



# Briefing Paper

## Industrial Policy: Proposed Features of a National Agro-Processing Forum under the IDEC

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### Summary

Although Rwanda has in place a National Industrial Policy, agro-processing has so far failed its main purpose of boosting agriculture production for food and livelihood security. The sector also continues to face climate and trade-related challenges. More effective implementation of the industrial policy in the area of agro-processing development should bring on board agro-processors as part of its public-private dialogue mechanisms, so as to base its interventions on ground realities. Towards this end, this paper advocates for creating a National Agro-processors' Forum, integrated into the Industrial Development and Export Council (IDEC), and proposes its main features.

## Background

Research has shown that food processing offers Rwanda a wealth of opportunity for industrialization, economic development and poverty alleviation. Generally, agro-industrialization offers immense opportunities for income generation, employment, food security and overall economic development. The important role played by agro-processing in ensuring sustainable development in Rwanda was also highlighted in a recent study entitled “*Agro-Industrial Development Policies: What Nexus to Climate, Food Security, and Trade in Rwanda?*” (Kanyangoga, 2017), whose recommendation to establish a National Agro-Processing Forum (NAPF) was agreed in August 2017 by the National Reference Group (NRG). Since then, members of this multi-stakeholder network have been advocating in favour of a NAPF which would provide space for effective collaboration among the key stakeholders within the sector. This will then allow them to successfully advocate for the formulation and implementation of relevant and specific agro-industry policies and strategies.

Indeed, it is argued that setting-up a forum for agro-processors will help in maximizing opportunities in agro-processing through a specific agro-processing policy and incentive measures. It is further argued that the NAPF would give more visibility and more attention to the sector and its specific needs and challenges, since the main players would come together to raise their issues and propose policy actions to be taken. In fact, such forum could be the basis for an agro-industrial development policy and/or strategy. Looking at Rwanda’s current development vision, the implementation of these plans and measures will be a substantial contribution towards a sustainable agro-processing development in the country.

In light of the above, it is envisaged that the NAPF will be integrated in the already existing Industrial

Development and Export Council (IDEC). The IDEC was established in 2011 to stand at the helm of the Industrial Governance structure in Rwanda by overseeing and coordinating the implementation of the National Industrial Policy and the National Export Strategy, as well as other related national policies of industrial development, such as the Trade Policy and SME Policy. The IDEC reports to the Prime Minister’s Office and is designed to be the overarching coordinating mechanism for national policies and strategies relating to industrial growth and trade development in Rwanda.

## The National Industrial Policy

The Rwanda National Industrial Policy was approved in 2011 and articulates relevant measures for upgrading, modernizing and expanding the industrial sector in Rwanda. According to the Ministry of Trade and Industry (MINICOM), the objective is to create and build momentum behind the transformational industrial growth that would make Rwanda regionally and internationally competitive. This ambitious goal is in line with the national Vision 2020 that targets industry as well as services in economic activities. According to Rwanda’s Industrial Policy, manufacturing provides both demand and supply stimulus for the growth of agriculture and modern services. It is often the largest customer for banking, transport, insurance, communications, advertising, and utilities, fuelling markets for services and skills in these areas.

Generally, Rwanda’s industrial sector is small in comparison to the other key sectors and has seen its share of GDP remain at around 15 per cent over the past decade. This means it is currently less than half the size of the services and agricultural sectors. Most of the industrial output is made up by construction (52%), manufacturing (42%), and mining and quarrying (4%). Within manufacturing, food, beverages & tobacco make up around two-thirds of output, with a number of smaller sectors making up the remainder<sup>1</sup>. Each of these sub-sectors of manufacturing have seen growth in the past eight

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<sup>1</sup> Government of Rwanda – Ministry of Trade, Industry and East African Community Affairs (MINEACOM); “Rwanda National

Industrial Policy (2011)”

years, but from such small bases that they are still of small significance to the Rwandan economy as a whole.

