



Influencing government industrial policy and supporting improvements to DFID programming in Rwanda

Impact case study

SUMMARY

The Supporting Economic Transformation (SET) programme has been working in Rwanda since 2016. The primary focus of the work has been supporting the evolution of government policy towards a coherent approach to economic transformation. Policy research and engagement carried out with this aim has contributed to a gradual but perceptible improvement in the quality of policy thinking despite some notable counter-currents. This work has spun off secondary benefits in terms of stimulation and guidance to DFID governance and growth advisers, DFID partners and the local private sector. The programme's key contributions were:

- A cumulative series of research papers and conversations with high-level Rwandan stakeholders around international experiences of economic transformation and implications for Rwanda, starting with the SET/ACET background papers discussed in Kigali with Rwandan ministers at the [2016 African Transformation Forum](#) and continuing with outputs on [public-private sector coordination](#), [financing manufacturing](#) and the evolution of the local business community.
- A major influencing effort culminating in September 2018 in a [briefing](#) and roundtable on 'Kickstarting Rwanda's economic transformation: what needs to be done, when and by whom?'. Attended by over 30 senior policymakers, including the Minister of Trade, two Permanent Secretaries, several Director-Generals and the government's Chief Economist, this produced a consensus on priorities around employment-intensive manufacturing that is now influencing implementation of the 2017-24 government programme, now called the National Strategy for Transformation (NST).
- A staff training initiative and guidance note on analytical techniques to support decision-making on investment priorities, carried out as part of the Ministry of Trade and Industry (MINICOM)'s Economic Diplomacy programme. The training built the capacity of the Economic Diplomacy focal points in key ministries to assess and prioritise industry, trade and investment options, and fed into the programme's assessment.
- Regular exchanges of information and ideas with DFID growth, governance and private sector development leads, including on the design of Invest Africa, around DFID-Rwanda's Governance for Growth (G4G) initiative, and on synergies and operational methods across the country portfolio.

THE POLICY CHALLENGE

The Rwandan economy has experienced moderate growth, of around 7% per annum, in recent years. Improvements in agricultural productivity have helped income inequality and poverty to fall. This is set to continue but needs to be complemented with new sources of growth providing productive employment outside of agriculture on a substantial scale, while increasing the resilience of the national economy by diversifying its export earnings. The Government of Rwanda (GoR) has taken important initial steps towards a coherent industrial policy framework, including establishing a special economic zone (SEZ) in Kigali and planning for a further eight industrial parks in other parts of the country. However, it is only recently that its overall policy approach has been framed as economic transformation, with manufacturing growth and suitably ambitious job-creation goal at its centre. There continue to be significant counter-influences on policy, including beliefs around economic self-reliance and the feasibility of skipping developmental stages.

Rwanda has needed tailored advice and research support to help in getting closer to the targets set in its Economic Development and Poverty Reduction Strategy II (EDPRS2), its revised Vision 2020 and, most recently, its National Strategy for Transformation (NST1). Based on an initial scoping exercise, the SET Rwanda project was tasked with supporting the GoR and its partners to design and implement policies that could put the country on a more transformational path, with work in four priority areas:

- The selection and design of policies and instruments for the development of an **employment-intensive, export-oriented manufacturing sector** with robust linkages to the domestic, regional and global economies.
- The identification of **new sources of foreign and domestic private investment** for the sector and related services, taking into account the importance of generating knowledge spill-overs on business models and marketing strategies.
- **Arrangements for dialogue, consultation, feedback and lesson learning** among the different government and private sector actors with interests in the sector, including the adequacy of current forms of coordination and interest-representation.
- The ability of GoR to provide intellectual and experience-based **leadership on economic transformation to regional bodies**, including the East African Community and the manufacturing and regional integration chapters of the Coalition for Transformation launched at the African Transformation Forum 2016.



The SET team and GoR officials meet for high-level roundtable on kickstarting Rwanda's transformation, 10 September 2018.

