will seek to reach an agreement with the financial sector on targets for credit to be channeled to the priority sectors in return for certain incentives. These incentives may be fiscal incentives, credit guarantees or other subsidies, but will only be triggered as long as banks maintain a certain share of their loan portfolio within the priority VCs. The DSDU will be a key facilitating unit, bringing the financial sector to the discussions on local sourcing, connecting buyer-supplier pairs with providers of credit or equity investments to facilitate any necessary upgrades. It is also likely that there are cases where banks are simply unfamiliar with the characteristics and cash flow cycles of various priority sectors and GOR will therefore also carry out trainings to loan officers to familiarize them with the different VC's financing needs.

The market for non-debt finance is thin in Rwanda, despite some growth in recent years. The Rwandan stock exchange has a relatively low market capitalization at 42% of GDP[34] and non-bank financial institutions are almost entirely insurance and pension firms, whose portfolios are dominated by government securities, real estate and bank deposits[35]. The ability of Rwandan firms to attract equity finance, angel investment or other patient capital is therefore limited. RDB will therefore continue their efforts[36] to attract investment in the Rwandan financial sector, boosted by the 2015 update to the Investment Code classifying financial services as a priority sector for investment targeting. The Rwanda Innovation Fund will be one financial actor that may address part of this gap in the financial market.

Keeping in mind the need to promote strong linkages between VC players, there is also a need to increase the liquidity of Rwandan firms through the emergence of value chain finance (VCF) products and general improvements to the payment culture. In its essence, VCF is finance extended to smaller players along a value chain, tied to the existence and size of contracts to buyers, and backed by the ongoing commercial ties amongst the players and a strong credit score of the anchor firm. VCF holds enormous potential to promote access to finance to SMEs who are unable to access credit on their own right, but are able to secure supply or distributor contracts to large firms with good credit scores, allowing them to leverage their buyer's creditworthiness. VCF products are currently largely unavailable in Rwanda, or if available, expensive and subject to severe credit rationing and collateral requirements. There are two main reasons for why this is the case. Firstly, there is a gap in the regulatory and policy framework governing risks and ensuring factors' and suppliers' rights, especially where contract terms are informal or verbal in nature. Secondly, the institutional framework that would allow parties to evaluate each other and facilitate the emergence of a transparent and liquid marketplace, is underdeveloped. All these constraints must be addressed to encourage the emergence of VCF products on the market.

[33] BNR, Annual Financial Stability Report, 2015-16.
[34] RSE website, accessed 30th August 2017, and NISR national accounts.
[35] BNR, Annual Financial Report 2015-2016.
[36] Attracting alternative sources of finance is a case of unfinished business from PSDS1.

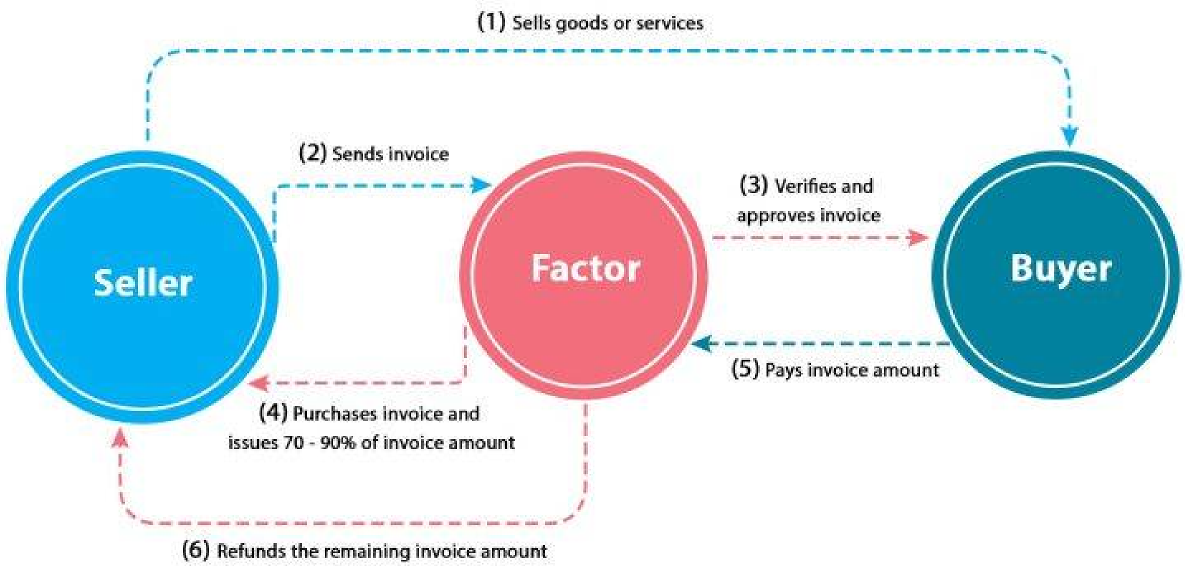


Figure 13: Factoring process flow, Source: Habile Technologies. Factoring is perhaps the most common VCF product and is particularly beneficial where there is a time lag between (1) and (5). If the seller has sub-contractors, they may also be looped into the process quite easily for a comprehensive VCF solution.

NAFIN is a Mexican development bank operating an online platform since 2001 that offers factoring services to SMEs. Two types of services are offered: Factoring without any recourse, collateral or service fees, and contract financing, which provides financing for up to 50% of confirmed purchase orders to approved buyers. All pricing is regulated and transparent and SMEs are also able to access TA and financial advisory services. Within 8 years, NAFIN's platform covered 455 big firms (over 50% of the Mexican economy), servicing over 80,000 SMEs and had extended over $60bn in financing from 20 domestic financiers, both banks and other finance providers. In 2015 alone, the platform extended over $13bn worth of value chain financing.

Box 2: NAFIN Productive Chains Platform in Mexico. Source: NAFIN 2015 Annual Report.

Firstly, the legal and regulatory framework will be updated to set out clear rights of factors to reduce their risk. GOR has made significant strides during EDPRS II to improve the regulatory environment governing business relations as well as introducing clever solutions to overcoming the collateral challenge, such as the Warehouse Receipt System. However, two more broad regulatory changes are necessary. The first is the introduction of a Factoring Law and associated regulations, which must be drafted to encourage as much private investment as possible. The second is the creation of new legislative provisions to support the enforceability of verbal contracts, and to create 'implied terms' which are imputed by law into all contracts to create stronger protections for SMEs in their business-to-business transactions, see section 5.4.2 for further details.

Secondly, there is a need to establish an enabling institutional environment for a vibrant, transparent VCF market to emerge. The Productive Chains Platform run by the Mexican development bank NAFIN has proved to be extremely successful and is worth replicated in an adapted form in Rwanda, namely as the **Rwanda Factoring Platform**. Through an online platform, suppliers and service providers may upload the contracts they wish to be financed and have their buyers verify the contract. This allows factors to bid for the contract, after checking the buyer's credit score and perhaps researching the supplier's delivery track record. Suppliers may choose amongst different services that meet their needs and compare financial institutions' terms. Fee structures must be transparent and regulated to prevent unwarranted high charges before adequate competition is generated. Note that the supplier is never required to demonstrate creditworthiness, but only that it is able to honour the contract agreed with the buyer in order to access finance. This is fundamental since most smaller suppliers are not covered by the Credit Reference Bureau nor have access to collateral, while the (presumably larger) buyers are better positioned to demonstrate that they may be able to honour their payment obligations. Once the payment is due according to the contract, the buyer pays the invoice through the platform and the financier recoups their investment plus the agreed fee, while the remainder is transferred to the supplier. The open auction style of the platform will generate sufficient transparency that financiers may feel confident that the receivable has not been factored off elsewhere, and that payment comes from the buyer directly, not via the supplier. Large buyers such as the Anchor Firms are able to support their suppliers and distributors access working capital finance, meaning they are able to invest in quality and deliver on time, thus benefitting the Anchor's business too. Initially, the Rwanda Factoring Platform will focus on the priority sectors, but once fully operational it should be expanded to cover the entire economy. As a result, the Platform should be housed in BRD but with strong support from RDB's DSDU which will work with anchors and suppliers to first of all set up the contracts to be financed through the platform. The Rwanda Factoring Platform will thus provide the financing piece necessary for Rwandan SMEs to deliver large contracts.

5.1.4 Capital access to start-ups and growing SMEs for youth in the VCs

Given the vast majority of jobs in the off-farm sector are in MSMEs and are largely informal, emphasis will be placed on providing support and creating conditions for enhancing the productivity, productive capacity and enabling business environment for these smaller firms to scale up their businesses and grow. In particular, youth and women with business attractive ideas and entrepreneurs in both formal and informal sectors for the value chains who show growth potential will be provided with tailor-made and on-the-spot access to startup capital.

Along EDPRS2, access to finance was limited to support to collateral in general and it has revealed necessary to diversify access to capital products and include leasing schemes, tailor made equity financing and technical assistance to optimize production process and competitiveness to facilitate the upward mobility of their businesses and promote growth, with job creation implications. The priority will be given to youth projects which show potential to grow and have spillover effects to job creation. In this regard target full access to capital products will be granted to youth projects with potential to be integrated in the priority value chains whereas in the previous period the support was extended to all youth projects which was not focused to bring desired impact. During NST1, access to startup capital and technology products will be designed to accompany youth gazelle projects to climb the ladder and integrate with Anchor Firms in the supply and production chains.

In the previous period, the support was mainly focusing on classical entrepreneurship development through business plan development and in the course of NST1; the focus will be more on production process improvement and standard required by potential global buyers and specifically on global buyers. The existing access to finance products mainly under BDF will be revamped and strategically rethought to support upward mobility of youth projects and businesses with job creation implications.

5.1.5 Investment Promotion for Competitive VCs

Increasing private investment will be paramount, especially where there may be gaps or missing players in priority VCs, which holds back the competitiveness of the VC as a whole. The premise of a value chain is that firms complement each other to add value to a primary product or service. However, if one player, a key infrastructural facility or logistics provider is missing or is much weaker than the other players, everyone is affected. In such cases, strong business cases will be developed to attract private investors to address these challenges as business opportunities, be it foreign or domestic. RDB will take the lead in packaging the identified opportunities and present them to targeted investors. There may also be ripe investment opportunities in backbone services and infrastructure for which priority VCs rely, including logistics, financial services and the like (see sections 0 and 5.2.3 below). This will be evident as the various VC Action Plans are implemented, where private investment opportunities will come in to complement GOR activities.

RDB will target these investors through Targeted Investment Missions (TIMs) in key markets. Strong marketing of investments opportunities in international markets will be key**.** RDB will therefore continue to build a strong international market presence through a targeted investment promotion approach and use of commercial attaches, certified Independent Investment Promotion Advisors and honorary consuls. Rwanda's brand will be strengthened through a special division set up in RDB responsible of creating and managing the Rwanda's country brand. This will complement efforts to continuously improving the general business environment in Rwanda, detailed in section 0 below, which ultimately will be the best marketing material for investment promotion.

As a way to lower the cost of doing market research, the Made in Rwanda Supplier Database will be operationalized. This database will be publicly available and contain information about all companies currently operating in Rwanda. It will combine data from RDB and RRA to have an updated list of active companies in the various sectors, while data from EBM machines may be integrated to provide real-time information about what products are being sold where and for what price. This information (anonymised for protect privacy and commercial interests) will provide potential investors with an in-depth understanding of the Rwandan market and the opportunities that exist. It will also allow GOR policy makers to obtain information about trends and bottlenecks in the economy, informing policy making in real time.

Furthermore, RDB will also leverage Rwanda's international reputation for a strong regulatory framework and stable macroeconomic environment, offering significant advantages to investors wishing to test out ideas intended for scale-up across the region or continent. The 2015 Investment Code offers significant incentives for companies locating their headquarters in Rwanda, while the stable and corruption-free environment makes for a good environment for running pilots intended for scaling across the African continent. RDB will thus seek to position the country as a 'Proof of Concept Country', where ideas may be tried out and fine-tuned. The spill-over effects on local firms may be potentially significant, and investors looking to obtain proof of concept will be supported to interact with local entrepreneurs to inspire young minds.

Registered investment, however, does not automatically translate into operational projects and RDB will continue to monitor and improve their conversion rate. To do so, RDB will continue to focus on improving its aftercare facilitation and support investors operationalize their projects. Firstly, RDB will establish an online investment facilitation system through Irembo, as well as continue to strengthen PPD through weekly Investor Dialogue Days and quarterly meetings with CEOs. RDB will also continue to champion the investors' cause within GOR through bi-annual high-level inter-ministerial meetings and quarterly Cabinet briefings on key investment projects, including any challenges to overcome. The package for key projects is thus very similar to the enhanced facilitation package received by Anchors under GAFI and it is expected that most key investment projects will also be part of GAFI.

5.2 Pillar 2: Increasing Firm-level Productivity and Enhancing Diversification

While the previous section focused on promoting strong linkages between firms, this section takes a deeper look at the factors influencing firms' ability to absorb technology and diversify. Specifically, this section takes a look at ongoing interventions to promote entrepreneurship, address technical skills gaps, upgrade technology and increase R&D.

5.2.1 Employment Promotion through Skills Development and Entrepreneurship

In order to boost productivity of the identified VCs, an adequate pool of skills must be available. Labour productivity is low in Rwanda by regional standards and investing in the key skills required by each sector will be necessary to develop the targeted VC. As with every other aspect of development of the VCs, partnership with the private sector will be key. There are two aspects to this partnership for skills that need to be incorporated, namely the need for matching closely skills development programmes with private sector demand, and the central principle of workplace learning, meaning that as far as possible skills should be developed on the job. Here again, the DSDU will be a key coordinating unit, supporting Anchors develop attachment programmes and train Rwandans.

The majority of unemployed persons and persons who are simultaneously outside the labour force and not in education are youth with primary and lower education. The recent Labour Force Survey of 2017 highlighted that 84% of labour underutilisation is mainly youth with primary and lower education attainment. This group should be targeted in skills development and self-employment. Tailored Apprenticeship programs and hands-on short term vocation training programmes will be integrated in vocational training providers and also integrated in SME workshop in structured way. Particular efforts should also be made to target the needs of vulnerable and disadvantaged groups, including unskilled, semi-skilled and school drop-out in both rural and urban areas. Short term vocational training programs will be developed guided by the economic and business potentials in the area of residence to generate and improve hands-on Skills in labour intensive trades to enhance their self-employment. The initiative will also build on traditional apprenticeship culture and improve the skills transfer model in many Private production units and businesses.

The component of promoting hands on skills and provision of startup toolkit/equipment will be integrated and rolled out in all Districts to facilitate self-employment for graduates from TVET, short term vocational training and apprentices. Under this program, Youth trained in different vocational fields, with great potentials in terms of profitability and market availability in their respective location will be supported to have start up toolkit/equipment subsidized loans through financial institutions.

The quality of the products in light manufacturing sector especially in office and home furniture and in textile and Garment are not competitive due to the obsolete equipment and technology being used. The GoR have invested in Integrated Craft Production Centers with the aim to establish standardized and modern business center to accommodate scatted local craftsmen and artisans including TVET Graduates under a conduce production premises and facilitate them to up-grade technology and skills and embrace innovation. Main Trades performed in ICPCs include Carpentry, welding, electronic repairing, artisanal products and tailoring. These centers are expected to play a big role in Made in Rwanda together with other factories engaged in textile and garment values chain. A leasing scheme has been initiated in 2016 to support craftsmen to acquire improved production equipment. Going forward, there is a need to invest, sustain and improve the scheme of leasing and extent it to textile and garment value chain in addition to carpentry and welding. The improvement of the scheme will also go with deliberate interventions to facilitate their products to access the market through Made in

Rwanda strategy. Procurement regulations will also be assessed to shape them in the MIR spirit to promote the use of products produced in ICPCs.

The Rapid Response Training (RRT) has proven to be an effective skills development and investment promotion tool and will be scaled up to cover all priority VCs. The RRT supports new investors in labour intensive sectors to train their workers through funding required training costs for up to six months. The priority VCs are by definition labour intensive and the RRT will therefore naturally be a supporting intervention to new investors looking to set up in these sectors. However, the RRT is also an expensive programme which due to its demand-led nature may end up being rather costly for GOR. Therefore, WDA will seek to ensure that some of the costs are recovered, either through investor or employee contributions, or through pooling workers across companies together.

To truly address skills gaps in the priority sectors, however, there is a need to set up a dedicated training institute for specific VCs through PPP. Each training centre should be set up in partnership with the lead Anchor firm and a local IPRC, whereby the Anchor designs the curricula, sources trainers, oversees any training of trainers, specifies and sources any equipment for the students to use, while the IPRC offers facilities and equipment as required. Where schools already exist, Anchors will support the improvement of existing curricula and teacher training. These training centres should offer as many specializations as required and e.g. the Meat Sector Training Centre will target butchers, meat processors, livestock handling programmes and meat food safety experts. Highly specialized skills may be incorporated into higher education programmes through partnership with universities, to also bring in the higher education sector. The Rwanda Institute for Design and Clothing offers a good model to replicate across the priority VCs, demonstrating the possibilities for addressing critical skills gaps in targeted manners through close partnership with an Anchor.

The success of the Made in Rwanda Campaign may also be leveraged to support skills development. When it comes to skills development, perhaps the biggest challenge identified during EDPRS II has been the difficulty with which students have had to find apprenticeship positions or internships. While the private sector often complains about lack of skills available on the market, in practice very few firms offer apprenticeship or entry-level positions that would address the issue. Section 5.4.3 below details regulatory changes and various incentives that will make it easier and more attractive for firms to hire more young Rwandans, which will be complemented by a widespread awareness campaign - a “Train a Rwandan” Campaign – about the need for more workplace-based learning opportunities. The Made in Rwanda Campaign offers a good platform to leverage for this purpose, encouraging consumers to buy more locally-produced goods and services with visible effects on the economy and the trade balance[37]. The success of this campaign may beneficially be extended to not only encourage consumers to *buy local*, but to also *train local* through sensitizing the Rwandan private sector about the benefits to the economy when there are more training opportunities for young people, and encourage them to participate in the development effort. Naturally, the priority VCs will be targeted to ensure that there are sufficient apprenticeship and internship opportunities to address skills gaps, but the campaign may beneficially be extended to cover the entire economy to promote learning opportunities across the board.

In the short and medium term, however, Rwanda will not be self-sufficient in high-end skills and will have to complement training programmes with foreign workers. Rwanda is leading the African Union initiative on visa-free travels and has already taken steps to make

[37] A 2016 MINICOM survey of producers indicate that almost half of the Rwandan private sector has experienced a demand increase as a result of the campaign. Imports reduced by 2.7% in 2016 (BNR), a drop which is partially attributed to the MIR Campaign.

it easier for especially East African nationals to live and work in Rwanda without needing to obtain work permits. The Directorate General for Immigration and Emigration (DGIE) in collaboration with MIFOTRA is also reviewing the process that firms have to go through to hire foreign nationals, making it simpler and easier to complete labour market tests and demonstrate the lack of local skills, necessitating hiring foreign workers. Once completed, labour market needs will be assessed by MIFOTRA and the Capacity Building Secretariat ensuring that work permits are accessible for those professions where local skills are in short supply. This, together with the previous section on skills development, will position Rwanda as a regional hub for talent and improve the attractiveness of the country as an investment destination.

