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服务业：可持续发展的新领域

DRAFT FOR DISCUSSION

SERVICES POLICY REVIEW: RWANDA



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For further information on the Trade Negotiations and Commercial Diplomacy Branch and its activities, please contact:

Mina MASHAYEKHI

Head

**Trade Negotiations and Commercial Diplomacy Branch
Division of International Trade in Goods and Services,
and Commodities**

Tel: +41 22 917 56 40

Fax: +41 22 917 00 44

www.unctad.org/tradenegotiations

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 United Nations' Conference on Trade and Development (UNCTAD) Rwanda Services Policy Review Report aims, inter alia, to investigate policy, regulatory and institutional weaknesses to make recommendations on addressing such deficiencies in the sectors of tourism and Information and Communication Technology (ICT)

Over the last decade and a half, Rwanda has implemented significant economic reforms, including privatization, investment facilitation and trade liberalization, which helped achieving strong economic growth. The services sector, which now accounts half of the Gross Domestic Product (GDP), played a major role in the recent economic boom. International trade has played a primary role in expanding the Rwandan economy far beyond national markets as exports of goods and services have increased from \$70 million in 1995 to over \$533 million in 2009, while services have increased as a share of total exports from 26 to 64 per cent.

Nevertheless, Rwanda continues to run a large trade deficit, \$1.4 million, in both its merchandise and services trade. The deficit in goods is typically valued at over four times the value of exports and being a landlocked country with long distances to ocean ports and regional railway networks elevates cost of merchandise trade for Rwanda. These conditions hoist the importance of services exports in closing the sustained trade deficit and rising exports.

Rwanda has made impressive efforts at achieving several Millennium Development Goals (MDGs), overcoming major setbacks during the genocide in 1994 due to strong political commitment at the highest level, and international support for well-designed and executed national scale programs. Yet, few areas still need progress, including access to improved water sources, poverty rates, maternal mortality rates as well as investment in energy, water, sanitation and transportation.

Rwanda has shown some strength in macroeconomic management and continues to make progress with structural reforms which brought them among top reforming economies in Africa in the World Bank's Ease of Doing Business Survey. Yet, large informal sector, poor skills; a weak culture of entrepreneurship; weak infrastructure and limited innovation potential; bureaucratic red tape; and low domestic savings stands out as main challenges the country faces.

Rwanda has gone a long way in developing sector strategies and upgrading the regulatory framework for the development of specific services. Furthermore, Rwanda has pursued a liberal approach in terms of investment attraction and trade liberalization in the services sector. Rwanda could complement existing strategies with the development of National Services Sector Policy and Trade in Services Strategy, with a view to ensure the overall development of services exports and a coherent approach encompassing policy-making at different spheres. Continued full

and permanent cooperation from ministries and authorities involving policy making and implementation of policies related to services is also important in this regard.

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

1. The development of a culture of quality in the services sector, which will enable Rwanda service firms to be competitive enough to thrive against the competition from the region. In this regard, support programmes that ensure that (i) quality standards are adopted and maintained in the services sub-sectors and (ii) skills are enhanced are crucial.
2. Increased cooperation with regional partners to strengthen regulatory institutions and policy making in the area of services, particularly those that have been prioritized for liberalization in East African Community (EAC), Tripartite Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA) (to ensuring 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 for promotion of business ventures and joint projects on services.
3. Enhanced collaboration and communication between the private and public sector, in terms of: (i) business development (i.e. improved partnerships with foreign companies for skills enhancement and technology transfer) and (ii) infrastructure development (for instance using public-private partnerships (PPPs)). The study finds that lack of access to finance and skills continue to impede a 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 policy making in this regard, providing first hand information on obstacles to trade and business operations.

Turning to the specific sectors under review, the tourism sector constitutes a key driver for future growth and economic diversification for Rwanda. As such, the Rwandan Government has prioritized it and has put in place several strategies, policy measures and incentives that have led to a steady growth by the sector over the years. In spite of this, Rwanda's success in boosting tourist arrivals has not lead to proportional increase in its total receipts from foreign travelers. This situation can be explained by the limited length of stay in tourists.

A number of areas require attention in order to overcome this challenge and boost the contribution of the tourism services sector to the national economy. Recommendations to strengthen the sector include: developing entertainment alternatives and strengthening linkages with recreational, cultural and sporting services; strengthening partnerships with local services operators for awareness raising campaigns; strengthening the institutional and regulatory framework related to tourism education and capacity building, developing 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 and governing tourism professions (particularly regarding accreditation, certification and licensing).

The ICT sector has been expanding rapidly in Rwanda. Developments within this sector have been financed by the government, the private sector and international organizations. The intensified efforts to revive the sector have lifted off the sectors' development indicators and remarkable improvements in the use of telecommunication services can be observed, especially during the last two to three years. 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 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, these services are still relatively more expensive in Rwanda than in other EAC countries and they do not yet have sufficient international bandwidth. Being landlocked, the country is very dependent on neighboring countries for connectivity, which greatly increases connectivity costs. Also, low access to electricity and high cost of its use are major impediments to spread of ICT services across Rwanda.

A number of areas require attention to overcome these challenges and to maximize the benefits and development impact of the ICT services sector. Recommendations to strengthen the sector include: continued improvement with respect to 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 IPRs; developing the capacity to compile disaggregated data with respect to key indicators to assess the sector and inform policy making and private sector development through procurement regulation that allows opportunities for cluster and network development and mentorship.

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This report was peer reviewed by Liping Zhang (UNCTAD/TNCDB), Deepali Fernandes (UNCTAD/TNCDB), Inye Nathan Briggs (African Union Commission), Myriam Velia (Trade in Industry Policy Strategies - TIPS), Calvin Manduna (African Development Bank), Laura Paez (UNECA), Cecile Barayre (UNCTAD/Science, Technology and ICT Branch) and Lynette Gitonga (International Lawyers and Economists Against Poverty).

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ACRONYMS AND ABBREVIATIONS

AEC	African Economic Community
AGOA	African Growth and Opportunity Act
ARICEA	Association of Regulators of Information and Communication for Eastern and Southern Africa
bn.	Billion
BPO	Business Process Outsourcing
BNR	Banque Nationale du Rwanda (National Bank of Rwanda)
CET	Common External Tariff
CIF	Cost Insurance and Freight
CARIFORUM	Caribbean Forum
CAPMER	Centre d'Appui aux Petites et Moyennes Entreprises
COMESA	Common Market of Eastern and Southern Africa
CPC	Central Product Classification (GATS)
DPs	Development Partners
DC	Developing countries
EU	European Union
EAC	East African Community
EACO	East African Communications Organization
EATWCA	East African Tourism and Wildlife Coordination Agency
EDPRS	Economic Development and Poverty Reduction Strategy
EPA	Economic Partnership Agreement
FEPA	Framework Economic Partnership Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GoR	Government of Rwanda
HIDA	Human Resources and Institutional Development Agency
HIV	Human Immunodeficiency Virus
IATA	International Air Transport Association
ICT	Information and Communications Technology
ICT	Instituto Costarricense de Turismo (Costa Rican Institute for Tourism)
IER	Information Economy Report (UNCTAD)
IFC	International Finance Corporation
IMF	International Monetary Fund
IPAs	Investment promotion agencies
IPAR	Institute of Policy Analysis and Research
IOSC	International Organization of Securities Commissions
IPRCs	Integrated Polytechnic Regional Centres
ISP	Internet Service Provider
ITB	International Tourism Bourse
ITES	Information Technology Enabled Services
ITU	International Telecommunication Union
KIST	Kigali Institute of Science and Technology
KPO	Knowledge Processing Outsourcing
LDC	Least Developed Country

MITD	Mauritius Institute of Training and Development
MFI	Microfinance institutions
MFN	Most Favoured Nation Clause
MINICOM	Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives
MINICT	Ministry of ICT
MDGs	Millennium Development Goals
MTPA	Mauritius Tourism Promotion Authority
NEF	National Empowerment Foundation (from Mauritius)
NES	National Export Strategy
NGN	New Generation Network
NGOs	Non-Governmental Organizations
NICI	National Information and Communications Infrastructure
NISR	National Institute of Statistics of Rwanda
NISC	National ICT Steering Committee
SPRs	Services Policy Reviews
OAU	Organisation of African Unity
OECD	Organisation for Economic Co-operation and Development
ORTPN	Office Rwandais du Tourisme et des Parcs Nationaux (Rwanda Office of Tourism and National Parks)
OTAM	Outsourcing & Telecommunications Association of Mauritius
PPPs	Public Private Partnerships
PRIFs	Policy, regulatory & institutional frameworks
RDB	Rwanda Development Board
RDHS	Rwanda Demographic and Health Survey
RECs	Regional Economic communities
RIEPA	Rwanda Investment and Export Promotion Agency
RITA	Rwanda Information Technology Authority
RoO	Rules of Origin
RTAs	Regional Trade Agreements
RURA	Rwanda Utilities Regulatory Agency
RWASAGA	Rwanda Safari Guide Association
RWF	Rwandan Franc
SADC	Southern Development Community
SMEs	Small and Medium Sized Enterprises
SMS	Short Message Service
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organization)
TNCs	Transnational corporations
TNCDB	Trade Negotiations and Commercial Diplomacy Branch (UNCTAD)
TNF	Trade Negotiating Forum
TRIPs	Trade-Related Intellectual Property Rights
TVET	Technical and Vocational Education and Training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Social and Economic Affairs
UNECA	United Nations Economic Commission for Africa
UNWTO	United Nations World Tourism Organization
UAF	Universal Access Fund

UK	United Kingdom
US	United States
USD	United States Dollars
VFR	Visiting Friends and Relatives
VAT	Value Added Tax
VoB	Voice over broad-band
VoIP	Voice over Internet Protocol
WDA	Workforce Development Authority
WEF	World Economic Forum
WTM	World Travel Market
WTO	World Trade Organization
WTTC	World Travel and Travel Council

1) INTRODUCTION

A vast body of analytical and empirical research undertaken by UNCTAD clearly demonstrates that a thriving services sector is vital for all countries. High rates of investment and economic growth associated with services can contribute to poverty alleviation and human development when the right policies are in place to overcome supply constraints and ensure economy-wide development gains from services and services trade.

New domestic services supply and services export opportunities for developing countries therefore need to be supported and facilitated by national policies and multilateral agreements relating to services trade, with an emphasis on creating an enabling environment for small and medium sized enterprises (SMEs) which account for the bulk of developing country firms in the services sectors.

Carefully conducted assessment studies of the services sector are a major requirement, largely unmet in most developing countries, for a holistic appreciation of unrealised opportunities and remaining challenges in the broader services sector generally, and specific services sectors in particular. To assist interested countries in performing such an assessment, UNCTAD has developed a methodology for conducting Services Policy Reviews (SPRs). UNCTAD's methodology evaluates market and institutional factors that impact the development of services economies. Countries that UNCTAD has assisted with conducting SPRs include Lesotho, Kyrgyzstan, Nepal and Uganda. Rwanda requested technical assistance from UNCTAD with national services assessment and identified tourism and ICT sectors as candidates for future development.

Rwanda's economy is based primarily on agriculture with coffee and tea as its primary exports of merchandise goods. Despite recent surge in services exports, agricultural commodities remain important source of export growth. However, growth fuelled by agricultural exports now faces serious challenges. Rwanda is one of the most densely populated countries in sub-Saharan Africa (with a population of almost 11 million and population density of 407 people per sq. km¹), with a predominately rural population (more than four in five Rwandans living in rural areas with 15 per cent of women and 17 per cent of men living in urban areas²). With 42 per cent of the population under the age of 15 and with 20 per cent of the total population under the age of 6, Rwanda faces increased socio-economic and demographic challenges.

The high degree of export concentration in a handful of agricultural (coffee, tea, hides and skins) and mineral commodities (tin, coltan, Wolfram), heighten the need for structural reform. Recognising these realities, the Government aims to diversify the economy to ensure sustained growth over the long-term. Given the country's limited natural resources, national growth strategies are focused on advancing development of the services sector; including helping transform the economy to one that is technology and knowledge-based.

¹ National Institute of Statistics of Rwanda (NISR).

² NISR (2011). Rwanda Demographic and Health Survey 2010 Preliminary Report.

National growth strategies focus on high value, innovative products and services, that have high demand and for which consumers in other countries will pay a premium. In addition to the Government, other stakeholders from the private sector seek to pursue opportunities to diversify the national economy by building national supply capacity in industry and services. High volatility of commodity prices before and during the global crisis highlighted the importance of diversified exports and emerged as an additional motivation for promoting trade in services.

Towards this goal, with technical assistance from UNCTAD, Rwanda is undertaking an SPR to enhance national experience in developing national services export strategies through multi-stakeholder consultations, and in subsequently owning and driving these strategies with necessary government actions. To support Rwanda's SPR, this note aims to review Rwanda's economic starting point for service sector reform to:

- Survey some of the achievements Rwanda has already made in developing particular services sectors;
- Examine what remains to be done to further enhance their development, including through regulatory, institutional and trade policy reform.

1.1) Methodology

The Rwanda SPR research process began with the preparation of a draft desk study by UNCTAD. The earlier version of the SPR was used as a basis for discussion at the National Stakeholder Workshop staged in Kigali on 26-27 September 2011. This multi-stakeholder workshop provided a platform for discussions among national stakeholders that focused on issues and challenges currently confronting key services sectors in Rwanda and proposals on strategic approaches, policy advances and trade liberalization reforms in specific services sectors.

Following the workshop, the team of consultants initiated a research process that involved both extensive desktop research and engagement with key stakeholders. In the light of the workshop discussions, the first draft written by UNCTAD was deepened by comprehensive body of statistics, reports, previous studies, policy documentation, statutes, regulations and laws. In parallel, representatives from key stakeholders including National Bank of Rwanda, RDB (ICT, Tourism, and Human Capital and Institutional Development Departments), RURA, Rwanda Revenue Authority and Rwanda Development Bank were interviewed for in depth analysis of the chosen sectors.

The research findings by the consultants were presented in the Second Stakeholder Workshop, held in Kigali on January 17, 2012. During the workshop stakeholders from various ministries, regulators, private sector and other institutions critically review the preliminary findings and policy relevant conclusions and provide further feedback for improving the quality of the SPR.

1.2) Sectoral Coverage

The Ministry of Trade and Industry (MINICOM) identified two key services sectors to be covered by the UNCTAD report after the consultations. The sectors are: tourism services and ICT services. These sectors have been selected as they have significant potential to stimulate economic growth and development in Rwanda.

1.3) Structure of the Report

The structure of the report is as follows. Section two presents the economic panorama and broad overview of services sectors in Rwanda. This is followed in sections three and four by comprehensive assessments of the tourism services and ICT services sectors, respectively.

Each section extensively analyzes economic structure of the sector in question. The sector's contribution to the national economy, employment, long term trends, trade, investment and linkages with other sectors are also discussed in these sections. The economic overview is followed by an inventory of legislation, regulations, institutions and policy measures in the sector, regulations governing sector operators, an analysis of the participation of foreign services providers in the sector, trade liberalization commitments affecting the sector and an analysis of the existing strengths, weaknesses, opportunities and threats characterizing the sector in Rwanda.

The last section includes sets of policy recommendations based on the findings drawn from the desktop research and consultative engagements with key stakeholders. The recommendations are separated into a series of general recommendations applicable to the services sector as a whole, and sector-specific recommendations for each of the tourism and ICT services sectors.

2) ECONOMIC PANORAMA

Over the last decade and a half, Rwanda has implemented significant economic reforms, including privatization, investment facilitation and trade liberalization. This has positioned Rwanda to make considerable progress in raising GDP over the past years. Growth in agriculture and services sectors, as well as private investments and public infrastructure spending, has driven economic growth in Rwanda. However, structural constraints are hindering a rapid transformation of the economy. Such constraints include, among others, limited human capital. For example, 68 per cent of women and 69 per cent of men have attended some primary school without having gone on to post-primary/vocational or secondary school. Only 21 per cent of men have attended post-primary/vocational, secondary, or tertiary education and about 16 per cent of women have done so, 16 per cent of women and 10 per cent of men have never attended a school³. Other constraints include poor skills; a weak culture of entrepreneurship⁴; weak infrastructure and limited innovation potential; bureaucratic red tape; and low domestic savings. However, Rwanda has shown some strength in macroeconomic management and continues to make progress with structural reforms.