While the National Industrial Policy is not solely dedicated to agro-processing, through this policy, all related efforts to enhance agro-processing can be accommodated and relevant issues addressed. In line with Rwanda's development vision, the role of agro-industry as a sector of the economy has multiple facets and changes in the course of development. In the early stages of growth, industrial processing of agricultural products tends to be limited to a few export crops, while the majority of agricultural products are consumed after minimal forms of processing that are performed entirely within the agricultural sector. The Ministry responsible for Trade and Industry is at the forefront in terms of leading major related initiatives and is embarking on an aggressive strategy to strengthen the agro-processing sector in Rwanda. With its various intertwined services, the Ministry facilitates the strengthening of agro-industrial capabilities and linkages that improve opportunities for added value and serve as effective means of achieving economic transformation and sustainable livelihoods. The scope of this assistance goes beyond urban agro-industries to reach poor and marginalised rural populations as well as communities in need of services such as skills development, emergency supplies of agro-equipment, and the rehabilitation of food industries.

## **The place of agro-processing in the industrial policy**

Rwanda's National Industrial Policy provides a roadmap for upgrading, modernising and expanding the industrial sector in Rwanda. The policy however does not provide any dedicated focus or emphasis on agro-processing. In fact, there is no policy or strategy that is specific and exclusive on agro-processing at the moment. Currently, policies and strategies on agro-processing in Rwanda are spread out in various policy documents with more significant information contained in the Industrial development and agricultural related policies and strategies.

In light of the above, and based on current realities, there has been a general consensus among various stakeholders on the need to have a policy and strategy that is dedicated to support and promote a vibrant agro-processing sector in Rwanda. The main argument advanced in support of this position is that agro-processing cannot be enhanced by only the implementation of the existing policies. So, there is a need for a specific policy and strategy to address the dynamics and concerns with direct impact on agro-processing.

It has also been emphasised that, while supporting agro-processing in Rwanda, the national policy should guarantee a special and favourable treatment that the agro-industry deserves. It should look beyond the rest of the industrial sector, which is based on purely business considerations. The policy should look at agro-processing from the perspective of environmental sustainability, ensuring food security, and contributing to poverty reduction.

According to MINICOM, for effective implementation of industrial policy for agro-processing development in Rwanda, the agro-processing sector in Rwanda is an integral part of the step change transition towards high-tech manufacturing envisaged in the National Industrial Policy, with specific clusters (pyrethrum, dairy, vegetable oil, soaps and detergents) highlighted as vital for technological upgrading and economic diversification.

The Domestic Market Re-capturing Strategy (DMRS), developed by MINICOM in 2015, highlighted agro-processing as a priority sub-sector, with a potential annual forex saving of \$118m from 2015-2020. The DMRS highlighted six agro-processing sub-sectors to prioritize that have a high-medium potential to recapture the domestic market. These are sugar, edible oils, rice, fertilizer, maize and dried fish/aquaculture. The Government of Rwanda has put more efforts in promoting agro-processing sector and targeted value chains such as meat, leather, Rice, Cassava, Maize and milk, etc .

## **Making the Industrial Policy**

## Work for Agro-processing

### The gaps for Agro-industries

The Rwanda National Industrial Policy is generally focused on upgrading, modernising and expanding the industrial sector in Rwanda. Technically, agro-processing falls in the area of manufacturing but there are no specific provisions on food processing within the policy. This is a gap to be filled for the industrial policy to sufficiently address agro-processing related issues. Moreover, the industrial policy can serve as a basis to put in place other relevant policies, strategies and measures to enhance agro-processing in Rwanda. In fact, there has been a general consensus by various stakeholders (especially from the private sector) on the need to have a policy and strategy that is dedicated to support and promote a vibrant agro-processing sector in Rwanda.

As much as the national industrial policy generally focuses on issues that in one way or another have an impact on agro-processing, there are still some missing gaps for specific elements that are needed to address directly the issues related to agro-processing.

For instance, an effective industrial policy enhancing agro-processing development should address the critical issues of supply chains whereby most of the agro-industry units are suffering from insufficient raw inputs, high cost of energy and water, lack of access to finance, high energy consumption and outdated technologies etc. They require environment protection measures, agricultural mechanisation, and extending agro-industry to new areas with comparative advantages in agro-processing such as horticulture, dairy, rice, maize and fruits.

While supporting agro-processing in Rwanda, the special and favorable treatment that the agro-industry deserves should look beyond the rest of the industry sector based on purely business considerations because the agro-processing should be viewed from the food security perspective as well. On this basis, stakeholders generally

recommend that the government should consider incentives such as tax breaks and subsidies to investors venturing in agro-processing business.

