

PA-AP-1076

EA-1001

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A REVIEW OF RWANDA'S TEXTILE CLOTHING SUBSECTOR

report prepared for
The Ministry of Finance and Economy, Government of Rwanda
under the Policy Reform Initiative for Manufacturing and Employment (PRIME)
financed by USAID

by

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September 30, 1986

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PREFACE

This paper reviews the size, structure and economic performance of Rwanda's textile clothing subsector. It pays particular attention to the effect of government policy on the subsector. Commissioned by Rwanda's Ministry of Finance and Economy, this review is the first in a series of Industrial Incentives Studies to be financed under the USAID-financed Policy Reform Initiative for Manufacturing and Employment (PRIME). As with other studies in the series, this one aims to evaluate the economic performance of a key segment - a key subsector - of the Rwandan economy, emphasizing the effect of current policy on efficiency, employment and equity within each.

Numerous individuals contributed substantially to the present textile study, making possible a much richer analysis than would have normally been possible during a one month study. In particular, Mr. Jean Marie Vianney Mbaguta, Director General of Economic Policy in the Ministry of Finance and Economy (MINFINECO) and Director of the Industrial Incentives Study, provided encouragement, logistic support and greatly facilitated access to knowledgeable individuals in government and the private sector. Dominique Seruhingo of MINFINCO provided expert assistance with the fieldwork, helping to interview a wide range of textile subsector participants. Professor Donald Mead, Technical Advisor for the Investment Incentives Study (IIS), closely supervised the field work and in so doing provided invaluable analytical, logistic and moral support throughout the course of the study. The four Rwandan experts associated with PRIME - Gratien Gasana of the Customs Department, Francois Regis Harelimana and Athanase Karakezi of MINFINECO, and Charles Nyamwigendaho of the Ministry of Industry and Artisanat (MINIMART) - contributed valuable input during the study as well as the benefit of their observations on a preliminary reporting of the study findings. Nguyen Hun Khiem of the IIS staff and Michelene Mescher of USAID both furnished particularly valuable analytical and logistic support. Nicholas Minot, Research Analyst with the National Household Budget Consumption Study, labored long evening and weekend hours to produce the extremely important clothing expenditure profile by expenditure class. In addition, the following people provided key help at various junctures during the course of the study: Ed Robbins, Gustave Nkurunziza, Tharcisse Kubwimana, Judy Derrier and Bruce Lerner of USAID/Rwanda; Gerard Nyatigeka, Jean Bakundukize, Jean Bosco Gahigi and Felicien Kanyamibwa of the Rwandan National Bank (BNR); Mediatrice Niwenamuha and Theodore Nahabo of the Chamber of Commerce; Jim Herne and Fiacre Murekezi of Technoserve; Jurgen Schroeder and Speciose Uwiherekeje of MINIMART.

While countless private businessmen and women also furnished valuable accounts of the workings of the textile subsector, confidentiality requires that they remain anonymous. Their cooperation was nevertheless essential to the conduct of the study. Their assistance and insights are gratefully acknowledged.

I. ISSUES AND MOTIVATIONS

This study examines Rwanda's textile clothing subsector. Textile clothing is taken to include all apparel made of cloth or yarn. It includes garments - both new and used - made of all types of cloth as well as those that are knitted. But lying outside the purview of the study are non-textile clothing items such as shoes, belts, watches and other non-fabric clothing accessories.

As with subsector studies in general, this study examines not only clothing manufacture but also the distribution and retailing of finished clothing and, to the extent it exists in Rwanda, the production and distribution of key inputs used in the production process: Thus, Rwanda's textile clothing subsector encompasses the entire domestic production/distribution system through which fibers, yarn and cloth flow as they are transformed and distributed to consumers ultimately in the form of finished clothing.

Textile clothing commands the attention of Rwanda's policy makers for a number of reasons. First, the market is huge and growing. Currently textile clothing constitutes the country's third largest consumer market garnering about 11% of total consumer expenditure and about 20% of all non-food spending. As Tables 1, A.1 and A.2 indicate, only food and lodging attract greater consumer spending.

But textile's contribution to national income is far lower than its share of household expenditure, as imports supply large segments of the clothing market: In fact, for about a decade, from the mid 1960's to the mid 1970's, textile clothing demanded by far more foreign exchange than any other commodity import. While clothing, used clothing and cloth imports have grown rapidly since the mid-1970's, their share in Rwanda's total import bill has declined to about 10% of total imports, placing it behind transport equipment, petroleum products, machinery and sometimes food and construction materials. As Table A.3 indicates, textile clothing imports remain an important import group, although no longer the largest.

In addition to demanding substantial amounts of foreign exchange, textiles generate significant amounts of employment, particularly in small-scale tailor shops and in the retailing of used clothing. As Table A.7 indicates, tailoring is the nation's second largest manufacturing employer; while nationwide clothing manufacture accounts for about 27% of manufacturing jobs: Nevertheless, because manufacturing in general is so thinly developed in Rwanda, textiles account for only about 3% of non-farm employment nationwide, far less than in many other African countries.

In fact several contrasts between Rwanda and other African nations draw attention to Rwandan textiles: First, tailoring employment appears to be far less preponderant in Rwanda than elsewhere: In the African countries for which evidence is available, employment in garment manufacture stands at two

to ten times the density found in Rwanda:[1] Second, Rwanda imports a far greater share of used clothing than do most other African countries. On a per capita basis, Rwanda imports double the Africa-wide average for used clothing. Comparing it to several neighbors, Rwanda brings in twice as much used clothing per capita as does Burundi and four times as much as Zaire.[2] It is tempting, as a number of governments have done, to speculate that it is the used clothing imports which lead to displacement in local textile industries. This fear has caused the Kenyan government, for example, to ban the importing of used clothes. Certainly in a large market such as textiles, this potential displacement could be quantitatively significant. It is clearly of concern to policy makers and will be examined in this study.

In sum, textile clothing attracts local policy makers' attention because of the market size and the consequent importance inefficiencies there might have, because textiles demand substantial amounts of periodically scarce foreign exchange, because textiles generate significant amounts of employment, and because comparisons elsewhere cause one to wonder if employment might be increased. Finally, UTEXRWA's recent establishment of cloth printing facilities in Rwanda has lead to close public and private scrutiny of the domestic textile industry. UTEXRWA's requests for protection have challenged the interests cloth importers and require that government carefully evaluate alternative policy interventions.

This paper hopes to contribute to an informed evaluation of policy alternatives in several ways: a) by identifying the principal channels serving consumer clothing needs; b) by measuring the relative sizes of each channel as well as their relative contributions to employment and value added; c) by examining the economic efficiency and employment-generating power of alternative channels; d) by identifying major changes under way; and e) exploring the impact of present policy on relative efficiency and competitiveness of alternative channels. Ultimately the paper aims to evaluate prospects for improving subsector performance through policy intervention.

1: According to Rwanda's 1978 census, clothing manufacture employs .9 persons for every 1,000 members of the country's population. But that figure rises to 2:1 in Nigeria, 4:8 in Egypt, 6.5 in Zambia and 9:2 in Sierra Leone. These figures were calculated from: Aluko, S.A., O.A. Oguntoye and Y.A.O. Afonja, Small Scale Industries: Western State of Nigeria Ile-Ife: Industrial Research Unit, University of Ife, 1972; Davies, Stephen, et.al., "Small Enterprises in Egypt: A Study of Two Governorates," MSU International Developmet Working Paper No:16, East Lansing: Michigan State University, 1984; Milimo, John and Yacob Fisseha, "Rural Small Enterprises in Zambia: Results of a Country-wide Survey," Rural Development Studies Bureau Report #25 Lusaka, Zambia, 1985; and Liedholm, Carl and Enyinna Chuta, "The Economics of Rural and Urban Small Scale Industries in Sierra Leone," African Rural Economy Paper No:14, East Lansing: Michigan State University, 1976:

2: Computed from United Nations Yearbook of International Trade Statistics, Vol:1, 1983 and World Bank World Development Report, 1985:

II: OVERVIEW OF RWANDA'S TEXTILE CLOTHING SUBSECTOR

A: A Profile of Textile Consumption

Rwandan households direct approximately 11% of their spending towards textile clothing, making such clothing their third largest consumer expenditure and the nation's second largest non-food expense. As Table 1 indicates, only housing expenditure surpasses textile clothing among non-food consumer items.[3]

Within textile clothing, consumers spend nearly half their clothing budget on printed cloth: High income rural consumers and most urban dwellers prefer to purchase cloth and then have it sewn into shirts, pants or dresses at local tailor shops. But much purchased cloth, particularly in rural areas, is worn as wraps, requiring very little tailoring. Perhaps for this reason it is used clothing, not tailoring, which garners the second largest portion of the consumer clothing budget. Slightly over 25% of all clothing expenditure is allocated for used clothing. The used clothing is imported in large bales from the United States and Europe, refurbished where necessary and distributed for sale in public market places around Rwanda. Tailoring accounts for slightly less than 20% of textile clothing expenditure, while imported ready-made clothes garner under 10% of household clothing expenditures. In addition to the household purchases described in Table 1, institutions such as the military, police, hospitals, and large private employers frequently order uniforms and work clothes for their staffs. Although reportedly growing, this institutional clothing expenditure currently constitutes by far the smallest portion of the textile clothing market. Only about 1% of total (institutional plus household) clothing expenditure is directed toward the purchase of institutional uniforms.

In comparing rural spending patterns with those in urban areas, two significant differences emerge from Table 1. First, used clothing purchases represent a far larger share of consumer spending in rural than they do in

3: The estimates in Table 1 have been derived by marrying together rural expenditure data from the National Budget Consumption Study (ENBC) with a National Bank (BNR) expenditure survey of wage earners in Kigali. The derivation of national estimates was complicated by the BNR's exclusion of all self-employed families as well as wage earners with income below 5,000 francs per month. Total national expenditures were computed using three alternative sets of assumptions to extrapolate the BNR figures to all urban areas. Since the composition of textile clothing expenditures did not vary significantly under the three very different sets of assumptions, one can be reasonably confident that estimated totals provide correct rankings and orders of magnitude. When the ENBC urban component is analyzed, in probably a year or so, we will have a more accurate profile not only of textile expenditures but also of national household consumption in all product categories. In the mean time, the projections in Table 1 are probably good first approximations.