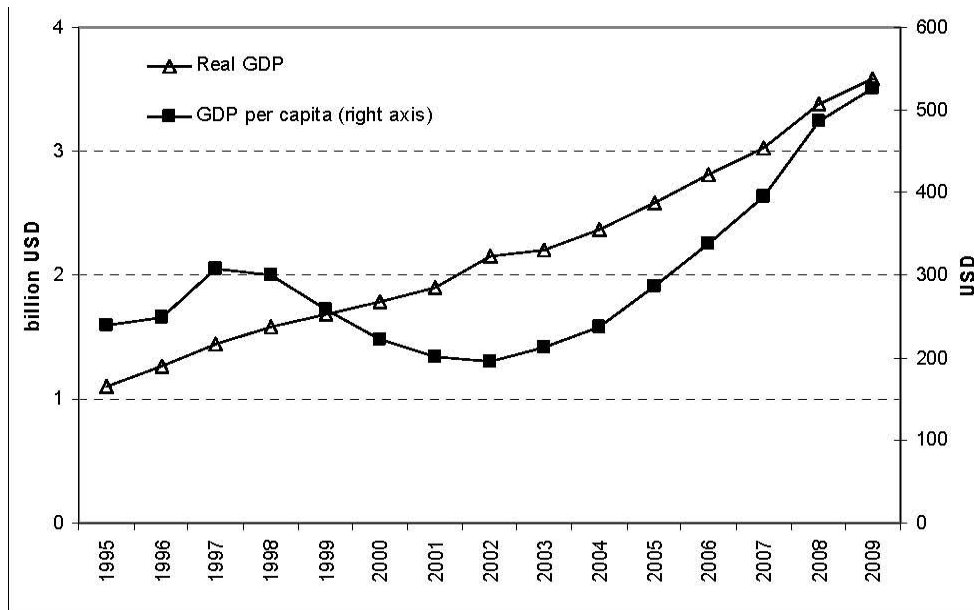
Rwanda's impressive growth trajectory that began in 2003 has been driven largely by strong performance of the industry and services sectors (Figure 1). GDP has more than tripled over this period; however, high population growth has led to smaller increase in GDP per capita, from \$239 in 1995 to only \$540 in 2010. With a current fertility rate of 4.6 children per woman, having fallen from 6.1 children per woman in 2005 (RDHS 2005), to 5.5 children per woman in 2007-08 (RDHS, 2007-08) the population has grown dramatically from 5.4 million in 1995 to almost 11 million in 2011.⁵

As shown in Figure 2, output growth had been strong from 2003 until the global crisis, in which the growth rate showed down to 6 per cent in 2009. Particularly, the collapse in commodity prices as well as weak global demand, contributed to the weak economic. Internal factors, including a domestically generated credit crunch, also played a role in the economic slowdown.

³ Rwanda Demographic and Health Survey 2010 Preliminary Report.

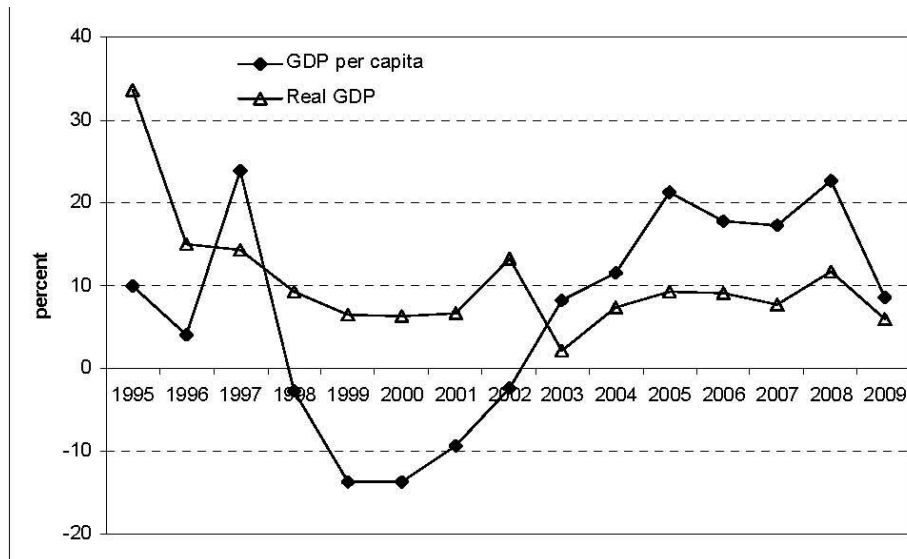
⁴ Small and Medium Enterprises (SMEs) Development Policy June 2010.

⁵ UNCTADStat.

Figure 1: Real and Per Capita GDP in Rwanda (1995-2009)

Note: GDP per capita is in US Dollars at current prices and current exchange rates, and real GDP is in US Dollars at constant prices (2005) and constant exchange rates.

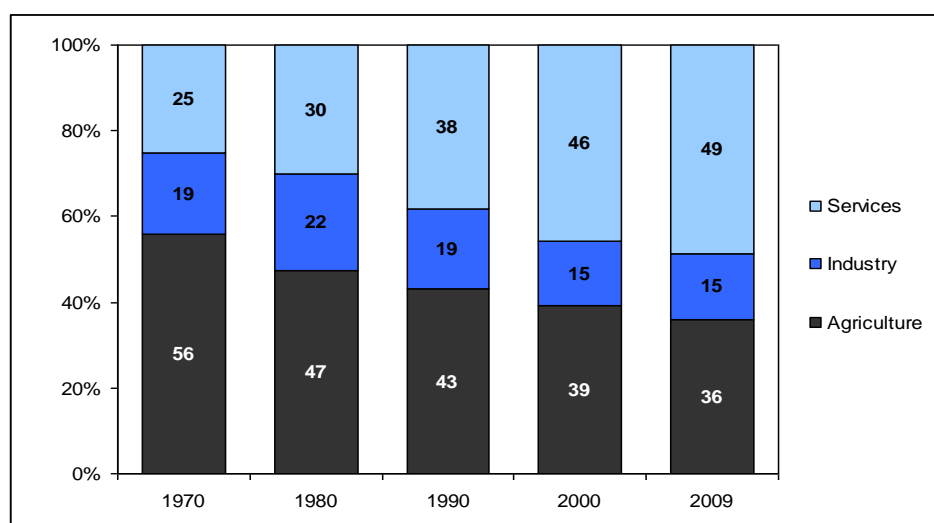
Source: UNCTAD Stat database

Figure 2: GDP Growth in Rwanda (1995-2009)

Note: GDP per capita is in US Dollars at current prices and current exchange rates, and real GDP is in US Dollars at constant prices (2005) and constant exchange rates.

Source: UNCTAD Stat database

The structure of the Rwanda's economy has been changing rapidly as the country's reliance on agricultural output in favour of both industry and services (Figure 3). Since late the 1990s the service sector has replaced agriculture as the main contributor to GDP. However, this has not been reflected in employment figures as agriculture still remains the main employer, 83 per cent of the workforce. Rwanda's Vision 2020 predicts further strengthening of service's share in GDP to 42 per cent while fall in agriculture's share to 33 per cent by 2020 (Table 1).

Figure 3: Structure of the Rwandan Economy, % (1970-2009)

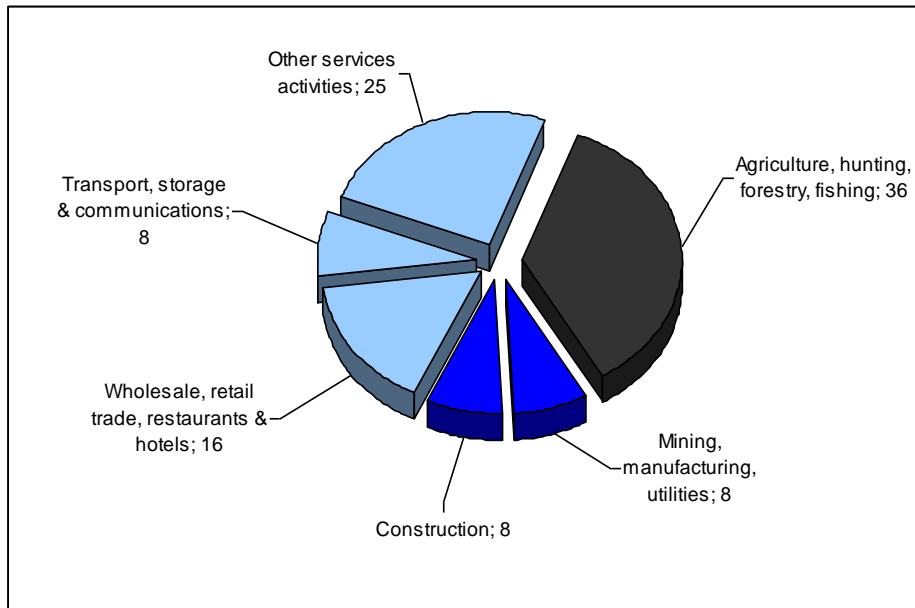
Source: UNCTADStat database

Table 1: Output Composition Targets for the Vision 2020

Sector (% of GDP)	2005	2010	2015	2020
Agriculture	46	43	40	33
Services	36	37	38	42
Industry	18	20	22	26

Source: Vision 2020

Industry, including manufacturing, mining and construction, comprise about 15 per cent of GDP in 2009 (Figure 3). Manufacturing is about 8 per cent of GDP and achieved around 7 per cent annual real growth rate in the last 6 years, mainly as a result of increased private investment (Figure 4). The construction sector has become a major source of employment and growth in Rwanda's urban areas. It accounted for 8 per cent of GDP in 2009 and grew by around 12 per cent annually in real terms in the last decade.

Figure 4: Sectoral Composition of Rwanda's GDP in 2009 (%)

Source: UNCTADStat database

While Rwanda has been rapidly changing, the country still has been facing challenges in reducing poverty and formal employment. The slow pace in job creation in the formal sector, whose size was reported around 247 thousand in 2010 (Table 2), has resulted in a large informal sector accounting for nearly 41 per cent of GDP in 2005⁶, rather higher than 76 developing countries' average of 36 per cent. Moreover, rapid economic growth has led to improvement in incomes of urban workers who engage in the new economy. This uneven impact of the services sector growth and the growth in formal employment remains one of the major weaknesses in the Rwanda services sectors.

Table 2: Formal Sector Employments in Rwanda

Year	Female	Male	Total
2006	68,306	179,053	247,359
2007	68,334	179,060	247,394
2008	68,309	178,796	247,105
2009	68,270	178,561	246,831
2010	68,228	178,284	246,512

Source: Rwanda Labour Market Information System/CSSR (2011)

The large informal sector has been still a challenge despite the Government's efforts to increase tax collection and efficiency. Economic diversification supported by a vibrant private sector and attracting formal business investors in labour-intensive activities are needed to reduce poverty and unemployment.

⁶ Latest estimates available from 2005 Household survey.

2.1) Economic Overview of Rwanda's Services Sector

The services sector is now the largest and most dynamic sector in the Rwandan economy. Among the sub-sectors, wholesale and retail trade is the largest one, followed by transportation, storage and communication services (Table 3). These sub-sectors are not only the main services sub-sectors but also the main contributor of services growth during the last 5 years.

Table 3: Gross Domestic Product by Kind of Activity at Constant 2006 Prices (billions of francs) of the Service Sector in Rwanda

Sub Sector	2006	2007	2008	2009	2010
Wholesale & retail trade	192.5	220.9	263.7	274.3	297.3
Hotels & Restaurants	40.3	41.6	43.9	41.4	44.7
Transport, storage, communication	116.6	134.1	166	181.3	197
Finance & insurance	49.1	54.9	55.8	53.5	66.1
Real estate & business services	113.2	125.3	144.7	156.6	158.1
Public administration	86.6	91.8	96.3	103.3	118.3
Education	76.1	87.3	99.5	110	126.3
Health	22.8	26.1	29.2	33.6	38.9
Other personal services	22.8	26.1	26.8	25.4	27.2
Total Services	720.2	808.2	926.0	979.4	1 074.0

Source: NISR March 2011

The development of the financial sector is key to the development of the Rwandan economy, including the overall services sector. Despite the growth of financial services sector, access to finance remains a major challenge for private sector development in Rwanda. The financial sector is relatively small in Rwanda, accounting for only 2.3 per cent of GDP and 4.7 per cent of services sector in 2009. The former statistic was little higher, 3.7 per cent, in 2000. As a comparison, in another EAC member county, Kenya, financial services accounts 6.3 per cent of GDP in 2009. Rwanda's exports of financial services are also negligible.

Banking sector holds the backbone of the financial sector. Rwanda's financial sector comprises of 9 commercial banks, 5 specialized banks (i.e., 1 development bank, 1 cooperative bank, 3 microfinance banks), 11 Ltd microfinance institutions (MFIs), 77 savings and credit co-operatives (SACCOS) and 416 Umurenge SACCOS⁷ of which, 9 insurance companies, 1 public pension fund, 40 growing private pension funds.⁸ Nevertheless, most of the banks and other financial institutions are concentrated in towns leaving most of the rural areas and the poor with limited access to financial services. A large proportion of the Rwandan population, particularly in rural areas, is financially excluded with only 14 per cent having access to formal banking products and an additional 7 per cent using other formal products such as loans from MFIs or insurance products and 27 per cent use informal products only.

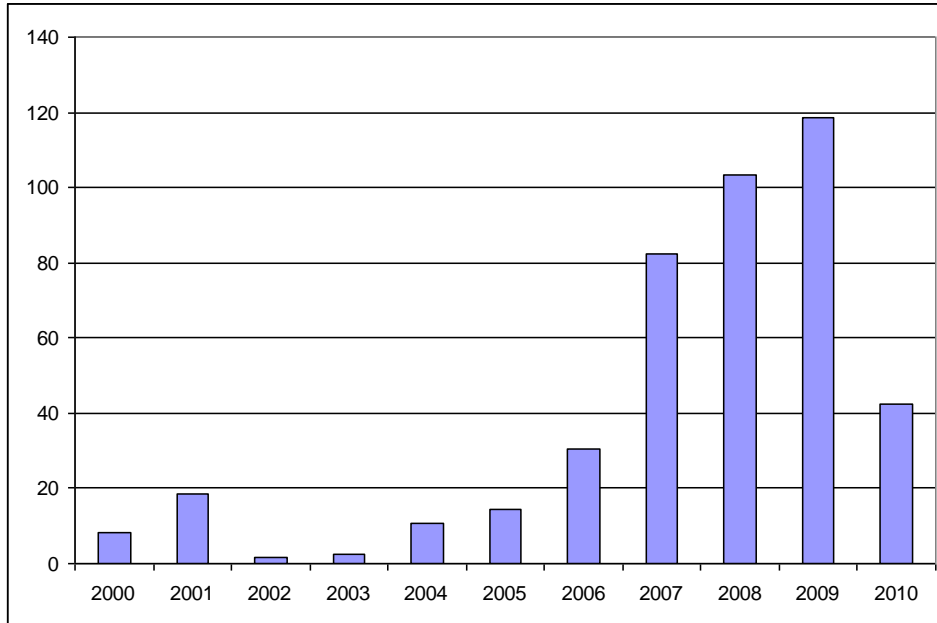
⁷ To increase access to financial services in rural areas, the government has decided to establish savings and credit cooperatives in each of the 416 geographically defined sectors of Rwanda. Rwanda: Financial System Stability Assessment, IMF Country Report No. 11/244.

⁸ Rwanda: Financial System Stability Assessment, IMF Country Report No. 11/244.

2.1.1) Services and FDI

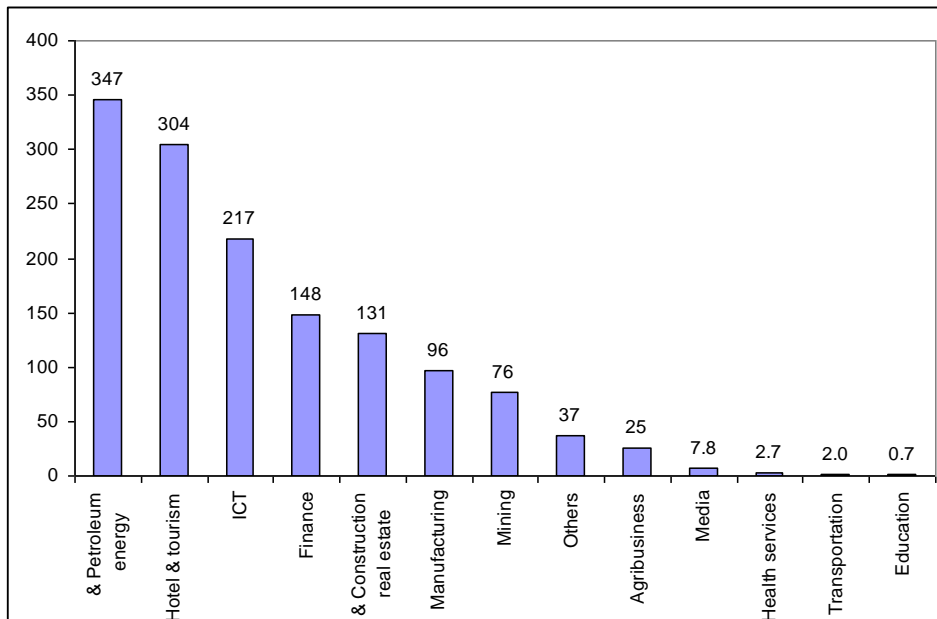
During the last 10 years Rwanda has revived FDI inflows to the country until 2010 (Figure 5). As the inflows hit 120 million USD mark in 2009, it also reached its apex before falling the next year due to global crisis. Over the last decade, petroleum-energy, hotel-tourism, ICT and finance sectors have been the main destinations for FDI inflows (Figure 6).⁹

Figure 5: FDI Inflows to Rwanda, 2000-2010 (million USD)



Source: UNCTADStat

Figure 6: Estimated Investment per Sector from 2001 to 2010



Source: Rwanda Development Board Investment Estimates 2011

⁹ RDB Investment estimates.