WHAT SET DID

Leading political economist and Principal Research Fellow at ODI, David Booth, and Research Fellow Linda Calabrese worked closely with locally-based consultant Frederick Golooba-Mutebi on a cumulative series of research papers and linked conversations with high-level Rwandan stakeholders. The core aim was to influence and support government policy, with benefits to DFID and the local private sector as an additional goal. The common focus of the work was international (especially Asian) experience in economic transformation and its implications for Rwanda. The principal steps were:

1. **Contributions, with the African Centre for Economic Transformation (ACET)**, to the design and proceedings of the first [African Transformation Forum](#), co-hosted in Kigali by ACET and GoR in March 2016. This process was important for kicking-off the Rwanda project's high-level conversations with GoR as well as for **stimulating GoR's reformulation of its strategic goals towards economic transformation**.
2. A [policy paper comparing Rwanda's current institutional arrangements](#) for coordinated action and dialogue on foreign direct investment and private sector development with a range of Asian and African models. This included a range of relevant examples of effective practice in public-private collaboration and the steering of industrial policy. It was well received by then Minister of Trade and Industry Francois Kanimba, was circulated widely among the senior stakeholders interviewed during the research, and was frequently referenced in the follow-up conversations in the country by locally resident team member and East African thought-leader Golooba-Mutebi. This paper was also uploaded by the Government of Rwanda in the newly created [Rwanda Trade Portal](#) (only accessible to government staff).
3. Two complementary research papers. One, on [financing manufacturing](#) in Rwanda was widely circulated in 2017, and it was uploaded by the GoR in its newly created [Rwanda Trade Portal](#) (only accessible to government staff). This paper was presented in a new form at the International Growth Centre (IGC)-supported conference on 'Industrial Policy for the Next Decade' in September 2018. The other, the product of field research on '**The local business community in Rwanda: prospects for an expanded role in economic transformation**' has been shared with DFID and submitted to a scholarly journal.
4. **A major influencing effort on the principal policy lessons highlighted by the SET research**. High-level conversations around a synthesis [briefing](#) culminated in September 2018 with an invitation-only, high-level roundtable: 'Kickstarting Rwanda's economic transformation: what needs to be done, when and by whom?'. Attended by over 30 senior policy makers, including the Minister of Trade, two Permanent Secretaries, several Director-Generals and the government's Chief Economist, this produced a consensus on priorities around employment-intensive manufacturing that is now influencing implementation of the NST1. The main takeaways of the roundtable are presented in the document '[Kickstarting economic transformation in Rwanda: key takeaways](#)', jointly produced by the SET team and the Ministry of Trade and Industry (MINICOM). This was brought to a wider audience through a second SET presentation at the above-mentioned MINICOM/IGC conference. The material has also been used by the Ministry in their own presentations and strategic thinking.
5. A guidance note on **appraising export-growth and import-substituting options** was written and shared with the MINICOM with the support of the embedded trade specialist of the Tony Blair Institute. This was included in MINICOM's Economic Diplomacy Strategy as part of the programme documentation. Following this, a series of **staff training workshops** on analytical techniques to support decision-making on investment priorities were held by ODI/SET experts in July-August 2018. The training activities built the capacity of the Economic Diplomacy focal points in key ministries to assess and prioritise industry, trade and investment options.
6. **Regular exchanges of information and ideas with DFID growth, governance and private sector development leads**, drawing on the GoR-facing research and other ODI work. Contributions included a written input to the design of the Invest Africa programme, and several conversations about the form to be assumed by DFID-Rwanda's Governance

for Growth (G4G) initiative. This work culminated in a workshop in August 2018 with DFID implementing partners, on 'Tools for Transformation', explored synergies and operational methods across the country portfolio, drawing on SET/ODI thinking.



ODI Principal Research Fellow David Booth (far right) discussing SET analysis with government representatives at IGC and GoR conference on industrial policy, 17-18 September 2018.

IMPACT

The SET Rwanda project has had demonstrable success in respect of two of the core aims of the SET programme: (i) supporting the planning and implementation of policies that drive economic transformation at government level, and (ii) supporting improvements in DFID programming at country-office level. In particular, SET has contributed with others to put economic transformation at the centre of GoR’s strategic agenda (as in NST1) and to appreciate better what this commitment means, in terms of choice of industrial priorities, modalities of policy steering and private-public collaboration that work best in export-oriented, employment intensive manufacturing, and capacity limitations to be addressed in appraising investment options.

We consider the impact of the SET programme’s work in Rwanda across four broad types as outlined by DFID-ESRC Growth Research Programme (DEGRP): **conceptual impacts** (changing perceptions, knowledge or approaches/attitude), **instrumental impacts** (tangible changes in either policy or practice), **capacity building impacts**, and **improvements to connectivity** between different actors.

Conceptual impacts

While Rwandan policies have famously taken inspiration from certain Asian countries (notably Singapore), the most relevant experiences of economic transformation from Asia and the Africa region (e.g. Mauritius) have not been taken as seriously as they should have been. The most relevant lessons are about the early priority given to raising agricultural productivity and the subsequent turn to employment-intensive, export-oriented manufacturing. Specialisation according to latent comparative advantage and concentrated effort around industrial clusters are among the key concepts.