TABLE 1
ESTIMATED BREAKDOWN OF TOTAL NATIONAL HOUSEHOLD
EXPENDITURE, RWANDA 1983

	Estimated Total National Expenditure			Rural Household Expenditure on Textile Clothing (percent)	Urban Wage Earner Expenditure on Textile Clothing (percent)
	Millions of Francs	Percent of Total	Percent of Textile Clothing		
1. Food and Drink	15.6	44.5			
2. Housing	5.8	16.7			
3. Textile Clothing					
a. Cloth	1.7	5.0	46.0	51.0	32.0
b. Used Clothing	1.0	2.9	27.0	33.0	12.0
c. Tailoring Services	.7	1.9	18.0	5.0	) 56.0
d. Ready-Made Clothes	.3	1.0	9.0	12.0	
Total	<u>3.8</u>	<u>10.8</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
4. Other Clothing	.6	1.8			
5. Transport	2.6	7.4			
6. Household Effects	2.3	6.5			
7. Others	<u>4.3</u>	<u>12.3</u>			
Total	35.0	100.0			

SOURCE: Rural household expenditure from Appendix Table A-1; urban wage earner expenditure from Appendix Table A-2; Total national expenditure estimated from Tables A-1 and A-2 using rural and urban population weights and assuming expenditures of nonwage urban households to be a weighted average of rural expenditure (two-thirds) and urban wage earner expenditure (one-third).

urban areas: While rural consumers spend about one-third of their textile clothing budget on used clothes, this figure drops to slightly over 10% among urban wage earners: Second, it appears that urban consumers spend far more on new ready-made clothes and on tailoring services than do rural dwellers: In part this stems from the preference in rural areas for simple cloth wraps, while urban consumers more frequently demand tailor-made shirts, pants and dresses: These distinctions, of course, have strong implications for projecting future demand patterns: But before delving into subsector dynamics, it is necessary to review the structure of the production/distribution system which currently supplies the large and growing textile clothing market:

B: Structure of the Production/Distribution System

Resources flow through one of four distinct channels as they are transformed and distributed to Rwanda's consumers in the form of finished clothes: The four principal channels supplying Rwanda's clothing needs are described schematically in the subsector map displayed as Figure 1: This subsector map follows standard conventions: a) displaying each stage in the production and distribution process as a separate horizontal step, or function; b) using enterprise shapes to illustrate varying degrees of vertical integration; and c) employing dotted and solid arrows to indicate whether goods are exchanged in spot markets or sold on contract:[4]

Channel 1 is the least complex of the four channels supplying textile clothing to Rwanda's consumers: Enterprises operating in this channel import ready-made clothing from abroad: They distribute the clothing to consumers through established retail shops, sometimes passing directly to demi-grossiste/retailers, sometimes through demi-grossistes to independent retailers, and in some instances clothing importers are fully integrated themselves, retailing clothing through their own retail outlets:[5] The second smallest of Rwanda's textile clothing channels, Channel 1 attracted 347 million Rwandan francs (Frw) of consumer spending in 1983:

4: See Boomgard, James et.al: "Subsector Analysis: Its Nature, Conduct and Potential Contribution to Small Enterprise Development," Working Paper No:26, MSU International Development Papers, East Lansing: Michigan State University, 1986:

5: Demigrossiste is a legal category of trade created by the government of Rwanda as an intermediary between importer/wholesalers on the one side and retailers on the other. The government aimed, by creating this extra layer of trader to facilitate the involvement of Rwandans in what was largely a foreign-controlled commercial sector. Distributor is probably the closest English translation for demi-grossiste, but to avoid potential confusion with Channel 4, the legally correct term "demi-grossiste" is maintained in this report:

FIGURE 1

RWANDA'S TEXTILE CLOTHING SUBSECTOR:
BASIC SUBSECTOR MAP

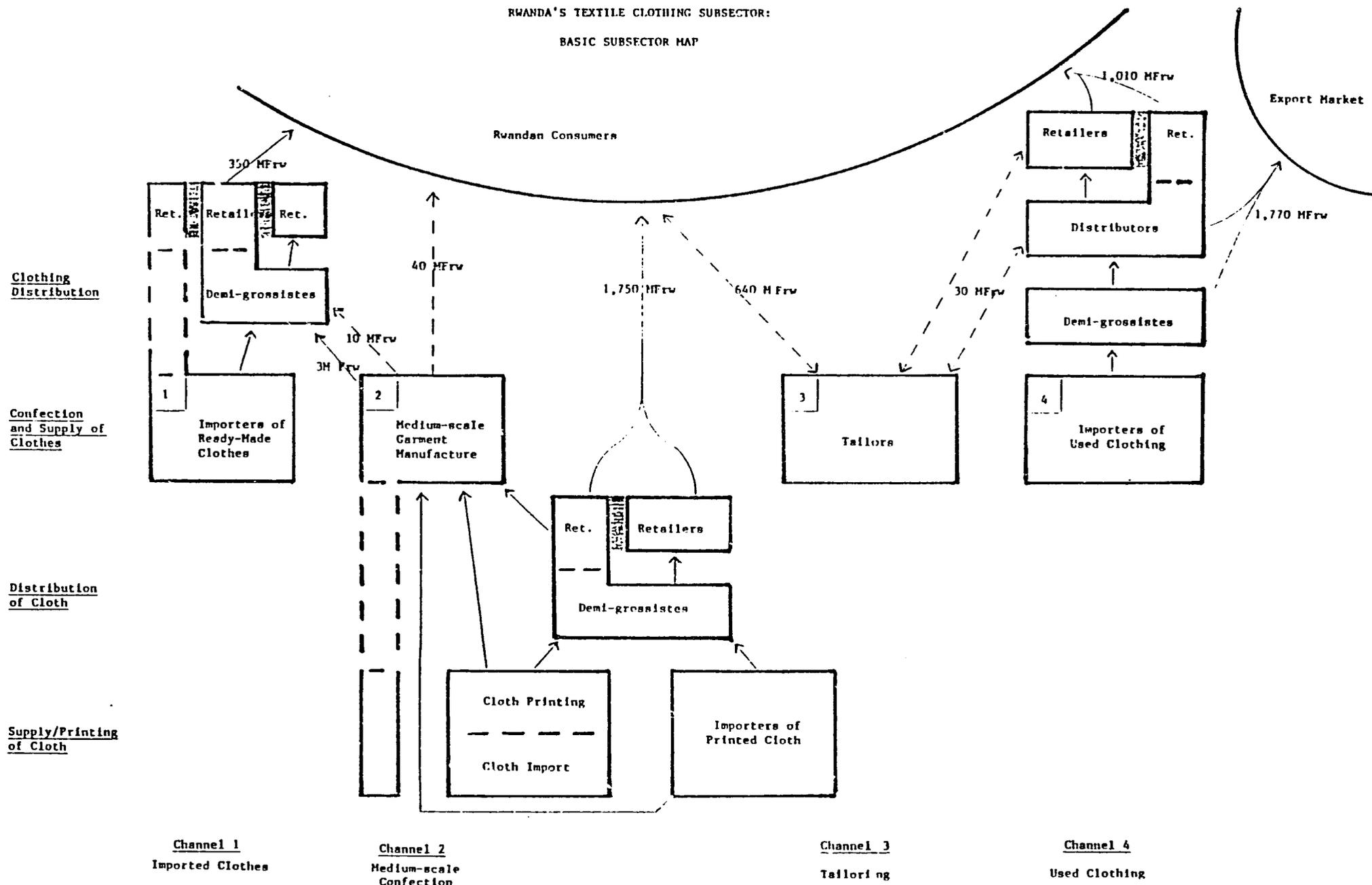
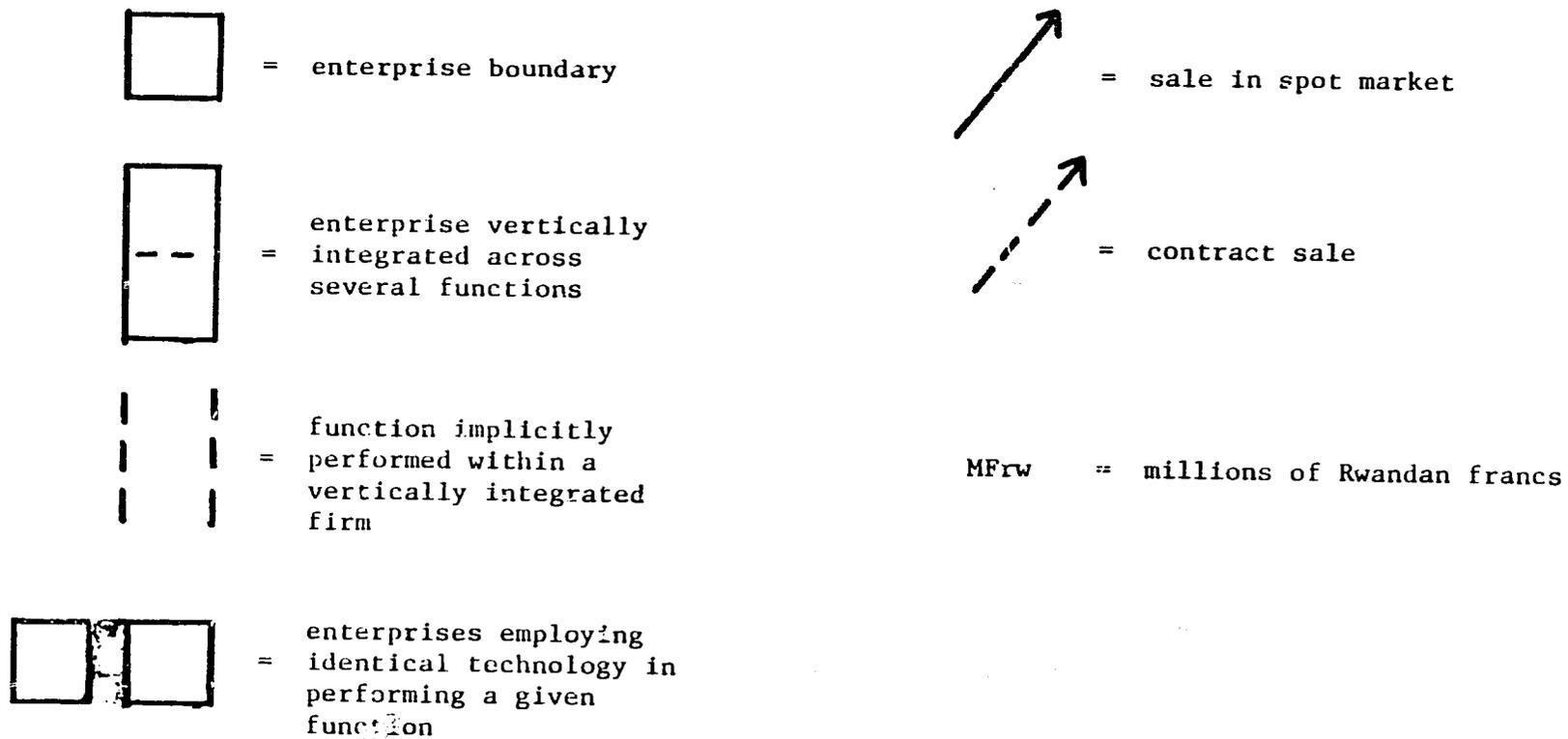


Figure 1 (cont.)