The EDPRS II saw substantial progress towards creating an entrepreneurial culture in Rwanda, driven by the flagship National Employment Programme (NEP). While firm entry rates[38] were reported to be below the regional average in 2013, recent data suggests that firm entry has almost doubled from 0.78 to 1.49 since 2010, ahead of Germany (1.29) and Canada (1.40). This is to a large extent due to GOR's efforts to promote entrepreneurship as a viable career path. GOR through NEP has rolled out a nationwide network of Business Development Advisers (BDAs) and incentivized them to ensure SMEs access funding by withholding part of their payment until the SME accesses funds from a SACCO. Combined with toolkit loans to recent TVET graduates and entrepreneurship modules in secondary schools, this system is intended to promote self-employment through entrepreneurship and will continue throughout the NST-1. At the moment, however, the quality of BDAs varies significantly across the country, they are all generalists and entrepreneurs have little knowledge about the skills of the BDAs.

To promote higher quality of publicly provided BDS, BDAs will be required to obtain accreditation to one of three levels. All BDAs did receive basic training before being assigned to a post, but continuous education and accreditation will enhance their impact significantly. It will also be necessary to tweak their incentive structure somewhat, to make BDAs interested parties in SME survival beyond the point of accessing finance from SACCOs. Withholding a small share of their payment until their mentees reach one year would be one way of achieving this. A new BDA association will be charged with overseeing the development and continuous administering of trainings and examinations.

Finally, a feedback system will be introduced where SMEs can review BDAs to allow for informed choice of adviser. Such a system serves dual purposes: it allows entrepreneurs to 'shop around' for the best BDA in their area, plus it gives BDAs an added incentive to provide good quality service to their customers and improve based on their feedback. The system is easily designed using a nationwide SMS feedback tool, where the individual BDAs' scores and reviews are publicly accessible via a USSD platform. The system should also enable entrepreneurs to provide feedback about the programme in general and offer suggestions for subjects to include in the BDA training. Specialised knowledge sharing will be targeted through the GAFI, by leveraging the sector-specific expertise of the Anchors.

5.2.2 Technology, Innovation, Standards and High-Growth Entrepreneurship

The level of productivity and technology usage across VCs will be crucial determinants of their overall levels of competitiveness. It has been noted above how the Rwandan private sector sits on the fringes of national efforts to promote innovation and technology upgrades, and reversing this trend is a key pillar of the present strategy. There are multiple barriers to firms' uptake of new technology, including knowledge gaps, access to finance and access to skills. Few so-called high-growth entrepreneurs do uniquely find innovative solutions

[38] New formal firms registered per 1,000 working age population

to current challenges, adapting solutions to the Rwandan context and achieving truly spectacular growth spurts. Research[39] indicates that globally, these high-growth entrepreneurs are responsible for more than 70% of job growth despite only accounting for 3-5% of firms. They are especially negatively affected by market failures that restrict the free flow of information and ideas, the formation and maintenance of business networks and social capital and the flow of risk capital to innovative business ideas. These are constraints that exist to varying degrees in Rwanda and which must be addressed.

As a first step, MINICOM will therefore develop a high-growth entrepreneurship and social enterprise policy. This will set out the principles for ensuring that those market failures are adequately addressed while supporting the emergence of supportive ecosystems, with opportunities for mentorship, patient capital and easy access to GOR institution facing

Incubators and accelerators have gained popularity across the world as a way to promote high-growth entrepreneurship. Successful incubators, such as Silicon Valley's Y Combinator or the South African RaizCorp, have generated significant success, but they are very resource-intensive, working only with a select few entrepreneurs at a time, and invest heavily in the individual entrepreneur as well as the company. Even so, Y Combinator reports a survival rate of 10%. The return on these 10% must therefore be high enough to cover the costs of running the incubator – hence also why so few incubators globally are sustainable.

Given the few number of beneficiaries, incubation and acceleration is typically not pursued with public funds, but tends to be purely private initiatives, lured by the potential for high financial returns if just a few participants turn out to be gazelles (high growth start-ups). Rwanda already has more than five private and non-profit incubators with an impressive track record, applying focused attention to a select few number of entrepreneurs over a sustained period of time. In the spirit of private sector-led development, GOR will therefore not seek to establish its own incubator or accelerator, but will rather focus on removing any barriers to information and on attracting private investment in BDS and patient capital.

Box 3: Should GOR start an incubator? Source: Estimated from received business proposals

the private sector, such as RRA and RSB. These institutions will therefore as a minimum have highly skilled staff members manning advisory desks and query points and they must dedicate resources to answer questions and provide guidance. The Rwanda Innovation Fund is intended to channel risk-loving capital to new ideas and support start-ups, while the existing ecosystem for entrepreneurship development must be nurtured and encouraged to flourish. During the elaboration of the high-growth entrepreneurship policy, the Government will also develop a social enterprise policy to review the legal and regulatory framework for this new class of businesses that have social objectives. This will support increased capital flows and innovation in social businesses, and put Rwanda at the forefront of social enterprise innovation on the continent.

Successful incubators are costly around the World that is why a selective and target full approach is recommended to identify talented and innovative high-growth entrepreneurship and accompany them in the process until they become stable and conquer the market. In this regard, purely private initiatives is not feasible in the prevailing conditions. The Government will establish key Incubators which are accelerators for growth and provide business development and production process solutions to gazelles entrepreneurs. Rwanda has already initiated in partnership with Development Partners incubation centers (KLAB, Masaka Incupation Centers and Nyarutarama and IPRCs incubations.), however some are not well equipped

[39] World Bank, 2016, *Growth Entrepreneurship in Developing Countries: A preliminary literature review.*

and do not have expertise necessary to bring entrepreneurs at the technological frontier in the identified CVs. To that end, few high end incubators will be identified and be strengthened or established to promote creativity and innovation culture especially among youth and support talented youth to realize their potentials as a way to promote massive and decent jobs. Those incubation centers will also be technology demonstration for standards compliance in the VC for SMEs with production contents deficiencies. Existing incubation centers have limited capacity to support SMEs improve products' contents. One of those incubation centers will be imbedded in the Kigali Innovation City concept to leverage on agglomeration effects of world class Universities and high Tech industries. A program on production and business Incubation centers targeting high growth entrepreneurs will be developed and approved to guide the implementation process.

The National Science, Technology and Innovation (STI) Policy and NIRDA's technology upgrade and support programme will be key initiatives to promote technological upgrades across the priority VCs. NIRDA's programme works with key private sector actors to assess their current levels of technology and support them to make appropriate upgrades. Through careful selection of upgrade-ready companies, NIRDA facilitates TA to the firm and helps them identify the required upgrades, while ensuring that demonstration effects to the rest of the value chain is maximized. Given the multiple barriers resulting in such upgrades not happening organically, this programme must be closely linked with the rest of the interventions set out in this strategy, notably linking SMEs with Anchors (especially foreign investors) to support knowledge transfers; access to finance through credit being channeled to priority VCs and the Rwanda Factoring Platform, the coordination of all of which is done by the DSDU. The Rwanda Resource Efficiency and Cleaner Production Centre will be another key partner in the successful implementation of this programme, ensuring that upgrades include improvements in a company's resource efficiency and reduces their overall environmental impact. All of the above forms the basis of the private sector interventions under the planned National STI Policy, which also will consider links with academia and civil society. NIRDA is therefore a key implementing partner of the STI Policy and will contribute significantly to its finalization and operationalization.

Having appropriate technology and skills must be complemented by the ability to verify quality through standards certification. RSB has in recent years expanded their catalogue of standards quite substantially and made major improvements to their laboratories and services offered. In the spirit of facilitating trade and reducing NTBs, RSB is also heavily involved in regional harmonization of standards. They are therefore now able to offer a wider range of standards with wide geographical recognition, at a subsidized rate. However, not all standards required by the priority VCs identified in this strategy are currently available, and each VC Action Plan will therefore include an assessment of which standards must be added to RSB's catalogue as well as an assessment of any new testing equipment to be procured. The DSDU will work with Anchors to identify the key industry standards necessary to access supply contracts, and support firms to make the necessary investments to achieve them through individual SME improvement plans. The creation and implementation of these individual improvement plans will form the biggest portion of the DSDU's work.

To further support in-firm innovation and technology upgrades, RSB will also implement a Graduate Placement Programme, aimed particularly at agro-processing sectors. Ensuring food safety in firms working with products intended for human consumption has proven a challenge in recent years with only 16 companies having achieved HACCP certification in mid-2017[40]. The RSB Graduate Placement Programme starts with an intensive short course on food safety delivered to recent graduates in food science, engineering or other relevant subjects after which they are placed in SMEs in priority agro-processing VCs to further support them achieve and maintain necessary standards. The graduates will be supervised by a senior expert but will in their day to day work be considered as employees of the SMEs. This setup will develop critical skills in priority VCs, upgrade the quality of SME products, as well as equip a future generation of managers and potential entrepreneurs with the prerequisite technical knowledge to ensure food safety compliance from the onset. Acquiring a standard certificate has proven to be an easy and affordable process for start-ups and SMEs. A special technical support program of standards compliance will be initiated to support youth projects in the VC to meet the extended catalogue of standards especially in agro processing chain. Standard compliance is very costly for start-ups and matching subsidy fund will be initiated under National Employment Program to reduce the transaction cost and the cost of acquiring a certificate. Capacity building of a pool of professional certified standards compliance advisors will be undertaken through graduate placement program and will later coach SMEs and start-ups in VC to upgrade and comply with the requirements in certification process.

Standards certification must be complemented by adequate inspection. The newly established Rwanda Inspectorate, Competition and Consumer Protection Authority (RICA) will commence operations at the very beginning on this strategy, providing best-practice separation of public bodies that facilitate and inspect standards adherence in the private sector. RICA has a broad mandate, covering agricultural and manufactured products as well as all matters pertaining to consumer protection in Rwanda. Operationalizing this important institution will be important, building upon the successes of RALIS, RSB and others. RICA and RICA's international recognition will have an important role to play in facilitating trade and exports (see also section 5.3.3 below).

Finally, aligning the High-Growth Entrepreneurship Policy with the VC Approach requires specific incentives for high-growth entrepreneurs to enter the prioritised VCs. Such incentives may be implicit (increased GOR attention and facilitation will make the sectors more attractive for skilled entrepreneurs), or explicit, such as tax breaks for new companies forming in the prioritised VCs. The Anchors will again become key implementing partners of the High-Growth Entrepreneurship Policy, whereby GOR will establish a VC Mentorship and Bursary Programme, supported by Anchors, whereby identified high-growth VC players can access international BDS and receive mentorship from Anchors. Furthermore, RRA, RSB and other key GOR institutions will set up specific advisory desks, who may help entrepreneurs navigate the regulatory environment. This, combined with the added incentives for the financial sector to channel credit to the priority VCs, will incentivise Rwanda's smartest entrepreneurs to open companies in the priority VCs.

5.2.3 Backbone Services and Priority Service Sector VCs

Services constitute almost 50% of GDP and made up 46% of exports in 2016[41], yet the potential of services to boost growth is underutilized. Promoting backbone and export service sectors will be key for a number of reasons for Rwanda. Firstly, all firms are consumers of backbone services such as finance, ICT, accounting, legal, logistics and security services and it is estimated that a 10% productivity enhancement in backbone services translate into

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[40] Hazard Awareness and Critical Control Points Certification (HACCP) is an international standards system, ensuring food safety, and it is required by most large buyers of products intended for human consumption and for access to export markets.

[41] NISR, National Accounts; BNR, BOP

up to 0.5% increase in goods exports, especially manufacturing exports[42]. Secondly, services hold enormous export potential in their own right, witnessed through the rapid growth in tourism exports which at $390m in 2016 constitute the largest export category in Rwanda. Services exports are not hindered by the high cost of transporting goods to Rwanda, reducing a major barrier that Rwanda otherwise faces. Finally, at almost 50% of GDP, the majority of service firms are in wholesale and retail trade which suffers from labour productivity that is only marginally higher than agriculture (see Figure 7, p. 9) and an average capacity utilization of a meagre 28%[43]. This means that there is a large untapped potential in services that may contribute to the transformation of the Rwandan economy towards prosperity.

Service sector firms tend to have few physical assets nor utility needs, making human capital and government regulation their biggest competitiveness determinants. Skills development and streamlined regulation will therefore be the two major interventions going forward. The types of skills, however, required by backbone services are high-end, professional skills which are in short supply in Rwanda as in most other developing countries. Attracting foreign investment in higher education to address the high-end skills deficit will therefore continue to be a priority and the Investment Code is already updated to reflect this, listing education as a priority sector.

Practically, the Kigali Innovation City (KIC) model offers promising early signs of scalable impact for knowledge-based service sectors. Through targeted investment promotion to high-end academia and by exhibiting continental leadership on the matter, GOR managed to attract global leaders to the ICT SEZ as well as the Smart Africa Initiative Secretariat. Rwandan and foreign students are now being equipped with skills in ICT, which in turn makes Rwanda a more favourable destination for investment projects that need those skills. Registered ICT investments reached almost $180m in 2016[44]. The universities in KIC have been supported to foster close links with the private sector and now offer internships, corporate practicums, research collaborations and programmes for supporting students through scholarships. Encouraging such close linkages between academia and employers will be the key to the success of the KIC and it is a model that is scalable across the other priority knowledge-based service VCs, i.e. finance, aviation services, and BPO.

Improved regulatory environments and meaningful sector-specific PPD will form the second leg of strategic interventions to promote competitiveness of the priority service sectors. Section 0 below details wider regulatory reforms and doing business improvements that will facilitate the service sectors, but a key requirement is regular and meaningful public-private dialogue through the Professional Services Forum and sector-specific forums as required. Where appropriate, regulatory streamlining includes simplification of licensing requirements and tax procedures.

[42] Shepherd, with Hoekman, 2016, *Services Trade Policy in the East African Community: Lessons for Rwanda*
[43] IBES, 2015

[44] RDB, registered investments data.

5.3 Pillar 3: An Ecosystem Approach to Increasing Exports

Competitive value chains export more. Their products and services are able to compete internationally on both price and quality, and they are able to meet demand in a reliable manner. Increased exports may therefore be expected as a natural side-effect of a more competitive private sector. However, given the national importance of reducing the trade deficit, this strategy sets out key ongoing and new interventions that will promote exports of Rwandan goods and services. Goods exports have traditionally been hampered by the lack of suitably large production facilities and an inefficient logistics sector, therefore, this section starts with detailing the specific interventions needed to address those two constraints to producing for exports, before detailing other aspects of trade facilitation and services needed to promote a vibrant export sector.

5.3.1 Infrastructure and Logistics Facilities for VC Development

During the EDPRS II, a number of strategic infrastructure and logistics projects were initiated and are at various stages of completion in 2017. Many of these are still under construction and will, upon completion, address some of the key infrastructure and logistics constraints identified in Chapter 3 above. Furthermore, some VCs have sector-specific infrastructure and logistics facilities needs that must be met to achieve overall competitiveness of the sector. For sectors producing products with specific storage requirements such as cold chains, inadequate infrastructure is a necessary prerequisite for being able to export due to international standards requirements.

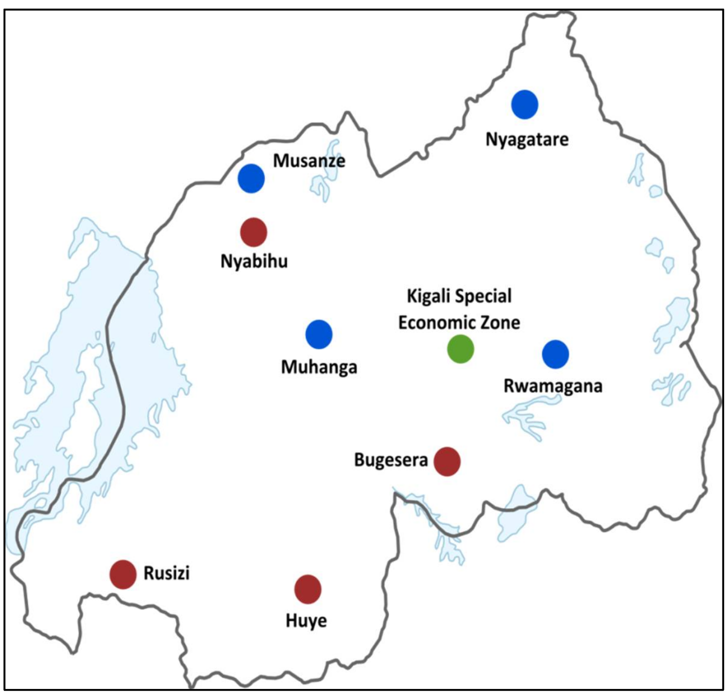

Figure 14: Current and Planned SEZs in Rwanda. Blue dots represent district SEZs and red dots represent provincial SEZs.

To alleviate challenges in public utility provision for industrial firms and exporters, GOR is developing eight additional Special Economic Zones across the country. Including the almost-full 278ha Kigali Special Economic Zone (KSEZ), this will bring the total area of land serviced with high-quality infrastructure to over 1,000ha. In 2017, Bugesera and Rwamagana SEZs are under construction and the remainder are expected to be finalised within the duration of the NST-1. The newly-revised SEZ policy sets out clear guidelines for developing and operating the zones, as well as the requirements to replicate the intensive business facilitation that has made KSEZ so successful at increasing sales and employment[45]. The SEZs administrative

[45] Steenbergen and Javorcik, 2017, note that firms in KSEZ have seen turnover and value addition increase significantly by operating in Zone, which the authors attribute to the high-quality facilitation that KSEZ companies receive from GOR.

and regulatory body, SEZAR, will also be linked closely to the work carried out by the DSDU to further promote backwards linkages. Ensuring that each SEZ is equipped with a high-quality One-Stop-Centre is therefore a key policy priority going forward.

Within SEZs, two types of specialised infrastructure are planned to specifically promote priority VCs and exports, namely Advance Factory Units (AFUs) and Small and Medium-Sized Industrialist Parks (SMI Parks). AFUs are so-called “plug-and-play” facilities ready for investors to move into thus reducing lead times, and are in demand by export-oriented manufacturers. The SMI Parks are sector-specific zones set up to facilitate existing SMEs in priority VCs with potential for growth currently scattered across the country to relocate to modern facilities. This will allow these SMEs to access common infrastructure needed for growth, such as cold chain facilities and centralised sewage systems, as well as also concentrating other growth facilitation interventions such as support through NIRDA to upgrade technology. As far as possible, private investment will be leveraged for the construction of AFUs, see section 5.1.5 above. Access to SMI Parks is governed by a set of principles set out in the SEZ Policy whereby companies have to demonstrate that their current premises are a key obstacle to future growth and that they otherwise have the capacity to expand. A first such zone is the Apparel Manufacturing Zone in KSEZ, while another is planned for tannery companies in Bugesera SEZ.

