

# Rwanda: Coordinating public and private action for export manufacturing

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## Key messages

- Rwanda's political settlement provides an unusually favourable platform for emulating the most successful experiences in other parts of the world in making the breakthrough into employment intensive, export-oriented manufacturing.
- However, a platform is no more than a platform, and urgent attention is needed to five other requirements for success in export manufacturing.
- Principally lacking at this point is an adequate concentration of capability, including private sector experience and the ability to use economic appraisal techniques, in a sufficiently empowered public agency.

## Coordination in government<sup>1</sup>

- Policy for economic transformation, including export manufacturing, is comparatively well 'joined up' in Rwanda.
- However, the Rwanda Development Board (RDB) – the organisation that might have been expected to play the forceful coordination role associated with Asian 'super-ministries' – has not been given a sufficiently focused mandate or the necessary resources.
- Although its chief executive has cabinet rank, the RDB's mandate is limited to implementing policy and providing a broad range of services.
- This problem is not unique to Rwanda; similar issues have been raised about Ethiopia's architecture for investment and export promotion.

## Engagement with the private sector

- The best Asian models include a prominent role for public sector departments that are highly knowledgeable about and even socially 'embedded' in the private business sectors they deal with.
- Lack of experience and an insufficiently focused mandate combine to deny the RDB this crucial quality.
- The RDB also must contend with a wider civil service culture that is good at following rules but has been rather inflexible in addressing snags in the regulatory regime in response to private sector complaints.
- Since 2016, the Ministry of Trade, Industry and East African Community Affairs and the RDB have significantly upgraded their engagement with firms in export sectors, including manufacturing.

<sup>1</sup> This briefing paper summarises the policy-relevant findings of a SET report 'Coordinating Public and Private Action for Export Manufacturing: International Experience and Issues for Rwanda' by the same authors.

- This is a potential game-changer, but only if the government side can provide the concentrated, specialised capability that Asian experience shows is needed.
- Without fanfare or the central involvement of the RDB or ministries, the government of Rwanda has actively supported medium and small domestic businesses moving into sectors, or a scale of operations, in which they previously lacked experience.
- These efforts have not yet steered significant resources into export manufacturing, but they provide a good model for doing so.
- Consideration should be given to the pros and cons of reforming the RDB – politically possible but organisationally challenging – and creating something largely new, for example as an adjunct to the president’s Strategic Policy Unit.

## Credible private sector representation

- The active role of government in setting up and supporting the Private Sector Federation (PSF) is consistent with global experience on the role of the state in enabling effective private sector representation.
- In the same spirit, legislation to reserve more benefits for association members should be considered as a next step towards strengthening PSF’s independent analysis and advocacy role.

## Selective support with enforceable performance standards

- Rwanda’s most recent experience with firm-by-firm memoranda of understanding foreshadows the kind of system that will be needed in the near future for identifying investment partners, agreeing conditional support and regulating the overall ‘deals environment’.

- One major challenge in taking this forward is the lack of priority being given to the technical basis for investment project appraisal, as distinct from defining strategic priorities.

Another is to get domestic firms into the emerging performance-linked support system sooner rather than later.

## Experimentation, rapid feedback and timely corrections

- The history of industrial policy lends strong support to the importance of ‘discovery’ by both firms and their public-sector regulators.
- Rwandan government policies have reflected an exceptional commitment to learning by doing, and President Kagame has emphasised this in economic policy contexts.
- However, general adoption of this way of working is in tension with rigorous rule enforcement, which remains a necessary condition of the country’s exceptionally corruption-free business environment.
- The solution is to concentrate available capacity to think and work in an adaptive, problem-driven way in the agency that takes on the forceful investment coordination role.

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