RWANDA'S TEXTILE CLOTHING SUBSECTOR:

BASIC SUBSECTOR MAP



In Channel 2, a group of about five medium-scale clothing manufacturers mass-produce clothing, most frequently uniforms and work clothes for institutional purchasers. Firms in this category employ between 10 and 100 workers each, and together they sold about 53 million francs of clothing in 1983. Although dwarfed by all other channels, Channel 2 is widely perceived as being highly profitable because mass production of individual clothing items allows economical bulk purchasing of cloth as well as assembly line production techniques. Like the tailors operating in Channel 3, the medium-scale clothing manufacturers sell the bulk of their output only on order. But some of the larger firms in the group have experimented with batch production of particular items, for example shirts, which they subsequently distribute through established retail channels. In doing so, they compete head-to-head with Channel 1's imported, ready-made clothing.

Channel 3, by far the largest in Rwanda's textile clothing subsector, distributes printed cloth to consumers who subsequently contract with individual tailors for the confection of finished clothes. In 1983, consumers spent 2,350 million francs in this way; Customers purchased 1,750 million francs worth of cloth and subsequently contracted with tailors for 640 million francs of tailoring services. In all but a few exceptional cases, customers purchase their own cloth which they then deliver to tailors for transformation, thereby relieving the tailors of the working capital burden incumbent in procuring the cloth.

Technology in Channel 2 is simple and small-scale. Most tailors work alone or employ one or two people. They use simple push-pedal sewing machines, and although most own their own equipment, as many as 25-40% rent the machines they use. Roughly 11,000 tailoring enterprises operate in Channel 3. Some operate from shops; but many, especially in rural areas, work outdoors on porches or alongside public markets.

Both Channels 2 and 3 transform cloth procured from the same ultimate suppliers. Until late 1985, all cloth was imported. But in September of that year, a new textile plant, UTEXRWA, began dying and printing imported raw cloth. In 1986, UTEXRWA expects to supply about 60% of total cloth consumed in Rwanda.

Several features of its structure and operation distinguish Channel 2 from Channel 3. First is the scale of production: Channel 2 firms employ 10 to 100 workers where over 90% of the Channel 3 tailors employ none, one or two helpers, and their numbers rarely exceed five. Related to the size difference is a difference in technology: In contrast with the Channel 3 tailors' push pedal sewing machines, the medium-scale Channel 2 firms use electric machines -- often heavy duty industrial machines -- and also specialized button-holders and even electric scissors capable of cutting dozens of pattern pieces simultaneously. A third distinction lies in the financial structure of Channel 2 and Channel 3 clothing manufacturers: Channel 2 medium-scale firms have access to sufficient working capital that they are able to purchase cloth directly, and normally in bulk from suppliers, while tailor shops almost inevitably contract out only their services to customers who have already purchased their own cloth. Finally, the markets served by Channels 2 and 3 are, to some extent, distinct: Only

the medium-scale Channel 2 manufacturers are able to supply the garment quantities required by large institutional contractors such as the military, hospitals and hotels. But in the case of school uniforms and work clothes, both major textile clothing markets, the small Channel 3 tailors compete directly with the medium-scale Channel 2 firms:

While Channels 2 and 3 are distinguished by their scale of production, capital intensity, financing of raw materials, and institutional as opposed to household markets, it should be emphasized that the delimitation between the two channels is not absolute. There is some fluidity across channels. Up to a dozen large tailor shops cross back and forth between channels, normally producing on order for individual customers but periodically negotiating large contracts with a bank, a hotel, a large retailer or some other institution. Most large tailors, in fact, indicate they would like to shift to Channel 2 because of the perceived higher profits available from bulk purchase of raw materials as well as potential efficiencies of assembly-line production. A few rural tailors even produce school uniforms in bulk at considerable cost savings because of bulk cloth purchase. They then retail the uniforms in public markets. Thus, while Channels 2 and 3 remain largely distinct, there is some movement between the two; and there may well be more movement into Channel 2 in the future:

Channel 4's used clothing refurbishing and distribution network commands the second largest share of Rwanda's consumer clothing expenditure. Supply to Channel 4 distributors begins with international wholesalers, based in Europe and the United States, who purchase used clothing in bulk from church groups, charitable organizations and thrift shops. The wholesalers then sort the clothing according to article and fabric and bundle like items in bales ready for export. Individual bales, for example, might be composed of short-sleeved cotton shirts, or long-sleeved synthetic shirts, or shorts, or cotton dresses, or blue jeans. Importers in Rwanda order 45 to 55 kilogram bales of used clothing of the type they believe will sell most readily:[6] They then sell the bales unopened to demi-grossistes. The demi-grossistes operate substantial businesses, commonly holding inventories on the order of 300 to 500 bales at any one time. They, in turn, sell their bales, still unbroken, to distributors:

Distributors normally buy one to five bales at a time immediately transporting the bales, by wheelbarrow or truck, to the public markets where the used clothing is retailed:[7] They break the bales open in one section of the market and then referee a wild melee during which prospective retailers swarm over the merchandise to select the prime articles for

6: One large importer brings in 600 kilogram bales, which he then breaks down into 45 kg bales for sale to demi-grossistes:

7: Rwanda's commercial legislation designates used clothing sales as "commerce ambulante," in other words, goods to be retailed through public markets. Only in the rare cases where used clothing is virtually indistinguishable from new are the used clothes sometimes packaged and passed off by retailers as imported ready-made clothes.

resale: The sorting requires considerable time and vigilance and involves substantial haggling between distributors and retailers: Distributors normally retail the leftover items which retailers have not purchased by the end of the morning:

In large markets, retailers frequently specialize in one type of clothing such as shirts, pants or dresses: Before retailing their used clothing, retailers contract with market tailors to effect any necessary repair work or fashion-induced alterations: The retailers then clean and iron their new stock or hire others to perform these services: When their merchandise is presentable, the retailers display their stock and begin the vigilant wait for customers: Retailing itself demands assiduous attention because of the potential for theft and because of customers propensity to sift carefully through the stock at many establishments before committing to a purchase:

Retail facilities, supplied by the commune which runs each market, vary greatly across communes and according to market size: The largest markets supply cement booths shaded by corrugated metal roofs: Middle-sized markets may only offer raised wooden platforms on which clothing can be displayed up off the ground: And in the smallest markets, retailers display their used clothing stock on the ground on top of heavy canvas bale covers: Approximately 6,000 enterprises distribute and retail used clothing in Rwanda's public markets:

As Figure 1 indicates, a substantial proportion of Rwanda's used clothing imports are re-exported, almost always fraudulently, to Zaire, Uganda, Burundi and Tanzania: Many of the traders interviewed speculated that as much as half of Rwanda's used clothing imports might ultimately be sold outside the country: By comparing 1983 consumption data with 1983 imports, and abstracting from stock changes, it has been possible to estimate roughly how much actually was re-exported, at least in that year: The results indicate that in 1983 well over half, and perhaps as much as two-thirds, of all used clothing imports were re-exported to neighboring countries. Some of this clandestine export arises because of import restrictions and supply shortages in neighboring countries: In the case of Uganda, demi-grossistes and importers indicate that clandestine exports are a question of war and peace: Fighting in Uganda disrupts both the domestic textile industry and distribution networks inducing extra demand for used clothing from Rwanda (since it is unavailable from Kenya): Peace brings with it a perceptible decline in Rwanda used clothing exports to Uganda: In any event, the large re-export poses some complications for Rwanda's policy makers, as will be evident in the policy discussions that ensue:

C: Dynamics

1: Major Trends:

Available evidence indicates that all segments of the textile clothing subsector have grown over the past 15 to 20 years, although some channels have expanded more rapidly than others: Since all principal clothing inputs and final outputs are imported into Rwanda, the trade figures in Table 2 provide a good starting point for a review of relative growth rates: They show that, in value terms, total textile clothing imports have expanded at a rate of 10.5% per year between 1970 and 1985.[8]

The value of Channel 4's used clothing imports have grown in tandem with other textiles, increasing at 10.5% per year between 1970 and 1985: But quantities of used clothing imports have leaped most rapidly of all, growing at 6% per year over the same period: Of course, because Rwanda re-exports at least half of its used clothing, much of this growth must be attributed to increasing awareness of opportunities for sales in neighboring countries: As proof of the importance of external markets, consider the detailed annual data in Appendix Table A:5: These data show, in 1978 and 1979, large increases in used clothing imports which, along with textile clothing in general, marched upwards in step with rapid increases in national income: But in spite of record income growth in 1980, used clothing imports dropped off, while other textile continued to grow dramatically: The fall in used clothing imports is probably testament to the importance of the Ugandan re-export market which dried up appreciably in 1980 with the lull in the fighting there: While external markets account for a large share of growth in Rwanda's used clothing imports, it is nonetheless true that the domestic market has grown as well because of generally rising incomes: Consumption profiles by expenditure class, to be examined shortly, indicate that total domestic consumption on used clothing must have grown over the past decades along with increases in national income:

Both cloth and tailoring, the principal components of Channel 3, appear also to be growing steadily: The value of cloth imports has increased at a rate of 10.8% per year over the past 15 years: Although some consumers, especially those in rural areas, require little tailoring of the cloth which they purchase to use as wraps, all indications suggest that tailoring employment has grown almost as fast as cloth imports: The number of sewing machines imported has increased at an average rate of 7.7% per year over the past 10 years.[9] While growth has fluctuated substantially, sewing machine imports have clearly tended upwards over the past decade: The 7.7% growth figure falls in between other available estimates of growth rates in

8: Calculated from a simple linear least squares trend line based on the more detailed, annual data underlying Table 2: The annual data are displayed in Appendix Table A:5:

9: See Appendix Table A:7 for detailed figures. Unfortunately, a longer time series is unavailable:

TABLE 2
TRENDS IN TEXTILE CLOTHING IMPORTS

<u>I. Value (millions of francs)</u>					
	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
1. Cloth					
a. cotton	51	150	161	590	730
b. discontinuous synthetics	) 46	) 226	) 397	724	488
c. continuous synthetics	)	)	)	129	82
d. others	35	)	)	24	78
Total	<u>132</u>	<u>376</u>	<u>558</u>	<u>1,467</u>	<u>1,378</u>
2. Used Clothing	---	180	518	685	979
3. Ready-Made Clothes	<u>35</u>	<u>62</u>	<u>57</u>	<u>159</u>	<u>93</u>
Total	167	618	1,133	2,311	2,450
 <u>II. Quantity (metric tons)</u>					
1. Cloth					
a. cotton	651	1,149	353	1,151	807
b. discontinuous synthetics	) 470	) 1,393	) 1,091	1,710	855
c. continuous synthetics	)	)	)	235	99
d. others	760	)	)	38	133
Total	<u>1,881</u>	<u>2,542</u>	<u>1,444</u>	<u>3,134</u>	<u>1,904</u>
2. Used Clothing	---	3,203	5,484	4,972	8,473
3. Ready-Made Cloths	<u>173</u>	<u>86</u>	<u>47</u>	<u>129</u>	<u>78</u>
Total	2,054	5,831	6,975	8,235	10,455

SOURCE: Appendix Table A-5.

