

Programme Support to the African Continental Free Trade Area (AfCFTA)

Rwanda Component

Background and context

At the 10th Extraordinary Summit of the African Union held in Kigali, Rwanda in March 2018, the agreement on the African Continental Free Trade Area (AfCFTA) was signed. As part of the AU's 2063 Agenda, the AfCFTA is one of the AU's flagship projects. Currently, the agreement, which came into force in May 2019, has been signed by 54 of the 55 African states and as of April 2022 ratified by 42 states. Rwanda was the first country to ratify all the agreement's instruments.

Rwanda's annual growth averaged 7.5% between 2009 and 2019. According to the World Bank, this growth has been accompanied by a sharp and sustained reduction in poverty. The AfCFTA will further assist Rwanda in achieving its economic goal of reaching middle-income status by 2035 and high-income status by 2050.

Project name	Programme Support to the African Continental Free Trade Area (AfCFTA)
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Partner Organisations in Rwanda	Ministry of Trade and Industry (MINICOM), Rwanda Development Board, Rwanda Revenue Authority, Customs Services, Rwanda Private Sector Federation.
Total Programme Budget	EUR 48 million (as of 05/2022)
Rwanda Component Budget	EUR 2 million
Overall Programme Duration	08/2020 – 08/2024

As open market economy, Rwanda is committed to promoting private-sector-driven growth and regional integration. According to the Rwanda National Institute of Statistics, in 2018, trade with

African countries accounted for 44% of Rwanda's total exports and for 25% of imports. In the same year, this intra-African trade accounted for almost half of Rwanda's total trade. In addition, the country's exports within Africa have increased by around 50% over the last five years – only declining in the aftermath of the COVID-19 outbreak in 2020. For the country to benefit from the AfCFTA, Rwanda needs to strengthen and grow its small private sector increasing competitiveness and supply-side capacities that will positively affect the ability of companies to respond to market signals and compete across the continent.

Our approach

The Republic of Rwanda needs sufficient capacities to successfully realize the AfCFTA. The specific roles to be played by the government, private sector, and civil society are currently not fully supported with requisite knowledge and skills. Although responsibilities are defined in the framework agreement, the specific working methods still need to be established through the National Strategy for Implementation of AfCFTA. This requires building the capacity of all key stakeholders in specific matters of trade in goods and services, among others, as well as raising awareness and strengthening the necessary institutional and legal frameworks for realizing the AfCFTA at a National level.

The Programme Support to the AfCFTA addresses institutional challenges to support the negotiation and implementation of the AfCFTA. It works at the continental, regional and national levels to respond to the complex nature of the AfCFTA's negotiation and implementation as well as to the heterogeneity of the State Parties. Rwanda is one of eight countries supported at the national level.

Objective



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The programme aims to strengthen the framework conditions at continental, regional and country level to realize the AfCFTA.

For that, the GIZ AfCFTA programme is focusing its support on the following key areas:



Strengthening institutions for strategic steering and coordination at continental, regional and national level



Facilitating negotiations on Trade in Services (TiS) liberalization



Creating capacity to implement commitments under Trade in Goods (TiG) and facilitating negotiations



Supporting preparation for phase two negotiation, specifically on Investment, Competition Policy and Digital Trade



Promoting sustainability approaches for social, ecological and participatory trade negotiation and implementation of the AfCFTA

Partner structure in Rwanda

The main partner for the Rwanda Component is the Ministry of Trade and Industry (MINICOM). GIZ works closely with MINICOM to deliver results on all five areas of intervention identified above. In addition, the program collaborates with Rwanda revenue authority, Rwanda Development Board, National Institute of Statistics, among others. Lastly, the Rwanda Private Sector Federation (PSF) is also highly involved through its chambers like Rwanda Freight Forwarders Association (ADRWANDA/RWAFFA), Rwanda Civil Society Platform (RCSP).

Areas of support in the Rwanda Component

In Rwanda, the project supports the negotiations and national implementation efforts and collaborates with the National Implementing Committee. A national AfCFTA implementation strategy has been set and structures have been established to implement the Boosting Intra-African Trade Agenda (BIAT), which seeks to address the key constraints and challenges of intra-African trade.

Key activities under the Rwanda component are, among others:

- Supporting the national implementation of BIAT.
- Supporting advocacy on building competitiveness and growth-readiness of SMEs
- Sensitization and training on Rules of Origin for customs and other relevant authorities and stakeholders
- Awareness and training workshop of members of NIC under trade in services in line with AfCFTA.

- Support the Rwanda negotiation team through position papers and capacity building for the Phase II negotiations.
- Organizing awareness workshops such as National AfCFTA awareness campaign

Challenges for the AfCFTA implementation

Several factors such as import requirements; low export base and diversification; slow industrialization; and structurally high costs of doing business; contribute to a chronic and increasing trade deficit in Rwanda. The Rwandan manufacturing market is small, relative to its neighbors and other African economies. Access to finance for the private sector is limited due to high interest rates and limited local capital markets.

All in all, for the opportunities presented by the AfCFTA to be fully achieved, there is a need to address related challenges. There are various challenges to overcome which can be generally classified in the following categories: infrastructure related challenges, competition and consumer protection related challenges, market requirements and standards, trade facilitation constraints/ Non-Tariff Barriers. Infrastructure related challenges lead to high transport costs due to Rwanda's geographical location as a landlocked country. Regarding required standards on the continental market, related challenges are likely to be experienced in the manufacturing sector where manufactured goods need to comply with market requirements and buyer preferences. These are the challenges that manufacturers in Rwanda are already dealing with.

Results

With its support the project is aiming for the following outcomes:

- National structures supporting the implementation of AfCFTA are strengthened and the facilitation of trade negotiations is supported
- Enhanced framework conditions for implementation of commitments under TiG and TiS
- Clear position reached on the Phase II negotiation topics and preparation on implementation of trade related aspects of IPR
- Active private sector and civil society groups in the AfCFTA negotiation and implementation process.
- Strengthened understanding and knowledge of different stakeholders on the AfCFTA as well as on the different policies and programs affecting or supporting its domestication in Rwanda.

In collaboration with the Government of Rwanda, the programme, at impact level, intends to realize sustainable development in Rwanda through the principle of economic integration.

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