“The work speaks to the core of our priorities at RDB, and topic is very interesting for us at this very time”

Chief Operations Officer, RDB

The SET programme has contributed to the communication of these highly relevant concepts to the highest policy circles in the country. It did not do this single-handedly but, by exploring and discussing with stakeholders the specific application to Rwanda of the policy principles advocated

globally by policy organisations such as ACET and economists such as Joe Studwell, Justin Yifu Lin, Celestin Monga and others, it has brought the implications closer to home than they otherwise would have been. Evidence of the reach of the SET-supported concepts includes the tabling of the programme’s first Rwanda-specific paper, on public-private collaboration, a meeting of the Presidential Advisory Council (PAC) by ex-Trade and Industry Minister Francois Kanimba, and the calibre of the attendance and quality of the discussion at the high-level roundtable in September 2018, which included the Minister of Trade and Industry Hon. Vincent Munyeshyaka, two Permanent Secretaries, several Director-Generals and the Chief Economist.

Instrumental impacts

The GoR’s soon-to-be-published seven-year programme for 2017-24 is called a strategy for transformation, with the first chapter dedicated to economic transformation. The February 2018 draft of the NST1 also put an ambitious job target at its centre and recognised a key role will be played by manufacturing. The change in policy language is partly the reflection of a trend across the Africa region, but SET’s collaboration with ACET in 2016 made a significant contribution to this reframing among others.

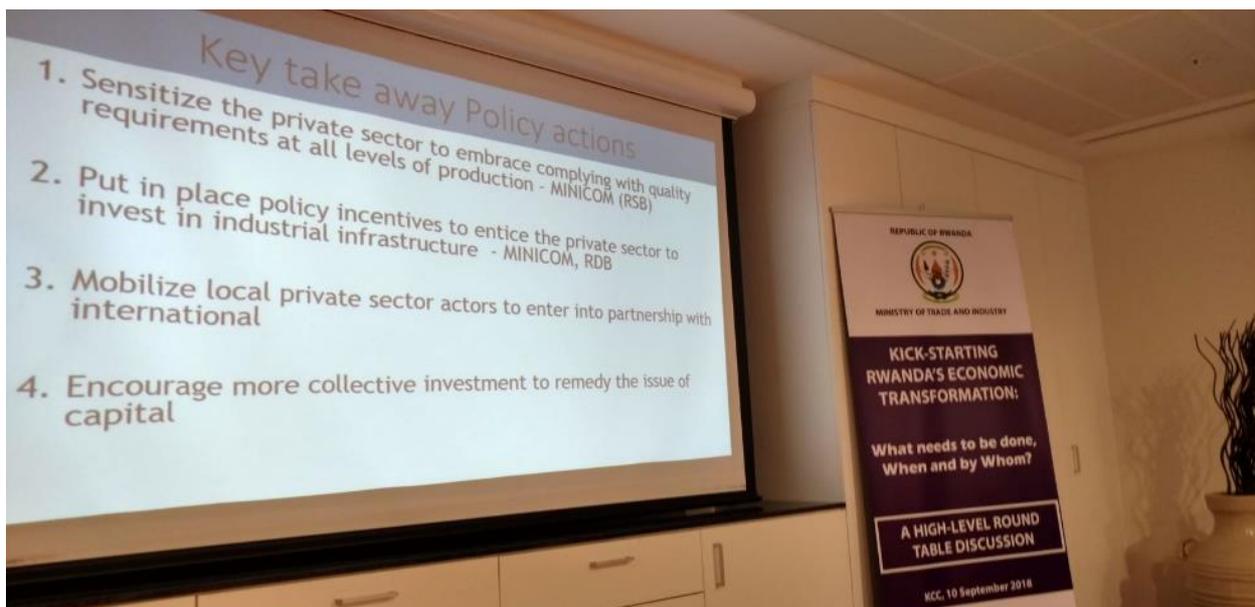
Of course, it is the implementation of the NST1 that will matter, not the document on its own. The most important tests in this respect lie ahead. However, the strength of the high-level consensus at the September 2018 roundtable gives grounds for hope around the four commitments discussed there:

- Giving greater effective priority to employment intensive manufacturing
- Accelerating the SEZ programme with closer attention to industrial clustering
- Mobilising the domestic private sector behind the manufacturing effort
- Strengthening the framework for government-wide coordination of industrial policy

“I was at the industry and exports sub-sector working group this morning at MINICOM, where they presented the slides from your high level roundtable and focused on these 4 lessons! So it already seems to have made a mark on them in the short term.”