tailoring: Vanvalli, for example, suggests that employment in rural clothing manufacture (including production of shoes as well as tailoring) increased at a rate of 20% per year between 1978 and 1983; while in making national accounts estimates, the Ministry of Plan assumes a 6% annual growth rate in tailoring employment since 1978.[10] All three growth rates accord with the observations of numerous tailors who confirm that total numbers of tailors have grown substantially over the past decade at least:

The value of Channel 1's imported clothing has also grown, in parallel with the others channels: Imported clothing appears to have achieved an average annual growth of 10.2% over the past 15 years, much of this coming from increases in price and quality rather than in quantity of imports:

While no good data exist for charting progress in Channel 2, it is clear that it too has grown over the past decade: Indeed, one key feature of the textile clothing subsector has been the emergence of Channel 2 over the past 10 or so years: The first major entry into Channel 2 was launched in 1973, while the country's newly constituted largest garment manufacturer entered the market in 1981: Numerous large tailoring firms currently eye Channel 2 enviously, entering it from time as they are able to negotiate institutional contracts: And UTEXRWA plans to begin production of ready-made clothes in the next few years: Field interviews suggest that a number of the middle-sized garment manufacturers operating in Channel 2 suffer from basic management problems as well as from excess capacity: Thus while the channel is likely to grow, if it does not do so rapidly enough there will probably be a shakeout in this channel with some firms closing down while other continue to enter the arena:

2: Driving Forces:

Several forces, on the demand and supply sides of the textile market, influence and direct changes in the textile clothing market: On the supply side, internationally determined import prices certainly affect the affordability of textile clothing: As indicated in Table 3, prices of imported cloth[11] have grown far less rapidly than consumer prices in general, making both Channel 2 and Channel 3's packages of cloth and garment confection relatively less expensive than alternative consumer purchases and thus likely explaining some of the increased clothing expenditure over that time period: In addition, numerous importers have enthusiastically described the recent rapid emergence of the People's Republic of China as a major supplier of cloth to Rwanda: The Chinese entry, beginning in about 1980, may have contributed to this price moderation:

On the domestic scene, the launching of UTEXRWA's cloth printing

10: Vanvalli, "Reflexions interrogatives sur l'emploi rural non-agricole au Rwanda en 1983," mimeo, Ministere du Plan, 1985, Table3; Ministere du Plan Comptes Economiques Nationaux du Rwanda, 1984, Kigali, May 8, 1986, p:18:

11: Equally long price series for other textile clothing products are, unfortunately, unavailable:

TABLE 3
TRENDS IN RWANDA'S RETAIL TEXTILE PRICES

	<u>1967</u>	<u>1969</u>	<u>1971</u>	<u>1973</u>	<u>1975</u>	<u>1977</u>	<u>1979</u>	<u>1981</u>	<u>1983</u>
1. Drill Fabric (khaki)									
--index	100	100	98	105	185	174	202	235	275
--(Frw per meter)	(82)	(82)	(80)	(86)	(152)	(143)	(166)	(193)	(226)
2. Printed Cotton Fabric									
--index	100	106	112	150	274	296	348	394	394
--(Frw per meter)	(50)	(53)	(56)	(75)	(137)	(148)	(174)	(197)	(197)
3. Overall Consumer Price Index	100	106	108	119	210	255	336	378	429

SOURCE: Ministère du Plan, Bulletin de Statistique, Suppléments Annuels, No. 1 Janvier 1974; No. 7 Janvier 1980; No. 11 Janvier 1984.

operations in late 1985 has had a profound affect on the supply of textile clothing in Rwanda. Anticipation of UTEXRWA's entry certainly provoked substantial speculation in cloth imports as importers hedged against potential protection. As Appendix Table A:5 indicates, Rwanda witnessed a particularly large upsurge of cloth imports in 1984, the year before UTEXRWA began operation. Initially, government did accord UTEXRWA a monopoly on all cloth imports. This legal monopoly lasted from September 1985 to June 1986 at which time protection was reduced to exclusive import privileges on only discontinuous synthetic fabrics.

Since the company began printing cloth, UTEXRWA has contributed to edging domestic retail cloth prices downwards; because under normal tariff code provisions, they, as a manufacturer, are exempted from import duties (of 35% on cotton and 50% on synthetics) on the raw cloth they import. This allows them to sell the cloth they print at a price lower than that of imported printed cloth which bears the full 35% and 50% import duties. It is unclear whether or not, after inevitable start up problems are resolved, UTEXRWA will be able to compete with imports without tariff protection:[12] Their initial requests for absolute quota protection imply that they are reluctant to face even tariff-protected competition with imports in their early stages of operation. Not surprisingly, UTEXRWA's requests for quota protection have provoked a torrent of controversy concerning the control of cloth imports.

The demand side of the textile clothing market also strongly influences market dynamics. Fluctuations in income exert probably the strongest demand side influence. Consider that the general upward tendency in textile clothing imports over the past 20 years parallels generally rising national income. Moreover, the major upswing in total textile clothing imports, in 1978, 1979 and especially 1980, closely track major upturns in GNP.

The changing profile of clothing expenditure across the income distribution represents one of the best means available for forecasting future demand patterns. Displayed on Tables 4, A:1 and A:2, the composition of textile clothing purchases clearly alters as expenditure (and presumably as income) rises. As total rural household expenditure increases, absolute expenditure on all categories of textile clothing increases. While the small number of cell observations available in attempting to disaggregate to such a detailed level force one to interpret the data cautiously, several conclusions do emerge. In particular, used clothing purchases are among those for which the number of observed transactions were most numerous making the used clothing expenditure profiles presumably the most robust. The

12: Extremely crude initial indications, based on pre-establishment cost projections cited in a study by Speciose Uwiherekeje, indicate that UTEXRWA might produce negative value added in cloth printing. But such a crucial calculation must be based on actual production data to allow accurate estimation of the domestic resource cost of production and current effective rate of protection, both of which will be central in making any decisions on protection. See Speciose Uwiherekeje, "La commercialisation de la friperie au Rwanda et son importance pour le pays," Memoire de License, Faculte des Sciences Economiques, Sociales et de Gestion, Butare, Sept. 1985.

TABLE 4
RWANDA'S RURAL CLOTHING PURCHASES BY
EXPENDITURE CLASS, 1983

	Expenditure Quintiles				
	Lowest	Second	Third	Fourth	Highest
1. Cloth	15% ^a (2) ^b 40 ^c	36% (9) 505	53% (15) 965	47% (18) 1,545	56% (30) 3,715
2. Used Clothes	82% (16) 215	34% (28) 470	35% (39) 660	43% (74) 1,410	24% (62) 1,610
3. Tailoring	3% (5) 10	8% (55) 110	5% (9) 90	6% (18) 190	4% (23) 165
a. Confection	1% (1) 5	1% (10) 10	4% (5) 70	4% (5) 160	3% (6) 195
b. Repair	2% (4) 5	7% (45) 100	1% (4) 20	1% (13) 30	1% (17) 70
4. New Clothes	0% (0) 0	21% (5) 295	7% (3) 120	3% (2) 110	16% (7) 1,055
Total Textile Clothing	100% (23) 260	100% (97) 1,380	100% (66) 1,840	100% (112) 3,255	100% (122) 6,645

^aPercent of textile clothing expenditure.

^bNumber of observations.

^cAverage annual expenditure per household, in Rwandan francs.

SOURCE: National Budget and Consumption Survey (ENBC), Questionnaire No. 4, Daily Transactions, computation by ENBC staff.

pattern displayed in Table 4 indicates clearly that the share of used clothing in total garment purchases declines substantially, from over 80% to about 25% as total household expenditure rises. Absolute expenditure per household increases gradually, but not nearly so fast as expenditure on other clothing items. Based on this expenditure profile, it seems likely that used clothing will continue to grow but only modestly over the next decade. Certainly its current 25% share in total textile clothing expenditure will decline steadily over time.

On the other hand, consumer purchases of cloth and new clothes appear to increase dramatically in both absolute and relative terms as income rises. Although the number of observations per cell is not large, the Table 4 data also indicate that tailoring repair declines while the commissioning of tailor made new clothes increases with rises in rural household expenditure levels. And Appendix Tables A:1 and A:2 indicate that urban consumers demand far higher amounts of tailoring services than even the wealthiest rural households. The urban preference for tailoring probably stems not only from income differentials but also from urban fashion preferences for fully tailored clothing, in contrast with the prevalence of wraps in rural areas. The combination of rural and urban expenditure patterns makes it likely that demand for ready-made clothes, cloth and tailoring services will continue to grow rapidly over the next 10 to 20 years as incomes rise. It appears that cloth, tailoring and ready-made clothing will constitute the key textile clothing growth areas in the foreseeable future.

Government policy, which affects both the supply and demand sides of the textile clothing market, will also undoubtedly influence the future course of evolution in Rwanda's textile clothing market. It is that policy and its effect that will be examined in Section III, after a brief review of the economics of production and distribution in each subsector channel.

D: Economic Comparisons Among Channels

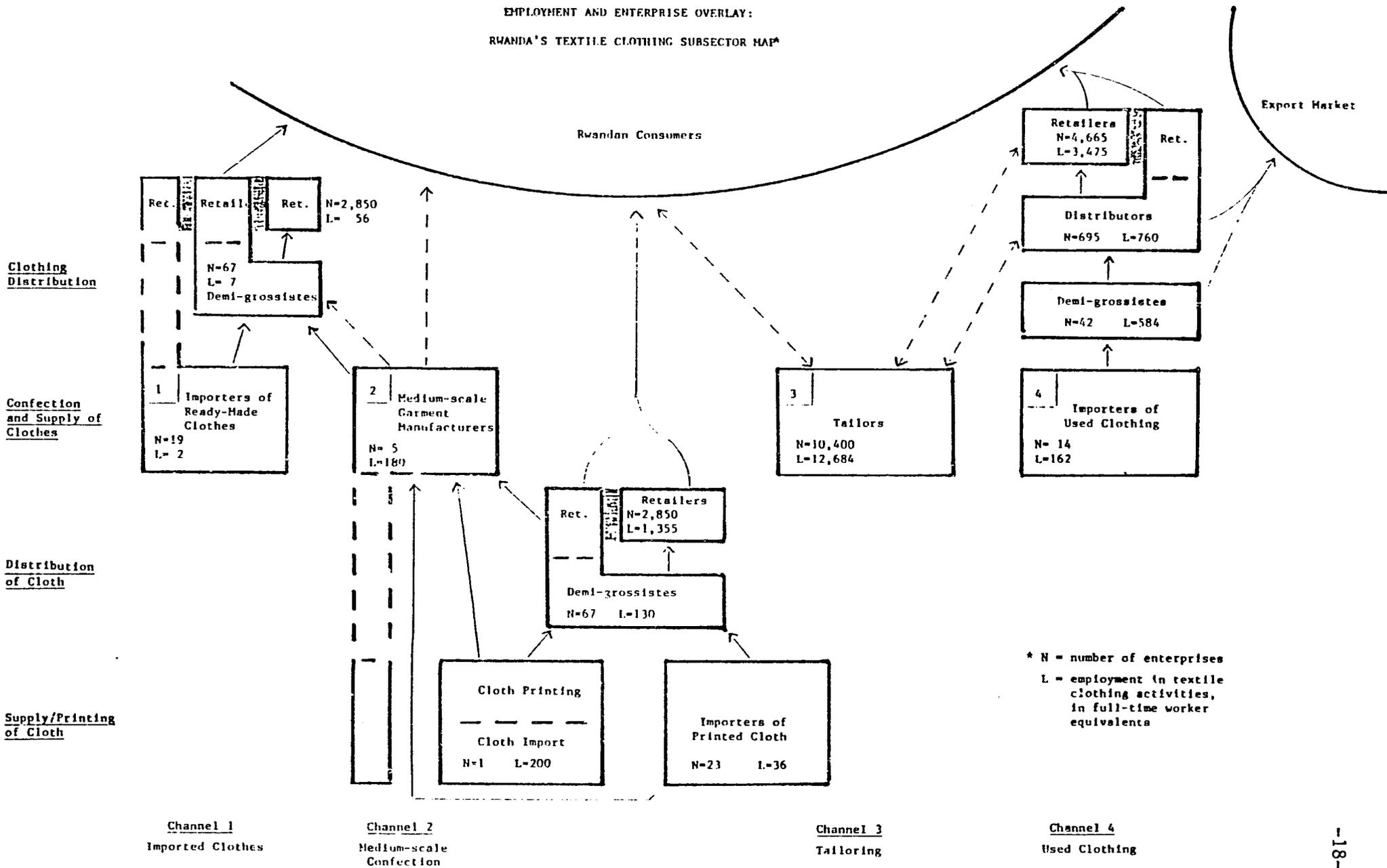
Rwanda's four textile clothing channels can be compared along several dimensions of interest to policy makers: employment generating power, income generation, equity and efficiency.