The current gaps in terms of favourable industrial policy are also reflected in the high production costs making our agro-processed products less competitive and insecure against competition from imports in the region. Those factors may include the cost of basic infrastructures for transport and energy, the fluctuation of quality and quantity of raw materials, the lack of technical assistance and skilled labor for agro-processing units, the insufficiency and inefficacy of start-up funds and grace period, the insufficiency of facilities for exports, and the inaccessibility of public markets.

Another important gap is related to the implementation of the national Industrial policy for agro-processing development. While the IDEC has established a Public-Private Dialogue (PPD) as a consultation mechanism, it does not include channels for agro-processors provide their contribution to policy implementation and obtain responses to their concerns.

### The IDEC implementation structure

The Industrial Development and Export Council (IDEC), established in 2011, is now functioning and reports to the Prime Minister's Office. Its Secretariat is housed in the Ministry of Trade and Industry (MINICOM), who also chairs IDEC meetings. The IDEC is designed to be the overarching coordinating mechanism for national policies and strategies relating to industrial growth and trade development in Rwanda.

The IDEC is comprised of two organs, namely: (i) the High-level Council chaired by the Minister responsible for Trade and Industry and comprised of Ministers from key Ministries and the Private Sector; and (ii) the Secretariat. The key role of the Council is to provide oversight, coordination and guidance in the implementation of the national policies and strategies related to industrial growth and development that quintessentially cut across multiple Ministries, and require public and private

sectors to work towards a common goal. On the other hand, the Secretariat at MINEACOM reports to the Council and is responsible for technical coordination, preparation of meetings, logistical coordination of meetings and dialogue with the implementing agencies and institutions.

The IDEC is mandated to carry out the following responsibilities, among others:

- i. Policy Oversight for implementation of the range of policies and strategies related to industrial development including the Industrial Policy, National Export Strategy, SME Policy, Trade Policy and other related policies.
- ii. Coordinating the national action plans for the implementation of these policies, such as cluster strategic plans, and cross-cutting interventions in the areas of financing, infrastructure, skills, capacity building and technology, trade facilitation, standards and quality assurance, and business environment.
- iii. Ensuring that the Agencies and Institutions delivering on the actions and strategies in the broad area of product diversification and value addition are held to account for achieving the set targets if the goals and the vision of these policies are to be met.
- iv. Monitoring the implementation of cluster strategic plans and the design of new interventions in financing, infrastructure, skills, trade facilitation and the business environment.
- v. Undertake resource mobilization for the promotion of the export sector.

As far as meetings and activities are concerned, the IDEC meets at least quarterly, and all decisions of the Council shall be taken by consensus. The IDEC may invite any person who may contribute ideas to attend its meeting depending on the agenda. Furthermore, the IDEC may establish derivative committees on chosen issues whenever necessary and membership of these committees may include

members not on the Council.

## **Current Public-Private Dialogue Mechanisms**

Based on discussions with a number of private players as well as public sector representatives, IDEC is the main framework through which public-private dialogue on industrial matters is carried out. However, there have been limitations affecting the full and effective participation of private players. This is partly because agro-processors are not involved in developing and monitoring the indicators of industrial policy implementation, which should ideally be the case.

It is very important for all the relevant stakeholders to work together to address the needs and wants for agro-processing development, particularly on aspects at the interplay with trade, climate change and food security. These include incentives, raw materials, access to finance, market access, technology transfer, certificates, etc. This will ensure that agro-processing is facilitated to work towards achieving its main purpose of boosting agriculture production for food and livelihoods security. It is also on this basis that the NAPF is being proposed to encourage the much-needed dialogue and collaboration. Through the NAPF, agro-processors will be given an opportunity to act and face challenges together under the chamber of industry in the Private Sector Foundation's (PSF) structure.

## **Added value of a National Agro-processing Forum**

As already mentioned, NAPF is not introduced to replace or compete with any similar existing mechanism but rather, the Forum comes to supplement the existing initiatives to build a sustainable platform for sustainable solutions. For example, the Forum would add value to the IDEC by specifically focusing on agro-processing issues, proposing actionable recommendations and following up implementation. It would also complement other PPD platforms like the Small and

Medium Enterprises (SMEs) Forum, by focusing on SMEs involved in agro-processing. Indeed, the SMEs Forum was primarily initiated as a platform in which all stakeholders - in private and public sectors and civil society are brought together to discuss issues affecting SMEs in general, with no sectoral focus.