Anna Gibson, DFID Rwanda

These four commitments were already owned and presented by MINICOM in policy fora, such as the industry and exports sub-sector working group held in October 2018.



SET’s recommended policy priorities reflected in Rwandan government policy action ‘takeaways’ at high-level roundtable, 10 September 2018.

Capacity building impacts

Government of Rwanda

The guidance note on appraising export-growth and import-substituting options led to a collaboration with MINICOM embedded advisors (from the Tony Blair Institute (TBI)) that was designed to fit closely the work and objectives of the Ministry's Economic Diplomacy programme and the government-wide NST1. Buy-in was secured from the Permanent Secretary to MINICOM, and a training programme in Kigali in July 2018 was attended by 14 government representatives.

"I've heard from MINICOM that Linda and Max's training was really relevant and well received, which is great"

Anna Gibson, DFID Rwanda

"This training helped me to take/undertake an analysis on how we could improve our economic transformation through developed industry, trade and investment"

Economist, MINECOFIN

The follow-up activity in August had similar levels of participation and focussed on the practical applications of the concepts discussed in the first training.

The notes and presentations of the training will be uploaded in the government's Economic Diplomacy intranet to be accessible also to those who were not primarily selected for the training but are keen to deepen their understanding of these topics.

DFID Rwanda

SET worked with DFID Rwanda to inform their programming and policies by conducting research into one of its key focus areas, manufacturing. The papers were influential in the development of their manufacturing interventions under the Invest Africa programme and the G4G initiative.

SET also helped DFID achieve lasting improvements in the way DFID programmes and implementing partners work together to help transform Rwanda by hosting meetings with new G4G leads, discussing the business community study and its implications for working on business voice and representation.

Tony Blair Institute

The guidance note on appraising export-growth and import-substituting options is being used by the TBI's representative in the GoR as training background documentation, and it will have direct influence on the direction of the GoR's new Economic Diplomacy Programme by informing the action plan for its development. SET's outputs, including the synthesis briefing paper, have been shared with and presented to the TBI Rwanda team as a whole.

Connectivity impacts

The project has strengthened networks of stakeholders both in the development and utilisation of the research. Training workshops which secured the attendance of representatives from multiple government departments reflected SET's ability to convene across government and share knowledge with a common objective.

SET has also provided DFID Rwanda with invaluable support in being able to access, and independently work with, Rwandan government in ways not directly open to it as a donor.

SET has also been able to promote a frank discussion about export-led manufacturing within the GoR and to bring the main points of this discussion to the public forum at the MINICOM/IGC industrial policy conference.

SET has also linked Rwanda's development path to the work of Celestin Monga, Vice-President and Chief Economist of the African Development Bank, whose work was used to inform the policy lessons on kick-starting economic transformation in Rwanda. The SET team has connected Dr Monga to Hon. Min. Munyeshyaka (MINICOM) and his team.

WHAT SET LEARNED

One of the main lessons the SET programme has learned is about the importance of working with the institutional players in Rwanda. MINICOM has a mandate in the areas of trade and industry, and plays a strong role in these areas. The SET programme worked closely with MINICOM to organise the high-level roundtable in September 2018. The Ministry played an active role in the organisation and dissemination of the work. The Ministry were also keen to develop specific action points from the conference, which they have already taken forward as part of their own work. This has ensured strong buy-in and sustainability of the SET messages.

On another level, the Rwanda experience has generated some fresh insights about the relationship between political economy and policy work, nuancing the framework described in [SET's 2017 approach paper](#). The political economy context for economic transformation is clearly different, and on balance more favourable, in Rwanda than in, say, Tanzania or Kenya. Less clearly favourable elements in the country's political economy include incentives to engage in voluntaristic policymaking, where goals are set without sufficient reference to the country's current resource endowments. Consistent commitment to supporting employment-intensive manufacturing would have been achieved sooner in the absence of this factor.

USEFUL LINKS

- Event report | [ACET African Transformation Forum 2016 \(Kigali\)](#)
- Report | [Coordinating public and private action for export-based manufacturing: international experience and issues for Rwanda](#)
- Report | [Financing manufacturing in Rwanda](#)
- Blog | [Four ways to help East African manufacturing](#)
- Briefing | [Kickstarting economic transformation in Rwanda: four policy lessons and their implications](#)
- Event report | [Kickstarting economic transformation in Rwanda: what needs to be done, when and by whom? - Key takeaways](#)