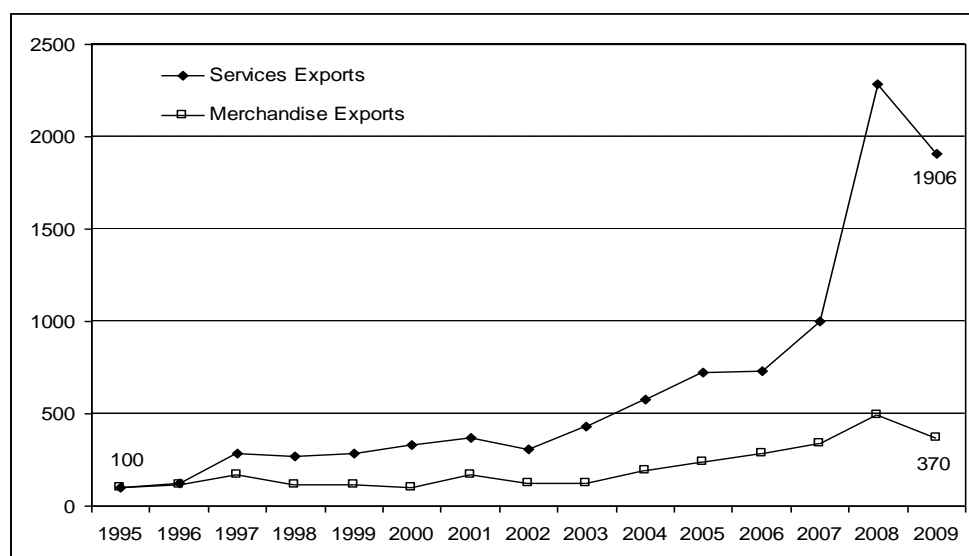
Rwanda's participation in numerous international organisations and agreements helps ensure its success in attracting foreign demand and investment to its services industries. For example, Rwanda's participation in the United Nations World Tourism Organization (UNWTO) and the International Air Transport Association (IATA) facilitate tourism; its adherence to international regulations and standards of the International Organization of Securities Commissions (IOSC) build investor confidence in the financial services sector; and recent steps taken at the national level to improve compliance with provisions of the WTO Trade-Related Intellectual Property Rights (TRIPs) Agreement encourage information-technology enabled services (ITES) and business process outsourcing (BPO) engagements.

However, Rwanda's membership in several regional trade agreements (RTAs) such as the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA), and its participation in preferential trading arrangements under the ACP-EU EPA and African Growth and Opportunity Act (AGOA) agreements continue to make Rwanda increasingly attractive as a site for investment in production facilities by multinational firms due to the guaranteed market access.

2.1.2) *International Trade in Services*

Trade has played a primary role in expanding the Rwandan economy far beyond national markets. Exports of goods and services have increased from \$70 million in 1995 to over \$533 million in 2009, while services have increased as a share of total exports from 26 to 64 per cent. Services export growth has also outpaced growth in merchandise exports by a large margin over the past 14 years (Figure 7).

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



Source: UNCTADStat database

With the State increasingly effective as a promoter and facilitating agent in the country's development process, trade-led growth has begun to accelerate. Despite recent progress, however, Rwanda continues to run a large trade deficit both in goods and services trades (Table 4). In 2010, the trade deficit reached \$1.4 million, majority

of it due to trade in goods. Indeed, imports of goods are typically valued at over four times the value of exports.

Table 4: Imports and Exports of Goods and Services (Million \$)

		1980	1990	2000	2005	2010
Exports	Goods	121	109	53	125	297
	Services	34	42	59	129	373
	Total	155	151	112	254	670
Imports	Goods	262	287	213	471	1431
	Services	133	129	200	304	596
	Total*	395	416	413	775	2027
Trade Balance	Goods	-142	-178	-160	-347	-1134
	Services	-99	-88	-141	-175	-223
	Total*	-241	-265	-301	-521	-1357

*: The total impost of merchandise and services in the database does not correspond to the separate sum of exports and imports. Thus, we adjusted the figures so that statistics would be consistent.

Source: UNCTADStat.

Within EAC, Rwanda is a net importer, importing mainly foodstuff from Uganda and fuel from Kenya. In terms of exports Rwanda's main exporting destination within the region is Democratic Republic of Congo, mainly cross border trade in livestock.

Rwanda also runs a shortfall on the services account, but this gap has progressively narrowed over the past decade, and by 2008, services imports exceeded services exports by only 28 per cent before increasing back to 52 per cent due to crisis in 2009. Travel is the main services trade item with 51 per cent share in Rwanda's total commercial services exports.

Donor support, debt and increasing foreign direct investment (FDI), cover most of the current accounts deficit, and the former are also drivers of imports for the infrastructure projects they finance. Increasing national supply capacities to both reduce and finance import requirements is thus a national objective.

The underlying difficulty faced by Rwandan exporters is that the country is land-locked, with long distances from ocean ports; a factor that raises transportation costs for both exports and imports. The country lacks a link to regional railway networks, which means most trade is conducted by road. Poor road quality creates high transportation costs leading to inflated prices of domestically manufactured products, as raw materials used for manufacturing need to be imported. These natural barriers to trade hinder industrial and other forms of development.

2.2) Economic Growth and Development

2.2.1) Rwanda and the Millennium Development Goals (MDGs)

The MDGs set quantitative targets for poverty reduction and improvements in health, education, gender equality, environmental, global partnership and other aspects of human welfare. At existing rates of progress many countries will fall short of these goals. However, the Rwandan Government seeks to improve their policies and with

increased financial resources made available, including from donors, significant additional progress towards the goals is possible.

Rwanda has made impressive efforts at achieving several MDGs, overcoming major setbacks during the genocide in 1994. This progress has been due to political commitment at the highest level, and international support for well-designed and executed national scale programs. As of 2009, primary enrollment rates are 96 per cent,¹⁰ largely due to the Government's decision to make primary education free and mandatory, backed by donor support and sensitization to encourage sending children to school. The gender equality in primary and secondary education target has already been met, together with other milestones; women's participation in parliament is now more than 50 per cent (56 per cent in 2010), the highest in the world. Similarly high-level political leadership has led to HIV prevalence rates falling from 4.7 per cent (2000) to 2.8 per cent (2007).¹¹ Malaria fatalities have reduced from 51 (2001) to 6 (2008) per 100 thousand of population¹² through a deliberate strategy of universal distribution of insecticide treated bed nets. The access to improved water source rate (65 per cent) is still below the MDG 7 target of 82 per cent) and improvement in this area is needed.¹³

At the midpoint of the MDGs, Rwanda continues to face critical challenges. Despite high economic growth, poverty rates have not fallen proportionately, declining only by 3.4 percentage points, from 60.3 per cent (2000) to 56.9 per cent (2006).¹⁴ Child malnutrition is almost stagnant at 22 per cent (2005).¹⁵ These high rates are largely due to low agricultural productivity. Despite recent progress, child mortality rate (111 per 1000 in 2009) remains a challenge. Similarly high maternal mortality rates (540 per 100,000 births in 2008) point to the need for greater investment in trained health staff and equipment at health facilities, with the need to encourage institutionalized births in rural areas. One of the biggest challenges facing Rwanda is the insufficient investment in infrastructure for energy, water and sanitation, and transportation. The combined pressures of agricultural production, high population, economic expansion and rising energy needs are increasing the environmental stress in Rwanda. Rwanda needs to strengthen its capacity to deliver the necessary services and attract adequate financing for scaling up.

The Government of Rwanda (GoR) has made achieving the MDGs central to its policy framework, as defined in the Economic Development and Poverty Reduction Strategy (EDPRS) 2008-2012. The Government has prioritized infrastructure and agriculture, recognizing that these sectors require greater investment. In addition, the government has launched a major effort to scale up MDG interventions through the Vision 2020 Program, one of the 3 flagships of the EDPRS. Donor confidence in Rwanda is high¹⁶; official development assistance surged significantly in last two years and reached to \$96 per capita in 2009 but remained below the \$105 per capita promised under the Gleneagles commitments.

¹⁰ UN DESA, Millennium Development Goals Indicators database.

¹¹ World Bank Africa Development Indicators database.

¹² World Bank Africa Development Indicators database.

¹³ UN DESA, Millennium Development Goals Indicators database.

¹⁴ UN DESA, Millennium Development Goals Indicators database.

¹⁵ UN DESA, Millennium Development Goals Indicators database.

¹⁶ Source: <http://www.uneca.org/mdgs2011/>

2.2.2) Development and Economic Priorities of the Government

Much of Rwanda's success in boosting output has been facilitated by a culture of progressive reforms. The World Bank's Ease of Doing Business Survey has identified Rwanda as one of the top reforming economies in Africa. The business environment and governance indicators have also improved and Rwanda has built an efficient public administration structure. Effective policy reforms are expected to continue following the formation of a reform minded coalition government under the ruling Rwandan Patriotic Front.

In 2000, GoR launched the Vision 2020 which seeks to fundamentally transform Rwanda into a middle-income country by the year 2020. This will require achieving annual per capita income of \$900 (in current 2000 dollars, the per capita income is currently estimated at 540 dollars¹⁷), a poverty rate of 30 per cent and an average life expectancy of 55 years. Other objectives include:

- Achieve an annual GDP growth rate of 8 per cent. (As of 2010, the growth rate was 7.5per cent almost in line with the EDPRS target, though its projected to fall to 6.5per cent in 2011)
- Reduce the balance of payments deficit
- Reduce the number of people working in the agricultural sector to 40 per cent of the workforce.
- Reduce the Gini Coefficient (Income disparity) from 0.454 in 2000 to 0.400 in 2010 and to 0.350 in 2020
- Increase the growth rate of the services sector from 7 per cent in 2000 to 9 per cent in 2010 and to 11 per cent in 2020. (The growth rate of the service sector has been persistently high ranging to as high as 14.7per cent in 2008; however it fell to 5.9per cent in 2009 but increased to 10per cent in 2010. In comparison to the Vision 2020 targets the growth rate of the service has generally surpassed the intended target of 9per cent.)
- Increase the national savings rate from 1 per cent in 2000 to 4 per cent in 2010 and 6 per cent in 2020. (The national savings of rate has increased to 10.5per cent of GDP more than the 4per cent that had been targeted in the EDPRS. Whereas it has surpassed the target, its trend has had a mixed pattern with a serious decline in 2009, which can be explained by the adverse effects the international finance crisis had on the economy).
- Increase national investment share of the GDP from 18 per cent in 2000 to 23 per cent in 2010 and 30 per cent in 2020
- Achieve an increase of non-agricultural jobs from 200,000 in 2000 to 500,000 in 2010 and 1,400,000 in 2020. The current increase is estimated at 246,512.¹⁸

In order to achieve the above and many other objectives of the Vision 2020, trade has to play a major role. The Rwanda Vision 2020 document identifies regional and international integration as one of its pillars. It states its commitment to an open, liberal trade regime, minimizing barriers to trade as well as implementing policies to encourage foreign direct investment. It further states the need to adopt policies to

¹⁷ NISR GDP Estimates 2011.

¹⁸ Rwanda Labour Market Information System/CSSR (2011).

promote competitive enterprises, exports and entrepreneurship rather than protecting failing industries.

In addition to Vision 2020, Rwanda developed its EDPRS which sets out the country's objectives, priorities and major policies for the 2008-2012 five years period. It provides a road map for government, development partners, the private sector and civil society and indicates where Rwanda wants to go, what it needs to do to get there, how it is going to do it, what the journey is going to cost and how it will be financed. The strategy provides a medium term framework for achieving the country's long-term development goals and aspirations as embodied in Rwanda Vision 2020, the seven year GoR programme, and the MDGs.

The four main priorities of the EDPRS are to:

- Increase economic growth by investing in infrastructure; promoting skills development and the service sector; mainstreaming private sector development and modernizing agriculture by introducing improved land administration, land use management practices and adopting techniques to reduce soil erosion and enhance soil fertility.
- Slow down population growth through family planning and education outreach programmes, while also improving the quality of health care and schooling, particularly for girls.
- Tackle extreme poverty through improved food security and targeted schemes of job creation and social protection. It is particularly urgent to create new employment opportunities for young persons just entering the labour market.
- Ensure greater efficiency in poverty reduction through better policy implementation which includes enhanced coordination among sectors and between levels of government; sharper prioritization of activities; better targeting of services for the poor; widespread mobilization of the private sector; and the more effective use of monitoring and evaluation mechanisms.

According to the Establishment Census 2011, the majority of SMEs are in the service sector, signifying their key potential in developing the services sector in Rwanda. Despite their small firm size, SMEs can play a main role in boosting trade, employment and growth. Rwanda policy-makers have elaborated policies for the development of these firms which will affect both services and non-services sectors alike.

The Rwandan government as well as Development Partners (DPs), financial and non-governmental organization (NGO) have started various initiatives for SMEs. However, these initiatives have suffered from a lack of resources, coordination and capacity. Within the government supported sector the most prominent of these initiatives was the former Centre d'Appui aux Petites et Moyennes Entreprises (CAPMER), a public/private institution mandated to provide training, advice and technical support to SMEs. In 2009, CAPMER was integrated into the Rwanda Development Board (RDB) in order to combine its mandate with export and investment promotion and general private sector development services.

The RDB was formed to coordinate and combine all services and support for Rwandan private sector. The RDB provides several specific initiatives to support

SMEs, including training programs, networking and moveable asset registration, in addition to working to improve the overall business environment in Rwanda. The SME Policy noted that the broad high-level mandate of RDB makes the ground-level implementation of SME programming difficult with existing resources.

Rwanda developed the Rwandan Small and Medium Enterprise (SME) Policy to complement a set of existing policies/strategies that aim to increase non-farm employment, develop business and technical skills in the Rwandan workforce, support targeted value-added clusters, strengthen the financial sector, grow the tax base and facilitate investment finance to generate industrial growth. The key policy objectives are to:

- promote a culture of entrepreneurship among Rwandans
- facilitate SME access to development services including:
 - *Business development services*
 - *Access to local, regional and international markets and market information*
 - *Promote innovation and technological capacity of SMEs for competitiveness*
- put in place mechanisms for SMEs to access appropriate business financing
- simplify the fiscal and regulatory framework for SME growth, and
- develop an appropriate institutional framework for SME development.

The Policy identified the following as key constraints facing SMEs in Rwanda:

- lack of entrepreneurial culture,
- limited technical and business skills,
- limited Business Development Services (BDS),
- high cost of doing business, and
- lack of access to finance
- difficulty accessing market information and markets

The key value clusters, as identified within several existing national plans/strategies that have been prioritized in this policy are:

General Clusters		Product specific prioritized Clusters for SME Development with Value-addition ¹⁹		Broad RDB priority Clusters ²⁰
<ul style="list-style-type: none"> ▪ Tourism ▪ Agro-processing ▪ Mining ▪ Handicrafts ▪ Cut flowers ▪ Pharmaceuticals ▪ Textiles ▪ ICT software development ▪ Packaging ▪ Business Process Outsourcing (BPO) 	→	<ul style="list-style-type: none"> ▪ Sericulture ▪ Essential Oils ▪ BPO ▪ Agro-processing ▪ Cheese ▪ Light Metal Industries ▪ Creative Industries 	→	<ul style="list-style-type: none"> ▪ Specialized Tourism ▪ Sericulture (Silk) ▪ Fruits & Vegetables ▪ ICT Services (BPO) ▪ Dairy Products ▪ Mining²¹

2.2.3) Existing Policies and Strategies for Enhancing Growth and Performance in Rwanda's Services Sector

The culture of reform is not new to Rwanda. As early as the mid-1990s the Government has focused on 4Rs: reconciliation, reform, reconstruction, and regional stability. Reconciliation enabled the return of peace and economic revival. Regional stability was important for Rwanda's trade and economic and cultural linkages with the rest of the region. Political and economic reforms attracted support from the donor community, enabled reconstruction and increased social services. Aid inflows, FDI, and remittances have risen as a result of reforms and improved economic conditions, while exports have increased.

The Government has pursued a steady policy of improving the investment climate by reducing bureaucracy, streamlining the legal framework and fighting corruption. With a strong record of economic reforms to promote private investment and improve the regulatory environment, Rwanda's ranking on the World Bank's Ease of Doing Business Survey has increased dramatically. In the Doing Business 2012, Rwanda was ranked 45 of 183 countries surveyed worldwide.²² Within Sub-Saharan Africa it ranks 4th, behind only Botswana, South Africa and Namibia, making it the highest-ranked country in the East African region. This is a dramatic improvement from a ranking of 158 in 2007. However, some problematic areas remain, including dealing

¹⁹ Prioritized Clusters for SME Development with Value-addition also involve: Sericulture includes: Silk and Bamboo Clusters, Essential Oils: pyrethrum, jetropha, geranium, BPO: software development, back office operations, call centres, Agro-processing: cassava, irish potatoes, cooking oil, tomatoes, maize, Cheese: creation of cheese marketing company from Cooperatives linked to the "one-cow-per family" programme.