In light of the above, there is a need for a specific Forum to deal with specific and unique issues directly related to agro-processing. The proposed NAPF and other similar forms can work in complementarity under the wider arrangement of Private Sector Development (PSD) cluster.

## The Proposed National Agro-Processing Forum (NAPF)

Although Rwanda has in place a National Industrial Policy, agro-processing has so far failed its main purpose of boosting agriculture production for food and livelihood security. Recent stakeholder consultations under the project “Promoting Agriculture, Climate and Trade linkages in the EAC – Phase 2” (PACT EAC2) suggested that implementation of this policy does not sufficiently address the needs and wants for agro-processing development, particularly on aspects at the interplay with trade, climate change and food security. These would include incentives such as tax breaks and subsidies, raw materials, access to finance, market access, technology transfer, certificates, etc.

Towards this end, it was proposed that agro-processors should act and face challenges together through a dedicated PPD framework called National Agro-processing Forum (NAPF), hosted by the chamber of industry in the Private Sector Federation’s (PSF).

The NAPF would provide space for effective collaboration among agro-processors within the sector, allowing them to participate in the formulation and implementation of specific agro-industry policies and strategies.

### Mission and objectives

The NAPF would be integrated into MINICOM’s IDEC structure, with a mission to ensure effective implementation of the National industrial policy for agro-processing development. In this regard, the forum’s objectives would be the following:

- i. Ensuring the implementation of the national industrial policy promotes climate-aware, trade-driven and food security-enhancing agro-processing development.
- ii. Informing current efforts to overcome agro-processing challenges while harnessing opportunities. These may pertain to irrigation, access to finance, sustainable access to energy in rural areas, environment protection, mechanization, gender, entrepreneurship skills, value addition etc.
- iii. Providing a platform for agro-industry stakeholders to access and share key information about the sector.
- iv. Advocating for more capacity building to farmers towards their professionalisation. This could include, e.g. farmers’ capacity in contract farming and their capacity to negotiate with along the value chain.

### Membership composition and suggested structure

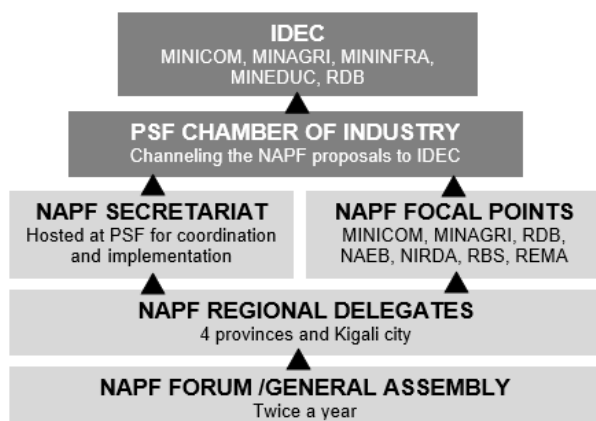
The core membership of the NAPF would be composed of relevant stakeholders engaged in agro-processing activities, particularly existing agro-processing units. Prior to the launch of the NAPF, an exhaustive mapping of agro-processors from all regions of Rwanda is already being produced as part of an ongoing research study to be released next year.

The Private Sector Federation (PSF), through the Chamber of Industry, along with the Ministry of Trade and Industry (MINICOM) should be engaged in the development of the NAPF. Thereafter, the Ministry of Agriculture and other relevant institutions should be brought on board to be part of

the forum. The other relevant institutions would include the following among others: Rwanda Development Board (RDB), Rwanda Standards Board (RSB), National Agricultural Export Development Board (NAEB), National Industrial Research and Development Agency (NIRDA), Rwanda Environment Management Authority (REMA).

In light of the above, the forum would encompass different agro-industry members, both public and private, who would meet regularly and make proposals for implementation by relevant institutions. It will be a place where buyers, sellers, along with regulators, policy makers, as well as consumers can exchange, and learn from each other about their products and the barriers they face when trading. Besides identifying common challenges, brainstorming about possible policy implementation solutions, and advocating for agro-processing development policies or strategies, the forum will also serve as an opportunity for its members to build business relations.