1: Employment Creation

Employment generation by channel is displayed in Figure 2 through use of an employment overlay of the basic subsector map. As the figure shows, tailoring employs about 12,700 full time equivalent workers (FTE), [13] the

13: A full-time equivalent worker is computed as employment time equal to 8 hours of work per day over a five-day work week and a 50-week work year.

FIGURE 2
 EMPLOYMENT AND ENTERPRISE OVERLAY:
 RWANDA'S TEXTILE CLOTHING SUBSECTOR MAP*



largest effectives in the subsector. Retailers and distributors of used clothing occupy the second most prominent position, engaging the equivalent of about 4,200 full time workers. Employment in the other two subsector channels falls substantially below these levels, lying at about 200 FTE's in the entirety of Channel 2 and about 65 in Channel 1.

Since not only employment but also sales vary substantially by channel, the best way to compare the employment generating power of each is to compute employment per unit of sales. Table 5, displaying the relevant calculations, indicates that Channel 3's small-scale tailors score highest as employment generators, employing 5.9 workers for every thousand francs of sales. Perhaps surprisingly, Channel 4's used clothing refurbishing and distribution employs 4.8 full time worker equivalents per thousand francs of sales, only 16% lower than that generated by Channel 3. This percentage represents the employment displacement that would be caused by a shift of consumer purchases from tailor made goods to used clothing. Recall that one initial motivation for this study - and a major concern of neighboring governments who have banned used clothing imports - was concern over potential labor displacement caused by the introduction of used clothing imports. The figures in Table 5 indicate that there is indeed some labor displacement, but the net effect on total employment in the economy is small: In actuality, the refurbishing and distribution of used clothing is nearly as labor intensive as small-scale tailoring.

Channels 2, and especially Channel 1, are far less effective in generating employment than either tailoring or used clothing. Channel 2's medium-scale textile plants employ 3.7 workers per thousand francs of sales, 36% fewer than do the tailors. Not surprisingly, the medium-scale firms' more capital intensive production technology produces fewer jobs per unit of sales than does small-scale tailoring.

By far and away the least promising means of generating textile clothing employment lies in Channel 1, which provides employment opportunities for only .2 workers for every thousand francs of sales. This minute employment generation is not surprising given the limited value added and domestic handling required in retailing imported ready-made clothes.

2. Income Generation.

Used clothing, followed closely by medium-scale confection, generates the largest amount of value added per unit of sales among all subsector channels. The actual figures, listed in Table 6, indicate that Channel 4's used clothing generates 73 francs of value added for every 100 francs of sales, while that same figure stands at 71 for Channel 2, 64 for Channel 1 and only 51 for Channel 3's tailors. The low value added to sales ratio in Channel 3 likely stems from the composition of output - many cloth wraps which require little tailoring - which is slightly different from the mix supplied by other channels. It seems likely, too, that this composition of output may play a key role in explaining the relatively low share of tailoring in Rwanda compared with other countries.

TABLE 5
 RWANDA'S TEXTILE CLOTHING SUBSECTOR: EMPLOYMENT
 GENERATING POWER BY CHANNEL

	<u>Channel 1</u> <u>Imported</u> <u>Clothes</u>	<u>Channel 2</u> <u>Medium-Scale</u> <u>Confection</u>	<u>Channel 3</u> <u>Tailoring</u>	<u>Channel 4</u> <u>Used</u> <u>Clothing</u>
1. Employment in Full-Time Equivalents ^a	65	195	13,756	5,139
2. Sales (millions of Francs)	347	53	2,384	1,045
3. Employment/Sales (1/2)	.2	3.7	5.8	4.9

^a A full-time labor equivalent is equal to 8 hours of work per day x 5 days per week x 50 weeks per year or 2,000 work hours per year.

SOURCE: Estimates based on field interviews, secondary employment data, trade statistics, Table 1, and 14 market enumerations.

TABLE 6
 RWANDA'S TEXTILE CLOTHING SUBSECTOR: DISTRIBUTION OF
 VALUE ADDED BY CHANNEL
 (in millions of Rwandan francs)

	Channel 1 Imported Clothes	Channel 2 Medium-Scale Confection	Channel 3 Tailoring	Channel 4 Used Clothing
1. Total Sales	347	53	2,384	1,118
2. CIF Value of Primary Raw Material	126	10.7	1,051	298
3. Other Imported Inputs and Depreciation of Imported Equipment	0	4.4	129	3
4. Domestic Value Added	221	37.5	1,204	817
5. Domestic Inputs and Services ^a	27	4.1	13	4
6. Indirect Taxes				
a. Import Duties	82	4.6	450	209
b. Communal Market Taxes	<u>0</u>	<u>0.0</u>	<u>42</u>	<u>129</u>
Total	82	4.6	492	338
7. Returns to Labor and Capital (4-5-6)	112	28.8	584	474
8. Domestic Value Added/Sales (4/1)	64%	71%	51%	73%
9. Indirect Taxes/Sales (6/1)	24%	12%	21%	30%

^aIncludes depreciation of buildings.

SOURCE: Estimates based on budgets obtained during field interviews, together with Tables 1 and A-5, and World Bank, Transport Sector Review, p. 142.

worker in used clothing distribution and retailing exceeds that earned in small-scale tailoring. Calculations based on the present study, indicate that returns to each full time worker engaged in used clothing distribution and retailing stand at between 72,000 and 82,000 Rwandan francs (Frw) per year, while the average small-scale tailor earns closer to 53,000 francs.[14] Although highly tenuous, the limited evidence available elsewhere also suggests higher income accruing to used clothing retailers than to tailors. From Speciose Uwiherekeje's study of used clothing[15], it is possible, with some heroic assumptions, to estimate annual used clothing retail income. Those calculations place annual retailing income an average of 119,000 francs per year. The Ministry of Plan's alternative estimates of tailoring income place at 80,000 Frw per year the income accruing self-employed tailors and at 60,000 Frw per year that earned by employees in tailoring shops:[16] While these data must be interpreted with some caution, it does appear that used clothing earnings surpass those in tailoring. The apparent profitability of used clothing retailing is consistent with what appears to be rapid growth in numbers of used clothing retailers.[17]

3. Equity:

On equity grounds, too, used clothing clearly dominates other channels. Table 4 indicates that it is the lowest expenditure (and presumably the lowest income) groups that consume used clothing most heavily. The lowest quintile of rural consumers directs over 80% of its textile clothing expenditures towards used clothing, while in the highest quintile used clothing falls to about 25% of clothing expenditures. And among still higher income urban wage earners, used clothing constitutes only 12% of textile clothing expenditure. Tables 4, A:1 and A:8 all indicate that high income and urban consumers spend lower income shares on used clothing than do the poor. Consumers clearly move out of used clothing as their income rises, leaving the very poor most dependent on used clothing in constituting their wardrobes.

14: These figures are calculated by comparing that portion of value added accruing to workers and management (the portion of Table 6, line 7 earned at the distribution and retailing stages of Channel 4) with the employment figures (underlying Figure 2 and Table 5) for those same two stages of Channel 4.

15: Uwiherekeje, Speciose "La commercialisation de la friperie au Rwanda et son importance pour le pays," Memoire de License, Faculte des Sciences Economiques, Sociales et de Gestion, Butare, Sept. 1985.

16: Ministry of Plan, Comptes Economiques Nationaux du Rwanda, 1984, Kigali (May 8, 1986), p:18.

17: A large proportion of the used clothing retailers interviewed for this study had been in business less than six months indicating high levels of entry into the business and also perhaps high levels of enterprise turnover.

4. Efficiency:

Ideally, one would compare efficiency among channels by measuring total factor productivity or domestic resource cost (DRC) of production. Unfortunately, it was not possible during the one month available for field work, to collect the very detailed micro data required to make such comparisons. Very sketchy, pre-implementation projections for UTEXRWA indicate high DRC and even possibly negative value added in their cloth printing operation. While these very preliminary projections must not be used as a basis for decision making, they do point to the need for careful further evaluation, as accurate calculation will be required for sensible policy decisions on the very important questions of investment code privileges, UTEXRWA's requests for quantitative protection against imports, and discussions of appropriate tariff rates on competing imports. Ministry of Finance and Economy and Industrial Incentives Study staff are currently engaged in the necessary analytical work.

In the absence of other measures, it is possible to use retail price as a rough indicator of the efficiency with which each channel satisfies consumer clothing needs. Table 7 furnishes comparisons of retail prices by channel for a range of common consumer products. Clearly, Channel 4's used clothing supplies consumer clothing requirements at the lowest price, in fact at about 15 to 20% of the cost in other channels. While quality differences complicate these comparisons, it does appear from Table 7 that the ready-made imports retailed through Channel 1 represent the highest cost means of satisfying consumer clothing requirements.

Considering all economic criteria together, no channel absolutely dominates the others, so policy makers will have to make judgements as to which virtues they value most highly - employment, income generation, equity or efficiency. Given the priorities implicit in the PRIME and the Industrial Incentives Study, used clothing emerges as a channel that merits much of the policy makers' backing. It generates maximum income per unit of sales, supplies consumers at the lowest cost, benefits the poorest consumers most directly, and generates nearly as much employment as small-scale tailoring. At the very least it appears that policies penalizing used clothing - or banning it as has been attempted by Kenya - would be a serious mistake.