Light Metal Industries: production of small spare parts and electric motors Creative Industries: film, cultural shows, music, handicrafts

²⁰ These are clusters that are the focus of the Rwanda Development Board (RDB).

²¹ This list is not exhaustive.

²² <http://www.doingbusiness.org/data/exploreeconomies/rwanda/>

with construction permits, trading across borders and closing a business. In addition, the Government's policy of zero tolerance for corruption has also been instrumental in creating an enabling environment for business in Rwanda.

The Rwanda Development Board (RDB) was established in 2008 to create a one-stop-shop for investors and to help foreign ventures set up domestic operations as well as to facilitate domestic investment. The RDB is modeled on international best practice examples of Singapore and Costa Rica. It brings together all the government agencies responsible for the entire investor experience under one roof. This includes key agencies responsible for business registration, investment promotion, environmental clearances, privatization and specialist agencies, which support the priority sectors of ICT and tourism as well as SMEs and human capacity development in the private sector. The RDB is independent, reports directly to the President and is guided by a Board that includes the entire key Ministers (e.g., finance, commerce, infrastructure, agriculture).

Rwanda has also liberalized its trade policy setting in place various reforms namely: reducing its customs duties and taxes; the binding of all its tariff rates; applying a customs valuation method based on the transaction value; simplifying its tariff structure; and substantially lowering of maximum ad valorem tariff rates. Rwanda has bound 100per cent of its tariff in the WTO. Its actual MFN applied rate (18.7 on average) is significantly lower than the bound rate (89.5per cent). Rwanda joined the East African Community Customs Union in 2007, with the full application of the EAC CET and the Customs Management Act commencing in 2009.

One of the key positive results of liberalization has been the widening and increase of the tax base of the economy. Government revenue in Rwanda mainly depends on taxes of goods and services, which contributed 50.7 per cent in 2010, followed by direct taxes which contributed 38.6 per cent and international trade which contributed 10.7 per cent in the same period. The taxes on international trade include customs duties, treasury credit cheques and other customs fees with custom duties being the main contributor. Whereas the contribution has been relatively low but steadily growing, in the last taxation year, the international trade taxes fell to Rwf 41.1 billion in 2009/2010 from to Rwf 63.9 billion in 2008/2009 which is a 35.7 per cent or Rwf 22.8 billion decline.

This was mainly attributed to tariff changes to the CET as result of Rwanda joining the EAC Customs Union. Products highly affected included petroleum products from the National rate of 30per cent to 0per cent under EAC CET and vehicles from 30per cent to 25 per cent, a decline of CIF value by 11.5 per cent or Rwf 77.2 billion due to the calculation of import duties based on the CIF port of first entry, elimination of freight charges in computation of duties on imports by air and the elimination of the surtax on imported sugar and a VAT reverse charge.²³

The Rwanda investment regime provides fiscal and non-fiscal incentives for investors in Rwanda as well. In order to apply for the incentives, an investor must be registered

²³ Rwanda Revenue Authority, Annual Activity Report, 2009/2010.

as an investor and issued an investment certificate by the Rwanda Development Board. To qualify for the investment certificate, investors must establish that they will invest more than \$250,000 for foreigners and more than \$100,000 for local companies. Local companies are companies incorporated under Rwandan laws of which more than 50 per cent of the shares are held by persons who hold Rwandan nationality or a nationality of one of the member states of COMESA. EAC nationals will also be treated as locals according to the EAC Common Market Protocol.

In terms of non-fiscal investment incentives, registered investors are entitled to free initial one-year work permits for foreign workers. Investors who deposit an amount equivalent to USD 500,000 in a Rwandan commercial bank account for a period of not less than six (6) months are entitled to a permanent residency status. For fiscal incentives, the registered investor benefits from paying a flat fee of 5 per cent of the CIF value of building materials instead of import duty, VAT and other taxes. They are also exempted from import duties, withholding tax and Value Added Tax on imported machinery, raw materials, and equipment. A registered investor in a private educational institution is exempted from payment of import duties on imported equipment and ordinary material, while those who import specialized vehicles i.e. hotel shuttles, refrigerated vehicles, tourist vehicles, ambulances and fire-extinguishing vehicles are exempted from payment of import and excise duty. Investors operating in special economic zones are also entitled to various tax exemptions including income, withholding and repatriated profits taxes.

Furthermore, investors who invest in Kigali are entitled to an investment allowance of 40 per cent of the invested amount in new or used assets, while investors who invest outside Kigali are entitled to an investment allowance of 50 per cent of the invested amount in new or used assets. All Training and Research expenses incurred by a taxpayer are considered deductible expenses from taxable profits.

Furthermore, registered investors are accorded tax discounts based on the number of jobs created.

Exporters of goods and services that repatriate their foreign exchange earnings to Rwanda are accorded tax discounts based on the amount repatriated in a given tax period.

Companies that engage in micro finance activities, approved by competent authorities are exempt from corporate income tax for a period of five (5) years commencing from the time of their approval.

Upon request by the RDB, and depending on the nature of the project and its national importance, location and capital invested, the Cabinet may put in place additional incentives and facilities for the project

2.3) National Trade Policies for the Expansion of Key Services Sectors

Integration into the world economy has proven a powerful means for countries to promote economic growth, development, and poverty reduction. In this sense, policies that make an economy open to trade and investment to the rest of the world may have a positive impact in terms of sustained economic growth.

In spite of this, when looking at figures of services trade of developing countries, these remain insignificant vis a vis developed countries. This reality can be explained by barriers faced to their services exports and, more importantly, by the fact that developing countries face supply constraints and have weak infrastructural services.

Other challenges faced by the developing countries when considering services liberalization relate to the social dimension and investment attraction. In this regard, concerns have been voiced regarding the fact that liberalization may negatively affect access and equity in the access to key services²⁴ and because liberalization may not necessarily lead to increased FDI²⁵.

Thus, it is important to keep in mind that for services trade liberalization to generate pro-development benefits, it needs to be preceded by proper policy, regulatory & institutional frameworks (PRIFs). In this context, reforms aimed at expansion of key services sectors in developing countries should not be only screened against the lens of increased market opening and increased services exports but also against objectives such as (a) building a competitive services sector and (b) maximizing the overall level of welfare and development at the national level.

When considering services liberalization, as a first step the domestic policy objectives that governments are seeking to achieve should be identified. As a means to illustrate this exercise, liberalization should contribute to the following economy-wide objectives or sector-specific:

Economy-wide objectives	Sector-specific objectives
1. Strengthening other goods and services sectors (producer services).	1. Strengthening of the sector itself by introducing competition, efficiency and transfer of technology.
2. Infrastructure building.	2. Locking-in the process of domestic reform.
3. Expansion of exports of goods and services.	3. Attracting FDI where no or only limited service capacity presently exists.
4. Ensuring the provision of high-quality services in the domestic market.	4. Developing sectors in which the country has achieved considerable capacity and competitiveness.
5. Attracting service providers where only limited capacity presently exists.	

This process also needs to be accompanied by the identification of opportunities and challenges to export by local services providers (including potential regulatory

²⁴ As business, in their search for maximizing profit, might leave geographical areas or sectors of the population perceived as less profitable underserved.

²⁵ Taking into account that there are other elements that are important in this regard such as: access to and quality of infrastructure, human capital, business environment and geographical location

barriers in major trading partners) and the identification of potential defensive interests in market opening.

Another important aspect to consider when considering liberalization in trade in services is the need for coherence between liberalization initiatives at different levels. Indeed, there are several options available for liberalization, which include autonomous, bilateral, regional inter-regional, and multilateral negotiations. It is important that all options available for pursuing trade liberalization are considered in a holistic manner, to avoid conflicting obligations and maximize potential benefits.

Most of the services liberalization undertaken by Rwanda consists of commitments done in an autonomous (or unilateral) manner. These commitments relate to the following sectors: banking, insurance, capital market, telecommunication, hotel, restaurants and distribution. This liberalization process was mainly motivated by the objective of attracting investment.²⁶

The following section maps the extent of current binding trade commitments of Rwanda and status of the work programme related to services in the context of the GATS, EAC integration, ongoing negotiations on the EAC-EU Economic Partnership Agreement (EPA) and tripartite COMESA-EAC-SADC integration process. These initiatives are relevant to consider because that might entail, for Rwanda, liberalization commitments or changes to the services policy and regulatory frameworks in sectors of interest to Rwanda in the future.

2.3.1) GATS Trade Liberalisation of Services and Rwanda's Commitments

Since 1995, the entry into force of the Uruguay Round Agreements has facilitated an increase in trade and investment for the services sectors in many countries which undertook specific commitments under the General Agreement on Trade in Services (GATS) to open their services economies. These commitments were undertaken as part of the first round of GATS negotiations – an integral part of the Uruguay Round – which commenced in 1986.

Rwanda's commitments are unusual in that they include no horizontal commitments, which are the commitments - whether a limitation on market access or national treatment or a description of a situation in which there are no such limitations but which affects one or several modes of supply - to be applied to all sectors included in the schedule. Typically, countries include horizontal schedules in order to cover for measures relating to foreign investment, tax measures land acquisition, corporate structures or requirements regarding entry, temporary stay and right to work of natural persons.

Rwanda has undertaken commitments under the GATS with respect to a limited number of services sectors and sub-sectors:

- i) professional services (legal and medical and dental services);
- ii) education services (adult education);

²⁶ Kanyangoga, John Bosco (2009). Liberalization status of the services sector in Rwanda: key considerations for the free movement of services in the EAC Common Market

- iii) environmental services (sanitation and similar services);
- iv) tourism and travel related services (hotels and restaurants), and
- v) recreational, cultural and sporting services (for environmental tourism centres only).

For each of these services, Rwanda has undertaken not to maintain any market access or national treatment restrictions for modes of supply 1 to 3 (cross-border supply, consumption abroad and commercial presence).

Rwanda has undertaken not to maintain any restrictions on the presence of natural persons (Mode 4) in most sectors mentioned above. However, in the case of medical and dental services and hotel and restaurant services, Rwanda did include conditions and limitations to the commitments taken. These are described below:

Table 5: Rwanda's WTO Sector Specific Commitments - Conditions and Limitations

Sector or Sub-sector	Mode	Market Access Condition or Limitation	National Treatment Condition or Limitation
Medical and dental services	4	Unbound except for specialist physicians	Unbound except for senior executives
Hotels	4	Unbound, except for measures affecting senior executives and specialists who possess knowledge that is essential to the provision of the service.	Unbound, except for measures affecting senior executives and specialists who possess knowledge that is essential to the provision of the service.
Restaurants	4	Unbound, except for measures affecting natural persons in the following categories: directors, senior executives and specialists who possess knowledge that is essential to the provision of the service.	Unbound, except for measures affecting natural persons in the following categories: directors, senior executives and specialists who possess knowledge that is essential to the provision of the service.

Source: Communication from Rwanda, Schedule of Specific Commitments under the General Agreement on Trade in Services, document GATS/SC/107, dated 30 August 1995

It is also notable that Rwanda did not take any additional commitments nor any exemptions to the MFN principle enshrined under Article II of GATS. Typically countries would list under "additional commitments" offers to implement regulation or measures in the future in order to obtain tradeoffs in another negotiating area and they will depart from the MFN principle in order to enter into economic integration agreements or to mutually recognize regulatory standards, certificates and the like if certain conditions are met. But this can partly be explained by the absence of commitments in basic telecommunication services which is the sector where most WTO Members have taken additional commitments.

The current round of market access negotiations under Article XIX of the GATS, launched in 2000, later integrated into the Doha Round of negotiations aims to achieve progressively higher levels of liberalization of trade in services through the reduction or elimination of the adverse effects of measures which hamper trade in order to provide effective market access.

These negotiations provide developing countries with an opportunity to:

(a) Achieve commercially meaningful market access commitments in sectors and modes of interest to them	(b) Undertake progressive market access opening consistent with their development situation and priorities
<ul style="list-style-type: none"> ▪ The GATS Articles IV and XIX call for increasing participation of developing countries in world trade, including through liberalization of market access and in sectors/modes of export interest to developing countries. ▪ The outcome of negotiations should envisage special priority to LDCs in terms of access for sectors and modes of interest to them 	<ul style="list-style-type: none"> ▪ This includes the flexibility to open fewer sectors and liberalize fewer types of transactions (i.e. Modes 1-4). ▪ Acknowledging the serious difficulties faced by LDCs, a decision was made²⁷ in the sense that LDCs are not expected to take further liberalization commitments in the Doha Round. ▪ The GATS includes principles related to special and differential treatment that recognize (the special situation of developing countries and LDCs and particularly) the need for technical cooperation and capacity building to reap benefits from trade liberalization.

The recent 8th WTO Ministerial held in Geneva from 15-17 December 2011 saw the adoption of a waiver on Preferential Treatment to Services and Service Suppliers of LDCs²⁸ which allows Members to provide preferential treatment to services and service suppliers of LDCs with respect to the application of measures described in Article XVI and any other measures as may be annexed to the waiver, than to like services and service suppliers of other Members.

A number of conditions must, however, be fulfilled including:

- (a) Any such treatment shall be granted immediately and unconditionally to like services and service suppliers of all LDC Members;
- (b) Preferential treatment with respect to the application of measures other than those described in Article XVI, is subject to approval by the Council for Trade in Services in accordance with its procedures and will be annexed to this waiver;
- (c) Each Member according preferential treatment pursuant to this waiver shall submit a notification to the Council for Trade in Services;
- (d) Each Member granting preferential treatment pursuant to this waiver shall, upon request, promptly enter into consultations with any Member with respect to any difficulty or matter that may arise as a result of such treatment; and
- (e) Any preferential treatment accorded pursuant to this Waiver shall be designed to promote the trade of least-developed countries in those sectors and modes of supply that are of particular export interest to the least-developed countries and not to raise barriers or create undue difficulties for the trade of any other Member.

LDC countries have indicated that Mode 4 represents for them one of the most important means of supplying services internationally. They, therefore, requested other WTO Members, to the extent possible and consistently with Article XIX of the GATS, to consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by LDCs in their group requests related to this mode of supply. Would add something along the lines of: Rwanda may

²⁷ At the 6th WTO Hong Kong Ministerial meeting of 2005

²⁸ WTO. Document WT/L/847, dated 19 December 2011.

wish to the extent to which it can pursue specific services trade objectives by joining with other WTO LDC Members in identify specific sectors in which they have Mode 4 interests and request of target markets that they grant preferential market access to the group.

2.3.2) EAC Regional Negotiations

In accordance with the Protocol on the Establishment of the East African Community (EAC) Common Market, which was ratified in July 2010, the EAC²⁹, aims to develop the free movement of services within the region, along with the free movement of goods, labour and capital. Part F of this Protocol addresses the free movement of services. Article 16.1 clarifies that this covers both the free movement of services supplied by nationals of the Partner States and the free movement of service suppliers who are nationals of the Partner States within the Community.

Rwanda has identified immense opportunities and potentials from regional integration activities on services in the EAC, in terms of increasing competitiveness in the services sector (for instance channeling investment for development of infrastructure services and improving skills) and promoting industrial complementarities in the region³⁰.

In line with this, harmonization efforts and development of regional policies on key issues are ongoing, for instance

- The EAC is currently working to address harmonization and mutual recognition of academic and professional qualifications.
- Other areas of cooperation in services provided for in the EAC Common Market Protocol include competition, public procurement, subsidies and consumer protection.
- Priority areas that have been identified for harmonization of laws in the region include: commercial laws, migration, labour, investment, social security and capital markets. Modalities for this harmonization processes are still being discussed³¹.
- Cooperation is envisaged, among others, on transport, financial, social, statistics and tax policies.

In order to implement the article promoting free movement of services, EAC countries established schedules of progressive liberalisation of services, which were annexed to the protocol. The current schedules are the outcome of the first round of negotiations and focus on 7 key sectors (list A in table below). The future rounds will focus on further liberalization of these sectors and of the five remaining sectors (list B in table below):

²⁹ Burundi, Kenya, Rwanda, Tanzania and Uganda

³⁰ Kanyangoga, John Bosco (2008). State of Play in Services in Rwanda: liberalization and competitiveness of the services sector in Rwanda.

³¹ Ministry of East African Community Affairs (2011). Implementation Framework for the EAC Common Market. Presentation at Seminar for the Legal profession in Tanzania, 19 April 2011.