Kicukiro SME Park is an exciting home-grown solution to the industrial infrastructure challenge, which is scalable nation-wide. In Kicukiro District, land earmarked for industrial use was privately owned but lacked the necessary infrastructure to facilitate industrial firms to set up as was envisioned by the City of Kigali’s Masterplan. The local authorities did not have the necessary resources to expropriate the land which would have been required to attract large-scale private investment, or to develop infrastructure themselves. Instead, the RTDA provided roads throughout the area, and the District helped the land owners team up as required and find industrial tenants to whom they could rent the land on long-term basis. Plot users themselves are responsible for connecting to the main grid and to develop other infrastructure. As a result, by 2017 the 43.3ha is almost fully booked, hosting 16 companies, of which 8 are already operational. This model offers great potential to scale across the country, given that all districts have land earmarked for industrial use totaling more than 5,000ha but the current state of infrastructure is widely insufficient for industrial use.

The Rwandan logistics sector is fragmented and inefficient, leading to high costs to trade, both domestically and to reach the ports of Mombasa and Dar-es-Salaam. While concerted trade facilitation in recent years has substantially brought down the time it takes to reach either port, the costs remain amongst the highest in the world. GOR is therefore investing heavily in building centralised logistics facilities that will support logistics operators achieve scale and bring down their costs. Key flagship projects include the Kigali Logistics Platform (KLP), the Rubavu and Rusizi bonded warehouses, off-dock facilities in Mombasa and Dar-es-Salaam and nation-wide agro-logistics and commodity collection centres. Implementation of these projects was commenced during EDPRS II and the focus during the NST-1 will be to ensure the successful completion of all infrastructure projects. While not sector-specific, the planned logistics facilities will provide relief for the priority sectors in goods trade and agro-based production, complementing activities carried out in the agricultural sector under the PSTA-4 to specifically improve agro-logistics. The WTO Trade Facilitation Agreement sets out a clear action plan for Rwanda to implement, which will also lower the cost of trading (section 5.3.3)

Furthermore, certain VCs have specific infrastructure and logistics needs. This includes the Meat VC, where there is a need to upgrade certain livestock markets around the country as well as cold chain facilities for chilled and frozen meat products distribution. In such cases, the individual VC action plans will detail what infrastructural development and/or upgrades will be necessary and they will be implemented.

5.3.2 Trade in Services

Services are presumed to hold enormous untapped potential for exports, even if the current capacity to generate accurate data and analysis on services trade remains low. Lack of accurate data and analysis is not unique to Rwanda, but generally a challenge to services trade other than tourism since no physical product crosses a border that may be monitored. Instead, Rwanda relies on surveys and estimates and do contain significant errors, as evidence by the upwards revision of the 2015 service trade exports from $453m to $587m. A first priority for the NST-1 years will therefore be to boost the capacity of BNR, NISR, MINICOM and RDB to produce better data, statistics and analysis of trends and opportunities in trade in services. This will include conducting in-depth market research of opportunities for exports of services, especially to other African countries, leveraging Rwanda's three major official languages, English, French and Swahili.

On the back of detailed studies, a Trade in Services Strategy will be developed, setting out how identified opportunities will be exploited. This will involve interventions to promote further skills development, establishing market linkages and continuing to exhibit leadership in trade in services negotiations, educational harmonization and the development of mutual recognition agreements (MRAs). Within this strategy, the tourism sector will continue to be awarded special attention, leveraging the success of gorilla tourism to develop and market its brand as a high-end tourism destination. To enable this, RDB will continue to attract investments in high-end tourism such as the recently attracted Wilderness Safaris and Singita Resorts to provide a wider offering of luxury experiences for high-end tourists and conduct targeted marketing efforts in strategic markets. This will be complemented by attracting investments to increase tourism product diversification to encourage more leisure tourists that stay longer and spend more, e.g. entertainment parks, cultural experience, paragliding, cycling. MICE will also continue to take a central role by continuing Rwanda's strong track record of attracting high value global events and conferences. Domestic tourism will also be grown to increase overall tourism revenues. RDB will leverage on the successful Tembera u Rwanda campaign to increase domestic awareness of tourism attractions and offer competitive packages to incentivise increased domestic tourism.

5.3.3 Trade Facilitation and Trade Missions

An important piece of the competitiveness of a modern economy is the ease with which firms may import and export. The VC approach to private sector development does not presume that entire value chain must be domestic. Indeed, the textile and garment sector is a good example of a value chain where Rwanda only enters at the level of processing, while importing cotton and other raw materials. For other value chains, such as meat and dairy, Rwanda will have a competitive advantage in primary production as

> **The WTO Trade Facilitation Agreement came into force in February 2017, the first multilateral trade agreement to do so in 21 years.** It is estimated that full implementation across the world will bring down the cost of trade by an average 14.3% and for LDCs and African countries specifically by as much as 23%, while exports could increase by as much as 3.5%. As one of the most expensive places in the world for a container to reach, such reduction in trade costs would be quite substantial for Rwanda, impacting greatly on the overall competitiveness of the economy. Uniquely amongst trade agreements, the TFA permits LDCs to defer implementation of certain measures (Category C) until a time that adequate resources may be secured.

Box 4: The World Trade Organisation's Trade Facilitation Agreement. Source: www.wto.org well, and the VC approach will therefore promote the entire chain domestically. However, ensuring that importing raw materials and capital goods as well as exporting final products is as smooth as possible is what is known as trade facilitation and through the WTO's Trade Facilitation Agreement (TFA) which aims to eliminate all NTBs related to the movement, clearance and release of goods, Rwanda has a serious action plan to deliver upon in the coming five years. Actions are divided into three categories, A, B and C, and countries were able to allocate categories themselves. Rwanda has been committed to facilitating trade since joining the WTO in 1996 and the TFA measures will build upon a strong tradition of identifying and eliminating NTBs and other obstacles to trade. The TFA is not sector specific and will benefit the economy as a whole through reduced cost of trade.

There are three categories of measures to implement, each with its own deadline and level of complexity. As an LDC, Rwanda has a deadline of February 2018 to implement Category A measures. Rwanda's Category A measures include the ability to pay customs fees online; simplified pre-shipment audits; a commitment to common border procedures; uniform documentation requirements as well as the establishment of a National Trade Facilitation Committee, the NTFC. Rwanda, through the Single Customs Territory in the EAC has already made great strides on a number of these measures even if certain elements are still pending. The NTFC was established in February 2017 and has already begun the process of implementation under MINICOM chairmanship. Category B provisions must be implemented over a timeframe of up to five years. For Rwanda, these measures include interventions such as increased public-private dialogue, strengthening the appeal procedure for customs rulings through RRA, gradually moving to an entirely paperless system and developing a standardised reference manual for all cross-border agencies. Finally, Category C contains measures that Rwanda will require support from its development partners to implement. These include a comprehensive trade information portal (being developed with support from UNCTAD); establishing single enquiry points in all trade-related public institutions; facilitating access to information about providers of various tests and standards accreditation; and enhancing the cooperation of border agencies.

Several of the measures under the TFA fall under the mandate and responsibility of the newly established RICA. In charge of inspection and consumer protection, RICA will be responsible for all border inspections and certifications. While ensuring the safety and quality of product entering and leaving Rwanda is crucial, it is even more important that the procedure of conducting such inspections is not unnecessarily cumbersome or time consuming. RICA will therefore be an important stakeholder in all trade facilitation work and a key member of the NTFC. The swift operationalisation and capacity development of RICA will therefore be implemented in the first year of this strategy.

Simplification of trade measures, however, will only be effective in as much as a commercial link has already been established. Rwandan firms have traditionally looked to European and North American buyers for their products and services, but intra-African trade is becoming increasingly important, as is trade to non-traditional markets such as the Middle East and Asia. However, Rwandan firms struggle to establish links to these new markets and there continues to be a role to play for the government to facilitate networking. RDB has traditionally carried out a successful Trade Linkages programme which will be continued in a targeted manner, combined with the publicly-funded market entry studies to new emerging markets for Rwandan products in Africa and beyond. As part of the incentive package to Anchors, RDB will ensure that they are facilitated to gather sufficient information about the demand in key new markets. The Rwanda International Trade Fair and Exhibition Park (RITEP) will also be constructed and used to host trade fairs and forums.

5.3.4 Digitally-Enabled Exports

The advent of modern ICT has revolutionized commerce across the world. From Amazon and Ebay to Ali Baba, e-commerce has lowered transaction costs, levelled playing fields and changed the face of retail trade as well as B2B trade across the world. Online retail trade may only constitute 8.7% of global retail trade in 2016, but it is growing at double digits annually and shows no signs of abating[46]. The potential held in e-commerce to facilitate Rwanda's participation in global supply chains and to promote exports is significant and the new ICT4COM Strategy therefore also explicitly targets the barriers to e-commerce found in the economy. Crucially, e-commerce in Rwanda relates not only to online marketplaces but also to m-solutions and simple USSD codes that may be used to facilitate domestic trade and address some of the price discrepancies discussed in the chapter 3 of this strategy.

The ICT Chamber's export strategy targets "digitally-enabled exports" as a key growth sector for Rwandan exports. Broadly, this category of exports contains goods and services sold via digital platforms, such as various goods marketplaces (Amazon, Ali Baba and the like), service platforms (Upwork and the like) and firms' own digital presences. The Trade in Services Strategy will explicitly elaborate on how the ICT sector may be utilised to promote exports, while digitally-traded goods exports are discussed here. Attracting foreign private investment in e-commerce was discussed in section 5.1.5 above, while the ease and cost of online payment systems are detailed in the section below. The logistics piece, another important piece of the e-commerce puzzle was discussed in section 5.3.1 just above.

Certain regulatory reforms will be necessary to enhance trust in digitally-enabled goods exports, especially addressing gaps in consumer protection regulation. A lack of trust is generally the biggest barrier to digital trade, followed by a general lack of awareness. E-commerce channels only work to the extent that buyers and sellers can trust that the information transmitted is correct and honest, given the physical separation of the buyer and the product being sold. Hence, consumer protection guarantees are paramount for e-commerce to flourish. The newly established RICA will therefore be mandated to develop the necessary regulatory framework to govern sale and returns of goods via digital channels as well as inspecting compliance. A general awareness campaign will also be required to promote the use of e-commerce domestically and abroad.

Finally, most Rwandan firms will require significant training to be able to sell their products via digital platforms. Most Rwandan firms are SMEs and not familiar with the additional marketing requirements (photography, search-engine optimization, etc.), customer service and the importance of good reviews, packaging and logistics requirements for selling digitally. MINICOM will therefore implement a large scale training program to support Rwandan firms to develop the specific soft and technical skills required to utilize e-commerce as a channel for accessing markets.

5.3.5 Other Backbone Services for Exports: Export Finance and Open Skies

As with any aspect of economic growth, export growth is often hindered by the lack of access to financial products and tailored services. The challenge for export finance several forms, including access to investment capital for production and upgrading processes to meet international requirements as well as the working capital needed to handle the extended payment cycles often found in export contracts. The Export Growth Facility (EGF) was established in 2015 to address these challenges for Rwandan firms, offering three different types of financial products, namely interest rate subsidies, matching grants and export guarantees. The EGF works through the commercial banking sector in Rwanda and has experienced some

[46] eMarketer, 2016, *Worldwide eCommerce Retail Sales: The eMarketer forecast 2016*

teething problems, with a mere eight companies supported within the first 18 months of its existence. There is therefore a need to carry out a review of the EGF, covering its current focus and eligibility criteria to ensure that it is targeted correctly as well as continue to scale it up significantly.

Additionally, the ability to receive payments from abroad at an affordable cost will facilitate exports. GOR has been championing the cashless economy since 2014 with immensely impressive success, but has so far, the focus has been on domestic cashlessness. The inclusion of cross-border transfers to mobile services promoted in the regional NCIP project began only in 2016 and receiving money from further abroad is notoriously expensive, ranging from 5-20%[47]. PayPal and other international payment systems are not available in Rwanda. Lowering this cost will be necessary to facilitate exports, especially of the low-volume, high-frequency type that typically is traded via e-commerce channels as targeted above. However, similar to the NCIP initiative on regulating regional roaming charges (the One Network Area) which has an estimated benefit-cost ratio of 1:1,215[48], there is a high potential for finding a regulatory solution through introducing caps on transfer fees and including mandatory participation in international payment solutions such as PayPal as a condition for acquiring a banking license. The financial sector SWG will lead this work but given the high importance for promoting exports, PSDYE will be a close implementing partner.

More efficient and cheaper air traffic holds enormous potential for boosting exports from a landlocked country like Rwanda. Together with Kenya, Uganda and South Sudan, GOR has been pushing for liberalized airspaces in East Africa through the Northern Corridor Integration Project (NCIP) and has realized an estimated $50m worth of direct economic benefits by just liberalizing a few select routes, at the cost of only regulatory change[49]. However, the potential for further economic benefit and job creation in Rwanda alone is significant, estimated at 57% increase in traffic, almost 10,000 jobs created and a further $33m if a regional agreement is reached on airspace liberalization and improvements in air taxation and infrastructure is realized[50]. The indirect effect of cheaper and more frequent air links for exports is even more significant, facilitating exports of especially high-value perishables such as horticulture.

GOR through RCAA will therefore continue to push for airspace liberalization throughout EAC and Africa. Rwanda leads the airspace management project within the NCIP and has therefore been pushing heavily for its implementation, together with strategic investments in the national carrier, RwandAir. GOR will continue this strategic focus, expanding the area of negotiations from the EAC to across the continent and internationally and thus achieve its commitments to all five freedoms listed in the 1999 Yamoussoukro Decision.

Regulatory liberalisation need to be accompanied by air tax liberalization. Currently, approximate 40% of flight tickets within EAC are taxes and levies, which is uncompetitive[51]. Similar to the large demand response (between 5 and 10 times increases in traffic) witnessed when regional roaming telecommunication charges were capped and taxes scrapped in 2014, it is highly likely that there is significant latent demand for air travel within EAC. An uptick in

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[47] Data from www.remittanceprices.worldbank.org receiving money from Canada and the UK. This database does not consider bank to bank transfers, but only money transfer firms. However, the prevalence and prices charged by these firms illustrate that banks are no serious competition for international transfers.

[48] Vanguard Economics, 2017, *Measuring the Economic and Social Impacts of the Northern Corridor Integration Project (NCIP) on Rwanda.*

[49] Ibid.

[50] East Africa Research Fund, 2016, *Policy Note: What are the Costs and Benefits of the 'Open Skies' in the East African Community (EAC)?*

[51] Vanguard Economics, 2017, *Measuring the Economic and Social Impacts of the Northern Corridor Integration Project (NCIP) on Rwanda.*

demand may therefore be more than enough to compensate for the lower tax per passenger or cargo weight. A full review on how to liberalise air taxation will therefore be carried out, which will also support the implementation of the VC Action Plan for aviation services which is one of the priority sectors.

5.4 Pillar 4: Streamlining the Regulatory Environment and Sharing Information

The final pillar of this strategy focuses on the regulatory environment and the general ease of doing business. Rwanda is the second easiest place to do business in Sub-Saharan Africa according to the 2017 World Bank Doing Business Report, and the country is a global leader in digital provision of services through Irembo. But, "Second-best in Africa" is not the goal. Consultations with private sector have identified numerous areas where regulation can be streamlined and improved to accelerate innovation, boost firm growth, and promote employment. The previous sections have touched upon issues of government regulation where relevant but this section looks at the issue in depth, while Chapter 6 on implementation sets out how public-private dialogue will be improved and continue to inform policy.

5.4.1 Lowering the Cost of Accessing Information and Government Services through ICT

Through the Irembo Portal, Rwanda has taken significant strides to facilitate access to information and government services. To date, Irembo has focused on government-to-citizen (G2C) services, while government-to-business (G2B) services are available across a number of different platforms, including RDB's business procedures portal and RRA's online tax filing system. Furthermore, there is a variety of digital information portals available or being developed to share clear information about taxes, customs procedures and other regulatory areas. MINICOM and RDB have also taken steps to develop digital feedback tools whereby companies may lodge complaints, issues and constraints to their operations for government follow-up. The impact of these dispersed efforts has been positive, yet there is room for further impact through collecting everything into one system that is easy for companies to navigate.

There is therefore a need to bring all G2B services, information portals and feedback windows onto the Irembo Platform. Irembo (meaning Access or Openness) has received international acclaim for its success in bringing government closer to the population and facilitating access to services and reducing bureaucratic delays. The interface is by now well-known by most Rwandans who are able to apply for services and submit payments through a variety of channels such as mobile money, card payments or bank deposits. A flagship initiative from the 2017 ICT4COM Strategy is therefore to streamline all government services offered to the private sector onto the same platform for ease of access, while also using the platform as a space for information sharing and PPD. Irembo will thus be updated to include an additional section, one for the private sector, a so-called Irembo Business Portal. Within this private sector portal, there will be three further sub-sections – one for registrations, tax filing and applications for various permits, licenses and standards; one for information about procedures and regulation on various aspects of doing business; and one where private sector operators may be able to lodge feedback and share details of their constraints with policy makers. Note that existing digital systems will not be rendered obsolete by this platform, rather Irembo will form the front-end user interface for services that are digitalised independently by each institution. Irembo's mobile platform will further afford access to SMEs and companies that are less digitally literate.

Finally, the focal points mentioned in section 5.2.2 will also facilitate the ease of doing business in Rwanda. These are in-person advisory desks in key institutions for the priority VCs, whereby entrepreneurs may go to get specific advice and guidance on regulatory requirements. This will help overcome sector-specific regulatory constraints by facilitating VC-specific interaction with private sector players. All advisory desk workers will be required to keep close records of the issues and questions brought to them by the private sector, to ensure that systemic constraints are identified and addressed permanently.

5.4.2 Enforcing Small Business Contracts

The ability to enforce contracts affordably is paramount to the emergence of competitive value chains. However, a nation-wide consultation by MINICOM in 2016 found that especially SMEs and informal firms struggle significantly with enforcing contracts and suffer significant economic losses as a result. Since the vast majority of contracts in Rwanda are verbal in nature, providing sufficient evidence can be challenging and disputes are frequent, as discussed in section 3.1.3.3 above. There is therefore a need to update the Internal Trade Law to set out common forms of evidence of verbal agreements such as text messages or an invoice, as well as develop implied terms for payments, reasonable pricing, and offer consumer-protection-style warranties to corporate buyers. This affords protection to small and informal firms who often struggle to take delinquent payers to task; return faulty goods and who may be unaware that e.g. a text message confirming an order is sufficient evidence of a contract. Concurrently, MINIJUST has begun work to establish a commercial small claims court with a presence in each district, which will further strengthen the hand of smaller firms to enforce contracts. The ability to do so, and the existence of implied terms will also allow potential VCF providers to be assured that they will be able to collect their payments, should any buyer prove delinquent.

