

REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH IN AFRICA

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Service Policy Review (SPR) of Rwanda

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DITC

Background of the SPR

- Trade in services are becoming more and more important
- Poverty alleviation and employment creation
- Opportunity to diversify the economy, more resilient during downturns
- National policies need to support an enabling environment for SMEs (bulk of developing countries services)
- UNCTAD has developed the SPR methodology: holistic approach, assessment of the services sector, identification of opportunities and challenges

SPR methodology

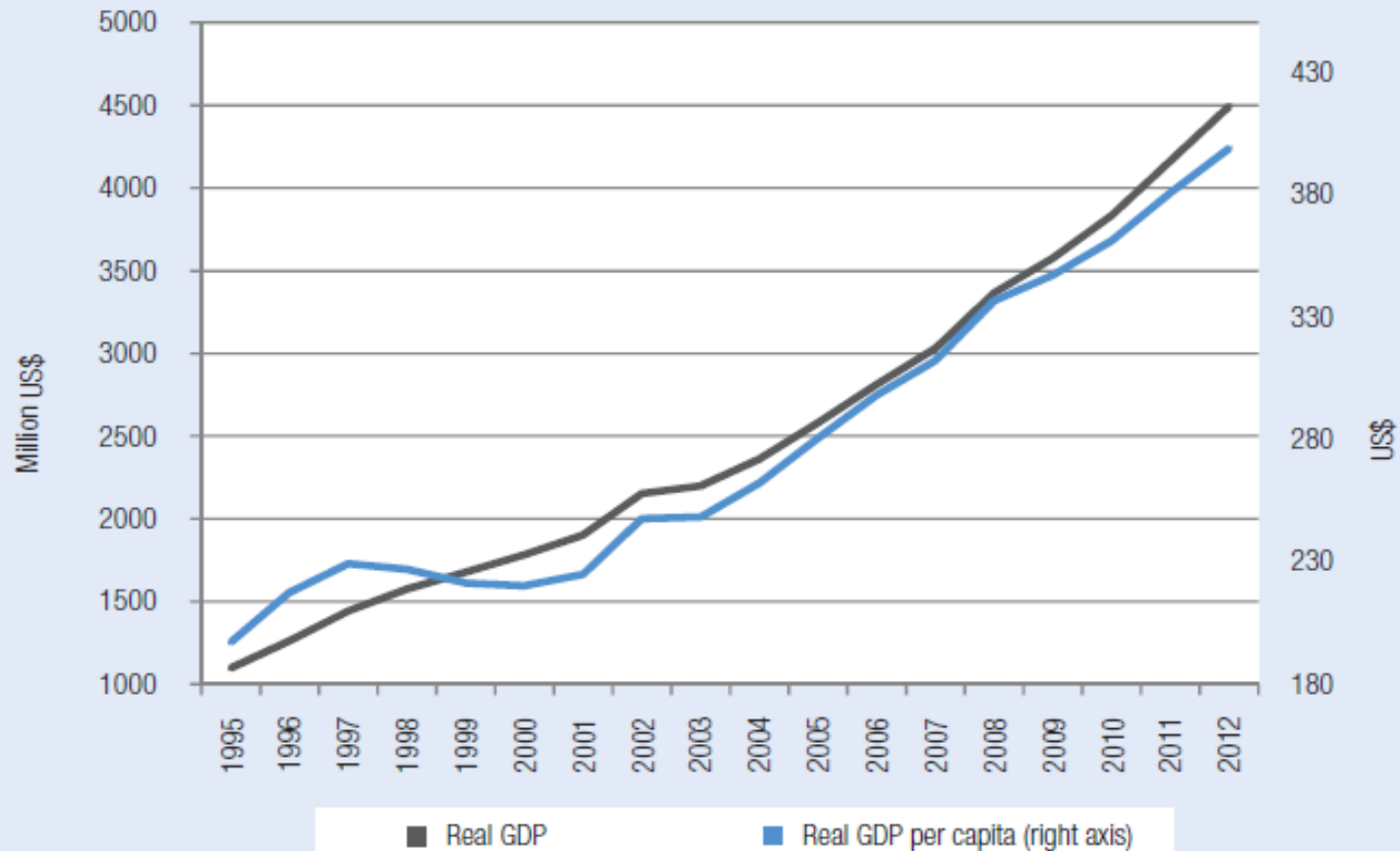
- Preparation of draft desk study prepared by UNCTAD and used as a basis for discussion at National Stakeholder Workshop (NSW)
- NSW is a wide multi-stakeholder workshop, focused on issues and challenges confronting key services sectors and proposals on strategic approaches, policy advances and trade liberalization reforms in specific services sectors
- A team of consultants deepens the UNCTAD desktop study based on the comments received during the NSW and interviews with national stakeholders, and includes national stats, laws, regulations
- The extended study is then reviewed during the second workshop, further comments are provided and included
- In short, SPR methodology is a multi-stakeholder, multi-feedback and holistic process