Table 6: Sectors Being Negotiated and Sequencing of Liberalization in EAC

List A	List B
i) business services	viii) construction and engineering
ii) communication services	ix) environmental services
iii) distribution services	x) health-related and social services
iv) education services	xi) recreational, culture, and sporting
v) financial services	xii) other services not included elsewhere
vi) tourism and travel services	
vii) transport services	

As can be expected, Rwanda's commitments under the EAC are much more extensive than under the GATS. In total, Rwanda took commitments in 60 sub-sectors. As is provided for under the EAC agreement Rwanda set the timelines for the liberalization of its services progressively over the years 2010 to 2015.

As for the total number of commitments, Rwanda's commitments are the highest among all five EAC countries, as can be seen from the table below:

Table 7: Total Number of Sub-sector Commitments by Sector and Country

Services sector	Burundi	Kenya	Rwanda	Tanzania	Uganda
Business	31	15	32	7	33
Communication	6	17	21	17	21
Distribution	3	3	4	2	4
Education	4	4	5	4	5
Financial	9	12	15	16	11
Tourism and Travel-related	4	3	4	4	4
Transport	17	9	20	9	20
Total number of commitments	74	63	101	59	98

Source: Based on Cronje, J.B. (2011)

The extensive liberalization commitments undertaken by the smaller economies (Rwanda and Uganda) vis-à-vis the more developed economies (of Kenya and Tanzania) has been interpreted as a way to attract investment and to test the effect of services liberalization³² (liberalizing further with more equal negotiating partners first -as opposed to bilateral or multilateral negotiations with more developed negotiating partners-). Recognizing the role of regional integration as a building block for durable peace and regional development, Rwanda has decided to "fast track" the removal of barriers to trade and the free movement of people, labour, goods and capital in the region, while at the same time assessing its benefits and challenges³³.

³² Kruger, Paul (2011). Services negotiations under the Tripartite Agreement: Issues to consider. TRALAC Working Paper No. DII WP10/2011, June 2011

³³ Office of the Prime Minister (2011). Government Annual Report July 2010 - June 2011. October 2011

The EAC services liberalization schedules entail commitments with respect to:

- (a) The precise date at which limitations and restrictions to the free movement of services will be removed.
- (b) Mode 4, according to the Annex on the Free Movement of Workers to the Common Market Protocol. Each Member indicates for a list of different categories of workers in which ones it is undertaking commitments.

Unlike the GATS, which only provides for the temporary movement of persons (i.e. not seeking access to labor market or permanent employment in general), the Common Market Protocol (Annex II) also contains provisions for the movement of workers through the integration of labour markets. This covers the broader right to access to employment opportunities in partner states and includes acquiring a work permit for the spouse and children of the employee.³⁴

In this regard, Rwanda agreed to taken such commitments for the following categories: i) physical science professionals, ii) mathematicians, statisticians and computing professionals, iii) engineering science professionals, iv) health and life science professionals, v) teaching professionals, vi) engineering technicians and vii) optical and electronic equipment operators.

- (c) Finally, the right of establishment in all countries of the grouping promotes services liberalization among EAC countries for nationals - both natural and legal persons - of a Member State. The Right of Establishment is provided for in Article 13 of the EAC Common Market Protocol and applies both to legal persons and to self-employed persons seeking to enjoy the right of establishment in the territory of another Partner State.

As concerns legal persons, Partner States shall ensure that all restrictions on the right of establishment based on the nationality of companies, firms and self-employed persons of the Partner States are removed, and shall not introduce any new restrictions on the right of establishment in their territories, save as otherwise provided in this Protocol.³⁵

As concerns self-employed persons, the Protocol envisages uniformity among the Partner States in the implementation of this Article and that processes are transparent, accountable, fair, and predictable.

Services liberalization within the EAC has succeeded in attracting international firms/investors to the region (and to Rwanda) to access the wider market and take advantage of economies of scale expected to be realized in the common market.³⁶

2.3.3) EAC EU EPA Negotiations

In 2007 the EAC countries initialed the Framework Economic Partnership Agreement (FEPA) with the EU and a roadmap was agreed to for the negotiation of a full EPA on

³⁴ Kruger, Paul (2011). The linking and delinking of EAC Annexes. TRALAC, 23 November 2011

³⁵ East African Community Common Market (Right of Establishment) Regulations.

³⁶ de Melo, Jaime and Newfarmer, Richard (2010). Using trade to grow: lessons and questions from International Experience of Rwanda. October 2010

a series of outstanding issues contained in the *rendez-vous* clause, including trade in services.³⁷ During the negotiations held from 12 to 15 December 2011, the parties agreed that discussions on outstanding issues on trade in goods, dispute settlement, institutional provisions, MFN clause and export taxes would be concluded by summer 2012. The issue of services may therefore take a while before negotiations commence.

As per other negotiations ongoing with the EU with other partners and trade commitments resulting from agreements already signed by the EU, it is likely that in the specific context of the EAC EPA negotiations, the EU will seek:

- To have a model of commitments which combines both services and investment, as per the documents being negotiated with other EPA configurations. This implies extending commitments to cover (a) pre- and post-establishment phases of Mode 3 (commercial presence by foreign investors) and (b) investments in relation to both goods and services.
- To gain substantial new opportunities than what is already committed at the WTO. It is important to note in this regard that the EC requested Rwanda (in WTO) to improve its commitments (a) for market access and national treatment in business services, telecommunication services and financial services and (b) in relation to intra-corporate transferees and business visitors³⁸
- To guarantee, through binding commitments, that no new barriers are introduced in sectors that have not been committed or opened. Thus, it is likely they would seek to include a standstill clause.

Objectives of the EAC in the context of these negotiations include:

- *Expediting regional services integration*, to be able to harmonize regulations and build capacities before committing to market opening with the EU. The EAC region has indicated³⁹ that the EPA should not jeopardize regional interests, particularly taking into account ongoing initiatives to enhance the movement of services and services suppliers in the community.
- *Obtaining support for competitiveness*, emphasizing improvements in EAC infrastructure development, regulatory and institutional frameworks, access to finance and promotion of capacity building and technical cooperation.
- The EAC would like to *make individual offers* for liberalization while making a joint regional request to the EU.⁴⁰
- The EAC has proposed that *services be negotiated separately from investment*.

Given the fact that the EU is the most competitive services exporter, there is asymmetry between the two partners in terms of the technological, financial, institutional and regulatory readiness, human resource constraints and market

³⁷ Ramdoo, I. and A. Walker (2010), Implementing the Economic Partnership Agreement in the East African Community and the CARIFORUM regions: What is in it for the private sector?, ECDPM Discussion Paper, No. 104, October.

³⁸ Kanyangoga, John Bosco (2008). Op. cit.

³⁹ In the context of joint meeting of the EPA experts and the EAC common markets High Level Task Force on services (Ogalo, Victor and Rabinowitz, Gideon -2008- Trade in Services and EPAs: the way forward for EAC. CUTS International).

⁴⁰ Njau, A. (2009). Contentious Issues Under EAC-EU EPA Configuration, presentation made at the First Regional Sensitisation Workshop on EAC-EU EPA organized by the East African Business Council with support from TradeCom Facility on November 27 and 28, 2009 in Arusha, Tanzania.

disciplines (particularly regarding consumer protection and competition regimes). Thus, it is highly probable that market opening in this context will may lead to a situation where European services and services suppliers dominate the EAC services market.⁴¹ Most importantly, Rwanda and its EAC partners need to ensure that the commitments they agree to but also the other areas of cooperation that they are negotiating with the EU result in the most equitable development gains possible.

2.3.4) COMESA EAC SADC Tripartite FTA

Rwanda, as part of the EAC and COMESA, is also engaged in the regional efforts to achieve a large COMESA, EAC, SADC-wide tripartite FTA. The impetus for the creation of this tripartite FTA stems from the broader efforts as the level of the Organisation of African Unity (OAU) to promote economic integration across the continent and the creation of the African Economic Community (AEC). This has been an ambition of the OAU since 1980 when the Lagos Plan of Action was adopted. Subsequently, in 1991, the political leaders signed of the Treaty establishing the African Economic Community (The Abuja Treaty). The Abuja Treaty envisions the economic integration of the whole of Africa into a continental customs union by the year 2019.

In the meantime, one important strategy of achieving this continental vision is through the establishment of regional economic communities (RECS) as building blocks that will ultimately merge to establish the continental customs union. The COMESA-EAC-SADC Tripartite FTA - which is also referred to as the Grand Free Trade Area - would be one such building blocks. The main objective is to establish an FTA on a tariff-free, quota-free, exemption-free basis by simply combining the existing FTAs of COMESA, EAC and SADC. Among the areas where intra-regional trade is envisaged is liberalization of certain priority service sectors on the basis of existing programs of the three sub-regions.⁴²

All three regions have recognized the importance of trade in services although they have not advanced at a similar pace in the actual liberalization of services sectors. For example, in COMESA, the Regulations on Trade in Services were adopted by the Council of Ministers in June 2009 and the guidelines for negotiations on trade in services were adopted by the Committee on Trade in Services in September 2009. In SADC, the importance of services and the need to liberalize trade in services within SADC are recognized in Article 23 of the SADC Trade Protocol. Discussions are underway at the Trade Negotiating Forum (TNF) for liberalizing trade in services under the framework of the SADC Protocol on Trade in Services which is still to be signed and then ratified by Member States.⁴³ Finally, as was stated earlier at the EAC, trade in services is part of the framework of the Common Market Protocol which has free movement of services as a key component.

In a meeting of the three trade blocs organized on 12 June 2011 a three-year time frame was announced for developing the Grand Free Trade Area. Liberalization would first focus on goods trade and then turn to services and intellectual property.

⁴¹ Ogalo, Victor and Rabinowitz, Gideon (2008). Op. cit.

⁴² Shayanowako, P. (2011), Towards a COMESA, EAC and SADC Tripartite Free Trade Area, Trade and Development Studies Issue No. 40 TRADES CENTRE, Harare, January.

⁴³ Shayanowako, P. (2011). op. cit.

Trade in Services negotiations will take place in 2 stages: the first stage (negotiations to facilitate movement of business persons) will happen alongside trade in goods, customs, RoO but as a separate track. A timeline of 36 months has been set for completion of negotiations for the first phase. No timeframe has, however, been indicated for the second and final phase of FTA negotiations. This could in fact be the grey area as core negotiations on services have no set timelines and will also depend on the outcomes in services negotiations in the RECs.

The services chapter of the Draft Tripartite Agreements, as it currently stands, contains only five provisions. One provision is devoted to the establishment of a Tripartite Committee on Trade in Services. Draft negotiating guidelines (Annex 12 to the draft agreement) were also prepared. As in the 3 regional services negotiations, the annex provides that the tripartite services liberalization would be undertaken on a progressive basis, with commitments initially undertaken in seven priority sectors, namely Business, Communication, Transport, Financial, Tourism, Energy and Construction Services.

It has been suggested that it is still too early to determine the developments relating to trade in services at the tripartite level these will depend on progress in the regional negotiations, while so far only EAC has moved forward significantly. Moreover, the question remains how much further countries will be committed to liberalize once they have done so substantially at COMESA, EAC, and SADC levels as well as in the context of the EPA and GATS negotiations.⁴⁴

2.3.5) Way Forward

Rwanda has pursued a rather liberal approach to services liberalization at the unilateral level. More recently Rwanda has embarked in a regional agenda that includes not only a goal of reciprocal liberalization but also regional cooperation in the area of infrastructure development and harmonization of standards and laws.

The Government is of the view that past liberalization has led to positive results in terms of investment; however, market access opportunities (achieved through WTO but also at the regional level) have been underexploited.

Several challenges appear in the path of maximizing the opportunities of the regional platform. Indeed, several studies suggest the lack of regulatory readiness in sectors subject to liberalization, particularly effective domestic regulation to cope with anti-competitive practices and to ensure consumer protection (Charambides, 2009 and Ogalo & Rabinowitz, 2008). In this sense, continuing to pursue and prioritize the development of regulatory frameworks and policy harmonization at the regional level is key to ensure reaping potential gains from increased services liberalization.

Other areas identified for improvement include improved awareness (on how to utilize the different markets to facilitate their trade ventures at the regional level) and greater involvement from the private sector in discussions related to regional policies and to regional trade negotiations.

⁴⁴ Kruger, P. (2011). Services Negotiations under the Tripartite Agreement: Issues to Consider. tralac Working Paper No. SIIWP10/2011.

In order to take full advantage of the regional platform, an ambitious program of legal upgrade and awareness raising is being undertaken, as a matter of priority by the government.

3) TOURISM SECTOR

Tourism has emerged as a driver not only for economic progress but also for social development. The tourism sector has deep roots in national economies producing economic and employment benefits in related services, manufacturing and agriculture sectors, thereby promoting economic diversification and strengthening developing country economies.

Tourism contributes substantially to reducing poverty and empowering women, youth and migrant workers with new employment opportunities. It also helps revive declining urban areas, open up and develop remote rural areas, and promote the conservation of countries' environmental endowments and cultural heritages.

In the case of LDCs for which tourism constitutes one of the top three foreign exchange earners, this sector can induce significant, income-multiplier effects and progress in terms of national income. By boosting per capita income and human capital, tourism has been a decisive factor supporting graduation from LDC status for countries such as Cape Verde, Maldives and Samoa. Further success in tourism development could induce significant progress in advancing achievement of the Millennium Development Goals and graduation thresholds in at least 10 LDCs over the next decade.

However, developing countries encounter significant economic, social and environmental challenges in maximizing the gains from their national tourism industries, including the need to strengthen weak intersectoral linkages and reduce excessive revenue leakage from their national economies.

Despite the significant developmental potential of the tourism sector, it is also important to recognise that the sector can generate negative externalities and is vulnerable to external shocks. Tourism's high water and energy requirements may exceed local sustainable limits and displace other economic and social uses of limited water and energy supplies. In locales with fragile ecosystems, tourism's negative environmental impacts can be irreversible, stressing the need for the prevention of negative impacts. Moreover, tourism activities are extremely vulnerable to external shocks. The tourism sector's share of GDP and exports can easily be affected by decreased demand associated with global economic slowdowns, epidemics, natural disasters, political instability and terrorism, which also calls for associated mitigation measures and social safety nets for those working in the tourism sector.

3.1) Role and Performance of the Tourism Sector in Rwanda

Travel and Tourism has been prioritized by the Rwandese government as a key driver for future growth, economic diversification and development. The Rwandan policy on tourism is centered on tourism promotion, on improvement of tourist sites, on development of tourist infrastructure, as well as development of entrepreneurship spirit and quality standards in the hotel and hospitality industry.

3.1.1) *The Contribution of Tourism Services to the National Economy*

Travel and tourism is currently Rwanda's largest source of export earnings. Exports of travel and tourism were equivalent (on average, for the period 2000-2010) to 39 per cent of total services exports and to 21 per cent of merchandise and services exports.⁴⁵

The direct contribution of travel and tourism to GDP in 2011 was RWF 124.4 bn (3.4 per cent of total GDP) and its total contribution was RWF 290.5 bn (7.8 per cent of GDP).⁴⁶

In addition, this sector ranks second regarding investment attraction, after energy. Significant (though inconsistent) amounts of FDI received by Rwanda between 2001 and 2010 ranged between 1 per cent and 41 per cent of total FDI. More information on investment is available in section 1.3.1.

Tourism revenues have also increased over the years, from 148'000'000 in 2010 to 183'000'000 USD in 2011, (as per September 2011)⁴⁷.

The tourism sector is important to Rwanda in terms of employment generation. In 2011, the travel and tourism sector supported directly 54.000 jobs (2.8 per cent of total employment)⁴⁸ and its total contribution to employment was equivalent to 130.000 jobs (6.8 per cent of total employment). Out of the total number of employees in the tourism sector (Accommodation and restaurants), male employees account for 70 per cent and female 30 per cent.

3.1.2) *Performance of the Tourism Sector*

Several policy measures, strategies and incentives have made possible a steady growth by Travel and tourism over the years. Thus, the sector has maintained its position as the leading foreign currency earners in Rwanda.

With continued investment by the government, travel and tourism is expected to continue to grow over the forecast period in the Tourism Master plan (2020) and will remain a key foreign exchange earner.

Table 8: Tourism Targets for Rwanda 2009-2020

	2008 (actual)	2009	2010	2011	2012	2020
Revenue	\$210m	\$210m	\$225m	\$244m	\$277m	\$627m
Number of Arrivals	980,000	980,000	1,031,000	1,089,000	1,199,000	2,219,000

Source: Rwanda Tourism Master plan

⁴⁵ Source: UNCTADStat

⁴⁶ World Travel and Tourism Council (2011). Travel and tourism: Economic impact 2011 for Rwanda.

⁴⁷ Rwanda Development Board: Highlights of Tourism Arrivals in Rwanda January-September 2011

⁴⁸ World Travel and Tourism Council (2011). Op. cit

In addition, the World Travel and Tourism Council also forecast that the tourism sector will continue to perform well in Rwanda, improving its contribution to the economy.