TABLE 7

RWANDA'S TEXTILE CLOTHING SUBSECTOR: RETAIL
PRICE COMPARISONS AMONG CHANNELS
(in Rwandan francs)

	<u>Channel 1</u> Imported Clothes	<u>Channel 2</u> Medium-Scale Confection	<u>Channel 3</u> Tailoring	<u>Channel 4</u> Used Clothing
1. Men's Shirts, Short Sleeves, Size 14				
a. good quality	1,500	950	1,100	200
b. very good quality	3,500	---	---	250
2. Men's Pants				
a. good quality	---	---	1,350	300
b. very good quality	4,000	---	---	800
3. Dresses				
a. good quality	2,000	---	1,400	200
b. very good quality	---	---	---	600
4. School Uniforms (boys, medium size)	---	750	450 (260-600)	---

SOURCE: Field interviews.

III: THE EFFECTS OF POLICY ON SUBSECTOR DYNAMICS, EMPLOYMENT AND EFFICIENCY

A. Trade Policy

Tariff duties clearly favor some channels relative to others. As Table 8 indicates, used clothing bears the highest rate of import taxation of any subsector channel. Central government taxes used clothing imports at a rate of 70%, exceeding that levied on any other textile import, including finished ready-made clothes. Some observers have pointed out that since over half of all used clothing imports are re-exported fraudently, the high import duties on used clothes represent one way of taxing consumers in neighboring countries. While this is true, used clothing remains the textile commodity consumed most heavily by Rwanda's poor. Taxing used clothing at rates normally reserved for luxury items contributes substantial regressiveness to the domestic tax structure.

Another important, and hotly contested, feature of current trade policy remains that of the partial quantitative restrictions imposed on behalf of UTEXRWA. Initially (from September 1985 to June 1986) government awarded UTEXRWA the monopoly on all cloth imports into Rwanda. But consumers voiced concern about the quality and reliability of cloth supply, and former cloth importers complained vociferously about their loss of market share. This storm of critical attention caused government to reconsider its position. After review, government reduced UTEXRWA's quota protection to a partial monopoly beginning in June 1986. Under the new rules, UTEXRWA has sole authority to import cloth woven from discontinuous synthetic fibers. Continuous synthetics and cloth made of natural fibers can theoretically be imported by anyone.

But in practice, the Rwandan National Bank (BNR), the agency with responsibility for allocating import licenses, has great difficulty in distinguishing between cloth woven of continuous and discontinuous synthetic fibers. Given this difficulty and given the large speculative cloth imports that preceeded UTEXRWA's establishment, BNR has been routinely denying import licenses for all types of cloth if UTEXRWA indicates they can supply the desired product. So in effect, UTEXRWA retains a quasis-monopoly on cloth imports, even since June of 1986.

In addition, as a domestic manufacturer, UTEXRWA imports its cloth duty free, while importers who perform no processing of the cloth pay duties of 35% on cotton cloth and 50% on all synthetics. Calculations of effective protection rates are under way by Ministry of Finance and Economy staff in conjunction with staff of the Investment Incentives Study. While these calculations are not yet available, it is apparent from the nominal tariff structure that effective protection of UTEXRWA's cloth printing must be very high. One clear feature of trade policy has been to provide substantial quantitative and tariff protection for UTEXRWA.

Under existing trade regulations, small-scale tailors face two potential

TABLE 8
 IMPORT DUTIES BY CHANNEL IN RWANDA'S
 TEXTILE CLOTHING SUBSECTOR
 (in percent)

	<u>Channel 1</u> <u>Imported</u> <u>Clothes</u>	<u>Channel 2</u> <u>Medium-Scale</u> <u>Confection</u>	<u>Channel 3</u> <u>Tailoring</u>	<u>Channel 4</u> <u>Used</u> <u>Clothing</u>
1. Finished Imported Products	65	---	---	70
2. Raw Materials				
a. cotton cloth	---	35	35	---
b. synthetic cloth	---	50	50	---
3. Equipment				
a. sewing machines	---	0-15 ^a	15	---
b. spare parts	---	0-30 ^a	30	---

^aNew manufacturing establishments which import their own equipment pay no duties on either initial imported equipment or on their first batch of spare parts. All subsequent shipments are taxed.

SOURCE: Ministry of Finance and Economy, "Douanes: Tarifs des droits d'entree," Journal Officiel du 1/12/81, Decret-loi No. 21/82 du 22/9/81.

disadvantages with respect to new large-scale garment producers. Existing clothing manufacturers purchase imported equipment which bears a 15% import duty, while new firms large enough to import their initial stock of equipment and spare parts are exempted from this duty by existing tariff law. The initial exemption for firms large enough to import their own equipment puts small-scale tailors at a cost disadvantage in competing with the larger firms. Given the tailors' relative labor intensity, this tends to reduce employment and raise capital and import costs in the subsector.

Moreover, new firms are also exempted from what would normally be 30% duties on their initial stock of spare parts. But tailors and existing medium-scale garment producers pay a price for spares which reflects the 30% duty. This not only puts tailors and existing manufacturers at a cost disadvantage relative to new large-scale producers, it also raises the cost of keeping machines in repair. The duty therefore likely increases Rwanda's total import bill by forcing machines out of service earlier than they would be if owners had access to cheaper spares.

Existing tariff structure also favors cotton cloth relative to all other natural and synthetic fabrics. The current tariff code taxes cotton cloth at 35% and synthetics at 50%. The reason for this differential is unclear, but it may lead to a subsidy for high income consumers if, as elsewhere, it is they who prefer the natural cotton fabrics.

B. Taxation.

It is not possible to evaluate the full impact of tax laws on enterprises operating in the textile clothing subsector because of the confidentiality of direct income and profits tax information. Nonetheless, it is clear that current indirect taxes - tariffs and market fees - put used clothing consumers, distributors and retailers at a disadvantage compared to other channels. Central government taxes imported used clothing at 70%, higher than the charge levied on any other clothing imports, even the ready made clothes consumed primarily by the urban and wealthy consumers. In addition, local governments impose daily market fees on used clothing retailers and distributors that range from two to eight times as great as those levied on small-scale tailors. As Table 6 indicates, these measures taken together result in government extracting as indirect taxes 30% of the value of used clothing sales, 24% of ready made imported clothes, 21% of Channel 2's tailoring and cloth sales, and only 12% of medium-scale garment manufacture. Given that the very poorest consumers depend most heavily on used garments to meet their clothing needs, the current tax rates are highly regressive. The tax structure places Channel 4's used clothing distribution - a very labor-intensive channel as well as the most efficient income generator - at a substantial competitive disadvantage.

On another fiscal front, one medium-scale garment manufacturer, legally constituted as a cooperative, indicated that current tax regulations place cooperatives at a disadvantage compared to partnerships or private corporations. They allege that if two identical enterprises are registered, one as a cooperative and one as a corporation, the cooperative will pay a

higher rate of tax. While time was not sufficient to investigate this contention fully, it warrants review.

C: Licensing and Commercial Regulations

Licensing and commercial regulations, for the most part, have a neutral effect on subsector dynamics, employment and the relative competitiveness among channels. But policy makers should be alerted to two potential biases so they can guard against possible future distortions:

First, BNR regulations technically require that all textiles be shipped by air, rather than by road, from Mombassa to Kigali. This measure aims at keeping Air Rwanda's cargo plane fully employed, but it of course has the potential to raise the landed costs of textile imports considerably as air freight from Mombassa currently costs 42 francs per kilo, while road transport costs 19 francs. In practice, this regulation is not a significant problem, because containerized textile imports are allowed in by road given that Air Rwanda's cargo plane is not equipped to handle containerized shipments. Since most large importers do in fact bring their cloth, clothes and used clothes shipments into Rwanda in containers, they avoid the high air freight rates. While the measure, therefore, does not currently increase landed costs or retail prices, it does discourage textile imports by small traders who cannot finance entire container loads. The practical effect of this measure is that most medium-scale garment producers have ceased importing their own cloth. It is cheaper for them to buy from local importers or from UTEXRWA:

The second potential bias, related to the first, is one that could confer on large scale garment producers a crushing cost advantage in their competition with small-scale tailors. The potential problem could arise because of the possibility of large firms importing cloth duty free while tailors would remain forced to process cloth facing a 35% to 50% tariff. This is not yet a problem because of current government interpretation of what constitutes an industrial "raw material." Present tariff law allows industrialists to import their raw materials duty free, but under current interpretations the cloth imported for garment manufacture is not considered a "raw material" because it can be retailed directly without transformation. This, along with the fact that they are not large enough to import entire container loads of cloth, means that virtually none of the medium-scale confection establishments import their own cloth. The medium-scale garment manufacturers, like the consumers who have garments made up by small-scale tailors, pay cloth prices that include the 35%-50% import duties:

The current interpretation is an important one to maintain, because duty free import of cloth by large garment producers would afford them a potentially overwhelming cost advantage in their competition with tailors. So that both large and small producers compete on an equal footing, one group must not be given a 35-50% price break on their principal raw material.

Note that if UTEXRWA proceeds with its plans to integrate forward into garment manufacture, they would be poised to undercut existing medium-scale

producers as well as tailors simply by virtue of a 35-50% cost advantage they receive by being allowed to import their unprinted cloth duty free. Policy makers should be aware of the potentially devastating effect this would have on other producers in the subsector.

D. Credit:

Importers, UTEXRWA and most medium-scale garment manufacturers appear to have adequate access to commercial credit. So too do demi-grossistes of used clothing and cloth who frequently are able to obtain suppliers credits from the importers from whom they purchase. It is the small-scale tailors and used clothing distributors and retailers that appear to be the subsector participants with least access to formal credit. This is due, they say, to insufficient collateral.

With the small-scale tailors especially there may be a significant unmet demand for credit, as a large proportion of tailors (as many as 25-40%) rent rather than own machines. And they rent at substantial cost, 1,000 francs per month in Kigali and about 600 francs per month in other areas. Payments of 1,000 francs per month amortize a push-pedal sewing machine in 14 months. This may represent a profitable opportunity for an institution such as the Banques Populaires to get into manufacturing lending. Lending to tailors would not only broaden the bank's portfolio, it would likely reduce tailors' equipment costs, as well as accelerating their integration into the formal financial system.

E. Price Control:

Current price control legislation theoretically requires all producers to submit their prices for government review by a process of homologation. Regulations also indicate that traders must all be prepared to justify their mark-ups to price control inspectors. In fact, government's capacity to implement price control regulations is feeble. It appears, for the most part, not to influence the textile clothing subsector. In most cases, competition in the subsector appears to be substantial enough to keep prices aligned with opportunity costs. One exception is the case of UTEXRWA where a quota-protected market share and considerable tariff protection combine to make some sort of price review a necessary means of protecting consumers.