Rwanda SPR

- The Ministry of Trade and Industry (MINICOM) identified two key sectors to be covered by UNCTAD report:
 - Telecom
 - Tourism
- The report encompasses also an economic panorama

Economic Panorama

Figure 1. Real GDP and real GDP per capita in Rwanda (1995-2012)

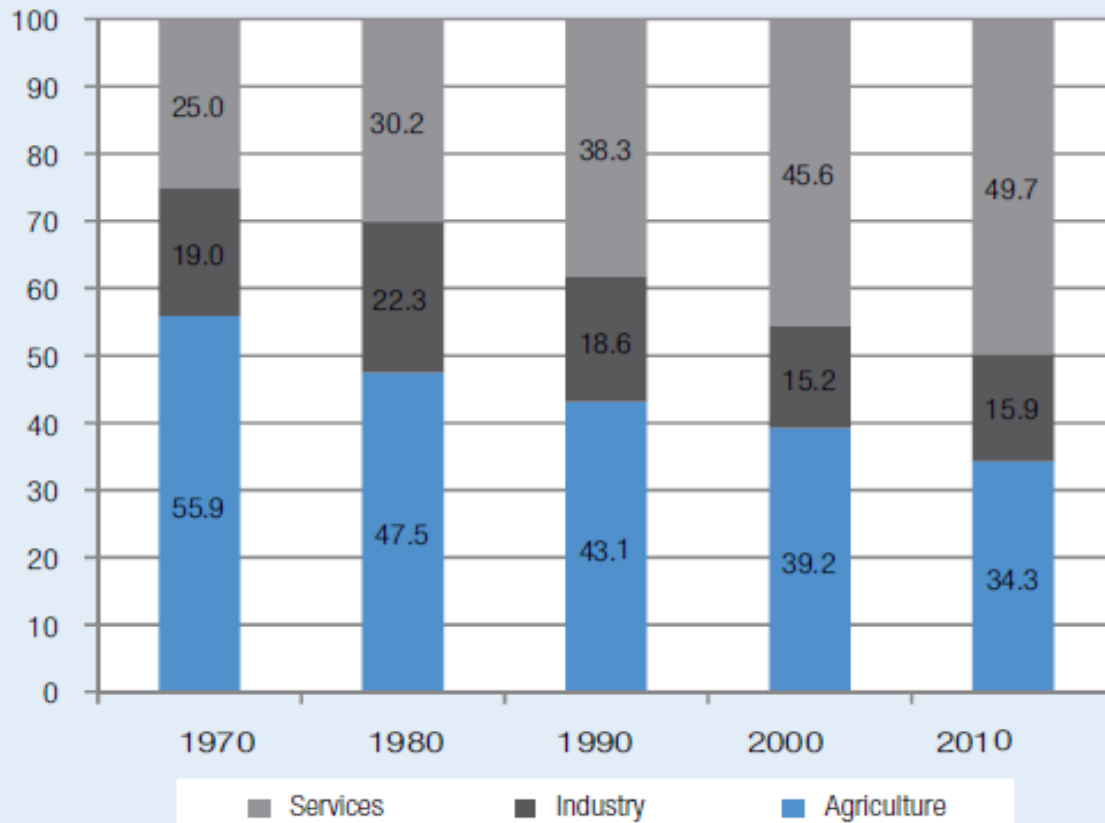


Note: Real GDP and real GDP per capita is in US\$ at constant prices (2005) and constant exchange rates (2005). Data for 2012 is estimated.