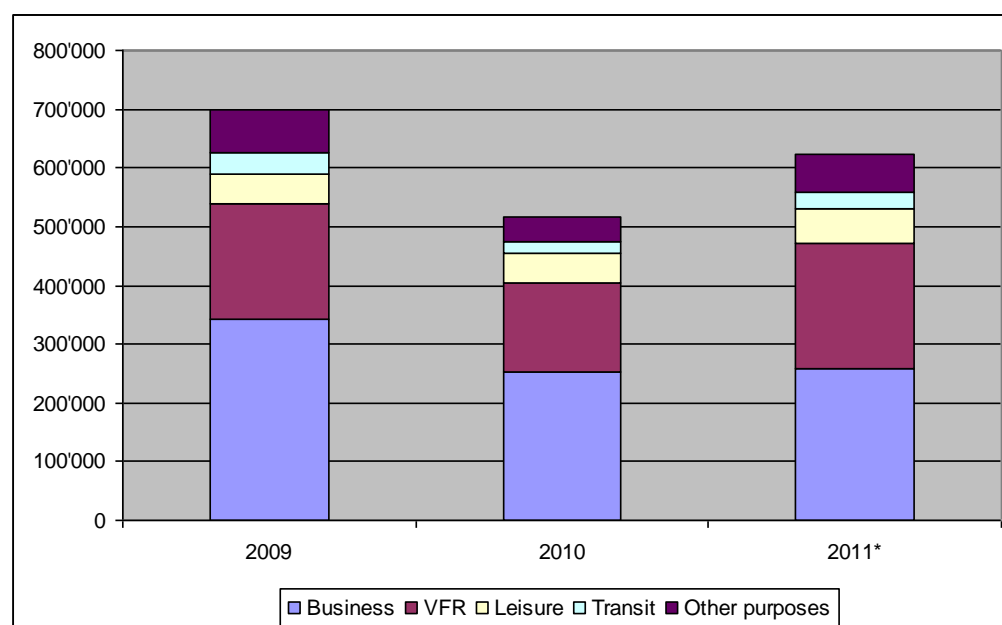
Table 9: Forecasted Contribution of the Tourism Sector to Key Economic Indicators of Rwanda by 2021

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 6.6 per cent pa to RWF 235.1bn (equivalent to 3.7 per cent of GDP) by 2021. The total contribution of travel and tourism to GDP (including its wider economic impacts) is forecast to rise by 6.7 per cent pa to RWF 555bn (equivalent to 8.7 per cent of GDP) by 2021
Employment	<ul style="list-style-type: none"> The direct contribution of travel and tourism to employment is expected to rise by 3.8 per cent pa to 78.000 jobs (3.1 per cent of total employment) by 2021 The total contribution of employment is forecast to rise by 3.9 per cent pa to 191.000 jobs (7.5 of total employment) by 2021
Investment	<ul style="list-style-type: none"> Travel and tourism investment is estimated to rise by 6.6 per cent pa to reach RWF 120.4 bn (or 8.3 per cent) of total investment in 2021

Source: World Travel and Tourism Council (2011). *Travel and tourism: Economic impact 2011 for Rwanda*.

In terms of arrivals, the most important segment and top performer over the recent 3 year period is business tourism, followed by Visiting Friends and Relatives (VFR). Indeed, the highest proportion of visitors comes to Rwanda for business/conferences (49 per cent in 2010). This has been the trend since 2006, as was indicated by a hotel market study (IFC, 2007). On average, during the last three years (2009-2011) 46 per cent of all tourists in the country were business travelers.

Figure 8: Visitor Arrivals in Rwanda by Purpose of Visit 2009-2011*

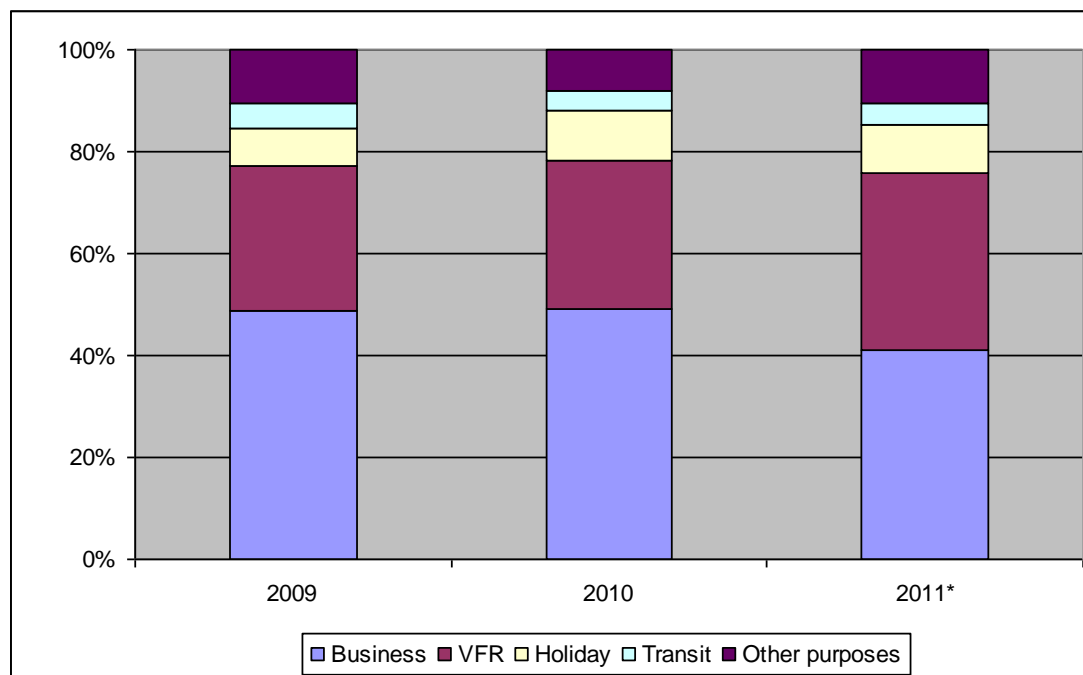


*2011 figures reflect only Jan-Sept. period only

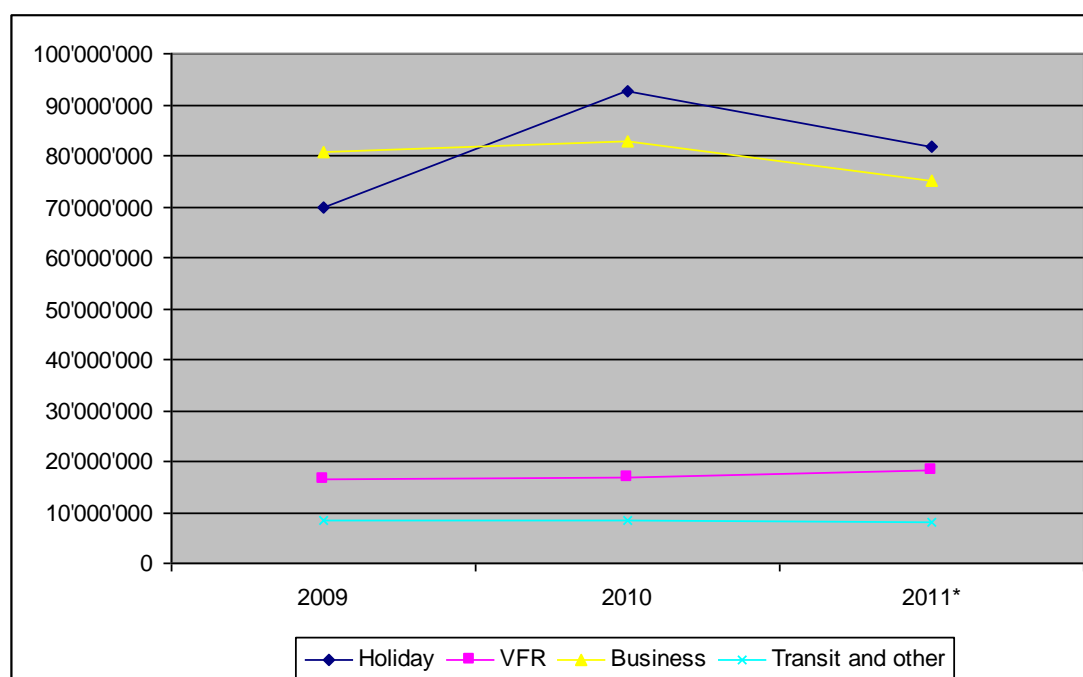
Source: RDB, *Highlights of tourism arrivals, 2009-2011*

It is important to note however, that the proportion of tourists coming to the country for leisure and VFR has increased in recent years vis a vis the total number of tourist arrivals. In the case of tourism, the figures were 7 per cent, 10 per cent and 9 per cent for 2009, 2010 and 2011 respectively. In the case of VFR, they were equivalent to 28 per cent, 29 per cent and 35 per cent for the same years.

Figure 9: Proportion of Visitors for Different Purposes in Total Arrivals 2009-2011*



It is also interesting to note that the increase in the proportion of arrivals in leisure tourism has led to a notable increase of revenue from leisure visitors, exceeding revenues from business tourism in 2010 and 2011. In contrast, this has not been the case of the increase in VFR, which contributes little to revenues.

Figure 10: Visitor Expenditures in Rwanda by Purpose of Visit

*2011 figures reflect only Jan-Jun period only

Sources: RDB (Highlights of Tourism Arrivals for: 2009, 2010 and Jan.-Sept. 2011)

An interesting trend captured by the analysis of WTTC relates to the increased importance of national tourism. In this sense, in 2011 domestic travel spending accounted for 24.7 per cent of direct travel and tourism GDP for that year. Domestic travel spending recorded for 2011 was equivalent to RWF50.9 bn and is expected to rise to RWF92.7 by 2021.

In terms of tourism attractions, the most important segments and top performers are wildlife sight-seeing and ecotourism. The main tourist attraction consists of gorilla-viewing tourism. Aside from this area, in 2008⁴⁹, 11 per cent of international visitors go to chimpanzee trekking in Nyungwe National Park, 6 per cent experienced mountain biking, compared to 65 per cent who visit the genocide memorial centre.

3.1.3 Comparing the Performance of Rwanda's Tourism Sector with its Regional Partners

Rwanda is performing rather well compared with its regional competitors, particularly Kenya, Uganda and Tanzania, as the table below shows.

⁴⁹ RDB and SNV, Tourism Market Research for Rwanda 2009: A survey of tourists, tour operators and accommodation. 21 August 2009.

Table 10: Travel and Tourism Competitiveness Index 2011 Ranking

	Overall Index	
	All Countries	Sub-S. Africa
Rwanda	102	7
Kenya	103	8
Tanzania	110	11
Uganda	115	13
Burundi	137	28

Source: World Economic Forum (2011), *The Travel and Tourism Competitiveness Report 2011*.

In terms of tourist arrivals, Rwanda has successfully increased its number of tourist arrivals from 104 thousand in 2000 to 666 thousand in 2010. Though Rwanda's success has not changed its rank among the EAC countries in terms of absolute number of tourist arrivals yet, the analysis is totally different when we compare per capita tourist arrivals. As of 2010, Rwanda is the top destination among EAC countries with almost 63 tourist arrivals per 1000 person, almost twice the statistics for the second highest, Kenya. (See Table 3)

Table 11: Number of Tourist Arrivals to EAC Countries (2000 and 2010)

	thousand person		per 1000 person	
	2000	2010	2000	2010
Rwanda	104	666(1)	12.8	62.7
Burundi	29	201(2)	4.5	26.9
Uganda	193	817(3)	8.0	25.2(3)
Kenya	899	1392(3)	28.8	35.3(3)
Tanzania	459	783	13.5	17.5

(1) Rwanda changed its definition of tourist arrivals in 2007 from number of non-residents tourists to non-resident visitors. Therefore Rwanda's definition of arrivals in 2009 is different from its 2000 figure as well as other countries' statistics.

(2) 2006 figure.

(3) 2009 figure.

Source: UNCTAD calculations based on UN Data

However, Rwanda's success in boosting tourist arrivals has not lead to proportional increase in its total receipts from foreign travelers (Table 4). In 2009, Rwanda registered 174 million USD in travel revenues, which is roughly 1/4th of Uganda's and Kenya's, and 1/7th of Tanzania's revenues. The problems seem to be related to average spending by tourists in Rwanda which remained virtually constant during the last 10 years. Perhaps, the crucial question is why Tanzania is receiving 7 times greater travel receipts per visitor than Rwanda.

Table 12: Various Tourism Statistics in EAC Countries (2000 and 2009)

	Travel Revenues (million USD)		Travel Revenues (per visitor)		Trade Balance (million USD)	
	2000	2009	2000	2009	2000	2009
Rwanda	23	174	221	249(1)	1	102
Burundi	1	2	28	6(2)	-13.2	-60.5
Uganda	165	667	855	816	49(3)	488
Kenya	283	690	315	496	151	456
Tanzania	377	1160	821	1625	40	394

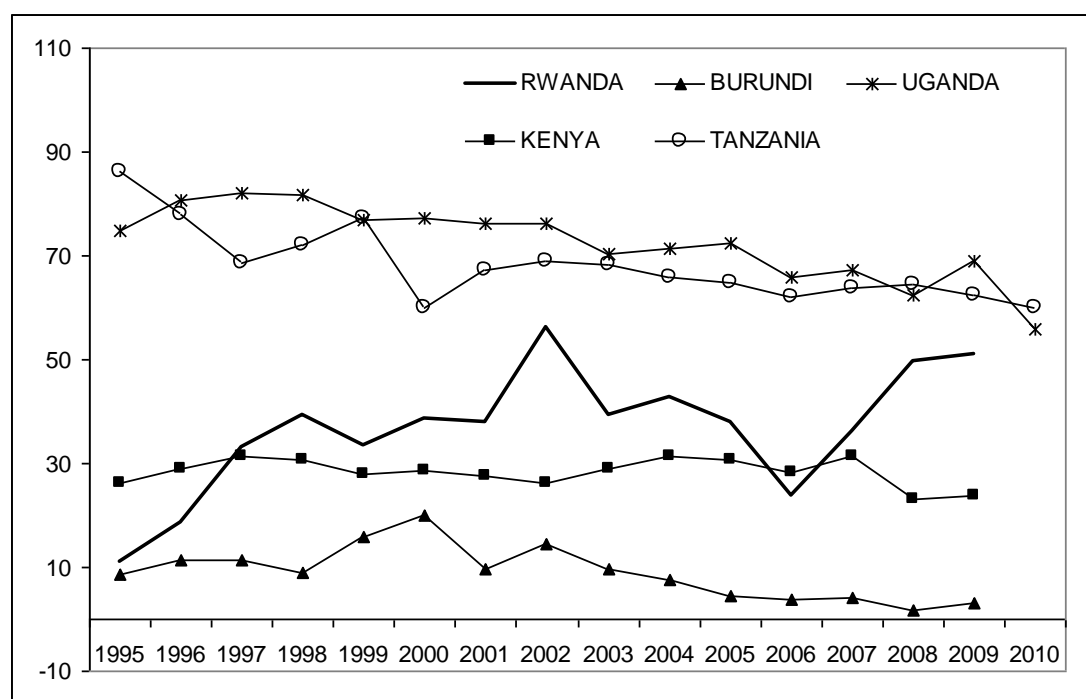
(1) Rwanda changed its definition of tourist arrivals in 2007 from number of non-residents tourists to non-resident visitors. Therefore Rwanda's definition of arrivals in 2009 is different from its 2000 figure as well as other countries' statistics.

(2) 2006 figure

(3) 1998 figure

Source: UNCTAD calculations based on UN Data

It is important to note that, despite the importance of tourism services in terms of exports and revenues for the EAC countries, the region is considered to be over-relying on tourism revenues in its services exports. Figure 6 shows the sector's share is well above 60 per cent in Uganda and Tanzania, and around 50 per cent in Rwanda. The gradual fall in the sector's share in services exports is an indication of a slow but persistent diversification of services sectors in the former group of countries.

Figure 10: Share of Travel Revenues in Services Exports in EAC Countries, 1995-2010 (per cent)

Source: UNCTAD calculations based on UN data and UNCTAD Stat.

3.2) Structure of the Market

As per 2008, the tourism and travel and tourism sector included 48 tour operators (employing around 200 persons), 163 tourism accommodation units with 3150 rooms

of different types. In all, there are 9 hotels in the upper range category, 38 in the middle range and 116 in the lower rank⁵⁰.

Unlike other sectors where most activity is concentrated in Kigali or the cities, the establishments are not concentrated in Kigali but are rather spread all over the country with the northern province having the most, followed by southern with Kigali having the least.

Of the total establishments in the country, 27 per cent are in tourism (accommodation and food service activities), of which over 55 per cent are small establishments⁵¹ with a capital value of approximately 0.1million FRW.

99 per cent of the establishments in the tourism sector (accommodation and food service) are owned by Rwandans. Among those owned by foreigners, EAC owners are the largest number. For details see table below

Table 13: Number of Operating Establishments by Ownership Nationality

Accommodation and food service activities	
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

While data on ownership nationality according to the size of establishments is not available, the establishment census suggests that foreign owned enterprises are generally larger/more capitalized than national owned enterprises.

