



SERVICES POLICY REVIEW



RWANDA





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EXECUTIVE SUMMARY

Increasingly, services production and trade is moving to the forefront of the agenda of governments the world over. Boosting services trade is seen as a way to grow economies and achieve gains in employment creation and poverty alleviation. However, poor laws, inadequate policies and inefficient institutions hamper the ability of countries to take full advantage of the benefits of services trade. The Rwanda Services Policy Review, prepared by the United Nations Conference on Trade and Development (UNCTAD), aims, inter alia, to investigate regulatory, institutional and policy gaps and make recommendations on how to address such gaps in the sectors of tourism and information and communications technology (ICT).

Over the last decade and a half, Rwanda has implemented significant economic reforms, including privatization, investment facilitation and trade liberalization, which helped achieve strong economic growth. The services sector, which now accounts for half of its gross domestic product (GDP), played a major role in the recent economic boom. International trade has been a key factor in expanding the Rwandan economy far beyond national markets, as exports of goods and services increased from \$70 million in 1995 to over \$859 million in 2011; services increased as a share of total exports from 24–46 per cent, with a peak at 64 per cent in 2009.

Nevertheless, Rwanda continues to run a large trade deficit, estimated at \$1.4 billion in 2012, in both its merchandise and services trade.¹ The deficit in goods is generally valued at over four times the value of exports. In addition, the long distances to ocean ports and regional railway networks owing to its landlocked nature elevates the cost of merchandise trade for Rwanda. These conditions heighten the importance of services exports in bringing an end to the sustained trade deficit and rising exports.

Strong political commitment at the highest level and international support for well-designed and implemented national programmes have contributed to Rwanda's impressive efforts to achieve the Millennium Development Goals (MDGs), overcoming major setbacks during the 1994 genocide. Yet progress remains to be made in a few areas such as access to improved water sources, poverty rates, maternal mortality rates, investment in energy, water, sanitation and transportation.

Rwanda has shown some strength in macroeconomic management and continues to make progress with structural reforms, joining the top reforming economies in Africa in the World Bank's Ease of Doing Business Survey. However, the country faces a number of challenges: a large informal sector, poor skills, a weak culture of entrepreneurship, weak infrastructure, limited innovation potential, bureaucratic red tape and low domestic savings.

Rwanda has gone a long way in developing sector strategies and upgrading the regulatory framework for the development of specific services. Furthermore, it has taken a liberal approach towards attracting investment and liberalizing trade in the services sector. Rwanda could complement existing strategies with the development of a national services sector policy and a trade in services strategy with a view to ensuring the overall development of services exports and a coherent approach encompassing policymaking across several areas. Continued full and permanent cooperation from government ministries and authorities involving policymaking and the implementation of policies related to services is also important.

Three cross-cutting areas could contribute to strengthening the performance of Rwanda's overall services economy:

- The development of a culture of quality in the services sector, enabling Rwandan service firms to compete effectively with their regional counterparts. In this regard, support programmes ensuring that quality standards are adopted and maintained in the services subsectors and that skills are enhanced are crucial;

- Increased cooperation with regional partners to strengthen regulatory institutions and policymaking in the area of services, particularly those that have been prioritized for liberalization in the East African Community (EAC), the Tripartite Free Trade Agreement and the Economic Partnership Agreement (EPA) to ensure that proper institutional and regulatory frameworks are in place prior to liberalization. This study finds there is need for a more systematic approach at the regional level to promote business ventures and joint projects relating to services;
- Enhanced collaboration and communication between the private and public sectors, regarding business development (i.e. improved partnerships with foreign companies for skills enhancement and technology transfer) and infrastructure development (for instance using public–private partnerships). The study finds that lack of access to finance and skills continues to hinder the proactive participation of the private sector in the development of the services economy in Rwanda. Strengthening the capacity of local services suppliers requires specific policy measures and targeted strategies: The private sector is in a privileged position to inform policymaking in this regard, providing first-hand information on obstacles to trade and business operations.