Source: UNCTADStat.

Evolution of the economy structure

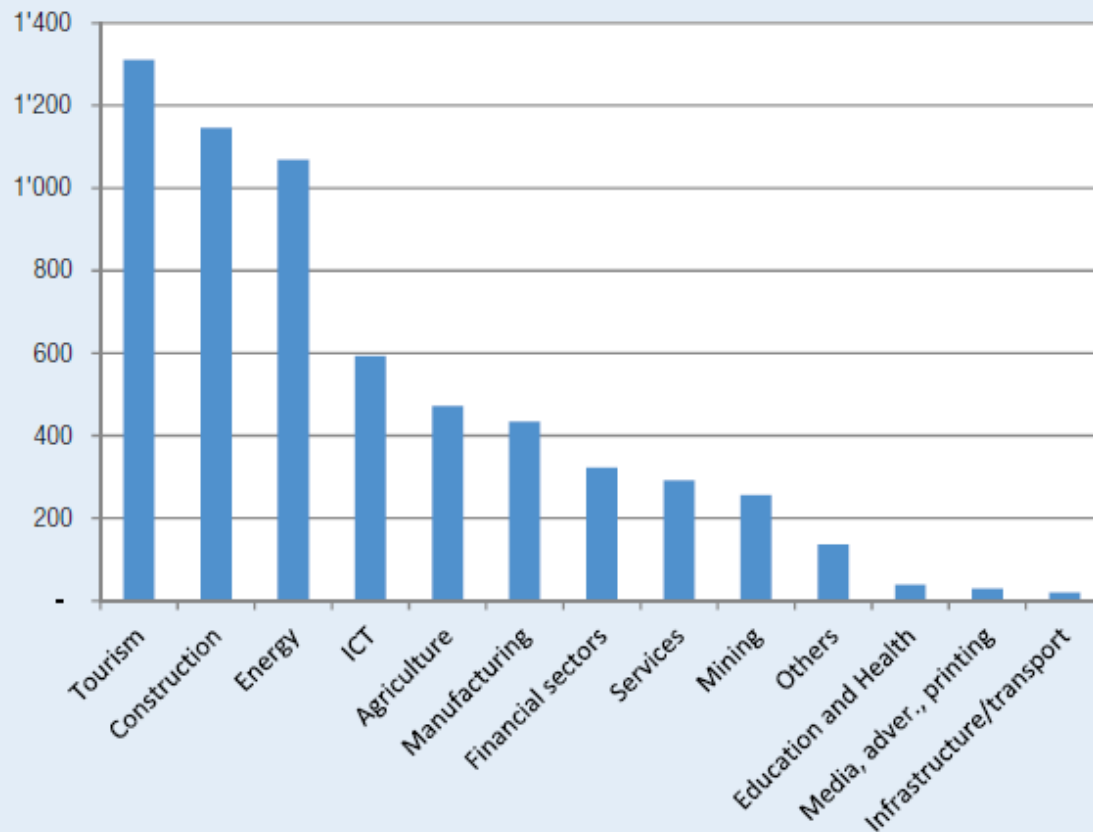
Figure 3. Structure of the Rwandan Economy in Value Added, in per cent of GDP (1970-2010), in percentage



Source: Structure of the Rwandan Economy in Value Added, in per cent of GDP (1970-2010).