Overall, the preceding policy review points to a number of opportunities for enhancing subsector performance through policy reform. These opportunities will be reviewed next.

IV. OPPORTUNITIES FOR ENHANCING PERFORMANCE

Many of the basic policies affecting Rwanda's textile clothing subsector are eminently sensible. Nevertheless, there exist a number of areas in which policy makers must remain vigilant. And several opportunities do exist for improving subsector performance through policy modification. In particular, the following policy stances merit consideration:

1. Lower tariff rates on used clothing imports: This move should be given strong consideration as used clothing currently produces the most income per unit of sales, the lowest priced clothing by far, supplies goods most heavily consumed by low-income consumers and generates only slightly less employment than tailoring. Yet current government policy taxes used clothing more heavily than any other subsector channel, at a rate approaching that levied on luxury items. On equity grounds, it would be beneficial to reduce used clothing taxes by reducing market fees paid by retailers, since this would relieve regressive tax burden on domestic consumers while still allowing some taxation of foreigners who consume re-exported used clothes. Unfortunately, the market taxes levied by communes on used clothing retailers will likely be difficult to adjust given the multiplicity of jurisdictions and the probable reluctance of communes to forgoe a lucrative revenue generator. The most straightforward means of providing relief to used clothing consumers and of enhancing the income and employment generated in this channel would be to reduce tariffs from the current very high rate of 70%.

Authorities may wish to tax foreigners who purchase Rwandan-imported and subsequently re-exported used clothes, without penalizing Rwandan consumers. To do so it will be necessary to accompany import duty reductions with the imposition of export duties on used clothes enforced perhaps through patrols of large used clothing markets near key borders:

2. Remove quantitative restrictions on cloth imports while maintaining tariff duties: Such a move has much to recommend it. Currently UTEXRWA receives both tariff relief on its raw cloth imports as well as a de facto import monopoly. As a practical matter, Rwanda's National Bank (BNR) has been unable to implement the present partial monopoly accorded UTEXRWA because of the technical difficulties involved in attempting to distinguish between continuous and discontinuous fibers. In the present case, as with any system of quantitative restrictions, import license allocations must be rationed administratively setting the stage for endless intrigue and frustration. Since Rwanda is undoubtedly better off with efficiency-inducing price competition from imports than with a monopolist supplying the entire domestic cloth market, it seems that the easiest and most efficient solution is to allow unlimited importation of competing cloth but to accord UTEXRWA tariff protection. The results of current Ministry of Finance and Economy investigations into the effective rate of protection of UTEXRWA and its domestic resource cost of production should be used in setting appropriate tariff rates on printed cloth. The current partial quota system is costly in administrative time, costly in tariff revenue foregone, effectively unenforceable and unnecessary:

3. Ensure that cloth imports continue to be taxed equally for large and small clothing manufacturers: Policy makers must do so to ensure that large and small firms compete on an equal footing. While this is currently the case, there is a danger that UTEXRWA's projected foray into garment production will enable them to crush existing competitors - especially tailors and medium-scale garment producers - by virtue of their tariff exemption on imported raw cloth. If UTEXRWA moves into garment production, it will probably be necessary to levy some sort of special tax to avoid what would otherwise be government-subsidized undercutting of existing enterprises. Losses of labor-intensive tailoring would be particularly unfortunate:

4: Reduce tariffs on both sewing machines and spare parts. Removal of the 15% duty on sewing machines would allow small-scale tailors to compete on an equal footing with new larger-scale producers who can potentially import equipment duty free. And removal of the 30% duty on spare parts would make more maintenance economically justifiable, undoubtedly prolonging sewing machine life and therefore economizing on foreign exchange by reducing imports of replacement sewing machines:

5. Provide training in or access to sewing machine repair: Related to recommendation number 4, this also aims at prolonging sewing machine life and reducing capital costs of production. Itinerant repair persons or short training courses might well improve current maintenance standards which many tailors and equipment importers indicate are lacking.

6. Investigate, on a pilot basis, bank lending to tailors for sewing machine purchases: The Banques Populaires may be particularly well suited for reaching this clientele: The large proportion of rented sewing machines along with the substantial rental rates and therefore the potential for rapid loan repayment indicate that this might be profitable for both banks and tailors. The result would be lower cost of production for tailors, a more diversified and more profitable portfolio for the Banques Populaires and a more rapid development of the institutional banking network:

7. Review the statutes governing tax laws and cooperatives to investigate the charge that cooperatives are taxed more heavily than corporations even if they operate identical enterprises.

8: Actively promote both medium-scale garment manufacturers and small-scale tailoring. Given the very favorable long-term prospects for garment manufacture, active promotion would likely improve the ability of the textile clothing subsector to respond to the anticipated increase in demand for ready- and tailor-made new clothes. Management assistance for many of the existing medium-scale confection establishments as well as for progressive tailors, the facilitating of equipment repair and maintenance programs for all manufacturers, and perhaps short technical and design seminars for small-scale tailors might be a useful start in this direction:

APPENDIX TABLES

TABLE A-1
 A PROFILE OF RURAL CONSUMPTION EXPENDITURES,^a RWANDA 1983
 (in thousands of Rwandan francs)

	Total Rural Consumption Expenditure	Average Expenditure Per Household	Percent of Total Expenditure	Percent of Textile Clothing Expenditure
1. Food and Drink	11,196,356	10,553	49.0	---
2. Housing and Construction	4,577,087	4,314	20.0	---
3. Textile Clothing				
a. cloth	1,445,171	1,362	6.3	51.0
b. used clothes	932,683	879	4.0	33.0
c. new clothes	338,677	319	1.5	12.0
d. tailoring services	141,654	134	.6	5.0
(i) confection	(94,007)	(89)	(.4)	(3.3)
(ii) repairs	(47,647)	(45)	(.2)	(1.7)
Total	2,858,185	2,694	12.4	100.0
4. Other Clothing ^b	436,455	411	2.0	---
5. Household Furnishings	1,419,463	1,338	6.0	---
6. Transport	592,085	558	3.0	---
7. Other	<u>1,930,790</u>	<u>1,820</u>	<u>8.0</u>	---
Total	23,010,421	21,689	100.0	

^aIncludes only cash expenditures. Excludes consumption of own production.

^bIncludes items such as shoes, watches, belts and hats.

SOURCE: Ministère du Plan, "Enquête Nationale sur le Budget et la Consommation des Ménages, Milieu Rural (1/11/82 - 13/12/83)," Vol. 2, Structure du Budget des Ménages, Juillet 1986, Tables 1.2.A and 1.2.B. Special breakdown of textile clothing provided by ENBC staff based on questionnaire No. 4 of the daily transactions.

TABLE A-2
 CONSUMPTION EXPENDITURES OF SALARIED URBAN WORKERS,
 KIGALI 1982
 (in Rwandan francs)

	<u>Average Annual Household Expenditure</u>	<u>Percent of Total Expenditure</u>	<u>Percent of Textile Clothing Expenditure</u>
1. Food and Drink	133,327	36.5	---
2. Transport	60,636	16.6	---
3. Lodging	38,720	10.6	---
4. Textile Clothing			
a. new clothes plus tailoring services	15,707	(4.3)	56.0
b. cloth	9,132	(2.5)	32.0
c. used clothes	<u>3,288</u>	<u>(.9)</u>	<u>12.0</u>
Total	28,127	7.7	100.0
5. Other Clothing	5,844	1.6	---
6. Others	<u>72,326</u>	<u>19.8</u>	---
Total	365,280	100.0	

SOURCE: Banque nationale du Rwanda, Bulletin No. 9, "Special: Enquete Budget-Consommation 1982," Juin 1983, Table 1.

TABLE A-3

TRENDS IN THE COMPOSITION OF RWANDA'S IMPORTS
(value in millions of Rwandan francs)

	1965		1970		1975		1980		1984	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
1. Food	83	8.0	373	13.0	1,364	15.0	2,168	10.0	4,301	15.0
2. Drink and Tobacco	15	1.0	120	4.0	181	2.0	511	2.0	339	1.0
3. Textile Clothing										
a. cloth	132	13.0	376	13.0	558	6.0	1,467	6.0	1,734	6.0
b. used clothes	---	---	181	6.0	518	6.0	685	3.0	1,032	4.0
c. new clothes	35	3.0	62	2.0	57	1.0	159	1.0	99	---
Total	<u>167</u>	<u>16.0</u>	<u>619</u>	<u>21.0</u>	<u>1,133</u>	<u>13.0</u>	<u>2,311</u>	<u>10.0</u>	<u>2,865</u>	<u>10.0</u>
4. Other Clothes	15	1.0	23	1.0	82	1.0	262	1.0	249	1.0
5. Energy	69	7.0	162	6.0	691	8.0	2,789	12.0	4,724	17.0
6. Transportation Equipment	138	13.0	273	9.0	1,196	13.0	2,872	13.0	5,273	19.0
7. Machinery	152	15.0	214	7.0	1,309	15.0	2,887	13.0	2,947	11.0
8. Construction Materials	98	9.0	318	11.0	527	6.0	2,101	6.0	2,995	11.0
9. Others	<u>310</u>	<u>30.0</u>	<u>808</u>	<u>28.0</u>	<u>2,440</u>	<u>27.0</u>	<u>6,667</u>	<u>33.0</u>	<u>4,179</u>	<u>15.0</u>
Total	1,047	100.0	2,910	100.0	8,923	100.0	22,568	100.0	27,872	100.0

SOURCE: United Nations, *Yearbook of International Trade Statistics*, 1968, 1974 and 1981; Rwandan Ministry of Plan, *Bulletin de Statistiques*, No. 9, January 1982, and Supplement Annuel No. 10-11, January 1984; and Banque Nationale du Rwanda, *Bulletins* No. 12, 11, 10 and 8.

TABLE A-4
TRENDS IN THE COMPOSITION OF RWANDA'S TEXTILE
CLOTHING IMPORTS

I. Percent of Value

	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
1. Cloth					
a. cotton	30.0	24.0	14.0	25.0	30.0
b. discontinuous synthetics	)28.0	)	)	31.0	20.0
c. continuous synthetics	)	)37.0	)35.0	6.0	3.0
d. others	21.0	)	)	1.0	3.0
Total	<u>79.0</u>	<u>61.0</u>	<u>49.0</u>	<u>63.0</u>	<u>56.0</u>
2. Used Clothing	---	29.0	46.0	30.0	40.0
3. Clothes	21.0	10.0	5.0	7.0	4.0
Total Textile Clothing	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

II. Percent of Quantity

1. Cloth					
a. cotton	32.0	20.0	5.0	14.0	8.0
b. discontinuous synthetics	)23.0	)	)	21.0	8.0
c. continuous synthetics	)	)24.0	)16.0	3.0	1.0
d. others	37.0	)	)	---	1.0
Total	<u>92.0</u>	<u>44.0</u>	<u>21.0</u>	<u>38.0</u>	<u>18.0</u>
2. Used Clothing	---	55.0	78.0	60.0	81.0
3. Clothes	8.0	1.0	1.0	2.0	1.0
Total Textile Clothing	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

SOURCE: Appendix Table A-5.