> Globally, it is common legal practise to recognise and enforce unwritten contracts. The Rwandan law governing contracts recognises verbal contracts for sales under RWF 50,000 and accepts any signed document indicating performance as sufficient evidence. This means that e.g. an invoice is enough to show that the two parties had a contract. Most Rwandan SMEs use verbal contracts even for transactions over RWF 50,000, but commonly struggle to enforce them, both as buyers and as sellers. When SMEs are buyers, they have no legal recourse where goods or services delivered are faulty or sub-standard. As sellers, SMEs face challenges in enforcing their contracts when they do not have written evidence of their terms. This has serious implications for the business which may have no choice but to simply absorb the cost.

Box 5: The legal validity of verbal contracts and the potential for growth in the informal sector

Subsequently, MINICOM together with PSF and MINIJUST will carry out a national awareness about the implied contract terms and the commercial small claims court. Unless SMEs are aware that they are able to enforce contracts, written or otherwise, they are likely to not even pursue any action against delinquent payers. Lack of enforcement further encourages powerful buyers or suppliers to renege on agreements or deliver sub-standard goods or services. Conversely, a strong payment culture will support SMEs grow and access to VCF, because factors will have higher trust that contract will be honoured. GOR itself must of course lead the way and demonstrate strong commitments to honouring payment terms.

5.4.3 Better Regulation

Regulation is necessary for the functioning of markets, but must be continuously streamlined and updated to not become an obstacle. As a general rule, simpler regulation is always better than more complex ones, and the process of simplifying and streamlining regulatory requirements unlocks significant resources to be deployed in the economy which otherwise would have been wasted in compliance. Rwanda has made significant strides in this area, evidenced by how the country has steadily climbed the World Bank's Doing Business ranking, becoming the 56th easiest place to do business in the world in 2017 and 2nd in Sub-Saharan Africa. GOR will continue to streamline and cut unnecessary regulation during the PSDYES, which will require continuous conversation and dialogue with the private sector to identify and address issues as they emerge. Annex 8.7 summarises all regulatory reform implications that stem from this strategy as well as the progress made on them to date.

The PSDS1 identified a number of regulatory reforms, some of which are still pending, most notably the reform of the insolvency process. There is therefore unfinished business to see to that these reforms are implemented as they remain relevant. While setting up a business is easy in Rwanda, closing one is costly which erodes a lot of the business value and places an implicit tax on starting a new venture. This is evident from the mismatch between the number of companies registered with RDB which increased by more than 13,000 in 2016, yet the rate of new companies appearing in NISR's Establishment Census is closer to 500 per year. Such a large discrepancy is evidence that the vast majority of those companies that register either never set up operations or close quickly. This is not necessarily a problem to be addressed, given that a dynamic economy will have a high degree of creative destruction whereby uncompetitive firms fold and new ones emerge. The equipment, capital and entrepreneurial energy, however, that is tied up in dying and dead firms is a pure drag on the economy and a streamlined insolvency process will free up these resources to promote transformation and prosperity. Reducing the cost of failure allows entrepreneurs to redeploy their human and financial capital to new projects more quickly.

While there are notable improvements in the insolvency process, they remain cumbersome and tailored towards large companies closing due to bankruptcy. There is a need to introduce more nuance to the process by opening a simplified procedure for smaller companies who are not VAT registered, have no debt or are closing for reasons other than bankruptcy, e.g. one-person firms wishing to take up formal employment. Such enterprises may not need an insolvency lawyer or go through various bureaucratic processes but should be able to cease operations as easily as they have registered in the first place. There is also a need to generally increase the capacity of Rwandan legal professionals offering insolvency advisory services through a strengthened Rwanda Insolvency Advisory Board, to support companies navigate the process. Additionally, there is also a negative stigma surrounding the insolvency process, which prevents firms from taking advantage of the protection offered by the formal process. A widespread awareness campaign is therefore necessary.

A second area of unfinished business from the PSDS1 is the simplification of the tax code and the creation of so-called Tax Business Advisory Councils. While RRA has made tremendous improvements since 2013, notably with the ability to pay taxes online and the streamlining of paying central and local taxes, certain challenges persist. Due to its financial implications and the strict but understandable penalties attached to misfiling taxes, taxes and the practise of tax collection is a subject close to most business owners' hearts. To ensure that the system is as transparent and predictable as possible, the PSDS1 detailed the formation of specific business advisory councils that would meet with RRA and other GOR institutions on a regular basis, thus ensuring that the PPD around this important aspect of regulation is frequent, clear and accessible.

An emerging area of regulatory debate is employment regulation. Job creation is central to GOR's development agenda, yet the regulatory requirements that firms must comply with to hire and fire workers is emerging as a constraint to job creation. Especially the tax burden and mandatory social security contributions have been cited as a barrier, disincentivising the creation of entry-level jobs and internships which are so important for youth to gain a foothold in the labour market. A full review of employment regulation will therefore be carried out, exploring opportunities to lower the cost of hiring young Rwandans through e.g. exempting youth under 30 years from paying income tax or exempting stipends for interns from withholding tax while maintaining the ability from firms to claim stipends as business expenses. The recommendations from this review will be part of the communications material for the "Train a Rwandan" Campaign detailed in section 5.2.1 above, encouraging the private sector to hire more young Rwandans while also sharing information about the improved regulatory environment.

Finally, but not least, another important area of regulation that has gained prominence since 2013 is that of intellectual property rights (IPR) protection. Ensuring that firms are able to protect their intellectual property will be paramount to promote the type of innovative firms targeted in Proof of Concept Country Policy and initiatives aimed at increasing innovation. For certain sector, such as the creative industries, IPR can be the single most important factor determining their viability. Given the emphasis on digital skills and entrepreneurship, this strategy will incorporate the Creative Commons licensing framework. The competitiveness of high growth innovative firms is affected by their ability to protect intangible assets such as Intellectual property (IP). RDB through the intellectual property office registers all intellectual property rights (IPR) and has conducted several awareness and capacity building activities for private sector players on the benefits and procedures of IPR protection. While there has been low response in the past, there has been a recent spike of interest in IP especially following the Made in Rwanda campaign. MINICOM has also recently reviewed the IPR Law and is launching a large-scale awareness and sensitisation campaign of the business community, lawyers and judges, which will further support firms to enforce IPR protection. Further, the low capacity in the drafting of applications for more sophisticated technological inventions that are eligible for patents and utility models shall be addressed through partnerships with international agencies such as WIPO. A robust capacity building program will also be necessary to equip firms to develop their internal IP strategies.

6 IMPLEMENTATION AND MONITORING

6.1 Roles of Various Stakeholders and Institutional Coordination Mechanisms

Developing VCs will take concerted efforts from a very long list of stakeholders. A key lesson from EDPRS II was that close institutional coordination and joint implementation is critical to achieve high results – but also that achieving ambitious results is possible, if such institutional coordination is achieved. As mentioned in Chapter 4, ensuring broad political and institutional consensus and coordination will therefore be the most crucial success factor for the VC approach to succeed. The DSDU in RDB will act as a natural nucleus for many of the VC-promotion programmes but wider coordination, understanding and partnership with the private sector will be necessary.

Several of the priority VCs are agro-based and hence highly dependent on agricultural productivity. This necessitates that MINAGRI and other agricultural stakeholders become key partner through integrating priority VCs in the Crop and Livestock Intensification programmes (CIP and LIP), and other relevant programmes such as agro-logistics. This will not only ensure a more stable but also higher quality supply of necessary raw materials and inputs to the agro-based priority VCs, which currently is listed as major constraint for agro-based industrial value chains. Such linkages will also increase the competitiveness of the rest of the value chain, as well as achieving broad-based, inclusive growth linked with poverty eradication.

Naturally, however, the most important stakeholder of this strategy is the private sector itself. Not only will the dedicated involvement of Anchors be paramount for the success of the VC approach, but all VC players must be engaged and their actions aligned for the common objective of improving the competitiveness of their respective VCs. It is important that GOR continuously engages with the private sector, receiving advocacy and accommodating concerns and suggestions as they emerge. There is therefore a strong need for **targeted, meaningful and regular public-private dialogue (PPD).** Such PPD should be focused on specific topics to be useful, bringing together relevant stakeholders to solve particular issues. The MIR Policy sets out a clear institutional framework for organising these, i.e. the **Quarterly MIR Breakfast Meetings,** chaired by MINICOM, held off-premises to encourage a free atmosphere and targeted to specific issues, sectors or opportunities. RDB's popular **Investor Dialogue Days (IDDs) and Open Days** will also continue. These meetings will also be useful for holding GOR to account on its intervention promises, update the private sector of progress being made and form partnerships for success. Furthermore, a key pillar of the VC Approach followed in this Strategy is the establishment of **Sector-Specific PPD mechanisms,** whereby permanent institutional structures such as industry organisations are set up or strengthened for each priority VC, to be chaired by the private sector but with adequate representation of relevant GOR institutions. These forums will provide input to continuous reforms and ongoing efforts needed to facilitate the priority VCs.

In central government, RDB and MINICOM remain the largest stakeholders in private sector development in Rwanda. While MINICOM is the overall policy-maker, RDB will house the key coordination unit for several of the interventions described above, namely the **Domestic Supplier Development Unit, DSDU.** The establishment and allocation of adequate resources to this unit is therefore a key priority to ensure smooth implementation. Local government will play a key role especially in skills development, entrepreneurship promotion and technology upgrades. Various other GOR institutions are stakeholders on different components of the strategy:

Table 4: Key implementing agencies for each programme

Intervention	Implementing agency	Other Stakeholders
Promoting competitive value chains made in Rwanda		
Growth Anchor Firm Initiative	RDB	MINICOM, WDA, MINECOFIN, BNR, RSB, NIRDA,
Domestic Supplier Development Unit	RDB	MINICOM, RPPA,
Access to credit and patient capital	MINECOFIN	RDB, MINICOM, CMA, BNR, BRD
Rwanda Factoring Platform and legal reforms	BRD; MINICOM	MINECOFIN, BNR, RDB
Investment promotion	RDB	All GOR
Increasing firm-level productivity and enhancing diversification		
Promote employment through skills development, entrepreneurship, and regulation	NEP Team	CESB, WDA, MINICOM, MINI-YOUTH, Districts
Technology upgrade support	NIRDA	MINICOM, NCST, RSB, REMA, CESB, MoE, districts
RSB Graduate Placement Programme	RSB	MINICOM, NIRDA
High-growth entrepreneurship policy and support	MINICOM; RDB	
Backbone service skills development	RDB	NUR; private institutions of higher education, DGIE, MIFOTRA, MINIYOUTH
An Ecosystem Approach to Increasing Exports		
Infrastructure for exports (SEZs, AFUs, trade logistics infrastructure)	MINICOM with private investment	RDB, SEZAR, MININFRA, NIR-DA, Local government,
Trade in services	RDB; MINICOM	BNR, NISR, MINAFFET, KCC Convention Bureau
Trade facilitation	MINICOM	RDB, RRA, RSB, RICA
Trade missions	RDB	MINICOM; OTP; PMO
Digitally-enabled exports	MINICOM	RISA; MICET
Export finance and international payments	MINICOM	MINECOFIN; BRD; BNR; finan-cial sector
Open skies	RCAA	MINICOM; NAEB; RRA
Streamlining regulation and access to information		
Irembo Business Portal	RISA; Rwanda Online	MINICOM, RDB, RRA, RSB, NIRDA, local government
Advisory desks	All GOR institutions facing the private sec-tor	
Enforcing small business contracts	MINICOM; MINIJUST	Local government
Employment regulation review	MIFOTRA	MINICOM; CESB; MINIYOUTH DGIE
Intellectual property rights protec-tion	MINICOM; RDB	JUSTICE SECTOR
Continuous better regulation	MINICOM; RDB	All GOR institutions

Capacity Development will be necessary across the board. With the increased number of projects and scaling up of several existing projects, there is a need to match the work load with increased capacity of the implementing institutions. There are also several CD interventions targeting the labour force and the firm population itself, which will contribute to the overall level of capacity in the country. Annex 8.5 details the specific CD activities to be carried out.

At the national level, the **PSDYE SWG** will be the primary forum for coordination and information sharing and MINICOM as the Chair remains the overall coordinator of the strategy's implementation. SWG meetings are held bi-annually in conjunction with sector Joint Sector Reviews, where stakeholders are updated on progress, priorities are selected for current action plans and stakeholders update each other on new policy and programme developments. Technical sub-Sector Working Groups are held quarterly where challenges in implementation are discussed and addressed, drawing together the entirely of the stakeholders, including the private sector, at a technical level. Additionally, the **Industrial Development and Exports Council (IDEC),** an intra-GOR forum for coordination on specifically exports and industry, meets on a quarterly basis, and the bi-annual **SME Forums** bring together SMEs in particular clusters to discuss issues specific to the smaller end of the firm size distribution. For trade in services and general backbone service productivity enhancement, the key technical forum will be the **Professional Services Forum.**

NEP National Steering Committee constituted by lead institutions of NEP Pillars with core responsibilities to provide overall leadership of NEP coordination and address institutional challenges that may arise on the course of implementation by ensuring the NEP is implemented and developing in accordance with National policies and development goals. The forum provides overall guidance and orientation on key priorities of the program; it receives and approves progress reports on a quarterly, annual basis, and assessments and provides recommendations and feedback for policy and program adjustment towards effective implementations and considers the final NEP implementation plans and budget.

6.2 Monitoring and Evaluation Framework

Since this is not a new strategy, but a continuation of the PSDS1, many of the same indicators remain in place. MINICOM as the sector Chair will continue to lead on the production of bi-annual joint sector reviews, highlighting progress, challenges and short- to medium-term priorities for achieving the sector's outcomes. In terms of specific indicators, the targeted high-level outcomes remain an improved trade balance, increased productivity and innovation, investment promotion and off-farm job creation. Annex 8.2 details how the priorities and interventions of this strategy map onto the priority outcomes of the NST-1.

The PSDYES extend the focus slightly from supporting start-ups and creating an entrepreneurial culture to also supporting productivity enhancement and increased competitiveness of existing firms. Naturally such a shift has implications for the indicators used to measure success. Getting the monitoring framework right is important, and it is paramount that indicators measure outcomes over mere outputs. The PSDYES will therefore monitor the following indicators (Annex 8.3 contains the data sources and metadata for each indicator):

Table 5: PSDYE indicators for 2018-2024

NST-1 Priority Area	PSDYE Outcome Indicator	Baseline
1.1 Create 1.5m (over 214,000 annually) productive jobs for economic develop-	1.1.1 Productive Jobs	3million persons employed for pay or profits (LFS 2017)

ment	1.1.2 Labor productivity in off-farm sectors	Baseline to be established (MINICOM and CESB)
	1.1.3 Number of active firms, older than two years with four or more employees	Baseline to be established (MINICOM)
1.3 Establish Rwanda as a Globally Competitive Knowledge-based Economy	1.3.1 Total factor productivity	Baseline to be established (MINECOFIN)
	1.3.2 R&D expenditure as share of GDP	Baseline to be established (NISR)
1.4 Promote Industrialization and attain a Structural Shift in the export base to High-value goods and services with the aim of growing exports by 17% annually	1.4.1 Export growth (17% annually)	10.8% (EDPRS average)
	1.4.2 Manufacturing share of total exports	4.9%
	1.4.3 Services share of total exports	46%
	1.4.4 Industry as share of GDP	16.5%
	1.4.5 Ha. Of serviced land	278
1.5 Increase Domestic Savings and position Rwanda as a hub for financial services to promote investments	1.5.1 FDI as share of GDP	4.1%
	1.5.2 Private Investment as share of GDP	13.3%
	1.5.3 Credit to SMEs as share of GDP	7.8%

There are six new indicators in the monitoring matrix, two of which add more insight to the trade balance challenge, while the other four monitor aspects of productivity and innovation. The two indicators on the trade balance, namely manufacturing and services' share in exports, add further understanding of how resilient Rwanda's trade position is and informs policy makers about vulnerability to external shocks. Together they replace the PSDS1 indicator on non-traditional share of exports, improvements in which have been driven by re-exports in recent years, which, while still a welcome source of foreign exchange, does not stem from economic transformation nor increased competitiveness. The two new indicators combined will offer insight into the extent to which Rwandan exports are diversifying into the desired, resilient, value-added sectors and thus increasing the resilience of the economy in the face of international commodity price fluctuations.

The indicator on firm resilience replaces the current indicator on SME registrations. This is appropriate because business registration alone does not offer insight into what really matters – whether the registered company actually operates, makes sales, pays taxes and generates employment. Due to the ease with which one may register a company in Rwanda, RDB data on registrations and NISR and RRA data on existing, operational firms therefore also exhibit large discrepancies, whereby only 1,000 new companies joined the formal, active firm population between 2011 and 2014 as per the Establishment Census, while RDB annually registers more than 15,000 new companies. Firm survival should not be considered an end in itself and the proposed new indicator measures firm resilience and ability to grow by focusing on the absolute number of firms that 'make it', rather than the share of firms dying. MINICOM and NISR are responsible for estimating the baseline and collecting data on a regular basis.

The TFP indicator measures improvement in overall competitiveness. It is not without controversies as its methodology consists of measuring the residual after observable factors are taken into account. The rationale behind TFP is that the unexplained growth once labour, land and capital have been accounted for, must be due to increases in productivity. However, the residual contains the sum of all errors in all other accounting and it may therefore be challenging to measure at a sufficient level of accuracy where trends are apparent. Nonetheless, the data needed for this indicator is readily available in Rwanda making it the preferred indicator for measuring overall improvement in productivity. MINECOFIN will provide the TFP estimates for the monitoring efforts.

The indicator on R&D expenditures is an important outcome indicator for tracking innovation. Countries that have managed to maintain high growth rates over decades have all consistently invested heavily in innovation and R&D. Currently, Rwanda is presumed to have a relatively low score on this indicator, yet without a baseline it is unclear whether current levels of investment in the necessary productivity enhancements are sufficient. This indicator will therefore be a key measure of the extent to which Rwanda is on the right track to become a knowledge-based society. NIRDA, NCST and NISR will design the exact metadata and monitor ongoing progress.

The final new indicator on labour productivity addresses the issue of knowing what kind of jobs are being created in Rwanda. While the EDPRS2 period has seen a sharp acceleration in the rate of job creation, it is not clear to what extent these jobs are permanent, temporary or casual, or how productive or decent they are. For the individual worker, however, these are important issues affecting their livelihoods and ability to live a prosperous life. MIFOTRA, CESB and MINICOM will develop the metadata for this indicator together with NISR and will collect data for monitoring.