Registered investments in Rwanda

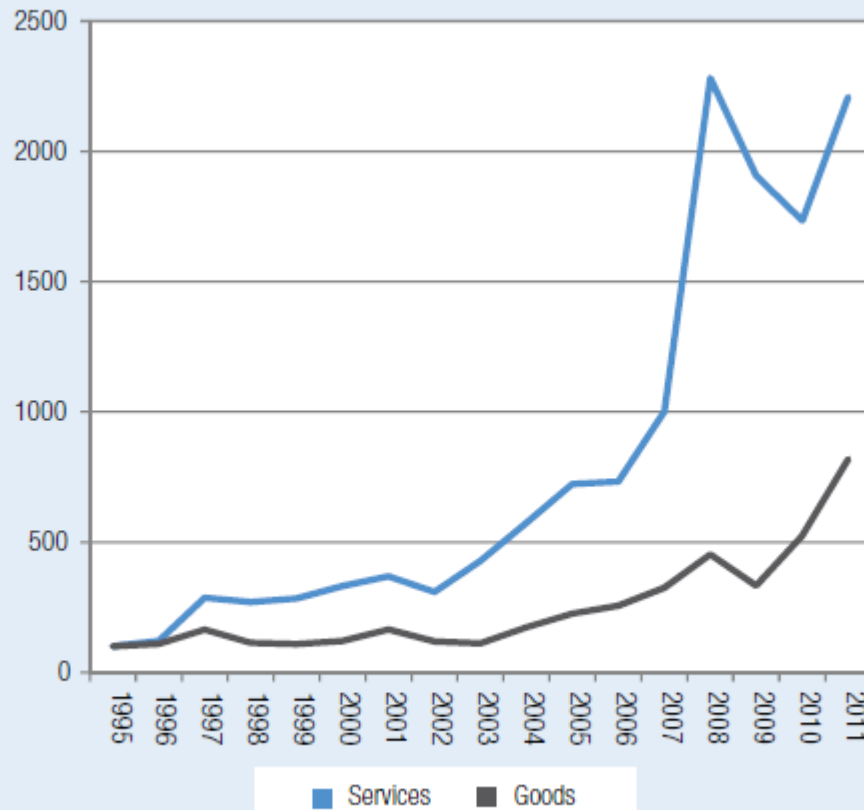
Figure 6. Registered Investment per Sector from 2001 to 2012, in US\$ million



Source: Rwanda Development Board 2013.

Services exports are thriving

Figure 7. Relative Performance of Rwanda's Services and Merchandise Exports Value (1995 =100)



Source: UNCTADStat.

Trade balance deficit remains

Table 3. Imports and Exports of Goods and Services (current million US\$)

		1980	1990	2000	2005	2010	2011
Exports	Services	34.3	41.7	59.3	129.4	310.4	395.2
	Goods	144.1	101.3	68.4	127.8	297.3	464.2
	Total	178.4	142.9	127.8	257.2	607.6	859.4
Imports	Services	133.2	129.4	200.1	303.9	556.6	598.4
	Goods	211.2	224.6	223.2	355.1	1084.0	1565.4
	Total	344.4	354.0	423.3	659.0	1640.5	2163.8
Trade Balance	Services	-98.9	-87.7	-140.8	-174.6	-246.2	-203.2
	Goods	-67.1	-123.4	-154.7	-227.3	-786.7	-1101.2
	Total	-166.0	-211.1	-295.6	-401.9	-1032.9	-1304.4

Source: UNCTADStat.

Economic policies

- GoR has made impressive efforts at achieving several MDGs (central to the policy framework)
- WB identified Rwanda as one of the top reforming economies
- Ultimate goal transform Rwanda into a middle income country by the year 2020 (GDP per capita \$1250, at the moment ~ \$600)

Economic policies

- Majority of SMEs in the service sector and have the potential to foster employment creation and trade
- Services trade liberalization to generate pro-development benefits needs to be preceded by proper policy, regulatory & institutional framework
- Maximize the overall level of welfare and development at the national level

Tourism sector

- Tourism sector largest source of export earnings for Rwanda (29 % of all exports and 63% of services exports in 2011)
- Total contribution to employment ~136K
- Tourism revenue increased from \$ 148m to \$282m between 2010 and 2012.