In conclusion, the tourism sector is mainly driven by large scale companies (if earnings and productivity are to be used as scales of measurement of company size). In this sense, a more rewarding diversification strategy would entail facilitating and expanding the participation of a wider range of enterprises (especially SMES) in diverse and dynamic productive activities.

3.3) Trends in Trade and Investment in the Tourism Services Sector

3.3.1) Trends in Trade

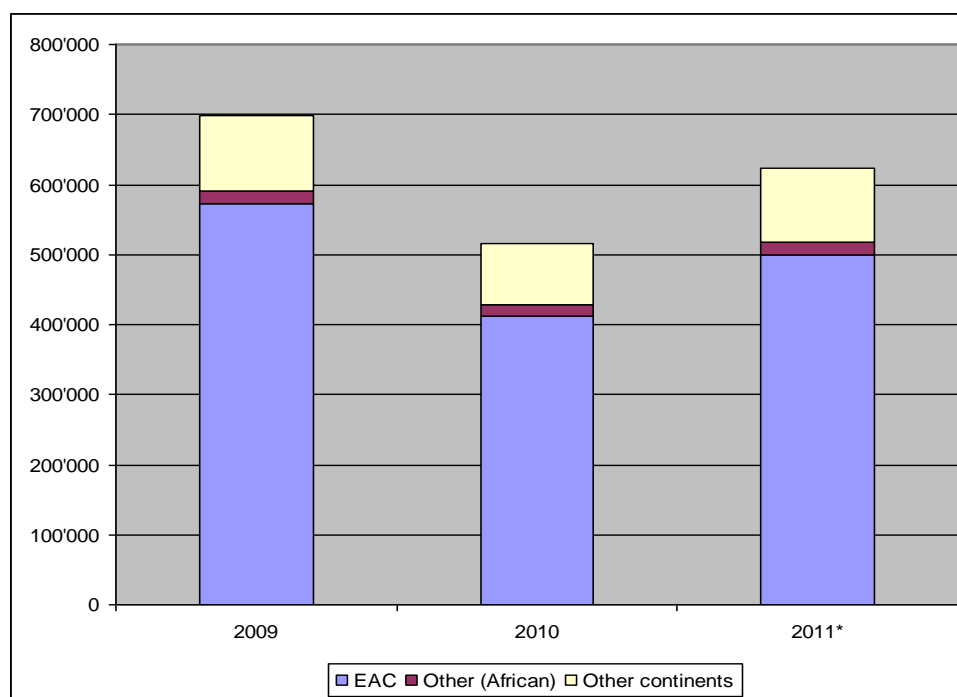
The largest proportion of tourism services exports by Rwanda are destined to the EAC region. This trend might be explained by the EAC integration process. The figure

⁵⁰ Government of Rwanda and UNWTO (2009). Sustainable Tourism Development Master Plan for Rwanda. May 2009

⁵¹ Small establishments were defined as those employing between 2 and 3 people.

below clearly illustrates the importance of the region in terms of tourism exports over the last 3 years (2009-2011).

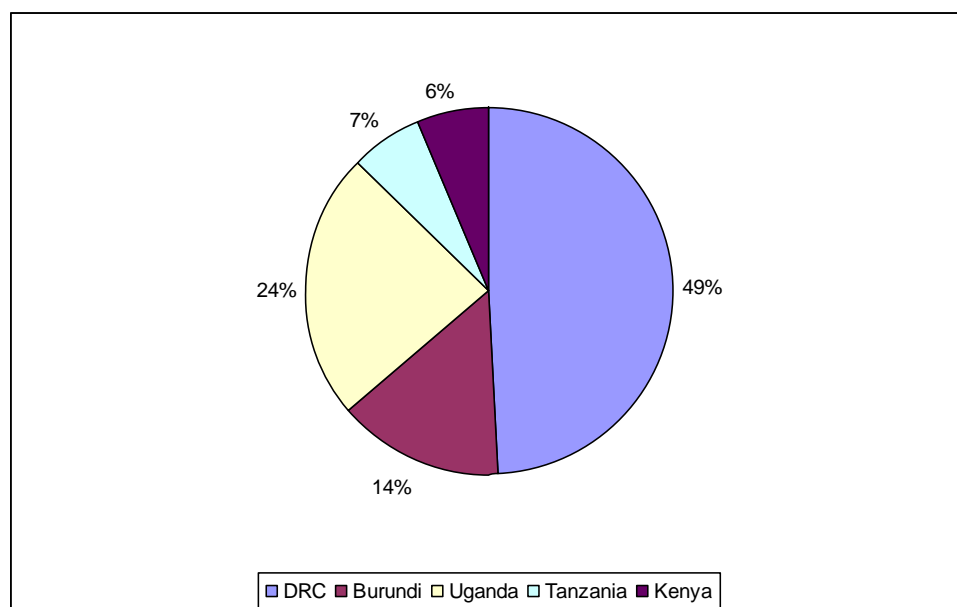
Figure 11: Visitor Arrivals in Rwanda per Origin



Source: RDB, Highlights of tourism arrivals, 2009-2011

Within the region, over the last 3 years (2009-2011) most tourists came from DRC (49 per cent), followed by Uganda (24 per cent) and Burundi (14 per cent).

Figure 12: Proportion of EAC Tourist per Country of Origin (Average for Period 2009-2011*)



Source: RDB, Highlights of tourism arrivals, 2009-2011

Most visitors from Africa come to Rwanda for business and conferences (85 per cent in 2009, and 83 per cent in 2010 and 2011 respectively). Current exports of Rwanda of tourism services show the importance of business visitors from Africa and the EAC region in particular.

In spite of the importance of business tourism, leisure tourism has become a highly dynamic segment in terms of revenue generation (see section above and graph on visitors' expenditures). It is important to note that, in this tourism segment, the most important sources of visitors are Europe (particularly UK, Germany and Belgium) and the Americas (particularly US and Canada). For details see table below

Table 14: 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%	83%	53%	5%	83%	43%	5%
Europe	7%	28%	32%	8%	27%	34%	8%	29%	33%
America	4%	27%	41%	5%	28%	38%	5%	29%	38%
Asia and the Pacific	4%	32%	17%	4%	31%	24%	4%	38%	27%

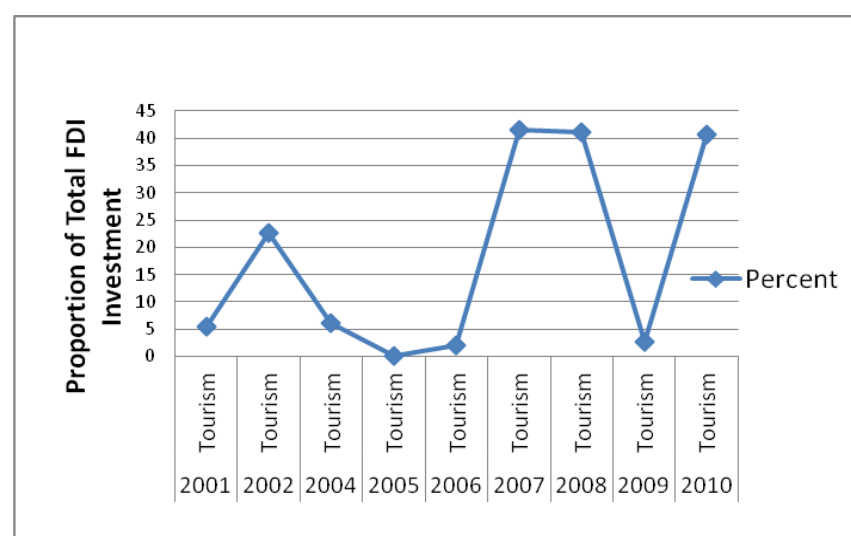
*2011 figures reflect only Jan-Sept period only

Source: RDB, Highlights of tourism arrivals / 2009-2011

From the data presented we can conclude that further developing leisure tourism can have a very positive impact in the sector in terms of generating increased revenues. Interesting options derived from the data analysis suggest there is scope for improving leisure markets that can be considered traditional for Rwanda (European and American tourists) but also non traditional (African tourists). The analysis also shows the need to generate more revenue from business tourism. To achieve this, improvements are required with respect to (a) the quantity and diversity of Rwanda's tourism products, (b) the quality of the services offer and (c) linkages within the sector and with other sectors. These issues are developed in subsequent sections.

3.3.2) Trends in Investment

Foreign direct investment (FDI) exceeds local investment. Significant (though inconsistent) amounts of FDI received by Rwanda between 2001 and 2010 went into hotels and leisure. It ranged between 1 per cent and 41 per cent of total FDI.

Figure 13: Tourism FDI as Proportion of Total FDI

Source: RDB Records

Although foreign investment exceeds local investment, it has been concentrated on a small number of projects.

3.4) Policy, Regulatory and Institutional Frameworks

3.4.1) Policy Framework

Rwanda is seeking to further develop tourism, to become a "truly world class and high demand tourism destination"⁵². The Tourism Policy 2010 provides that the overall objective of the policy is to increase tourism revenues in a sustainable manner, and generate profits for reinvestment and jobs. It aims to achieve the following strategic objectives through the implementation of the 2009 Sustainable Tourism Development Master Plan for Rwanda.

Table 15: Goals and Strategic Objectives of Rwanda in the Tourism Sector

Goal	Strategic objective
Product development and diversification	Develop a range of quality tourism products and services, capable of attracting and meeting the needs of international, regional and domestic visitors
Marketing and awareness	Project a clear, distinctive, image of Rwanda as a wildlife, eco-tourism, cultural and conference destination that is attractive to a high-value market
Capacity building	Develop systematic, high quality training, to create a skilled workforce in value jobs at every level of the tourism and hospitality industry
Access to Rwanda as a destination	Ensure that international tourists have minimal hassle in their journey to Rwanda in terms of air and land access, as well as in Visa and other requirements.
Infrastructure development	Prioritize the provision of infrastructure within the

⁵² Government of Rwanda (2011). National Export Strategy, March 2011

	Destination Managed Areas and their associated corridors.
Appropriate regulation	Establish and maintain regulation that enables the tourism industry to develop in a fast yet sustainable manner
Appropriate incentives and financial architecture	Develop incentives and a financial architecture that supports investment in the tourism industry.
Communities and MSMEs	Provide support to MSMEs, ensuring that they have the capabilities and capacities to enter the tourism value chain, while also ensuring that communities contribute to and benefit from the tourism industry.
Environmental sustainability	Ensure that the tourism sector is planned and developed to the benefit of future generations of Rwandans, in terms of the sustainability of resource use, the protection of wildlife and the environment.

Source: *Tourism Policy 2010 and 2009 Sustainable Tourism Development Master Plan for Rwanda*

The following sections reviews some of the policy measures that have been introduced, national or regionally, with a view to achieve these goals and strategic objectives

3.4.1.1) Product Development and Diversification

The main goal being pursued by the diversification of Rwanda's tourism offer is increasing revenues. The GoR has identified the scope and potential for improvement in this area, for various reasons:

1. The over reliance and impossibility of further increase revenues generated through gorilla tourism (due to environmental conservation concerns)
2. The most frequent length of stay for international visitors in Rwanda is four days,⁵³
3. The relative lower share of tourists visiting Rwanda for leisure (compared to business tourists) and, at the same time, the potential of leisure tourism to generate more revenue (compared to business tourists).

Thus, diversity in Rwanda's tourism offer is crucial to persuade tourists to extend their length of stay.

There is a prevailing perception that the limited length of stay of tourists and the relative lower share of leisure tourism might be due to the fact that (i) most leisure tourists visit the region as part of multi-country itineraries (Rwanda is thus seen as an add-on to an East African safari tour)⁵⁴, (ii) Rwanda is perceived as being more expensive than its neighbors and having less diversity in tourism offering⁵⁵ and (iii) pricing of transport of tourists from countries of origin is perceived as being less competitive compared to neighboring countries⁵⁶.

With a view to diversify Rwanda's tourism offer, tours associated with the cultural heritage and history of the country and with the sightseeing of other animals have

⁵³ Ibid

⁵⁴ Government of Rwanda and UNWTO (2009). Sustainable Tourism Development Master Plan for Rwanda. May 2009

⁵⁵ IPAR. (2010) "*Development with smile?*"

⁵⁶ Government of Rwanda (2011). National Export Strategy, March 2011

recently been launched or are being developed⁵⁷ Religion and events-based tourism are also being considered.

The Tourism Master Plan (2009) identifies several shortcomings that need to be addressed in order to develop products that ensure tourists stay in the country for a longer period (and increasing their expenditures). For instance, in order to take greater advantage of business visitors' short stays, the leisure offer needs to be strengthened in the capital and main cities. Ideas to achieve this could include developing entertainment options, for instance introducing a zoo and a botanical garden.

With respect to development of leisure tourism, existing shortcomings relate to the low quality (or lack of) accommodation and food and beverage facilities in the tourism routes (leading to main parks and volcanoes)⁵⁸. On the other hand the tourism Master Plan highlights the lack of entertainment for tourists (like organized activities and recreational, cultural and sporting services - including sporting facilities, crafts, dance and films-related offerings), even in main tourism attracting areas, as another important gap.

In conclusion, in order to increase revenues derived from tourism Rwanda will have to succeed in extending the length of stay of visitors. This in turn, requires addressing current shortcomings. In the case of business tourism, such shortcomings relate to developing entertainment alternatives in main cities and in the case of leisure tourism this requires improving quantity and quality of tourism facilities and strengthening linkages with recreational, cultural and sporting services

3.4.1.2 Tourism Promotion and Marketing

Tourism promotion has been the subject of aggressive public relations and marketing strategies. Since Rwanda started showcasing its diverse beauty and attractions to the world at the World Travel Market (WTM) 2003 in London, the country has made a name for itself by participating in numerous tourism trade exhibitions on a global level⁵⁹. Other ongoing initiatives aimed at raising awareness of new tourism offerings being developed include a book on Rwanda's birds, which will be launched in the course of 2012⁶⁰.

Rwanda is also participating in regional initiatives aimed at promoting the region as a tourism destination. Thus Rwanda, has fully embraced its joint marketing initiative to promote the region as a single travel package. While the main goal is developing Rwanda as a unique tourism destination, the government is conscious of the present limited offer of tourism products in Rwanda and high cost of travel to Rwanda and is looking to benefit from spill over visitors from neighboring countries.

⁵⁷ Government of Rwanda. Annual Report July 2010-June 2011

⁵⁸ IPAR (2010). Op. cit.

⁵⁹ In 2009, the country received: an award for the best African exhibitor in the International Tourism Bourse (ITB) in Berlin; it was named among the world's top 10 hottest travel destinations by Lonely Planet and was honoured at the WTM. In 2011, at the Wanderlust Travel Awards, Rwanda was named the first top destination in Africa and was named among the top five, worldwide

⁶⁰ Government of Rwanda Annual Report July 2010-June 2011

Rwanda has collaborated with the EAC to develop standards for the classification of hotels, restaurants and other accommodation facilities. Rwanda is currently in the process of classifying its tourism facilities and accommodation according to these standards. In this context, RDB has classified 31 hotels across Rwanda, with 2 classified as 5 stars, 4 classified as 4 stars, 16 classified as 2 stars and 1 classified as 1 star hotel⁶¹. It has been suggested that once this process of classification is completed, the pricing structure might have to be revised in the sector to remain competitive (currently, prices are high relative to accommodations of equivalent quality in other East African countries)⁶².

Rwanda also participates in the East African Tourism and Wildlife Coordination Agency (EATWCA), established by the EAC. This setting provides:

- A legal framework for cooperation among partner states and among a wide range of stakeholders;
- A centre ground to develop private and public partnership,
- The opportunity to initiate and coordinate a regional tourism policy
- The opportunity to improve branding of the EAC tourism sector
- The opportunity to initiate and coordinate research as per market needs and trends

Another sphere for regional cooperation is the East Africa Tourism Platform, which only encompasses private sector players. A strategic action plan was adopted in 2011⁶³ which foresees: coordinated regional actions to promote regional tourism in domestic markets; networking, data collection, training and development of joint marketing and advocacy strategies

It appears like the tourism promotion and marketing strategy has been more focused in participating in international fairs. Further improvements could include more awareness raising campaigns about current (and new) tourism offerings for (a) visitors who come to the country or (b) at the regional level. Such actions may entail further developing linkages with local tour operators, car hire companies, hotels and restaurants, conference organizers, as key actors for the dissemination of information and interacting directly with tourists.