With regard to the specific sectors under review, the tourism sector is a key driver for future growth and economic diversification in Rwanda. As such, the Rwandan Government has made it a priority and has put in place several strategies, policy measures and incentives that have led to a steady growth of the sector in recent years. Nonetheless, Rwanda’s success in boosting tourist arrivals has not led to a proportional increase in its total receipts from foreign travellers. This situation can be explained by the limited length of tourist stays.

A number of areas require attention to overcome this challenge and boost the contribution of the tourism services sector to the national economy. Recommendations to strengthen the sector include the following:

- Developing entertainment alternatives and strengthening linkages with recreational, cultural and sporting services;
- Strengthening partnerships with local services operators to stage awareness-raising campaigns;
- Reinforcing the institutional and regulatory framework related to tourism education and capacity-building;
- Designing a framework to monitor and continuously improve quality in services delivery;
- Improving access to finance, particularly for small- and medium-sized enterprises (SMEs);
- Developing legislation to regulate the industry;
- Governing tourism professions, particularly in the areas of accreditation, certification and licensing.

The ICT sector has been expanding rapidly in Rwanda. The Government, the private sector and international organizations have financed developments within this sector. Intensified efforts to revive the sector have improved the sector’s development indicators, and remarkable progress in the use of telecommunication services can be observed. The diffusion of ICTs has been spurred by a range of innovative pro-development applications such as e-banking, e-agriculture, education, e-government and e-trade.

Nevertheless, Rwanda’s ICT sector is at an early stage of development and continues to face a number of challenges. Despite the fall in the cost of broadband Internet services over the past few years, these services are still relatively more expensive in Rwanda than in other EAC countries, and they do not yet have sufficient international bandwidth. Because it is landlocked, the country is very dependent on neighbouring countries for connectivity, which greatly increases connectivity costs. Also, low access to electricity and the high cost of its use are major impediments to the spread of ICT services across Rwanda.

A number of areas require attention to overcome these challenges and maximize the benefits and development impact of the ICT services sector. Recommendations to strengthen the sector include the following:

- Pursuing ongoing efforts to improve access to different ICT services at affordable rates;
 - Identifying niche services markets and developing targeted strategies (according to the positioning of Rwanda's current skills and skills being developed through recent initiatives) in segments of the ICT value chain;
 - Reinforcing the legal environment pertaining to data privacy and intellectual property rights;
 - Developing the capacity to compile disaggregated data with respect to key indicators to assess the sector and inform policymaking and private sector development through procurement policies that provide opportunities for cluster and network development.
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ACRONYMS AND ABBREVIATIONS

CIF	cost, insurance and freight
CARIFORUM	Caribbean Forum of African, Caribbean and Pacific States
CAPMER	Centre d'Appui aux Petites et Moyennes Entreprises
COMESA	Common Market for Eastern and Southern Africa
DESA	Department of Economic and Social Affairs (United Nations)
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy (Government of Rwanda)
EPA	economic partnership agreement
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GDP	gross domestic product
HIDA	Institutional Capacity Development Agency
HIV	human immunodeficiency virus
ICT	information and communications technology
IMF	International Monetary Fund
IPAR	Institute of Policy Analysis and Research
LDC	least developed country
MDG	Millennium Development Goal
NICI	National Information and Communication Infrastructure
NISR	National Institute of Statistics of Rwanda
OECD	Organization for Economic Cooperation and Development
RF	Rwanda franc
SACCO	savings and credit cooperative
SADC	Southern African Development Community
SME	small and medium-sized enterprise
SMS	short message service
SNV	Netherlands Development Organization
TNCDB	Trade Negotiations and Commercial Diplomacy Branch (UNCTAD)
UNCTAD	United Nations Conference on Trade and Development
VoIP	Voice over Internet Protocol
WTO	World Trade Organization

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