Forecasts for the tourism industry

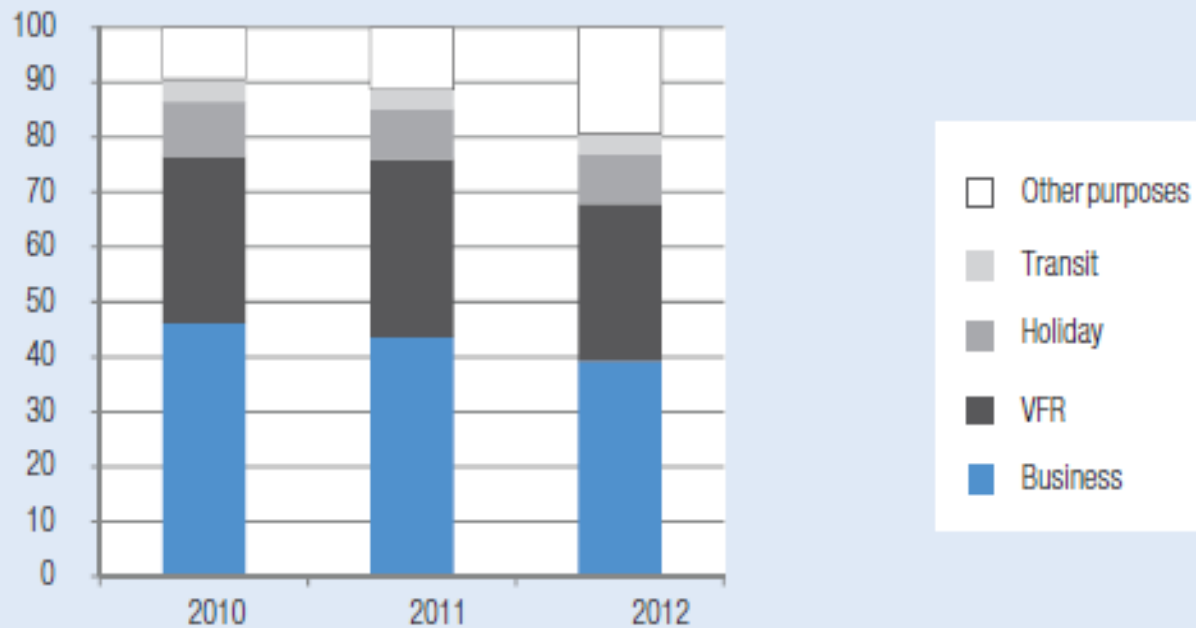
Table 8. Forecasted Contribution of the Tourism Sector to Key Economic Indicators of Rwanda by 2023

Indicator	Estimated growth
Contribution to GDP	<ul style="list-style-type: none">• The direct contribution of travel and tourism to GDP is expected to rise by 5.5 per cent pa equivalent to 2.7 per cent of GDP by 2023;• The total contribution of travel and tourism to GDP (including its wider economic impacts) is forecast to rise by 60 per cent pa equivalent to 6.9 per cent of GDP by 2023.
Employment	<ul style="list-style-type: none">• The direct contribution of travel and tourism to employment is expected to rise by 1.7 per cent pa equivalent to 2.3 per cent of total employment or 65,200 jobs by 2023;• The total contribution of employment is forecast to rise by 2.2 per cent pa equivalent to 6 per cent of total employment or 171,800 jobs by 2023.
Investment	<ul style="list-style-type: none">• Travel and tourism investment is estimated to rise by 6.3 per cent pa to reach 6.8 per cent of total investment in 2023.

Source: World Travel and Tourism Council (2013). Travel and tourism: Economic impact 2013 for Rwanda.