Table 6: Targets for PSDYES priority indicators

Indicator	Baseline (2016)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Annual exports growth	10.8% *(EDPRSII average)*	17%	17%	17%	17%	17%	17%
Manufacturing share of total exports	4.8%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
Services share of total exports	46%	47%	48%	49%	50%	51%	52%
Industry as share of GDP*	16.5%	17.6%	18.1%	19.4%	20.3%	21.0%	21.7%
Ha. of serviced land (SEZs operationalized)[52]	278	378 (Bugesera Phase I)	458 (Rwamagana)	558 (Bugesera Phase II)	666 (Musanze and Nyabihu)	776 (Nyagatare and Huye)	1,009 (Rusizi, Muhanga and Bugesera Phase III)
FDI as share of GDP*	4.1%	4.3%	4.5%	4.7%	4.8%	4.9%	5.1%
Private Investment as share of GDP*	13.3%	15.9%	16.1%	16.8%	17.9%	18.6%	19.7%
Number of ac-	*2*	Base-	Baseline +	Baseline	Baseline	Baseline +	Baseline

[52] Preliminary. These targets should be reviewed regularly to reflect changes in demand and private investment

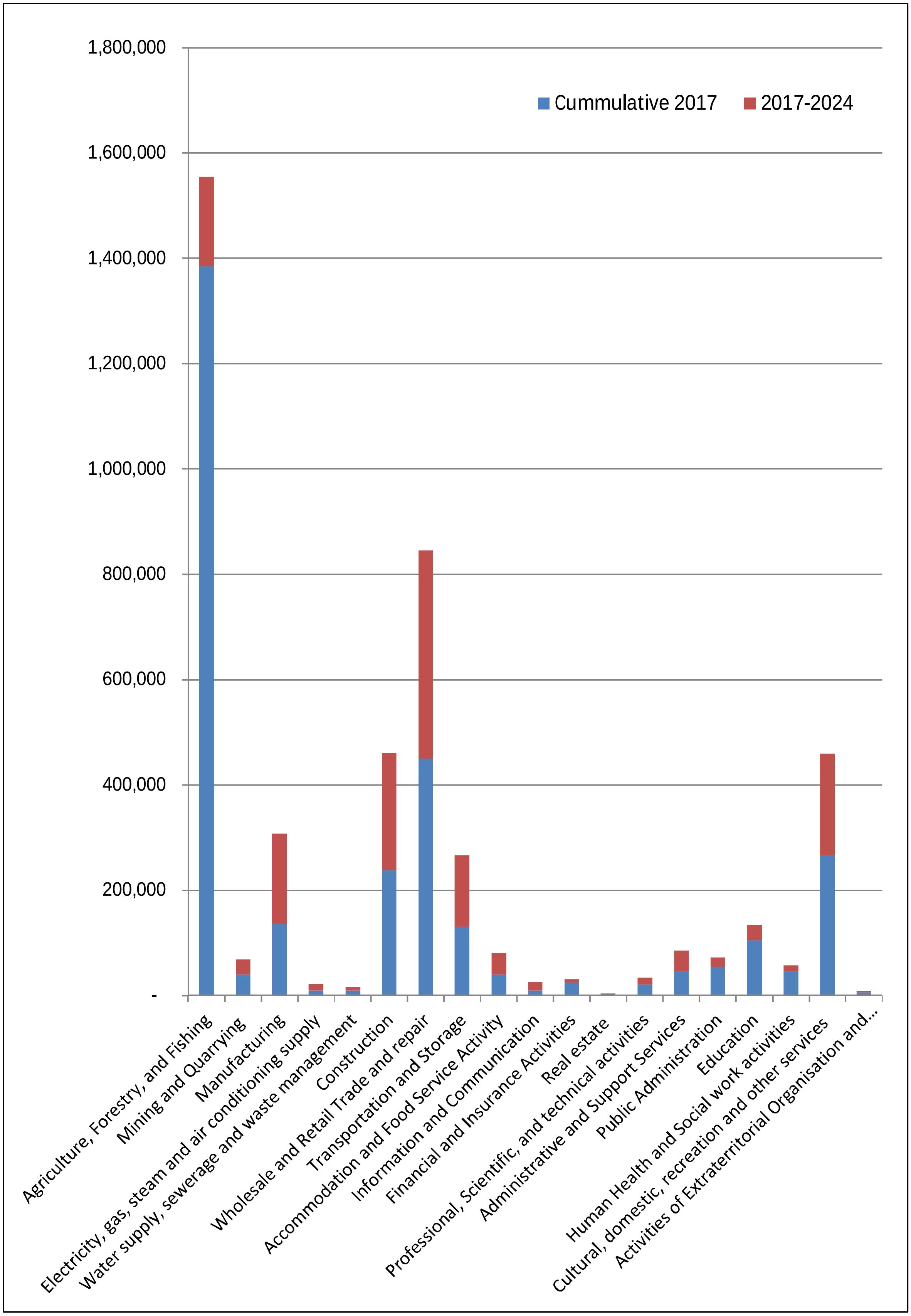
tive firms, older than two years with four or more employees, disaggregated by gender of owner		line + 2%	4%	+ 6%	+ 8%	10%	+ 12%
Total factor Productivity (TFP)	*TBD*	*As a new indicator; Baseline and Targets will be established in the first year of implementation*					
R&D expenditure as share of GDP	*TBD*	*As a new indicator; Baseline and Targets will be established in the first year of implementation*					
Productive jobs created annually, disaggregated by gender	146,000 *(2011-2014 off farm average)*	153,000	207,000	234,000	240,000	255,000	282,000
Labour productivity in off-farm sectors	*TBD*	*As a new indicator; Baseline and Targets will be established in the first year of implementation*					

* Targets are in calendar years, based on MINECOFIN projections

PSDYES targets have been linked directly with the NST-1 national targets and the seven Year Government Program, namely job growth of 214,000 per year on average and 17% annual growth in exports. However, the cumulative consolidation of the economy together with steady economic growth and sound macroeconomic management will act as multipliers to fuel enough businesses and productive jobs and to achieve the objective of having 1.5 Million productive jobs by 2024; the growth in jobs will increase as the economy grows. These are the key targets that this strategy has been designed to achieve, as well as contributing to overall economic growth and productivity increases. Other targets are based on projections assuming the success of the interventions found in this strategy, or macro-projections from MINECOFIN under the assumption that the NST-1 will be implemented completely and successfully. Concerning the target for SEZ construction, there will be a high degree of flexibility to reflect changing realities on the ground, renewed investor interest and inevitable construction delays. The targets for this particular indicator must therefore be reviewed every 2-3 years to ensure they remain relevant and appropriate.

Certain sectors will (and should) contribute more than others to the overall target of job creation. The majority of off-farm jobs are expected to come from just five sectors, namely manufacturing and agro-processing; construction; retail and wholesale trade, transportation and storage; and cultural and recreational services. These are currently the biggest contributors to employment and their projected increased importance is in line with the targeted VCs in this strategy, focusing on especially manufacturing and construction within industry and trade, logistics and cultural sectors within services. Despite those five sectors contributing the most jobs, job creation is expected across the board and all sectors will see some job growth by 2024 for a total of 1.5 million additional productive jobs over the period of the NST-1.

Figure 15: Absolute number of jobs by economic sector by 2024. Source: CESB calculations using output employment elasticity estimates.



7 COST AND FINANCING OF THE SECTOR STRATEGIC PLAN

The estimated cost of implementing this strategy is RWF 242bn. This is spread across the four pillars and covers both capital and recurrent expenditures. The tables below summarise the expenditures by categories and pillar. All costs are estimated in Rwandan francs.

Table 7: Detailed cost breakdown for the PSDYES

Pillar 1: Promoting competitive value chains made in Rwanda	**8,694,777,390**
Development	**672,000,000**
Domestic	505,000,000
External	167,000,000
Recurrent	**8,022,777,390**
Domestic	7,632,777,390
External	390,000,000
Pillar 2: Increasing firm-level productivity and enhancing diversification	15,450,794,272
Development	**13,498,794,272**
Domestic	479,000,000
External	3,765,000,000
Private Sector	9,254,794,272
Recurrent	**1,952,000,000**
Domestic	1,182,000,000
External	770,000,000
Pillar 3: Adopt an Ecosystem Approach for Increasing Exports	214,739,000,000
Development	**197,564,000,000**
Domestic	117,369,000,000
External	14,465,000,000
Private Sector	65,730,000,000
Recurrent	**17,175,000,000**
Domestic	15,300,000,000
External	1,875,000,000
Pillar 4: Streamlining Regulation and Access to Information	3,280,000,000
Development	**1,120,000,000**
Domestic	390,000,000
External	730,000,000
Recurrent	**2,160,000,000**
Domestic	2,160,000,000
Grand Total	**242,164,571,662**

Table 8: Cost breakdown by type of expenditure

By Type	
Recurrent	29,309,777,390
Development	212,854,794,272

Table 9: Cost breakdown by source of funding

By Source	
Domestic	145,017,777,390
External	22,162,000,000
Private Sector	74,984,794,272

Table 10: Cost breakdown by pillar

By Pillar	
1) Promoting Competitive Value Chains Made in Rwanda	8,694,777,390
2) Increasing Firm-Level Productivity and Enhancing Diversification	15,450,794,272
3) Adopt an Ecosystem Approach for Increasing Exports	214,739,000,000
4) Streamlining Regulation and Access to Information	3,280,000,000

This document is accompanied by a detailed costing plan. This costing plan sets out clearly who is responsible for each activity required to fully implement the PSDYES, as well the sequencing and budgeting. These activities need to be mainstreamed into the annual action plans of the respective institutions and private partners sourced for projects that require PPP. Additionally, VC action plans will be developed by MINICOM in close partnership with the private sector and other GOR institutions active in the VC as defined in section **Error! Reference source not found.**.

8 ANNEXES

8.1 Status of PSDS1 as of end of FY2016/17

Project	Outcome	Status (June 2017)	Challenge faced	Catchup Plan
Export Development				
Complete review of National Export Strategy (NES)	Increased export revenues fueled by competitive policy framework	Finalized – NES-II was finalized and launched in May 2015 and ongoing activities are monitored through IDEC and PSDYE SWG	-	N/a
Establish One Stop Centre (OSC) for Exports	Streamlined export development services	Ongoing – The OSC proposal has been developed, suggesting RICA should house the OSC…	The establishment of RICA has been delayed, also delaying the setup of OSC; Some functions currently in RDB	Approve plan for RICA and prioritize export soft-skills on exports and e-commerce
Establish Export Growth Fund	Increased exports through improved access to finance for firms lacking capacity to export	Finalized – GOR and BRD committed 1.5bn RWF. KFW committed €8.5m for one of the three windows. DFID has expressed interest in committing $30m. EGF was launched in 2015. Identified as a priority with RFW 1bn allocated for FY2017/18.	EGF launched but uptake has been slow and only 8 firms have been supported to date	Review of EGF
Improve Market Access for Rwandan Products	Improved approach to international agreements and regional integration	Ongoing – EU, AGOA market strategies were developed; export-oriented BDS are being delivered for exporters to regional markets through RDB.		Implement trade facilitation measures under WTO TFA and the RSB Graduate Placement Programme
Enrich IDEC's Export Promotion Role and Mandate	Improved export monitoring framework	Not yet commenced	Lack of funds	Incorporated into the Capacity Development Plan
Establish a Fully Staffed and Strong Export Division in RDB	Export-oriented investment attraction and facilitation strengthened	Ongoing – RDB's Export Department is being strengthened	Few staff	Add additional staff to the structure of RDB

Rwanda Growth Anchor Initiative (RGAI)	Increased exports and stronger value chains through support to anchor firms	Not yet commenced –given that several disparate interventions support value chains through anchor firms, RGAI may have been overtaken by events.	No budget has been secured	This is the central initiative of the PSDYES
Advance Factory Units	Increased FDI, exports and jobs through PPP to attract companies to the AFUs and SEZs	Ongoing –Two pilot AFUs have been leased by C&H Garments for 10 years and GOR has allocated $4m for construction of one (6,000m2). Construction of 1 AFU is underway. Identified as a priority with RWF 3.5bn for FY2017/18	Budget reallocation to other activities	The revised SEZ Policy has clarified the policy framework to attract private investment in AFUs. AFUs are part of RDB's projects being promoted
Investment Promotion				
Project Packaging and Lead Market Agents	Increased value and quality of investments	Ongoing – Project Packaging (pitching specific investment opportunities) is ongoing; $328m was attracted. RDB is engaged in discussions with a potential lead market service provider. FRW 612m allocated for International Investment Marketing and Destination Promotion in 2017/18 FY		Incorporated into the RDB implementation framework for investment promotion
Investment Implementation Tracking	Improved regulation environment for existing and new investors	Ongoing – This investor after-care database was launched early 2016 and is being piloted. Early results are positive.	There is a challenge to ensure this database is linked with the Company Issue Tracker.	Linked with RDB's revised aftercare implementation framework
Infrastructure for Growth				

Integrated Trade & Logistics Project • Kigali Logistics Platform • Bonded Warehouses • Air-cargo village • Mombasa and Dar-es-Salaam off-dock facilities	Catalyzed private sector investment by creating a more competitive cost structure for the provision of infrastructure	Ongoing • Concession agreement for KLP has been signed; • Construction is ongoing for Rubavu Bonded Warehouse and negotiations are ongoing for Rusizi (DP World has expressed interest) • For the air-cargo village a developer has been found and the tendering process is ongoing for a transaction adviser which will advise MININFRA's air-cargo company • The original plot of land availed in Mombasa turned out not to be available and the process of securing new land is ongoing; availing land in Dar-es-Salaam is also ongoing. DP World has expressed interest in developing both off-dock facilities	Rusizi is still pending to find an investor Delays in securing land title deeds	Continued implementation under PSDYES
Industrial Parks	Reduced cost of doing business through provision of serviced land	Ongoing • 295ha of serviced land has been availed in KSEZ and Bugesera Industrial Park (now 17% complete) • A further 224ha has been expropriated, and a total of 735ha is serviced land is planned for • Designs and engineering studies have been completed for 8 out of the 9 Industrial Parks	• The main obstacle has proven to be securing budgets for construction – estimated at 70bn RWF for all parks • Going forward the development of industrial parks will be handled by Districts, supported by MINICOM and MININFRA • Identified as a priority for FY2017/18	Continued implementation under PSDYES, and in the implementation of the revised SEZ Policy
Entrepreneurship Development				

BDF Upgrading and Support	Increased quality of and access to business development services	Done – BDF Decentralization: 30 BDF branches (KWCs) established, 1 in each District to provide proximity BDF services	The resources available are not enough to respond to the demand	BDA accreditation and M&E platform
Start-In Rwanda Innovation Project	Strengthen an entrepreneurial culture in Rwanda	Not yet commenced	Lack of Budget	Incorporated into the Proof of Concept country policy intervention
Venture Capital and Private Equity Attraction	Decreased financing gap through provision of risk capital to deserving MSMEs	Not yet commenced	Lack of Budget	Incorporated into the High-Growth Entrepreneurship policy and RDB's investment promotion work
Institutional Capacity Building				
Private Sector Federation (PSF)	Increased capacity to design and implement interventions and to proactively promote their mandates.	Ongoing – GIZ, TMEA and MINICOM have at different times provided TA and development support for PSF.		Ongoing in the capacity development plans and the advisory desks in key institutions
Rwanda Standards Board (RSB)		Ongoing – TMEA is developing a project to support RSB for their Phase II Strategy, details of which are yet to be announced. GOR is also providing CB funding		
National Industrial Research and Development Agency (NIRDA)		Ongoing – NIRDA is being staffed and its strategic plan is at final stage and will guide effectiveness of NIRDA interventions		

8.2 Alignment to NST-1 Priorities and Outcomes under the Economic Transformation Pillar

NST-1 Priority Area	PSDYE Outcome	PSDYE Intervention	PSDYE Activity
1.1 Create 1.5m (over 214,000 on average annually) productive jobs for economic development	Productive jobs created per year	Establish Domestic Supplier Development Unit within RDB	1.1.1: Establishment and recruitment of Domestic Supplier Development Unit
			1.1.2.a: Organize meetings between Anchors and suppliers in each priority VC
			1.1.2.b: Develop a detailed and costed program for each priority buyer-supplier linkage
			1.1.2.c: Organize one workshop per year between anchors and suppliers across each priority VC
		Promote Employment through Skills Development, Entrepreneurship, and Regulation	2.1.3.b.i: Undertake a study on tax incentives for encouraging on-job training
			2.1.3.b.ii: Implement tax reform, drafting regulation and educating implementing agencies
	Increased labor productivity in off-farm sectors		2.1.1.a: Avail training and support on a demand-driven basis
			2.1.2.a: Carry out needs assessment for priority VCs - phased over 7-year program
			2.1.2.b: Identify private partners for selected VCs
			2.1.2.c: Develop curricula and deliver training programmes
			2.1.3.a: Carry out large-scale awareness campaign on accessing WDA IBT
			2.1.5.a: Assess visa regulations for highly skilled migrants based on ease of firms to recruit skills abroad (review impact of transferring labor market tests from DGIE to MIFOTRA)
			2.1.6 Supported to up-skill and upgrade technology and modern equipment
		Promote Technology, Innovation, Standards and High-Growth Entrepreneurship	2.2.3.a: Develop clear criteria for selecting SMEs
			2.2.3.b: Match SMEs with certified trainers
			2.2.3.c: Clear monitoring & evaluation of success of program
			2.2.4.a: Develop training materials for graduates
			2.2.4.b: Recruit graduates and deliver training
			2.2.4.c: Assess and certify the graduates
	Increase the number of active firms, older	Enforce small business contracts - nationwide communi-	4.2: Enforcing small business contracts - nationwide communications campaign

	than two years with four or more employees	cations campaign	
		Ensure Continuous Better Regulation - Establish two PPD platforms or strengthen two existing ones per year	4.6: Continuous Better Regulation - Establish two PPD platforms or strengthen two existing ones per year
		Implement the Growth Anchor Firm Initiative	1.2.1.a: Review and revise anchor firm selection criteria and transparency
			1.2.1.b: Review and revise Anchor firm partnership agreements with clear sunset clauses
			1.2.1.c: Enter into partnership agreement with one Anchor in each priority VC in each annual cohort
			1.2.2.a: Organize annual workshop to coordinate GoR support to anchor firms: financing schemes, skills development, DSDU supplier relationships, technology upgrading programmes and trade facilitation forums
			1.2.2.b: Conduct a detailed needs assessment of each anchor firm at the start of each cohort year
			1.2.2.c: Strengthen M&E of GAFI
			1.2.2.d: Monitor Anchor firms and their domestic supplier networks
		Lower the cost of accessing information and government services through ICT	4.1.1.a: Hire developers to develop remaining back-end G2B services to be made available digitally through Irembo
			4.1.1.b: Connect all G2B services to Irembo Business Portal
			4.1.1.c: Develop feedback tools and information pages and connect these to the Irembo Business Portal
			4.1.1.d: Carry out awareness campaign about Irembo Business Portal
			4.1.2: Introduce rapid response access windows at regulatory agencies for priority VCs (Advisory Desks)
		Promote Employment through Skills Development, Entrepreneurship, and Regulation	2.1.4.a: Develop a three-tiered accreditation scheme for BDAs
			2.1.4.b: Conduct quarterly trainings and tests
			2.1.6.a: Complete procurement of services
			2.1.6.b: Validate system
		Review ecosystem incentives for startups in priority VCs	4.3: Review ecosystem incentives for startups in priority VCs