TABLE A-5

RWANDA'S ANNUAL TEXTILE CLOTHING IMPORTS

I. Value (in millions of Rwandan francs)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
1. Cloth									
a. cotton	2.6	---	50.8	150.8	115.0	174.7	---	149.5	---
b. discontinuous synthetics)))))))))
c. continuous synthetics	)8.1	)---	) 45.6	) 140.3	) 183.2	) 233.6	) ---	) 226.1	) 115.1
d. knitwear)))))))))
e. other	.4	---	35.3	89.8	62.0	35.1	---	---	---
Total	<u>11.1</u>	<u>---</u>	<u>131.7</u>	<u>380.9</u>	<u>360.2</u>	<u>443.4</u>	<u>---</u>	<u>375.6</u>	<u>---</u>
2. Clothes	3.9	11.3	35.3	65.1	58.6	47.4	35.7	62.2	16.4
3. Used Clothes	---	---	---	---	---	---	108.0	180.5	---
Total	---	---	167.0	---	---	---	---	618.3	---

II. Quantity (in metric tons)

1. Cloth									
a. cotton	28.0	---	651.0	1,129.0	---	---	---	1,149.0	---
b. discontinuous synthetics)))))))))
c. continuous synthetics	)111.0	)---	) 470.0	) 910.0	) ---	) ---	) ---	) 1,393.0) ---
d. knitwear)))))))))
e. other	33.0	---	760.0	1,030.0	---	---	---	---	---
Total	<u>172.0</u>	<u>---</u>	<u>1,881.0</u>	<u>3,069.0</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,542.0</u>	<u>---</u>
2. Clothes	27.0	114.0	173.0	143.0	---	---	---	86.0	---
3. Used Clothes	---	---	---	---	---	---	1,898.0	3,203.0	---
Total	---	---	2,054.0	---	---	---	---	5,831.0	---

TABLE A-5 (CONT.)

I. Value (in millions of Rwandan francs)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
1. Cloth							
a. cotton	79.7	---	183.8	160.9	162.5	140.0	236.4
b. discontinuous synthetics	)	)	)	)	303.1	306.4	394.5
c. continuous synthetics	)153.0	)24.4	) 372.1	) 396.8	140.2	106.0	171.4
d. knitwear	)	)	)	)	48.7	11.0	38.8
e. other	---	---	---	---	8.3	9.7	4.1
Total	<u>232.7</u>	<u>---</u>	<u>555.9</u>	<u>557.7</u>	<u>662.8</u>	<u>573.1</u>	<u>845.2</u>
2. Clothes	23.6	13.8	49.2	57.1	41.4	32.8	75.4
3. Used Clothes	<u>219.0</u>	<u>---</u>	<u>321.7</u>	<u>518.2</u>	<u>537.8</u>	<u>638.3</u>	<u>711.5</u>
Total	475.3	---	926.8	1,133.0	1,242.0	1,244.2	1,632.1

II. Quantity (in metric tons)

1. Cloth							
a. cotton	371.0	---	529.0	353.0	256.0	243.2	344.7
b. discontinuous synthetics	)	)	)	)	913.6	847.5	1,047.9
c. continuous synthetics	) ---	) 54.0	) 947.0	) 1,091.0	195.2	153.2	233.5
d. knitwear	)	)	)	)	59.2	17.1	49.2
e. other	---	---	---	---	9.8	8.2	4.6
Total	<u>---</u>	<u>---</u>	<u>1,476.0</u>	<u>1,444.0</u>	<u>1,434.0</u>	<u>1,269.2</u>	<u>1,679.9</u>
2. Clothes	---	14.0	39.0	47.0	36.2	30.6	58.8
3. Used Clothes	<u>3,511.0</u>	<u>---</u>	<u>3,755.0</u>	<u>5,484.0</u>	<u>5,209.6</u>	<u>6,117.4</u>	<u>5,916.0</u>
Total	---	---	5,270.0	6,975.0	6,679.8	7,346.5	7,654.7

TABLE A-5 (CONT.)

I. Value (in millions of Rwandan francs)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1. Cloth							
a. cotton	373.4	589.8	689.6	586.3	514.5	755.9	730.1
b. discontinuous synthetics	542.6	723.9	604.5	488.0	425.2	841.2	488.1
c. continuous synthetics	180.2	128.7	124.7	162.3	79.5	68.7	82.3
d. knitwear	21.9	24.4	7.7	25.4	41.8	67.0	76.5
e. other	10.3	.6	5.7	2.0	.8	1.3	.9
Total	<u>1,128.4</u>	<u>1,467.4</u>	<u>1,432.2</u>	<u>1,264.0</u>	<u>1,061.8</u>	<u>1,734.1</u>	<u>1,377.9</u>
2. Clothes	83.2	158.6	142.7	171.4	125.9	98.7	93.4
3. Used Clothes	<u>737.2</u>	<u>684.8</u>	<u>740.5</u>	<u>856.6</u>	<u>993.8</u>	<u>1,032.1</u>	<u>976.7</u>
Total	1,948.8	2,310.8	2,315.4	2,292.0	2,181.5	2,864.9	2,450.0

II. Quantity (in metric tons)

1. Cloth							
a. cotton	524.7	1,150.6	845.1	722.0	595.8	887.2	807.2
b. discontinuous synthetics	1,388.3	1,710.1	1,338.8	906.8	747.1	1,462.1	865.1
c. continuous synthetics	203.8	234.7	143.5	189.5	99.6	98.3	98.7
d. knitwear	24.2	36.9	9.7	38.6	58.9	112.9	132.0
e. other	11.6	1.5	5.3	1.5	1.0	.9	.7
Total	<u>2,152.6</u>	<u>3,133.8</u>	<u>2,342.4</u>	<u>1,858.4</u>	<u>1,502.4</u>	<u>2,561.4</u>	<u>1,903.7</u>
2. Clothes	52.3	129.4	88.3	152.7	104.0	121.7	78.1
3. Used Clothes	<u>5,544.3</u>	<u>4,971.6</u>	<u>5,638.0</u>	<u>6,552.0</u>	<u>7,767.7</u>	<u>8,296.0</u>	<u>8,472.7</u>
Total	7,749.2	8,234.8	8,068.7	8,563.1	9,374.1	10,959.1	10,454.5

SOURCE: United Nations, Yearbook of International Trade Statistics, 1968, Vol. 1, 1974, and Vol. 1, 1981; Banque nationale du Rwanda, Bulletins No. 12, 11, 10 and 8.

TABLE A-6
TRENDS IN SEWING MACHINE IMPORTS

	<u>Value</u> <u>(millions of Frw)</u>	<u>Quantity</u> <u>(tons)</u>	<u>Estimated Number</u> <u>of Sewing</u> <u>Machines</u>
1976	16.0	43	1,204
1977	10.5	48	1,346
1978	18.9	80	2,245
1979	33.8	141	3,975
1980	39.5	161	4,524
1981	32.0	126	3,547
1982	46.9	194	5,461
1983	35.6	126	3,562
1984	36.6	144	4,051
1985	22.3	70	1,966

SOURCE: Banque Nationale du Rwanda, Bulletins No. 12, 11, 10 and 8.

TABLE A-7
ESTIMATES OF THE RELATIVE IMPORTANCE OF TEXTILE EMPLOYMENT

	National Employment, 1978			Rural Nonfarm Employment, 1983		
	Total Employment	Percent of Nonfarm	Percent of Manufacturing	Total Employment	Percent of Nonfarm	Percent of Manufacturing
1. Agriculture	2,420,951	---	---	---	---	---
2. Mining	14,014	11.0	---	11,000	5.0	---
3. Manufacturing						
--wood products	6,439	5.1	42.0	17,492	8.5	36.0
--bricks	---	---	---	12,215	6.0	25.0
--clothing	4,073 ^a	3.2	27.0	9,508	4.7	20.0
--food processing	3,019	2.4	20.0	1,338	.7	3.0
--metal work	1,079	.9	7.0	7,069	3.5	15.0
--other manufacturing	526	.4	4.0	---	---	---
Total	15,130	12.0	100.0	48,647	24.0	100.0
4. Construction	16,219	13.0		29,108	14.0	
5. Commerce	14,957	12.0		32,493	16.0	
6. Government	30,322	24.0		23,891	12.0	
7. Private Services	) 35,527	28.0		49,061	24.0	
8. Other			9,585	5.0		
Total Nonfarm	126,169	100.0		203,785	100.0	
Total	2,547,120					
	<u>Urban Informal Sector, Kigali, 1985</u>					
1. Agriculture	---	---	---			
2. Mining	88	1.0	---			
3. Manufacturing						
--wood products	432	3.8	14.0			
--bricks	228	2.0	7.0			
--clothing	958 ^b	8.5	31.0			
--food processing	354	3.1	12.0			
--metal work	413	3.7	13.0			
--other manufacturing	705	6.3	23.0			
Total	3,090	27.0	100.0			
4. Construction	1,062	9.0				
5. Commerce	6,117	54.0				
6. Government	0	---				
7. Private Services	897	8.0				
8. Other	0	---				
Total Nonfarm	11,254	100.0				
Total						

TABLE A-7 (CONT.)

^aIncludes clothing and shoe repairs.

^bIncludes tailoring (648) and knitting and embroidery (310).

SOURCE: National employment from: Republique Rwandaise, Presidence de la Republique, Bureau National de Recensement "Recensement General de la Population et de l'Habitat, 1978," Vol. 2, Activite Economique; rural nonfarm employment from Vanvali, "Reflexions Interrogatives Sur l'emploi rural nonagricole au Rwanda en 1983," mimeo MINIPLAN; urban informal sector from International Labor Office, "Recensement des artisans dans la commune urbaine de Nyarugenge (Kigali)," August 1985, Table 1.

TABLE A-8
 PROFILE OF USED CLOTHING CONSUMERS IN
 THREE MARKETS^a IN RWANDA

<u>I. Profession</u>	<u>Number of Consumers Interviewed</u>	<u>Percent</u>
Farmer	14	60.0
Student	2	9.0
Domestic	2	9.0
Housewife	2	9.0
Civil Servant	2	9.0
Professional	<u>1</u>	<u>4.0</u>
	23	100.0
<u>II. Share of Used Clothing in Wardrobe</u>		
0 - 50 percent	4	17.0
51 - 70 percent	6	26.0
71 - 90 percent	8	35.0
91 - 100 percent	<u>5</u>	<u>22.0</u>
	23	100.0

^aThe three markets include Nyanza, Ruhango and Nyabugogo.

SOURCE: Speciose Uwiherekeje, "La Commercialisation de la Friperie au Rwanda et son Importance pour le pays," Memoire de License, Faculte'des Sciences Economiques, Sociales et de Gestion, Butare September 1985, p. 66.