Visiting purpose

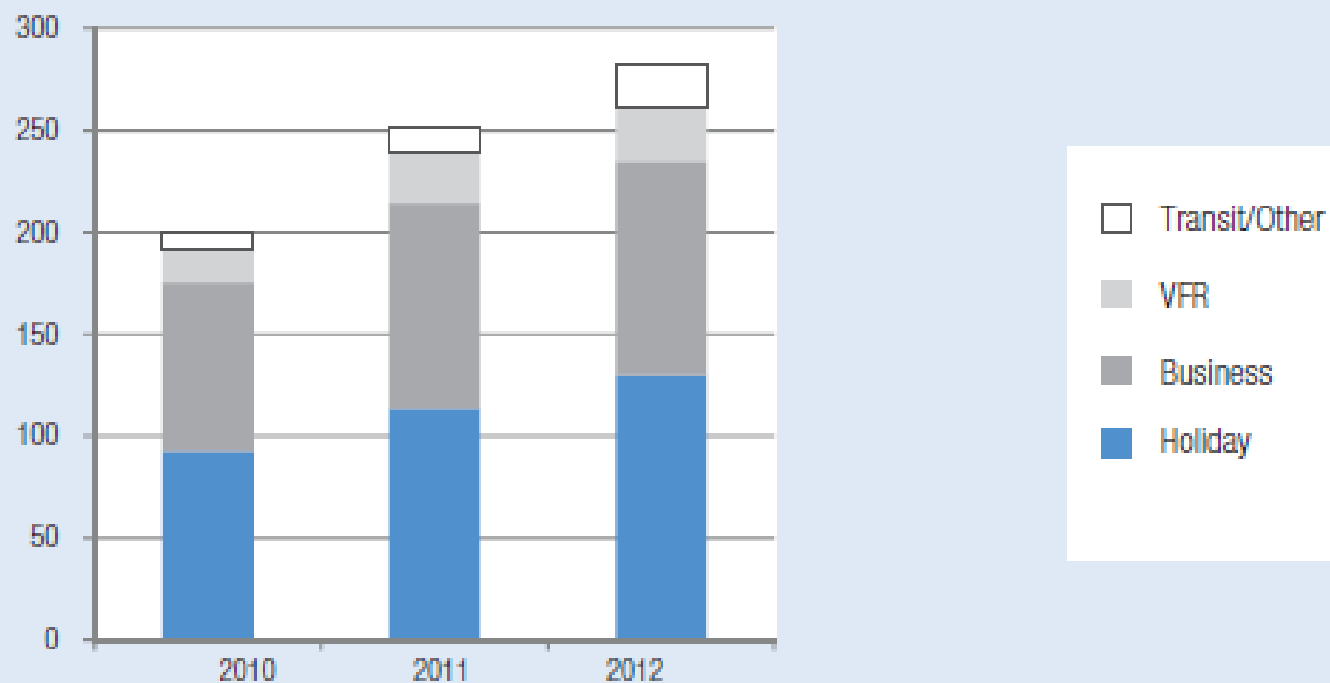
Figure 9. Proportion of Visitors for Different Purposes in Total Arrivals 2010-2012



Source: RDB, Tourism Report 2012.

Holiday-makers spend more

Figure 10. Visitor Expenditures in Rwanda by Purpose of Visit, 2010-2012, in US\$ million



Source: RDB, Tourism Report 2012.

Holiday-makers come from overseas

Table 13. Share of Visitors, per Continent of Origin and Relative Importance of Business and Leisure Tourism

	2009			2010			2011		
	Total	Business	Leisure	Total	Business	Leisure	Total	Business	Leisure
Africa	85	53	3	82	53	5	85	46	39
Europe	7	28	32	8	27	34	7	28	35
America	4	27	41	5	28	38	4	28	36
Asia and the Pacific	4	32	17	5	31	24	3	37	20

Source: UNCTAD Secretariat's calculations based on RDB, Highlights of tourism arrivals / 2009-2011.

Tourism market structure

- Majority of hotels in the low rank
- Not concentrated in Kigali but spread all over the country
- Foreign establishment tend to be larger and more capitalized

Table 12. Accommodation and food service activities: number of operating establishments by ownership nationality

Rwandan	33178
Foreign (EAC)	86
Foreign (Other African Countries)	11
Foreign (Asian Countries)	14
Foreign (Other countries)	7
Joint (Rwandan +EAC)	1
Joint (Rwandan + Other Countries)	6
Others	1
Not Stated	1
Total	33305

Source: Establishment Census 2011.

Tourism policy, regulatory and institutional framework

- GoR's goal increase tourism revenues:
 - Develop diversity in Rwanda's tourism offer
 - Extend the length of the stay of visitors
 - Develop tourism quality and offer on the main tourism routes

Tourism policy, regulatory and institutional framework

- Develop further cooperation at the regional level (economies of scale)
- Develop capacity-building of skills needed to increase tourism (lack of qualified labour force)
- Access to finance hampered by high interest rates

SWOT Analysis

Sectoral SWOT diagram

Strengths

- Tourism attractions, including gorilla sites, and national parks offering a range of wildlife and biodiversity
- International recognition of Rwanda as a tourism destination (in specialized fairs and events)
- Existence of clear policy, strategy and master plan for development of the sector
- Positive image associated with the country due to environmental standards and safety
- Small size of the country makes it easy to tour with easy access to key attractions.

