



National Capacity Building Workshop on Indicators for Measuring and Benchmarking Productive Capacities and Structural Economic Transformation in Rwanda

Concept Note

Background

Rwanda is one of a small number of African countries moving from the implementation of a National Vision 2020 to a new Vision 2050, which aims at achieving high standards of living for the population and puts emphasis on achieving high and sustained economic growth, high per capita income, modernization and structural transformation. Thus, it is in concordance with the United Nations 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), the East African Community Vision 2050 and the African Agenda 2063.

The impressive social and economic transformation registered by the country over the last two decades is the socio-economic foundation for the National Vision 2050 of Rwanda. Through its Vision 2020, Rwanda implemented a series of measures aimed at becoming a middle-income country by 2020 and promoting a transition from an agrarian to a high-productivity, knowledge-based economy. From 2000 onwards, Rwanda has experienced high and steady economic growth averaging around 7% per year. As with many developing countries, there was a gap between such an impressive growth performance, and key social indicators such as employment and substantial poverty reduction. UNCTAD argues that this gap is the manifestation of weak productive capacities and a lack of meaningful structural economic transformation.

Conceptually, the notion of productive capacities is defined by UNCTAD as *“the productive resources, entrepreneurial capabilities and production linkages, which together determine the capacity of a country to produce goods and services and enable it to grow and develop”*

(UNCTAD, 2006). Thus, the definition stresses three distinct, but interrelated dimensions of productive capacities – productive resources, entrepreneurial capabilities and production linkages. The state of productive capacities in Rwanda is assessed and measured along these broad concepts.

The measurement and assessment of such capacities and structural economic transformation in Rwanda indicates that the country has made tremendous efforts and progress over the last two decades, but some key challenges remain. For instance, Rwanda outperformed several countries and groups of countries, especially regarding natural capital and institutions. However, the Productive Capacities Index (PCI) score for the country was reduced, in particular, by weak productive capacities in energy and limited structural change. Some four-fifths of the country's exports are comprised of primary commodities, with minerals and vegetable products making up the bulk of Rwandan exports. In other words, the findings and policy conclusions indicate, that despite the remarkable economic progress and demonstrated commitment by the Government, Rwanda still faces many challenges in building productive capacities and structurally transforming the economy.

Some of the challenges include: a lack of access to and the high cost of finance; a lack of access to affordable energy; a lack of skilled workers; vulnerability to external economic shocks; a shortage of raw materials; limited transformation and improvement in the quality of governance using information and communications technologies (ICTs); and a limited skills mix, which partly explain the country's underperformance in priority productive capacities. A dedicated UNCTAD report, which was prepared for this workshop, documents the various endeavors by the Government to achieve the transformation of Rwanda's economy. It addresses the constraints faced by the country and details the subsequent Government interventions to address these challenges. The report also makes numerous recommendations for consideration by the Government and other stakeholders.

Objective

Building on the recent socio-economic performance of Rwanda, the national workshop will discuss the role of productive capacities and structural economic transformation. It will examine how productive capacities and structural transformation can best be placed at the center of national policies and strategies. The workshop will also validate the PCI for Rwanda and the national report prepared by UNCTAD. The discussions with national stakeholders will be based on UNCTAD's work on developing the PCI and the national report on Rwanda.

Specific issues to be addressed during the national workshop include:

- a) Levels of productive capacities in Rwanda and other developing countries;
- b) Challenges of economic diversification and the implications of increased export concentration for fostering productive capacities and structural economic transformation in Rwanda;

- c) The role of transport, trade facilitation and trade logistics in improving the export competitiveness of Rwanda; and
- d) Successful experiences and best practices in policy formulation and implementation for productive capacities and structural economic transformation with implications for Rwanda.

Modality of the national workshop

The national workshop will have three inter-related parts:

- a) Consultations with immediate stakeholders on the report prepared by the national consultant and the indicators developed by UNCTAD;
- b) Technical-level consultations involving senior experts from public institutions, and representatives from the private sector and civil society of Rwanda, including academic institutions; and
- c) Policy-level consultations with senior Rwandan officials.

The objective of the consultations and the technical-level workshop is to allow for an in-depth, substantive discussion of the technical issues related to fostering productive capacities and structural transformation in Rwanda. The policy-level session will discuss the ways and means of placing productive capacities and structural transformation at the center of national policies and strategies in Rwanda.