		Review regulatory framework - Implement pending regulatory reforms	4.4.1: Conduct stakeholder validations and ensure promulgation of new insolvency law
			4.4.2: Review insolvency framework for SMEs, with a view to reducing time and costs.
1.3 Establish Rwanda as a Globally Competitive Knowledge-based Economy	Increased total factor productivity	Promote Backbone Services, and Priority Service Sector VCs	2.3.1.a: Establish clusters for digitalisation of sectors of tech and non-tech firms
			2.3.1.b: Promote digital exports and domestic market recapturing
			2.3.3: Build Kigali Innovation City
		Promote Investment and Develop Proof of Concept Country	1.5.4.a: Hire consultants to develop a strategy on positioning Rwanda as a proof of concept country
			1.5.4.b: Validate final policy and have it approved by Cabinet
		Promote Technology, Innovation, Standards and High-Growth Entrepreneurship	2.2.2.a: Establish the SMEs readiness for S-MARK and HACCP certification (Food value chain)
			2.2.2.b: Increase and maintain the number of HACCP certified SMEs from 17 to 114
			2.2.5.a: Complete procurement of high-growth entrepreneurship and social enterprise policies
			2.2.5.b: Validate final policies and have approved by Cabinet
	Increased R&D expenditure as share of GDP	Finalize ongoing review of IPR regulation	4.5.1: Conduct final validation and promulgation of IPR law
		Promote Technology, Innovation, Standards and High-Growth Entrepreneurship	2.2.1.a: Complete technology audits completed on all selected value chains and provides technical support for technology development/transfer
			2.2.1.b: Conduct Awareness programme of technology acquisition opportunities in each value chain
			2.2.6.a: Conduct public awareness campaign on intellectual property rights
			2.2.6.b: Conduct targeted training workshops on IP for selected SMEs
			2.2.6.c: Provide support to anchor firms and SMEs in selected VCs to develop internal IP strategies.
			2.2.6.d: Establish partnerships between WIPO and the Bar Association and NIRDA to increase capacity in patent drafting and examination.
			2.2.7: Finalize STI Policy
1.4 Promote Industrialization	Export growth at 17% annually	Develop Infrastructure and Logistics Facilities for VC De-	3.1.3.a.i: Book plots of 5-10ha within SEZs and develop them for specific sub-sectors

and attain a Structural Shift in the export base to High-value goods and services with the aim of growing exports by 17% annually		velopment	3.1.4: Provide sector-specific technical assistance and general business development services to the users of SMI parks
			3.1.5: Build Rwanda International Trade Fair and Exhibition Park
		Digitally-enable exports	3.4.1.a: Update legal and regulatory framework on e-consumer protection
			3.4.1.b.i: Develop training program and curriculum for e-commerce and digitlisation of product services
			3.4.1.b.ii: Provide trainings to SMEs
		Enhance Trade Facilitation	3.3.1.a: Ensure Implementation of Category B measures
			3.3.1.b: Ensure Implementation of Category C measures
			3.3.2: Establish and operationalize RICA, The Rwanda Inspectorate, Competition and Consumer Protection Agency.
			3.3.3.a: Identify key potential markets and carry out two market entry studies per year
			3.3.3.b: Support anchors to go on trade missions to key markets
		Promote Other backbone services for exports	3.5.2.a: Recruit consultants to review adoption of international payment platforms for e-commerce, in particular
			3.5.2.b: Convene high-level government meeting to address regulation for international payments
			3.5.3: Implement the Open Skies Policy
	Increased manufacturing share of total exports	Develop Infrastructure and Logistics Facilities for VC Development	3.1.1.a: Finalize construction of KLP
			3.1.1.b.i: Apply for construction permit for Rubavu bonded warehouse
			3.1.1.b.ii: Construct Rubavu bonded warehouse
			3.1.1.c.i: Find investor for Rusizi bonded warehouse
			3.1.1.c.ii: Apply for construction permit and construct Rusizi bonded warehouse
	Increased services share of total exports	Enhance Trade in Services	3.2.1.a: Hire consultants to develop Trade in Services Strategy and implementation plan
			3.2.1.b: Validate final strategy and have it approved by Cabinet
			3.2.2.a: Attract investments in high end tourism
			3.2.2.b: Targeted marketing of Rwanda as a high-end tourism destination
			3.2.2.c: Support development of additional tourism products to diversify the tourism sector and attract investment
			3.2.2.d: Build capacity of RCB to attract high value international events

			3.2.2.e: Conduct domestic tourism campaigns to grow the domestic tourism sector
		Promote Backbone Services, and Priority Service Sector VCs	2.3.2: Strengthen the Professional Services Forum to act as main PPD forum for services
	Increased industry as share of GDP	Develop Infrastructure and Logistics Facilities for VC Development	3.1.2.c.ii: Construct AFUs within each SEZ
	Increased Ha. Of serviced land		3.1.2.a.i: Complete the construction of the Bugesera Zone
			3.1.2.a.ii: Fully expropriate the land for Muhanga and Musanze Zones
			3.1.2.a.iii: Undertake engineering and feasibility studies for all potential zones
			3.1.2.a.iv: Construct and establish connectivity of all zones
			3.1.2.b.i: Undertake studies on potential SME parks
			3.1.2.b.ii: Provide basic infrastructure in these SME parks
			3.1.2.c.i: Find developers for AFUs within each SEZ
1.5 Increase Domestic Savings and position Rwanda as a hub for financial services to promote investments	Increased FDI as share of GDP	Promote Investment and Develop Proof of Concept Country	1.4.3.e: Conduct investor perception survey
			1.5.1: Package bankable investment projects for investment attraction
			1.5.2: Carry out targeted investment missions in key markets (TIMs)
			1.5.3.a: Develop an online investor relationship management system to quickly identify and resolve investor issues
			1.5.3.b: Hold Quarterly CEO forums with investors
			1.5.3.c: Provide Quarterly Cabinet briefings on strategic investments
			1.5.3.d: Hold weekly investor open days to address investor complaints and raising awareness
			1.5.5.a: Prepare detailed ToRs for database
			1.5.5.b: Hire developers to build the database
	Increased private investment as share of GDP	Develop Rwanda Factoring Platform and Implement Legal Reforms	1.4.1.a: Introduce factoring law and regulations
			1.4.1.b: Amend Internal Trade Law
			1.4.2.a: Organize nationwide awareness campaign on implied contract terms
			1.4.2.b: Organize awareness campaign on VCF
			1.4.3: Carry out feasibility study for the platform
			1.4.4.a: Hire IT developers to construct the Rwanda Factoring Platform
			1.4.4.b: Onboard Anchors, SMEs and financiers

			1.4.4.c: Train companies on how to access the platform
			1.4.4.d: Ensure smooth operations of the platform
	Increased credit to SMEs as share of GDP	Promote Access to Finance and Enhanced Liquidity	1.3.1.a: Establish goals for credit allocation to priority VCs
			1.3.1.b: Monitor these goals
			1.3.1.c: Attract investments in equity financing for VCs
			1.3.1.d: Organize four workshops per year for firms and banks
			1.3.2 support Youth and Women to acquire startup capital through equity investment, guarantee scheme and leasing production equipment

8.3 Sector Profiles

8.3.1 Apparel and Leather

1. Summary

In the past year, Rwanda's imports of second hand clothes and footwear have substantially decreased, mostly due to an increase of import duty from $0.35/kg to $2.50/kg for worn clothes and from $0.5/kg to $5.00/kg for worn shoes. However, the import of new apparel has also increased over this period.

In the aim of decreasing the trade deficit, particularly in the textile, apparel and leather sector, MINICOM drafted the Strategy to Transform the Textile, Apparel and Leather Sectors to strengthen and develop the capacity of production units engaged in the sector to produce higher quality and increased volumes for both local and foreign markets while reducing imports.

2. Trade

Between 2015 and 2016, imports of 2nd hand clothes halved from $24 to $12 million. This is mostly due to the rise of import duty from $0.35/kg to $2.50/kg for worn clothes $0.5/kg to $5.00/kg for worn shoes. Imports of new textile and new footwear decreased by 15% and 10% respectively and imports of new apparel increased in 2016 by 45%.

Rwanda's largest import partner for textiles is China, followed by Pakistan and UAE with imports of new textiles valued at $19million, $5.4million and $3.7million respectively in 2016. For the new apparel and new footwear imports to Rwanda, China comes in first place covering 79% and 44.9% of total trade respectively in 2016. Other major import partners in new apparel are UAE, Uganda and Kenya.

3. Value Chain

Almost all inputs are imported. Cotton is imported from producers within the East African region. In the past, Rwanda tried to reduce its competitive disadvantage by producing cotton domestically, but the soil and climate were found not to be appropriate for the production of competing quality cotton. Some pre-spun yarns and pre-woven fabrics are imported as the country is not able to produce the required material combination (e.g. polyester-viscose yarns) or purchases them for less than it can produce (i.e. pure polyester yarns).

4. Production Capacity

The textile and apparel industry in Rwanda is small with only one major textile manufacturing company (UTEXRWA), a number of sizable small to medium scale operators, knitting cooperatives and a silk sector, which is at its infancy stage.

UTEXRWA, is a composite textile mill consisting of spinning and weaving operations producing and offers two main product lines: finished garments and finished fabrics. However, technical, managerial, financial and other challenges have resulted in UTEXRWA currently operating at about 40% of its installed capacity, producing 12,000 meters of fabric per year.

5. Access to Markets

The market for textile and apparel in Rwanda is growing. The available market opportunities include: Growing demand for uniforms by institutions in Rwanda; Supply of mosquito bed nets to Government of Rwanda and donors; Growing export opportunities in D.R. Congo and Burundi.

6. Institutional Arrangements

In April 2016, MINICOM created the Strategy to Transform the Textile, Apparel and Leather Sectors, with its main goal being able to strengthen and develop the capacity of production units engaged in Textile, Apparel (Tailoring, Garments and fashion) and leather sector in Rwanda to produce higher quality and increased volumes for both local and foreign markets while reducing imports. While MINICOM is the leading institution, a number of other institutions are key in supporting this strategy, including MINECOFIN, RRA, RPPA, RSB, WDA, NEAB, RAB, MINAGRI, COMESA, and PSF.

8.3.2 Meat

1. Summary

Rwanda's demand for meat products has been increasing substantially in the past few years mostly because of the country's fast growing hospitality industry. Demand for meat products is also high in the DRC, which suggests an important export market. However, instead of exporting meat products, exports of livestock from Rwanda to the DRC have increased.

In an effort to develop Rwanda's meat industry, GoR drafted the Rwanda Strategy for Rwanda Meat Exports to the DRC, suggesting for abattoirs to change their business model from catering for small meat vendors to producing brand chilled and frozen meat products. This way, they will be able to offer competitive prices for livestock in the aim of becoming an important meat producer in the region, both for the local market and for exports.

2. Trade

Rwanda is witnessing increasingly strong local demand for chilled and frozen meat products, as signalled by the increase of meat products imports. Indeed, meat products imports were valued at RwF 28 million in 2014, RwF 68 million in 2015, and RwF 154 million in the first 9 months of 2016. Meat products are currently being sourced from the region (Kenya and Uganda) and South Africa, Belgium, Italy and UAE.

Rwanda exports livestock rather than meat to the DRC. Rwanda is not exporting any meat and meat products, other than what is smuggled to neighbouring countries through informal cross border trade.

3. Production Capacity

A number of factors suggest that meat production could become a vibrant industry in Rwanda. First, Rwanda's livestock production is sufficient to cater for meat production. Indeed, organised livestock markets could cater for livestock to be redirected to domestic abattoirs. Secondly, abattoirs' installed capacity is sufficient to slaughter all livestock currently being exported to the DRC. Indeed, as of September 2016, six abattoirs have export capability and are being underutilized. Presently the abattoirs are only able to utilize 35% of the installed capacity of cattle and 17% of the installed capacity of goats and sheep.

4. Market Access

Two markets have been identified, which should help the country transform from a livestock producing and exporting nation to a meat producing and exporting nation. These markets are the Rwandan domestic market and the DRC.

The growing imports of meat products suggest a gap in Rwandan production of these products. The increase in imports is driven by the demand in the fast-growing hospitality industry, especially since 2014 when Rwanda started being marketed as a conferencing nation backed by RwandAir.

The DRC meat market potential for Rwanda is estimated at USD107 million. Specific products include fresh or chilled bovine cuts, frozen bovine cuts, frozen, boneless meat of bovine animals, fresh or chilled cuts of sheep among others.

5. Institutional Arrangements

The success of the meat industry revolves around animal health, food safety and livestock production. Rwanda has a robust Department of Veterinary Services (DVS), which is the competent authority in the livestock and meat industry. This forms a strong case for the country to focus on meat production. MINICOM has also drafted its Rwanda Strategy for Rwanda Meat Exports to the DRC, which supports strategies for the conversion of livestock exports to meat production for domestic market and exports. Other key institutions in the implementation of the strategy include MINAGRI, RSB, RAB, RICA, MINISANTE, NAEB, WDA, Meat Board, DVS, and MINEDUC.

8.3.3 Dairy

1. Summary

In the past 15 years, Rwanda's milk production has increased more than tenfold, rising from just 58,000 tons in 2000 to approximately 700,000 tons in 2014 (CountrySTAT, 2015). This astonishing growth was achieved primarily by expanding the cattle population through major national restocking program, popularly, known as, "One Cow Per Poor Family." Since its launch in 2006, the program has distributed more than 200,000 dairy cattle, nearly a fifth of the country's total cattle stock, estimated 1.14 million heads in 2014 (MINAGRI, 2016). The program aims to reach a target of 350,000 cows distributed by the end of 2017.

Massive investments and structural changes have taken place in milk collection and trade in Rwanda, the transition from the state-owned Dairy Corporation Limited to private dairy firms has given room for numerous innovations. Nonetheless, informal milk suppliers account for 80-85% of milk markets, while large-scale dairy processors suffer under-supply.

2. Exports and Import data

Exports of milk have picked up since 2012 while production grew at the same rate as demand growth at 20%. Growth of production attributed to the presence of Inyange industries. Rwanda exports of milk are mainly destiny to Exports to Burundi 58%, DRC 28%, and South Sudan 10%. Despite the growth in local production, imports of dairy products increased by 24% between 2012 and 2016.

1. Value Chain

Three organizational structures characterize milk collection and trade;

1. **Direct delivery to consumers without treatment**. This constitutes 20-30% of total milk sales and has the least potential for value addition.
2. **Milk is bulked and cooled at MCCs**, which then by-passes processors and is distributed directly to consumers. This constitutes 50-60% of total milk marketed (Makoni et al., 2014).
3. **Milk goes through dairy processors** that own and/or operate processing plants and can produce pasteurized packaged dairy products. 15-20% of total marketed milk is processed through this channel.

3. Production capacity

The table below provides an overview of the installed capacity, capacity utilisation, investment plan and potential for value addition for the Rwanda Diary industry.

Policy	Installed Capacity	Capacity utilization	Investment plan	Potential for Value Addition
To generate a surplus by 2017	160,000 liters per day	Between 15-20%	To increase the national herd to 1.67 million cows by 2017 and 1.92 million cows by 2020.	• Projection by 2017 is 650million liters per year • Surplus will be 100 million liters in 2017 and 200 million liters in 2020 • One cow per family by 2017, 350,000 households per 2017 and 3,500,000 cows by 2017. • Clinton health initiative program, a new plant infant formula

4. Institutional arrangements

   Key support institutions include: RNDP, RCA, Dairy Cooperatives, MINICOM and MINAGRI, RDB, BRD and financial institutions

8.3.4 Horticulture

1. Summary

Horticulture accounted for an estimated 3.2 percent of 2013 national GDP and 9.7 percent of agricultural GDP (Table 1). This is despite the fact that the production of fruits and vegetables occupied only an estimated 6.4 percent of the country's cultivated land.

2. VC players

Currently there are 3 foreign companies engaged in contract farming for exports. Some local companies have also started exporting but consistency on the markets for these firms remains a challenge. To date, the majority of exporters do not engage farmers in production but rather wait to collect what has been produced.

3. Exports

The horticulture export earnings have been growing over the last 7 the years, from US$ 3.5 million in 2010, to USD 6.6 million in 2016 mainly through the accumulation of many small trades to regional market with small volumes also exported formally to the European market by trading firms. Growth in export revenue from the sector has been averaging just 11% per annum between 2010-2016 despite the decline in export revenues observed in 2012, 2014 and 2016.

4. Access to market

The European market has been identified by the horticultural sector as the market with the greatest export potential. Rwandan exporters enjoy duty free access to the European market provided they meet technical and safety standards. An immediate concern raised by the horticultural sector is the lack of availability of Customs EU Form A in Green from the Rwandan Revenue Authority. Without this form exporters are required to pay MFN duties. Exporters have expressed the need for the government to facilitate access to new markets such as Russia and Middle East by negotiating bilateral agreements with these markets to facilitate access.

On standards, there is a need to support schemes for food production and product quality certification accredited (HACCP) is under implementation. HAACP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling HACCP provides the type of disciplined monitoring and control that supermarket chains and food manufacturers increasingly demand. It is also essential for meeting EU food safety requirements. Apart from HAACP, different private standards plan a major role in accessing different markets; those include the British retail Consortium (BRC) for pack houses, organic certifications, fair trade, Rain forest alliance, etc. Though these are not mandatory of all products but the Government has to support producers and private company in compliance and certification processes.

5. **Institutional arrangements**

To deliver the accelerated horticulture development, the status of the National Agriculture Export Development Board (NAEB) has been changed into a State-owned Enterprise. This to enable NAEB to take decisions and act as a private entity without being hindered by bureaucratic procedures. The recent reform has recommended that NAEB becomes a State-owned Enterprise where business related initiative in the development of exports will be channelled. After registration, the new Enterprise NAEB identified areas that require direct investment from the Government and develop business plans. The Enterprise will be recruiting competitively or head hunt for the best skills required, outsource extension services for out growers and hire dedicated account managers for nucleus farms. The Enterprise is under the direct supervision of the Government appointed Board of Directors.

8.3.5 Construction materials

1. Summary

Construction materials – mainly steel and cement – constitute 10% of current imports. With the growing demand from a booming construction sector the trade deficits from these products will increase significantly over the coming years. If the trend in construction continues, the supply of cement will be outpaced by demand as the new plant starts operation. Demand for steel is already considerably larger than supply. Since 2006, the construction sector has been growing by 12.4% per year on average. If this trend continues, significant amounts of construction materials are going to be needed to meet future demand from the construction sector. Unless domestic production increases significantly the construction boom will have significant and increasing impact on external balances. Cement which constituted 80% of import volumes while metallic and other construction materials each constituted about 10%.

2. Exports and Import data

Rwanda imported 503,195 Tons construction materials – 28% of total import volumes. This is about 50,000 truckloads using World Bank Doing Business assumptions that a standard 20-ft container weighs 10 tons. Cement constituted 80% of import volumes while metallic and other construction materials each constituted about 10%

3. Current installed production capacity and utilisation

Expansion of the major cement plant has been completed with increased private sector investment in CIMERWA. Many more investors have expressed interest in iron, steel, cement and other construction materials. A sub-sector master plan has been developed to guide the development and diversification of the sector.