Weaknesses

- Training facilities are limited/expensive/questionable quality
- Limited length of stay of international visitors (4 days)
- Limited entertainment alternatives in main cities
- Transport of tourists from countries of origin to Rwanda is not competitive compared to neighboring countries.
- Over-reliance on a single tourism product
- Low capacity and under-skilled human resources
- Expensive and difficult to access from key tourism source markets as a destination
- Under-developed regulatory framework for the tourism sector
- Constraints due to quality and quantity of tourism facilities in main tourism attracting areas (i.e. parks)
- Difficulty of accessing land for tourism investments
- Insufficient levels of investment to sustain product development strategies and diversification efforts and to develop infrastructure
- Low availability of finance and partnership for private sector investment in the sector
- Lack of legislation governing the industry and tourism professions

Opportunities

- Ongoing projects for infrastructure development (increased hotel rooms, restaurants and conference centre)
- New and promising areas for diversification have been identified and some of them have recently been launched, i.e. birding routes
- Single EAC Visa and recently created platforms to enhance intra regional cooperation to develop the sector may entail opportunities for increased trade in tourism services in the region

Threats

- Tough competition from regional partners (with respect to brand, reputation and well-established operators)
- Local tour operators find it difficult to offer services to tourists brought in on packages or staying in international hotels

Required spill-ins from other sectors

Transport (air and road), education, construction, financial, ICT, electricity and water

Anticipated spill-overs into other sectors

Food supply chain, promotion of hospitality and event management, handicrafts, arts, sporting and recreational services

Key stakeholders

Travel and Tour operators, hotels, restaurants, tour guides, transporters, RDB and other Ministries and/or regulating agencies in charge of transport, education, financial, ICT, electricity and water and Tourism Chamber

ICT and ICT Enabled Services

- The information and communication technology (ICT) sector is at the very heart of Rwanda's development efforts as the country has identified its transformation from a subsistence agriculture economy to a knowledge-based society as the catalyst to its transition from a least-developed economy into a middle income economy

Market structure

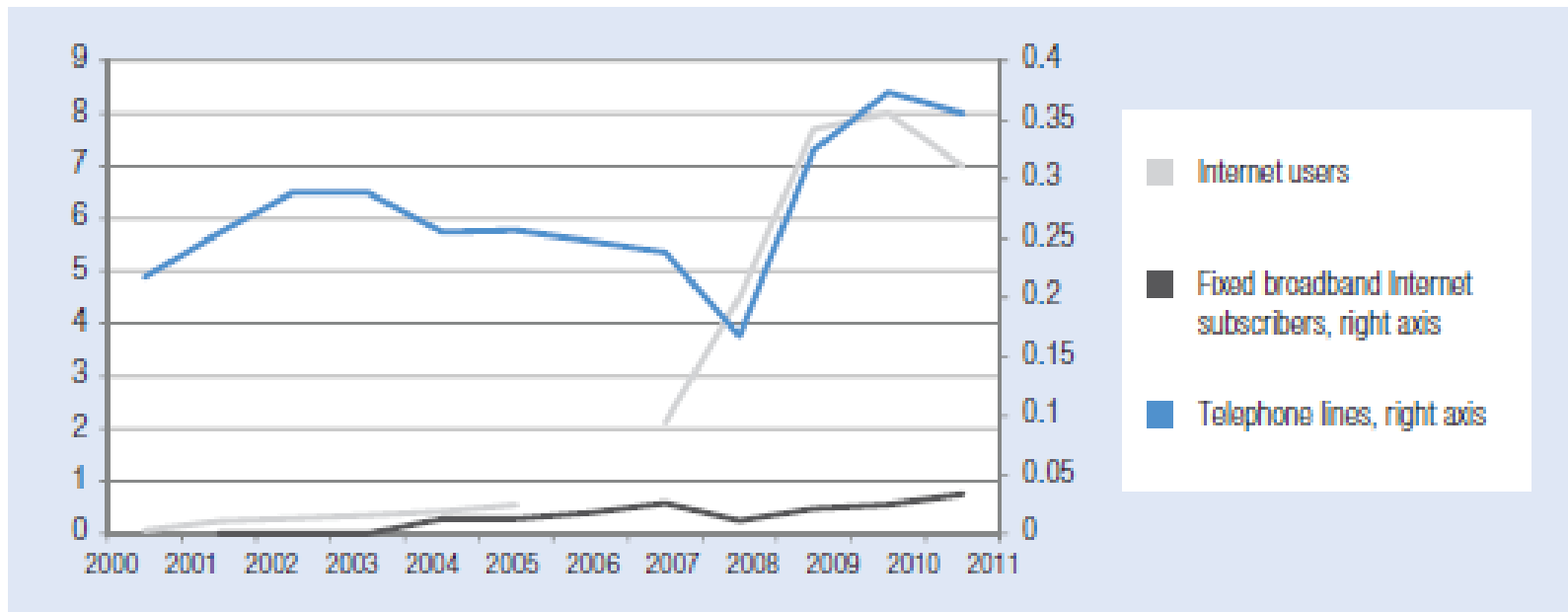
Table 19. Telecoms Industry Market Structure