**Figure 1: Proposed structure of NAPF**



## Hosting institution

The NAPF will be housed in the Private Sector Federation (PSF). In line with its mandate, the PSF will coordinate the Forum through the Chamber of Industry with support from the government through the MINICOM.

PSF is a professional organization, dedicated to promote and represent the interests of the Rwandan

business community. It is the umbrella organization and voice of the private sector. PSF has registered major successes since its creation and is at the forefront towards the realisation of Rwanda’s Vision 2020 and EDPRS II aspirations of having a private sector led economy.

## Integrating NAPF in the IDEC structure

It is envisaged that the NAPF will be integrated into MINICOM’s IDEC structure, for more effective implementation of the national industrial policy promoting climate-aware, trade-driven and food security-enhancing agro-processing development. This will ensure the kind of effective public private dialogue that is being sought, particularly since PSF is already a key member of IDEC representing private sector interest.

## Sustainability of the Forum

The NAPF will provide an interactive platform for discussion between policy makers and the agro-processors’ community with dual purpose of identifying constraints that make their work difficult and frustrating and finding solutions to them. For the future, the Forum with support from relevant stakeholders shall ensure short, medium and long terms sustainability plans. Sustainability is the capacity to endure by being able to guide the operations of the forum with well-established goals. It requires the forum to be able to continue carrying its activities in long-term. This can be achieved through well planned process of interrelated activities. It is in this regard that the forum shall in the short term have a coordinator (focal point) at PSF and in the medium term have a dedicated Secretariat. In the long term, the Forum should have a permanent Secretariat which can think ahead of actions and coordinate all clusters that are in the agro-processing sector.

The benefits of having a secretariat include the following: (i) anticipating possible challenges that may need to overcome before the Forum meetings; (ii) crystallization and implementation of recommendations and thoughts drawn from the

Forum's meeting; (iii) planning and strategizing for the Forum; and (iv) acting as a coordination Office for the different issues that are pertinent in the agro-processing sector.

## Conclusion

There is a consensus among key stakeholders that the National Agro-Processing Forum (NAPF) will add value to IDEC towards enhancing agro processing in Rwanda. The NAPF would complement existing PPDs dedicated to private sector development, by targeting agro-processors and their unique circumstances, and focusing on aspects at the interplay between food security, trade and climate change. The Forum will therefore serve as an interactive platform for discussion between policy makers and the private sector community with dual purpose of identifying constraints that make their work difficult and frustrating and finding solutions to them, especially in regard to the interplay between trade, climate and food security.

Therefore, NAPF will ensure that specific issues related to agro-processing are properly addressed in the implementation of the National Industrial Policy.

## Recommendations

The following are recommended actions on the way forward to ensure that the Forum is established and serves its intended purpose:

### Strengthening the Administrative Structure

The NAPF needs a strong and effective administrative structure to function smoothly and deliver on its mandate. Hence, the next immediate steps should include strengthening the administrative structure of the Forum based on the proposal to host it at PSF with an in-house coordinator who works closely with the MINICOM.

### Formal Launch

The formal launch will raise awareness about the Forum which is very important for the general

public to know about its existence and services as well as its expectations from the supporting partners. For the launch, formal invitations should be extended to key stakeholders, agro-processing SMEs, and potential partners.

### Designating Focal Points

Though the Forum will be coordinated and housed at PSF, the responsible focal point will need to work with other relevant institutions and partners. This will ensure the effectiveness and success of the Forum. In this respect therefore, there is a need to designate focal points from several key institutions to directly work with the Forum Coordinator on a regular basis. Such institutions could include MINICOM, the Ministry of Agriculture (MINAGRI), Rwanda Development Board (RDB), National Agricultural Export Development Board (NAEB), National Industrial Research and Development Authority (NIRDA), Rwanda Standards Board (RSB), and Rwanda Environment Management Authority (REMA).

### First Working Meeting

To kick-start the business, that is the Forum's activities, the first working meeting should be convened within three months after the official launch.

### Financing the Forum

Some of the activities of the Forum will require financial resources. Hence, there will be need to effectively mobilise the needed resources. This will be done by preparing a proposal to mobilise the needed funds by the end of 2018. One option would be to raise contributions from members.



## References

Kanyangoga, John Bosco (2017). Agro-industrial Development Policies: What Nexus to Climate, Food Security, and Trade? – Rwanda. Geneva: CUTS International, Geneva.



### CUTS International, Geneva

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