3.1 Iron and steel

There are currently 8 domestic producers of iron roofing sheets: Afrifoam/Simaco, Kigali Hardware, Master Steel, Rwatole, Safintra, Tolirwa, Ufametal, Uprotur. **Ufametal** and **Master Steel** are the 2 largest producers and together account for about 70% of domestic production. **Tolirwa** started the production of iron pipes only 3 years ago. Some of the existing roofing sheet and nail production companies are interested in adding this product to their portfolio

3.2 Cement

As indicated above, cement production in Rwanda is carried out by 3 companies; CIMERWA, Kigali Cement Company (KCC) and Great Lakes Cement. Of an estimated market size of US$90m in 2013, the domestic production of cement accounted for about US$20-25m, representing a market share of approximately 28%. With current demand estimated at 500,000MT/year, the table below indicates the current production capacity of these 3 cement factories.

Cement factories in Rwanda and their production capacity (as at end 2013)

Name of the factory	Installed capacity (MT/year)	Capacity utilization (%)
CIMERWA	100,000	85
Great Lakes Cement	70,000	15
Kigali Cement	30,000	66

CIMERWA has increased cement production capacity to 600,000 MT per year and. Kigali Cement has recently increased its production capacity to 100,000 tonnes.

8.3.6 Pharmaceuticals

1. Summary

The increasing access to healthcare in Rwanda resulting from universal health insurance schemes coupled with improved distribution chain and other healthcare policies has resulted into high demand for pharmaceutical products. Almost all pharmaceutical products have to be imported as the current domestic production of pharmaceuticals is very limited.

2. Exports and Import data

Rwandan imports of pharmaceuticals totalled US$ 73 million in 2016.Over 75% of pharmaceutical products imported by Rwanda are from India, Belgium, Denmark, Netherlands and Kenya. The applied MFN duties for imported pharmaceutical products by Rwanda are 0%.

On the other hand, exports in 2016 stood at only US$ 231,000 as the current domestic production of pharmaceuticals is very limited. The main exports destinations include DRC, Burundi and Kenya.

Table 1: Imports and exports of pharmaceuticals, 2013-2016 in 000USD

Trade flows	2013	2014	2015	2016
Exports	267	120	242	231
Imports	52,333	67,160	65,644	73,769

Source: ITC Trade map

3. Value Chain

Almost all pharmaceutical products used in Rwanda are imported and both public and private sector are involved in the provision of medicines, medical consumables, medical devices and equipment, laboratory supplies, food supplement and other pharmaceutical services in general. The public pharmaceutical supply chain system is organized into national, district, health centres, health post and community. For the private sector, there are wholesalers, retail pharmacies and drug shops.

4. Production Capacity

In Rwanda, there is currently no company that manufactures pharmaceutical drugs on a big scale. There is only one small, public facility (LABOPHAR) that manufactures, on a very small scale, non-sterile drugs such as tablets, capsules, syrups, ointments, suppositories, infusions (such as normal saline, dextrose 5%). As such there is a good opportunity to invest in the manufacturing of pharmaceutical drugs in Rwanda.

5. Access to Markets

Rwanda has one of the best organized health care systems in Africa. It has approximately 40 district hospitals and 400 health centres serving a population of nearly 10 million people. Given the very limited domestic production of medicaments, the domestic market size for medicaments is equivalent to Rwanda's net imports of medicaments and is estimated at 50 million USD.

6. Institutional Arrangements

The Ministry of Health (MoH) put in place guidelines for investors to establish a manufacturing plant for pharmaceutical drugs or medical devices. The guidelines also provide for the registration of new pharmaceutical drug and licensing.

8.3.7 ICT

1. Summary

The ICT sector in Rwanda is regarded as a key sector to the development process of Rwanda. It is expected to create employment, facilitate economic development and transform Rwanda into a globally competitive, information-rich, knowledge-based economy.

2. ICT Exports

ICT exports have been among the most dynamic components of international trade over the last years. With a tremendous increase of the worldwide internet and mobile device penetration, it is expected that digital technology will shape the future of global trade and investment. Rwanda shows a great potential of ICT exports, however, at the moment digital export revenues are still on a rather low level.

Despite the still prevailing understanding of digital trade as e-commerce, ICT exports go far beyond selling goods and services online. Therefore, ICT exports can be subdivided into the three following categories: Digital exports, Digitally-enabled exports, and Digital import substitution

3. Value Chain

The ICT sector includes mobile and fixed telephony, VoIP, DSL, VSAT, ISDN, GPRS, Broadband Internet, software development, hardware assembly and repair, applications integration and capacity building. There are four key players in the telecom industry: MTN Rwanda, Airtel Rwanda, TIGO Rwanda and Liquid Telecom (NES II, 2015).

4. Production Capacity

The main services offered in the ICT sector are: E-commerce, e-services, training, mobile technologies, telemedicine, applications development and automation. According to the national establishment census 2014, ICT sector has 404 establishments and has created 4 1,963 direct jobs.

5. Access to Markets

Rwandan ICT sector holds a comparative advantage in value added software services to francophone countries. Rwanda is unique in its ability to operate in both English and French. In general Anglophone African countries are more technically advanced than francophone countries. Rwanda can act as a bridge. However, as education focuses purely on training in English, Rwanda will lose this niche skill rapidly unless the issue is addressed.

There is immediate opportunity in DRC Eastern province however this comes with its own set of challenges including a lack of infrastructure and key decision makers are all based in Kinshasa.

6. Institutional Arrangements

The Rwanda Utilities Authority (RURA) is responsible of regulating the ICT sector in Rwanda in terms of electronic transactions and e-government. In regard to personal data privacy protection, it establishes conditions for securing reliable electronic records through regulations. On the other hand, Rwanda Information Society Authority (RISA) is in charge of ICT skills development, creation and innovation of new products.

8.4 Data Sources and Indicator Metadata

Outcome	Indicator	Metadata	Data source and frequency
Improved trade balance and export diversification	Exports growth	Annual percentage increase in the total value of goods and services exports, in constant prices and US dollar	NISR Exports data
	Manufacturing share of total exports	Value of manufacturing exports as share of total goods and services exports, in current prices	Exports: NISR exports data
	Services share of total exports	Value of services exports, as share of total exports in current prices	BNR annual Balance of Payments statistics
	Industry as share of GDP	Industrial output as percentage of GDP, in current prices	NISR National Accounts, current prices
	Ha. of serviced land	Total number of ha with completed electricity, water, internet and road infrastructure for industry, developed within SEZs in Rwanda	MINICOM administrative data
Private Investment and financing	FDI as share of GDP	Registered foreign direct investment as percentage of GDP	FDI: RDB administrative data on registered investments GDP: NISR National Accounts, calendar year or fiscal year (current prices)
	Private Investment as share of GDP	Total private investment as percentage of GDP	Private investment: RDB GDP: NISR National Accounts, current prices
	Credit to SMEs share of GDP	Stock of credit to the private sector as percentage of GDP in current prices	Credit stock: the latest BNR's bi-annual Monetary Policy and Financial Stability Statement GDP: NISR annual National Accounts (current prices, either calendar year or fiscal year)
Enhanced entrepreneurship, productivity and innovation	Number of active firms, older than two years with four or more employees	Number of active formal and informal firms with four employees or more, in existence for three years or more, disaggregated by the gender of the business owner or majority owner in case of partnerships	NISR Establishment Census
	Total factor Productivity (TFP)	TBD	TBD

	R&D expenditure as share of GDP	TBD	TBD
Productive employment	Productive jobs created per year	Number of persons employed for pay or profits, disaggregated by gender of employee	NISR's bi-annual labour market survey
	Labour productivity in off-farm sectors	TBD	TBD

8.5 Capacity Development Plan

Sector Priority	High level Targets	CD Priority	Level of CD	CD Outcome	Indicator to Track CD outcome	Baseline	Budget (RWF)
Promoting competitive value chains made in Rwanda	Domestic Supplier Development Unit within RDB established	Establish Domestic Supplier Development Unit and recruitment capable and competent staff	Organizational Level	Increased local sourcing fostering linkages between foreign and local firms	Effective Domestic Supplier Development Unit in place and operational	Concept note available	651,777,390
	Rwanda Factoring Platform established	Build platform and train companies on how to access the platform	Institutional Level	Increased access to working capital for SMEs and large firms	Number of firms accessing finance through Rwanda Factoring Platform	PSDYES strategy	365,000,000
Increasing firm-level productivity and enhancing diversification (Skills Development and Entrepreneurship)	Skills development across VCs mainstreamed	Avail training and support on a demand-driven basis in priority VCs	Individual Level	Increased firm-level productivity	Number of graduates on demand-driven basis by priority value chains	PSDYES strategy	-
	Nation-wide Train a Rwandan Campaign rolled out	Agro-processing, Construction materials, light manufacturing, Horticulture, Tourism, Knowledge-based services, Logistics and transport	Individual Level	Increased industrial attachments for priority value chains	Number of students trained through industrial attachment by priority value chains	Workplace learning policy and PSDYES Strategy	1,200,000,000
	BDS and BDA Accreditation System developed	increase capacity of BDS, BDAs to support SME survival beyond the point of accessing finance from SACCOs	Organizational Level	Increased startups/SME resilience and growth	BDS and BDA accredited	832 BDAs and 200 BDS	1,050,000,000

Increase market access and standards compliance	RSB Graduate Placement Programme (SMEs and graduates) implemented	Training of graduates on standards and their placement in key value chains (PSDYES selected value chain)	Individual Level	Increased market access and standards compliance	Number students under of RSB Graduate Placement Programme and products certified through this programme	Nil	2,100,000,000
	Increase market access of Made in Rwanda products through online (e-commerce)	Provide trainings to SMEs on e-commerce skills	Individual Level	Increased market access	Number of firms using online platforms for market access		38,250,000,000
Boost growth in services sector to recapture domestic market and diversify exports	Professional Services forum strengthened to act as main PPD forum for services and sector-specific forums	Young Professionals Programme as part of institutional support for operationalization of the forum and sector-specific forums	Individual and Organizational Level	Improved coordination of professional services	PPD for professional Services and sector-specific forums operational	2 professional services forums organized	90,000,000
	High-end, professional and technical skills attracted and skills transfer mechanism in place	Assess labour market needs and ensuring that work permits are accessible for those professions where local skills are in short supply and skills transfer mechanism in place	individual and organizational skills	High-end, professional and technical skills available in Rwanda	Number of high-end professionals and technical skilled labour created through skills transfer mechanism	Nil	30,000,000
Institutional Capacity Building	Ministry of Trade and Industry (MINICOM)	Enrich IDEC's mandate and improve the Ministry's ability to monitor implementation of trade and industry policy	Individual and institutional level	Increased capacity to design and implement interventions and to proactively promote	Improved coordination and implementation of central trade and industry policies and strategies	IDEC operational	42,000,000

		through young professionals		their mandates.			
	Private Sector Federation (PSF)	Operationalize sector skills councils	Individual and institutional level		Level of participation of the private sector in skills development interventions by value chain	Nil	420,000,000
	Rwanda Inspectorate and Competition Authority (RICA)	Operationalize RICA	Individual, Organizational and Institutional levels		Reduced cases of unfair competition	Nil	11,700,000,000
	Rwanda Standards Board (RSB)	Support the development and implementation of RSB Phase II Strategy	Organizational Level		RSB accredited internationally	application in process	390,000,000
	National Industrial Research and Development Agency (NIRDA)	Increase capacity of NIRDA to deliver on its mandate	Individual, Organizational and Institutional levels		level of implementation of NIRDA strategic plan	Draft strategic plan in place	270,000,000
	Rwanda Cooperative Agency (RCA)	Support SACCOs automation for Rwanda Cooperative Bank and capacity building for staff and managers	Individual, Organizational and Institutional levels		Rwanda Cooperative Bank operational	SACCOs Automation in process	-

	Rwanda Convention Bureau (KCB)	Develop further the capacity of RCB to attract and execute high-level international events	Individual and Organizational level		Successful implementation of high-level events	RCB operational and attracting events	510,000,000
	Introduce rapid access advisory desks in key GOR institutions	Set up advisory desks with highly capable staff in key institutions	Individual and Organizational level		Advisory desks operational	PSDYES	2,160,000,000

8.6 Mainstreaming of Cross-Cutting Areas

Cross-cutting area	Mainstreamed in PSDYES interventions
Gender equality and family promotion	- All data is disaggregated where possible - Gender monitoring for all support programmes such as trade missions, skills training programmes and access to credit
Environmental protection and climate change	- Technology upgrade support programme - Innovation and R&D support - Rwanda Resource Efficiency and Cleaner Production Centre
Disability and Social inclusion	- All data is disaggregated where possible - Disability monitoring for all support programmes such as trade missions, skills training programmes and access to credit
Regional Integration and International Positioning	- Trade facilitation - International payments regulatory reform - Open skies - Trade in services strategy - Attracting regional and global talent to Rwanda
Capacity Development	- Detailed capacity development plan in Annex 8.5
HIV/AIDS and non-communicable diseases	- Improved economic resilience and job creation will have positive implications for health outcomes
Disaster management	- All infrastructure projects are cognizant on their effect on impact on vulnerability to natural disaster

8.7 Summary of Regulatory Reform Implications

Reform details	Expected Outcome	Status
[Unfinished business] Insolvency reform, including introducing a simplified insolvency process for small entities and non-bankrupt companies	The introduction of a simplified procedure for closing businesses will free up resources and assets to productive uses	The insolvency procedure has been improved in recent years but remains targeted at large companies with significant assets and complicated breakups. There is a need to assess how a simplified regime may be introduced for small companies with few assets or relatively little debt
[Unfinished business] Tax code simplification and tax business advisory councils	Tax code simplification will have catalytic implications for the private sector. Tax advisory councils set up to support RRA policy will ensure continuous streamlining of tax policy and information sharing	Tax collection has been streamlined with RRA taking over more of local tax collection in 2016. However, there is always more room for improvement and the tax advisory councils to the CG RRA has not been set up yet
Restructure RDB to establish the DSDU	The establishment of the DSDU will support large buyers develop locally-intensive sourcing plans as well support more domestic firms access supply contracts	A concept note has been developed for the DSDU, which need to be reflected on RDB's organizational chart with appropriate resources and mandate
Introduction of factoring law and regulations	There is currently limited private investment in working capital financial products, partly due to a lack of regulation which would clarify creditors' and factors' rights. Addressing this gap is expected to increase private investment and hence diversify the range of financial products available to Rwandan firms and especially SMEs which will face lower barriers to access finance	AFREXIM Bank has a model law that may be adapted to Rwanda's legal framework. AFREXIM Bank has also offered technical support to the drafting process as well as support to help spread awareness amongst Rwandan financial institutions and SMEs.
International payments reform, to include international payments in ongoing efforts to move to a cashless economy	Lower cost and greater access to receiving money from abroad is likely to have a positive effect on export by reducing transaction costs. This is significant especially for services exports and e-commerce for which trade is characterized by smaller transactions than traditional goods exports.	Currently the cashless economy agenda is focused on facilitating domestic payments. There is a need to regulate the mandatory participation in international payment systems such as PayPal for domestic banks to lower these costs. An assessment of options is the first step to be done.
Internal trade law reform to include implied contract	Informal and small firms are vulnerable to trading partners reneging on contracts, yet struggle to en-	A commercial small claims court system is being established across the country, which will significantly

terms	force them. Partly this is due to gaps in the legal framework determining what constitutes evidence of a contract, which needs to be updated to include e.g. an SMS or an accepted invoice. There are also gaps in the regulatory framework when it comes to corporate consumer protection, i.e. business' protection against the delivery faulty goods. Addressing these gaps will significantly improve the ability of small companies to enforce contracts.	lower the cost of enforcing contracts. MINICOM has drafted the amendments to be introduced to the internal trade law to complement this small claims court which need to be submitted and passed by parliament. Subsequently, a widespread awareness campaign must then be rolled out to encourage uptake.
Mutual recognition agreements (MRAs)	MRAs facilitate trade in services and labour mobility within the EAC. They are instrumental in attracting regional talent and allowing skilled Rwandans to move abroad and gain experience.	Three MRAs have been negotiated so far and the Trade in Services schedule at the EAC level include plans for several more. However, progress has been slow and there is a need to fast-track this important agenda.
Employment regulation review to facilitate firms to hire young Rwandans	The current employment regulation on e.g. tax and RSSB contributions disincentivize firms to hire workers, especially youth. Simplifying employment regulations for employees under 30 will lower the cost of bringing new staff on board, making it more attractive to firms. The costs of doing so is expected to be outweighed by higher lifetime tax contributions by individuals who manage to secure experience early in their careers.	There is a need to conduct an in-depth assessment of the options and costs associated with simplified regulations, after which a detailed reform package may be proposed
Open skies regulations and tax liberalization	Airspace liberalization has already generated significant economic benefit for Rwanda, even if limited in scope to date. Air tax and regulation liberalization is expected to generate almost 10,000 jobs in Rwanda and an additional $32m economic output. Aviation services is a priority value chain within the strategic framework of this document, and the recent agreement by RwandAir to lower airfreight prices to $0.95 per kg has been instrumental to improving the competitiveness of e.g. horticulture exports. Further tax liberalization will further im-	Rwanda is a signatory to the 1988 Yamassoukro Declaration and the 1999 Yamassoukro Decision, committing to extent fifth freedom rights to foreign carriers. Rwanda is in charge of the Airspace Management project within the Northern Corridor and has shown international leadership on the matter already which is worth maintaining.

	prove air-lifted exports.	
e-consumer protection	Digitally-enabled trade and e-commerce relies heavily on trust between consumers and sellers to work. This requires that consumers are confident that they are able to return faulty or incorrectly advertised goods. For this trust to emerge, the regulatory framework needs to strong and easily enforceable.	A review of existing consumer protection regulation is ongoing with support UNCTAD. Once this is finalized, the recommendations need to translated into RICA regulation and a capacity development programme needs to be implemented for the judiciary as well as RICA's own inspection staff.
IP Law and regulations	Enhanced protection of IPs will increase investments in innovation and R&D and hence productivity, which are key critical outcomes for this strategy.	With support from WIPO, MINICOM drafted a new IP Law and developed an IP Strategy. Both need to be finally approved and passed and implementation need to begin. Especially, there is a need to increase awareness amongst IP holders and the judiciary system on IP rights and enforcement mechanisms.
Trade facilitation reforms	The package of legally binding reforms that are set out in the WTO TFA are estimated to lower the cost of trade by 14% for LDCs such as Rwanda. This is potentially transformative for the competitiveness of Rwandan exports.	The package of reforms that Rwanda has committed to are detailed in the submissions sent to WTO in 2015. A National Trade Facilitation Committee has been established, chaired by MINICOM. Category A measures must be implemented by February 2018; Category B within 3-5 years and Category C within 5 years but dependent on donor support. Failure to reach these deadlines exposes Rwanda to litigation risks from other WTO members. TMEA and UNCTAD have already committed support to developing the project proposals for Category C measures, which have been finalized.
SEZ Law amendment and regulatory updates	The recent SEZ Policy review sets out a clear strategic framework for the development of industrial infrastructure and clarifies the public and private participation in the development of SEZs. The review also formalizes and extends all government facilitation to investors in the zones which has to date resulted in significant increases in turnover, employment and tax contributions of SEZ firms.	As part of the recent SEZ Policy review, MINICOM drafted amendments to the SEZ Law to clarify a few issues hindering implementation. This Amendment need to be passed. Subsequently, a number of SEZAR regulations need to be issued to operationalize the Law fully.