Operators	Mobile Subscribers March 2013	% of the market	Fixed telephony	Mobile Subscribers December 2012	Fixed telephony	Total	% of the market
MTN Rwanda	3,452,182	57.16	10,495	3,432,755	12,630	3,445,385	60.075
TIGO	1,806,271	29.90	-	1,866,924	-	1,866,924	32.552
AIRTEL Rwanda Ltd	781,162	12.93	-	391,072	-	391,072	6.818
RWANDATEL	-	0	31,828	-	31,733	31,733	0.553
Total subscribers	6,039,615	100	42,323	5,690,571	44,363	5,735,114	100

Source: RURA, Statistics and Tariff Information in Telecom Sector as of December 2012 and March 2013.

Connecting Rwanda

Figure 15. Various ICT Indicators in Rwanda, 2000-2011, per 100 people



Source: The World Bank, World Development Indicators database.

Challenges of the ICT sector

- Nevertheless, Rwanda's ICT sector is still at the very early stage of development and continues to face a number of challenges. Despite the fall in cost of broadband internet services over the past few years, the services are still relatively more expensive in Rwanda
- Being landlocked, the country is very dependent on neighbouring countries for connectivity, which greatly increases connectivity costs.

Challenges of the ICT sector

- Skills development is a challenge but measures have been taken by the Kigali Institute of Science and Technology
- ICT are cross cutting in nature and they affect many other sectors of the economy
- GoR has taken measure to overcome these challenges

ICT SWOT Analysis

Sectoral SWOT diagram

Strengths

- High level of political will to take ICT development forward as a priority
- Existing national ICT policy frameworks and plans
- Multilingual population (English, French, Swahili, Kinyarwanda)
- Profitability of sector
- Infrastructure is relatively easy to develop due to size of country
- Market is relatively untapped

Weaknesses

- Lack of sufficient skilled workforce (developers related to certain technologies)
- High costs vis-à-vis other EAC partners (e.g. call centre, training HR and mobile services)
- Limited competition in certain segments of the sector (oligopolic market structures)
- Lack of cyber crime law
- Perceived weak IP protection and enforcement
- Existing microwave network requires major upgrading
- Shortage of electricity

Opportunities

- ICT sector is growing rapidly and growth in other segments of the economy, creating a demand for ICT services
- Import substitution through local assembly, creates a market for a wide range of components and accessories, and offers new business opportunities such as partnerships with global vendors
- Partnership with leading IT and software and network companies providing back up and reputation
- Regional interconnectivity

Threats

- Need to scale up investment for HR and other costs.
- Strong competition (all EAC partners are seeking to become the ICT regional hub)

Required spill-ins from other sectors

Education, energy (electricity)

Anticipated spill-overs into other sectors

Health, education, government services, agriculture, tourism, transport and financial services

Key stakeholders

RURA (multisector regulator), RDB-ICT, Ministry of Youth and ICT, Ministry of Science, Technology and Scientific Research, Consumers' associations, private sector

Cross Sectoral Recommendations

- Development of National Services Sector Policy
- Appropriate sequencing of sector reforms
- Initiating reforms of the services sector through regional and international engagement
- Building effective regulatory institutions
- Ensuring the even distribution of the economic benefits from the development of the services sector

A large, faint world map is visible in the background, rendered in a light orange or yellow color. The map shows the outlines of continents and is set against a gradient background that transitions from a darker orange on the left to a lighter yellow on the right.

Thank you