8.8 Complete PSDYES Implementation Plan

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
1	Pillar 1: Promoting competitive value chains made in Rwanda	-						
1.1	**Domestic Supplier Development Unit**	RDB						
1.1.1	Establishment and recruitment of Domestic Supplier Development Unit	RDB						
1.1.2	Promote linkages across VCs and the domestic economy through supplier verification scheme	RDB						
1.1.2.a	Organize meetings between Anchors and suppliers in each priority VC	RDB						
1.1.2.b	Develop a detailed and costed program for each priority buyer-supplier linkage	RDB						
1.1.2.c	Organize one workshop per year between anchors and suppliers across each priority VC	RDB						
1.2	**Growth Anchor Firm Initiative**	MINECOM; RDB						
1.2.1	Identify and enter into partnership agreements with Anchors	MINICOM; RDB						
1.2.1.a	Review and revise anchor firm selection criteria and transparency	MINICOM; RDB						
1.2.1.b	Review and revise Anchor firm partnership agreements with clear sunset clauses	MINICOM; RDB						
1.2.1.c	Enter into partnership agreement with one Anchor in each priority VC in each annual cohort	MINICOM; RDB						
1.2.2	Enhance productivity and competitiveness of Anchors	MINICOM; RDB						
1.2.2.a	Organize annual workshop to coordinate GoR support to anchor firms: financing schemes, skills development, DSDU supplier relationships, technology upgrading programmes and trade facilitation forums	MINICOM; RDB						
1.2.2.b	Conduct a detailed needs assessment of each anchor firm at the start of each cohort year	MINICOM; RDB						
1.2.2.c	Strengthen M&E of Growth Anchor Firm Initiative	MINICOM; RDB						
1.2.2.d	Monitor Anchor firms and their domestic supplier networks	MINICOM; RDB						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
1.3	**Access to Finance and Enhanced Liquidity**	MINICOM; MINECO-FIN; RBA; BNR; PSF						
1.3.1	Partnership with financial sector to channel credit to priority VCs	MINICOM; MINECO-FIN; RBA; BNR; PSF						
1.3.1.a	Establish goals for credit allocation to priority VCs	MINECOFIN; RBA						
1.3.1.b	Monitor credit allocation to priority VCs	MINICOM; BNR						
1.3.1.c	Attract investments in equity financing for VCs	RDB						
1.3.1.d	Organise four workshops per year for firms and banks	MINICOM; PSF						
1.3.2a	Review existing access to finance products under BDF and tailor them to youth growth entrepreneurs in CV	MINIYOUTH,CESB, BDF,PSF,MINICOM						
1.3.2b	Develop a policy document for special credit incentive to be granted to youth gazelle projects that have strong backward and forward linkages in the VC.	MINIYOUTH,CESB, BDF,PSF,MINICOM						
1.3.2c	Monitor the implementation of the scheme of special credit incentives	MINIYOUTH,CESB, BDF,PSF,MINICOM						
1.4	**Rwanda Factoring Platform and Legal Reforms**	MINICOM; MINECO-FIN; PSF; MINALOC; BRD						
1.4.1	Update legal and regulatory framework	MINCOM; MINECO-FIN						
1.4.1.a	Introduce factoring law and regulations	MINICOM; MINECO-FIN						
1.4.1.b	Amend Internal Trade Law	MINICOM						
1.4.2	Carry out large-scale awareness campaign on implied terms and on VC financing	MINICOM; MINECO-FIN; MINALOC; PSF						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
1.4.2.a	Organise nationwide awareness campaign on implied contract terms	MINICOM; MINALOC; PSF						
1.4.2.b	Organise awareness campaign on VC financing	MINICOM; MINECO-FIN; MINALOC; PSF						
1.4.3	Carry out feasibility study for the platform	BRD						
1.4.4	Build platform and carry out awareness and training campaign	MINICOM; MINECO-FIN; BRD						
1.4.4.a	Hire IT developers to construct the Rwanda Factoring Platform	BRD						
1.4.4.b	On-board Anchors, SMEs and financiers	MINICOM; MINECO-FIN; BRD						
1.4.4.c	Train companies on how to access the platform	MINICOM						
1.4.4.d	Ensure smooth operations of the platform	BRD						
1.5	**Investment Promotion and Proof of Concept Country**	MINICOM; MICET; RDB; RRA						
1.5.1	Package bankable investment projects for investment attraction	RDB						
1.5.2	Carry out targeted investment missions in strategic markets (TIMs)	RDB						
1.5.3	Implement effective after care services to retain and grow investments	RDB						
1.5.3.a	Develop an online investor relationship management system to quickly identify and resolve investor issues	RDB						
1.5.3.b	Hold quarterly CEO forums with investors	RDB						
1.5.3.c	Provide quarterly Cabinet briefings on strategic investments	RDB						
1.5.3.d	Hold weekly investor open days to address investor complaints.	RDB						
1.5.3.e	Conduct investor perception survey	RDB						
1.5.4	Position Rwanda as "Proof of Concept Country"	MINICOM; RDB						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
1.5.4.a	Hire consultants to develop a strategy on positioning Rwanda as a Proof of Concept Country.	MINICOM; RDB						
1.5.4.b	Validate final strategy and have it approved by Cabinet	MINICOM; RDB						
1.5.5	Made in Rwanda Database: A complete & up-to-date database with all registered companies inside Rwanda	MINICOM; MICET; RRA; RDB						
1.5.5.a	Prepare detailed ToRs for database	MINICOM; MICET; RRA; RDB						
1.5.5.b	Hire developers to build the database	MINICOM; MICET; RRA; RDB						
2	Pillar 2: Increasing firm-level productivity and enhancing diversification							
2.1	**Skills Development and Entrepreneurship**	MINICOM; MINEDUC; WDA						
2.1.1	Expand RRT to cover all priority VCs	WDA						
2.1.1.a	Avail training and support on a demand-driven basis	WDA						
2.1.2	Launch skills development centres in each priority VC through PPP	MINICOM; MINEDUC; WDA						
2.1.2.a	Carry out needs assessment for priority VCs - phased over 7-year program	MINICOM; MINEDUC; WDA						
2.1.2.b	Identify private partners for selected VCs	MINICOM; MINEDUC; WDA						
2.1.2.c	Develop curricula and deliver training programmes	MINICOM; MINEDUC; WDA						
2.1.2.d	Develop and implement Tailored Apprenticeship programs and Short term vocational training programs for youth out of the regular education system (School dropout, idle youth, and youth not in school….)	WDA,MINIYOUTH ,CESB/NEP						
2.1.2.e	Implement of the Workplace Learning Policy	PSF, WDA,MINIYOUTH ,CESB/NEP						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
2.1.3	Increase utilization of internship and job-placement schemes	MINICOM; MINEDUC; WDA; RRA						
2.1.3.a	Launch Train a Rwandan campaign: Carry out large-scale awareness campaign on accessing WDA Industry-based Training (IBT) and tax incentives	MINEDUC; WDA						
2.1.3.b	Implement tax reforms to incentivize on-job training and youth employment	MINICOM; RRA						
2.1.3.b.i	Undertake a study on tax incentives for encouraging on-job training	MINICOM						
2.1.3.b.ii	Implement tax reform, drafting regulation and educating implementing agencies	RRA						
2.1.4	Develop a Business Development Advisor (BDA) accreditation scheme	MINICOM						
2.1.4.a	Develop a three-tiered accreditation scheme for BDAs	MINICOM						
2.1.4.b	Conduct quarterly trainings and tests	MINICOM						
2.1.5	Attract regional and continental talent into VCs and position Rwanda as a talent hub	MINEDUC; RDB; DGIE						
2.1.5.a	Assess visa regulations for highly skilled migrants based on ease of firms to recruit skills abroad (review impact of transferring labour market tests from DGIE to MIFOTRA)	RDB; DGIE						
2.1.6	Develop a BDA Feedback framework (hire firm to develop SMS-based platform for identifying and reporting on BDAs)	MINICOM						
2.1.6.a	Complete procurement of services	MINICOM						
2.1.6.b	Validate system	MINICOM						
2.2	**Technology, Innovation, Standards and High-Growth Entrepreneurship**	MINICOM; NIRDA; RDB; NCST; RSB						
2.2.1	Promote technology upgrading and acquisition across priority VCs	NIRDA						
2.2.1.a	Complete technology audits completed on all selected value chains and provides technical support for technology development/transfer	NIRDA; NCST						
2.2.1.b	Conduct awareness programme of technology acquisition opportunities in each value chain	NIRDA						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
2.2.2	Enhance food quality and technology to improve the competitiveness of Rwandan products	MINICOM; RSB						
2.2.2.a	Establish the SMEs readiness for S-MARK and HACCP certification	MINICOM; RSB						
2.2.2.b	Increase and maintain the number of HACCP certified SMEs from 17 to 114	MINICOM; RSB						
2.2.3	Implement RSB Graduate Placement Programme (SMEs)	MINICOM; RSB						
2.2.3.a	Develop clear criteria for selecting SMEs	MINICOM; RSB						
2.2.3.b	Match SMEs with certified trainers	MINICOM; RSB						
2.2.3.c	Implement clear M&E for the program	RSB						
2.2.4	Implement RSB Graduate Placement Programme	RSB						
2.2.4.a	Develop training materials for graduates	RSB						
2.2.4.b	Recruit graduates and deliver training	RSB						
2.2.4.c	Assess and certify the graduates	RSB						
2.2.4.d	Develop a guiding document to support youth projects in the VC to meet the extended catalogue of standards through Technical assistance and certificate fees incentives	MINIYOUTH, CESB/NEP, RSB,						
2.2.4.e	Implement standards compliance facility for youth with Projects in the CVs	RSB,MINIYOUTH, CESB/NEP						
2.2.5	Develop a High-Growth Entrepreneurship Policy and a Social Enterprise Policy	MINICOM; RDB						
2.2.5.a	Complete procurement of high-growth entrepreneurship and social enterprise policies	MINICOM; RDB						
2.2.5.b	Validate final policies and have approved by Cabinet	MINICOM; RDB						
2.2.5.c	Develop an incubation concept to provide business development and production process solutions to gazelles entrepreneurs for youth in the VC	MINIYOUTH, CESB						
2.2.5.e	Monitor the implementation of incubation centers	MINIYOUTH, CESB						
2.2.6	Increase awareness and capacity on intellectual property rights protection and enforcement	MINICOM; RDB						
2.2.6.a	Conduct public awareness campaign on intellectual property (IP) rights	MINICOM; RDB						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
2.2.6.b	Conduct targeted training workshops on IP for selected SMEs	MINICOM; NIRDA; RDB						
2.2.6.c	Provide support to Anchors and selected SMEs to develop internal IP strategies	MINICOM; NIRDA; RDB						
2.2.6.d	Establish partnerships between WIPO, the Rwanda Bar Association and NIRDA to increase capacity in patent drafting and examination	MINICOM; NIRDA; RDB; RBA						
2.2.7	Finalize the Science, Technology and Innovation Policy	MINICOM; MINEDUC; NIRDA; NCST						
2.3	**Backbone Services and Priority Service Sector VCs**	MINICOM; MIFOTRA; RDB; DGIE; ICT Chamber						
2.3.1	Promote digitalisation of the Rwandan private sector	MINICOM; ICT Chamber						
2.3.1.a	Establish clusters for digitalisation of sectors of tech and non-tech firms	ICT Chamber						
2.3.1.b	Promote digital exports and domestic market recapturing	MINICOM; ICT Chamber						
2.3.2	Strengthen the Professional Services Forum to act as main Public Private Dialogue (PPD) forum for services	MINICOM						
2.3.3	Build the Kigali Innovation City (KIC)	RDB						
3	Pillar 3: An Ecosystem Approach for Increasing Exports							
3.1	**Infrastructure and Logistics Facilities for VC Development**	MINICOM; SEZAR; RDB; PSF						
3.1.1	Finalise construction of Kigali Logistics Platform (KLP) and other trade logistics projects	MINICOM						
3.1.1.a	Finalise construction of the KLP	MINICOM						
3.1.1.b	Construct Rubavu bonded warehouse	MINICOM						
3.1.1.b.i	Apply for construction permit for Rubavu bonded warehouse	MINICOM						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
3.1.1.b.ii	Construct Rubavu bonded warehouse	MINICOM						
3.1.1.c	Construct Rusizi bonded warehouse	MINICOM						
3.1.1.c.i	Find investor for Rusizi bonded warehouse	MINICOM						
3.1.1.c.ii	Apply for construction permit and construct Rusizi bonded warehouse	MINICOM						
3.1.2	Construct eight SEZs, develop district-level SME Parks and avail AFUs within each SEZ	MINICOM; SEZAR						
3.1.2.a	Construct eight SEZs	MINICOM; SEZAR						
3.1.2.a.i	Complete the construction of the Bugesera Zone	MINICOM; SEZAR						
3.1.2.a.ii	Fully expropriate the land for Muhanga and Musanze Zones	MINICOM; SEZAR						
3.1.2.a.iii	Undertake engineering and feasibility studies for all potential zones	MINICOM; SEZAR						
3.1.2.a.iv	Construct and establish connectivity of all zones	MINICOM; SEZAR						
3.1.2.b	Develop district-level SME Parks	MINICOM; SEZAR						
3.1.2.b.i	Undertake studies on potential SME parks	MINICOM; SEZAR						
3.1.2.b.ii	Provide basic infrastructure in these SME parks	MINICOM; SEZAR						
3.1.2.c	Avail AFUs within each SEZ	MINICOM; SEZAR						
3.1.2.c.i	Find developers for AFUs within each SEZ	MINICOM; SEZAR						
3.1.2.c.ii	Construct AFUs within each SEZ	MINICOM; SEZAR						
3.1.3	Develop SMI Parks for each priority VC	MINICOM; SEZAR						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
3.1.3.a	Set up sector-specific SMI Parks in each SEZ	MINICOM; SEZAR						
3.1.3.a.i	Book plots of 5-10ha within SEZs and develop them for specific sub-sectors (prioritising Agro-processing sectors for start)	MINICOM; SEZAR						
3.1.4	Provide sector-specific technical assistance and general business development services to the users of SMI parks focused primarily on exports and e-commerce	MINICOM; SEZAR						
3.1.5	Rwanda International Trade Fair and Exhibition Park	MINICOM; RDB; PSF						
3.1.6	Completion of Integrated Craft Production Centers-UDUKIRIRO in Nyarugenge,Rulindo, Musanze and Gicumbi Districts and establish ICPCs in vibrant trade centers and IDP Model Village	LODA, DISTRICTS						
3.2	**Trade in Services**	MINICOM; RDB						
3.2.1	Develop Trade in Services Strategy	MINICOM						
3.2.1.a	Hire consultants to develop Trade in Services Strategy and implementation plan	MINICOM						
3.2.1.b	Validate final strategy and have it approved by Cabinet	MINICOM						
3.2.2	Increase revenues from the tourism sector	RDB						
3.2.2.a	Attract investments in high-end tourism	RDB						
3.2.2.b	Targeted marketing of Rwanda as a high-end tourism destination	RDB						
3.2.2.c	Support development of additional tourism products to diversify the tourism sector and attract investment	RDB						
3.2.2.d	Build capacity of Rwanda Convention Bureau to attract high value international events	RDB						
3.2.2.e	Conduct domestic tourism campaigns to grow the domestic tourism sector	RDB						
3.3	**Trade Facilitation**	MINICOM; RDB; PSF						
3.3.1	Implement WTO Trade Facilitation Agreement							
3.3.1.a	Ensure Implementation of Category B measures	MINICOM						
3.3.1.b	Ensure Implementation of Category C measures	MINICOM						

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
3.3.2	Establish and operationalise RICA, The Rwanda Inspectorate, Competition and Consumer Protection Agency.	MINICOM						
3.3.3	Carry out targeted trade missions and export research in key markets	MINICOM; PSF						
3.3.3.a	Identify key potential markets and carry out two market entry studies per year	MINICOM; PSF						
3.3.3.b	Support anchors to go on trade missions to key markets	RDB						
3.4	**Digitally-enabled exports**	MINICOM; WDA; RICA						
3.4.1	Build ecosystem for e-commerce	MINICOM						
3.4.1.a	Update legal and regulatory framework on e-consumer protection	MINICOM; RICA						
3.4.1.b	Provide trainings on e-commerce skills	WDA						
3.4.1.b.i	Develop training program and curriculum for e-commerce and digitalization of product services	WDA						
3.4.1.b.ii	Provide trainings to SMEs	WDA						
3.5	**Other backbone services for exports**	MINICOM; OTP; MINECOFIN; BNR; BRD; RCAA						
3.5.1	Review the Export Growth Facility	MINICOM; BRD						
3.5.2	Regulatory reform to facilitate access to affordable international payments	MINICOM; MINECOFIN; BNR						
3.5.2.a	Recruit consultants to review adoption of international payment platforms and for e-commerce, in particular	MINICOM						
3.5.2.b	Convene high-level government meeting to address regulation for international payments	MINICOM; MINECOFIN; BNR						
3.5.3	Implement the Open Skies Policy	MINICOM; OTP; RCAA						
4	Pillar 4: Streamlining Regulation and Access to Information							

	Program / Subprogram/ Activity / Inputs	Implementing Agency	Timelines					
			18/19	19/20	20/21	21/22	22/23	23/24
4.1	**Lowering the cost of accessing information and government services through ICT**	MINICOM; MICET; RDB; RISA; Rwanda Online						
4.1.1	Irembo Business Portal	MINCOM; MICET; RISA; Rwanda Online						
4.1.1.a	Hire developers to develop back-end G2B services to be made available digitally through Irembo	MINICOM; MICET						
4.1.1.b	Connect all G2B services to Irembo Business Portal	MINICOM; MICET; RISA						
4.1.1.c	Develop feedback tools and information pages and connect these to the Irembo Business Portal	MINICOM; MICET; RISA						
4.1.1.d	Carry out awareness campaign about Irembo Business Portal	MINICOM; MICET; Rwanda Online						
4.1.2	Introduce rapid response access windows at regulatory agencies for priority VCs (Advisory Desks)	MINICOM; RDB						
4.2	**Enforcing small business contracts - nationwide communications campaign**	MINICOM; MINIJUST						
4.3	**Review ecosystem incentives for startups in priority VCs**	MINICOM; RDB; RRA						
4.4	**Review of regulatory framework - Implement pending regulatory reforms**	MINICOM; RDB; RRA						
4.4.1	Conduct stakeholder validations and ensure promulgation of new insolvency law	MINICOM; RDB						
4.4.2	Review insolvency framework for SMEs, with a view to reducing time and costs.	MINICOM; RDB						
4.5	**Finalization of ongoing review of IPR regulation**	MINICOM; RDB						
4.5.1	Conduct final validation and promulgation of IPR law	MINICOM						
4.6	**Continuous Better Regulation - Establish two PPD platforms or strengthen two existing ones per year**	MINICOM						