It is important to note that the Sustainable Tourism Master plan identifies capacity building needs with regards to tourism promotion and marketing in the following areas

- Product development strategies, market research, marketing and promotion techniques, as well as general hospitality understanding.
- Statistical compilation and analysis. Being able to develop strategies aimed at responding to the specific needs of target markets requires understanding the needs and behaviors of customers. In this respect statistics compilation and analysis can play a key role informing policy-making. Although Rwanda has done

⁶¹ Sourced from: <http://www.rwandatourism.com/test/hotels.php>

⁶² Nielsen, Hannah and Spenceley, Anna (2010). The success of tourism in Rwanda – Gorillas and more. Background paper for the World Bank

⁶³ Strategic Business Advisors [Africa] Ltd (2011). East Africa Tourism Platform: Strategic Action plan for the establishment of the East Africa Tourism Platform. Sponsored by TradeMark East Africa, August 2011

a lot of progress in this regard, it appears that statistics collection could be improved (for instance with respect to spending patterns of tourists, patterns regarding domestic tourism, disaggregated employment data per subsector, room occupancy levels in accommodation facilities and visitors to main touristic attractions - excepting parks).

The National Export Strategy (NES) identifies another shortcoming that affects tourism promotion and marketing: the lack of a coordinated approach to export promotion, which hinders the capacity of the country to maximize opportunities from its participation in trade agreements. It appears (from the mandates and work areas defined above on the EATWCA and the East Africa Tourism Platform) that the regional framework can contribute to meet Rwanda's own tourism development needs (for instance to promote intra-African leisure tourism) in areas such as monitoring and increasing knowledge of sector trends, sensitizing business and developing market strategies to exploit individual markets

Maximizing the use of the regional framework might require a more systematic approach identifying comparative advantages (at the regional level) in services provision and designing a policy framework

- To raise awareness of services providers and tourism operators (and particularly SMEs) on best usage of existing opportunities to generate economies of scale (arising from the regional integration)
- For the joint development of tourism facilities and key infrastructure (for instance through regional joint ventures).

3.4.1.3 Capacity Building and Skills Development

Human capital development has been prioritized by the GoR, in a cross-cutting manner (to develop the competitiveness of the overall services economy) but particularly in the tourism sector, where the role of employees is significantly ascribed to interaction with customers. In this sector, this area is considered crucial to increase profitability (to attract higher-end tourists and capturing higher margins) and pursuing Rwanda's diversification strategy in the sector.

The importance of this issue was underscored by a survey, conducted in 2009 by the OFT Group on representatives of the tourism industry and visitors⁶⁴. The survey found that customers perceived the service was low quality, that they were excessively overcharged and received low value for their money.

This survey led to increased awareness, at the Governmental level, of this being a hindering factor affecting tourism promotion and of the need to upgrade skills in the sector. This issue is particularly important to Rwanda in the context of strategies aimed at developing leisure tourism and high-end segments (where tourist expectations can be considered higher and correlated to international standards). Following the IPAR analysis, several studies were undertaken to understand better the

⁶⁴ Institute of Policy Analysis and Research (IPAR) (2010), op cit

skills gaps and needs in the sector⁶⁵ and the issue was captured in several policy instruments⁶⁶. The following sections describe several aspects of these findings:

One of these studies⁶⁷ quantifies the extent of the skills gap in the tourism sector, as per 2009, as follows:

- The hospitality industry had a total skills gap of 69.4 per cent:
- In the technician cadres (supervisors, assistant chefs) the sector has only 4 per cent of skills required in position. This means that in this essential category there is a 96 per cent deficit.
- For artisans (waiters, cleaners) there is only 30 per cent of staff in place, meaning there is a 70 per cent deficit.
- The shortage of skills in the hospitality sector is serious in the private sector where the gap among the professionals is 55 per cent; for technicians 12 per cent and for Artisans 53 per cent
- Part of the skills gaps is currently covered by foreigners: The tourism industry has the largest complement of foreign experts, where they account for 2.3 per cent of the skill base. In terms of expertise, the largest contribution of foreign experts is in hospitality, where they account for 1.6 per cent of the skill base, and predominantly in the artisan cadre.

In order to increase qualifications of the workforce in the sector several training-related initiatives were recently launched. The Government (through the Work Force Development Authority) started courses in Technical and Vocational Education and Training (TVET) institutions to promote artisan or technical skills in the sector. These include culinary art, housekeeping, front desk operations, and waiters' course. In addition, the Rwanda Tourism University has been set up to promote the participation of the private sector in capacity building. Courses include: bachelors of hotel and restaurant management, bachelors of travel and tourism management and certificates in House Keeping, Front Office/ Reception Techniques, Kitchen Operations, Restaurant Services/ Food and beverage services, Tour Guiding and Administration, Tour and Travel Operations, Airline Cabin Crew/ Air Hostesses, Exhibition and Event Management and Customer Care.

It is important to note however that, according to several of these studies, ensuring quality in delivery of tourism services goes beyond improving the training offer and curricula. In this sense, changing the current culture of customer service in Rwanda entails addressing challenges in other areas such as:

- Business practices. All studies identify that the skills gap is more acute in the private sector. Skills requiring strengthening relate to: business development, supervisory, and managerial practices to ensure business performance and quality management in services delivery. Special needs of SMEs refer to matching the needs of exporters to integrate successfully the sector value chain

⁶⁵ Studies done by: HIDA/MSCBP and the Ministry for Public Service and Labor (2009) "*National Skills Audit Report*"; IPAR (2010) "*Development with smile?*" and Private Sector Federation of Rwanda (2011) "*Employers survey on the situational analysis of skills in the private sector*"

⁶⁶ National Export Strategy and Tourism Master Plan

⁶⁷ HIDA/MSCBP and the Ministry for Public Service and Labor (2009) "*National Skills Audit Report*"

- Labour market, where the culture of studying tourism does not exist (technicians and university education account only for 1 per cent of the workforce⁶⁸). This can potentially lead to increased wages and lower employability prospects of trained professionals in the sector. There is also need to promote a change in perception of continuous learning in the workplace.
- Qualifications framework and accreditation system. Another important issue related skills development is setting standards for the recognition of training and education diplomas linked to international standards.
- Prioritizing, in capacity building initiatives, workers dealing with customers face to face (Front line workers), such a guides, reception - front desk, food and beverage (waiters). In this area, language training was identified as important.

It appears that although initiatives have been put in place with respect to training needs, the latter dimensions remain unaddressed at the policy and strategic level. Other shortcoming that have been identified in this area include: limited resources allocated to skills development, no public institutions having a faculty or department of hospitality or tourism studies, lack of institutes to train teachers in these areas in Rwanda and training materials not sufficiently developed.

Some ideas to address these shortcomings include:

- Business development of SMEs, in partnership with larger firms (particularly hotels), in accordance with Rwanda's policy of attracting big groups such as Hyatt (and others)
- Strengthening the educational framework (i.e institutions and legislation) for tourism capacity building. For example: developing support programs to train the trainers, designing incentives to promote skills upgrading and training in SMEs and the private sector and promoting information and experience sharing in policy making and business practices (for instance through study tours in the region)
- Developing policies and strategies (at the macro and micro level) to monitor and continuously improve quality in services delivery
- Using the regional framework to develop the qualifications framework and accreditation system.

Box 1: Key Issues in Building the Capacity of SMEs and Improving Linkages in the Tourism Sector

According to an OECD analysis, building the capacity of SMEs in the tourism sector requires targeted interventions, aside from macro level policies to develop the sector (i.e improving macroeconomic stability, promoting a tourism friendly business environment, offering attractive public goods and developing an innovation oriented tourism policy). SMEs face several challenges to participate effectively in the tourism sector, mainly due to their size (and lack of economies of scale), for instance regarding their capacity to procure land, lack of skilled human resources and of access to financial capital. This leads to increased costs and prices. In addition SMEs compete with bigger and more capitalized enterprises of the international travel industry (tour operators, airline companies, hotel and catering chains, and car rental companies), which are more productive at delivering travel services to destination markets.

⁶⁸ Enterprise Census 2011

OECD has identified two key areas for policy intervention to improve the capacity of SMEs in the tourism sector:

1. Maximizing the use of online-technology to facilitate marketing, enabling direct linkages between tourists and tourism services suppliers
2. Increasing integration in the tourism value chain, promoting greater cooperation between tourism SMEs through network and clusters, taking into account that belonging to a cluster or a network can:
 - Enhance productivity and the rate of technological innovation,
 - Help to build a common industry view to lobby local authorities,
 - Overcome some of the disadvantages of small size by undertaking co-operative actions (e.g. in marketing),
 - Pool resources for human resource development, and
 - Enhance growth and the competitive performance of firms.

OECD finds that a supportive role of the state consists of putting in place effective frameworks for the ICT sector, promoting training and skills development, encouraging innovation and establishing standards and quality norms

Source: OECD (2009). *Tourism in OECD countries: Trends and policies Report for 2008*

3.4.1.4) Access to Finance and Investment Incentives

3.4.1.4.1) Access to Finance

Commercial banks are authorizing loans to the private sector with commerce, restaurants and hotels as the major beneficiaries.

Table 16: New Loans Authorized by Commercial Banks and BRD (in RWF Billion)

Activity Branch	2008	2009	2010
Commerce, Restaurant & Hotels	74.8	73	111.8
Public works and Building industry	53.8	36.7	45.1
Manufacturing industries	11.4	20.1	26.8
Communications Transport, Warehousing &	16.9	31.9	22.7
O.F.I, insurances and other Non-Financial services	2.4	7.5	8.5
Services provided to the community	10.3	4.7	9.8
Agriculture, animal husbandry & fishing	3.9	3.7	5.4
Energy and Water	0.2	3.2	1.4
Mining industries	0.0	0.1	0.1
Activities not classified elsewhere	11.9	17.6	31
Total	185.6	198.4	262.4

Source: National Bank of Rwanda Annual Report 2010

The cost of finance is perceived, by the private sector⁶⁹, as being too high to enable the development of the sector: interest rates range between 13 per cent and 16 per cent and loan amortization is short (between 3-6 years) right after the loan is acquired. Usually, a 1 year grace period is given, but even so, interest rate is still charged.

⁶⁹ Inputs provided by stakeholders (RWASAGA) - February 2012

This assessment coincides with conclusions of the Strategic Action Plan for the development of the East Africa Tourism Platform, which identifies access to finance as a challenge to further develop the sector and to increased involvement of the private sector. The paper finds that access to long-term financing has been a challenge for the industry because of the nature of the tourism products. In this sense, most banks and other financial institutions require security and for an industry that is mainly service driven, this may not always be available. Also the fact this is a season-driven industry, has made it difficult for firms to access financing.

3.4.1.4.2) Investment Attraction and Incentives

Strong incentives are offered in Rwanda to promote investment in the tourism sector. These incentives have been successful in attracting FDI, particularly in hotels and leisure⁷⁰. Apart from the general incentives available to all registered investors⁷¹, investors in the tourism and hotel industry are exempted from import duties on the following equipment:

Table 17: Import Duties Exemptions Applicable to the Tourism Sector

1) Reception	Switchboard, Water Spray, Safe, and Air conditioners
2) Bedroom fittings	Carpet; Beds and their accessories; Television; Small fridge; Safe; Window fittings for sound, heat and light proofing; Room furniture (as part of the overall house design); Air conditioners,
3) Conference halls	Furniture and carpets (not plastic), Sound system and microphones, Overhead projector, LCD video projector, Air conditioners
4) Kitchen	Stoves, Ovens, Deep fryers, Grill, Dish warmer, Cold rooms, Refrigerator, Dish washing machine
5) Swimming pool	Water pumps and filters, Equipment for fitness centers, sauna, steam bath and massage
6) Outdoor leisure	Children's playground: swings, slide, carousel, and trampoline, Equipment for tennis courts & maintenance, nets, steamroller, training machine and lighting, (3) Golf equipment
7) Lobby, public places and room corridors	Carpets, Furniture
8) Machines for house maintenance	Generator, Machinery for construction of plumbing, electricity, air conditioning and refrigeration, Solar system for electricity or water production, Water treatment system, Liquid waste treatment plant, Lightning conductor, Chiller, air conditioning shaft, PABX: Radio communication system machine in hotels and bars, Broadcasting system for television and music in rooms and public areas, Radio communication system, Fire alarm system, extinguishers and sprinklers, Ventilation and extraction of bad smell in technical rooms and basement
9).Gardens	Integrated watering system
10) Dancing hall and bar	Sound system equipment, Refrigerators, Air conditioners and Lights

Source: Rwanda Investment Code (2005) and Information Package for Investors (2011)

⁷⁰ See, in this chapter, sections 3.1.1) - the contribution of tourism services to the national economy- and 3.3.2) - Trends in Investment.

⁷¹ See 2.2.3) - Existing policies and strategies for enhancing growth and performance in Rwanda's services sector.

Investment attraction is being pursued in the current tourism strategy as a means to anchor existing and new tourism brands. Investment opportunities have been identified in the regional conference business in Kigali⁷², construction of more 3 star, 4 star, & 5 star hotels both in Kigali and in regional cities like Butare, Gisenyi, Muhazi, Nyanza and Akagera and to attract premium eco-tourism operators, to widen activity base in this subsector⁷³.

Rwanda's investment strategy has yielded positive results. However, a 2011 report by the World Economic Forum⁷⁴ has identified areas that could be further improved having implications on a broader investment attraction strategy, such as promotion of business friendly environment and shortcomings in terms of infrastructure, human capital, as well as cultural and natural resources. The table below positions international competitiveness of the Rwandan tourism sector and compares this position vis a vis Rwanda's neighbours.

Table 18: Travel and Tourism Competitiveness Index 2011 Ranking

	Business Environment & Infrastructure	Human, Cultural & Natural Resources
Rwanda	120	110
Kenya	106	72
Tanzania	127	56
Uganda	125	80
Burundi	134	135

Source: World Economic Forum (2011), The Travel and Tourism Competitiveness Report 2011.

The Strategic Action Plan for the development of the East Africa Tourism Platform, finds that existing investment levels are insufficient to sustain product development strategies and diversification efforts in the region. This view is also shared by the private sector in Rwanda⁷⁵ who sees need to increase investment in the following areas: (world class) accommodation establishments, (world class) tourism and hospitality training institutions, boats and water sports facilities, establishment of zoological and botanical gardens and creation of theme parks. Another area requiring additional investment is infrastructure development (particularly regarding road infrastructure linking main city centers with main parks and recreational areas)⁷⁶.

The GoR has recognized the need to assess the effectiveness of investment incentives regimes in the broader context of creating a more conducive environment for investment and addressing emerging needs for sector development⁷⁷. Objectives in this regard include, among others, identifying and proactively developing sources of investment on sector-targeted basis and target better incentives (particularly for small scale and eco-tourism operators).

⁷² Mash Media (2012). "Rwanda desperately seeking funding for Kigali Convention Centre". C-MW.net website 04/01/2012.

⁷³ Rwanda High Commission UK (2011). Facts about Investment in Rwanda.

⁷⁴ World Economic Forum (2011). The Travel and Tourism Competitiveness Report 2011.

⁷⁵ Inputs provided by stakeholders (RWASAGA) - February 2012

⁷⁶ Strategic Business Advisors [Africa] Ltd (2011). Op. cit.

⁷⁷ Government of Rwanda and UNWTO (2009). Sustainable Tourism Development Master Plan for Rwanda. May 2009

As a result from the above analysis, the following actions are recommended:

- Extending the Rwanda Exporter Development Programme (REDP) to SMEs linked to tourism sector value chains (aside from hotels and restaurants). This programme provides SME exporters (or intended exporters) with strategic support, export training and education, technical assistance with respect to standards, mentoring, market development, access to finance (under soft loans modalities) and performance evaluation.
- Designing a framework to assess the effectiveness of investment incentives regimes and undertaking an evaluation of the current fiscal incentives against objectives set for the sector.
- Developing a tourism and hospitality guarantee fund. In the view of the private sector in Rwanda⁷⁸, having a public fund in place contributed greatly to overcoming the access to finance problem in the agriculture sector.
- Putting in place a "tourism and hospitality training levy" to finance initiatives aimed at improving skills in the sector⁷⁹.

Box 2: Trends, Lessons Learnt and Best Practices on Investment Attraction in the Tourism Sector

Investment more frequently used corresponds to a mode of entry for transnational corporations (or commercial presence). Most of the investment received in the tourism sector goes to accommodation, restaurants and car rentals. Tour operators, reservation systems and airlines tend to attract less investment. Investment in the tourism sector usually takes place in non-equity forms (e.g. leasing agreements, management contracts, franchise agreements and marketing agreements).

Many factors affect investment decisions. According to an often-used theoretical approach, a foreign firm will only invest abroad if three factors come together simultaneously:

- Ownership: The company possesses ownership-specific advantages which allow it to compete effectively with local companies;
- Location: There are benefits to locating in the host country (such as a large market, cheap labour, a rich cultural heritage or a pleasant climate); and
- Internalization: There are benefits from directly controlling the business activity in the host country rather than hiring a local firm to provide it.

Other factors affecting investment include: quality of infrastructure (particularly airports and roads), ICT technologies, tourism facilities (attractions and heritage sites) and access to friendly means of transports (like trains and buses).

Investment promotion agencies (IPAs) play a key role in identifying investments opportunities and targeting these. In cases where a national tourism strategy is in place, the needs prioritization process will be based on identification of key tourism subsectors requiring capital to implement the strategy. Several policy objectives are considered in the process of targeting investment, for example: creating linkages to support local economic development, knowledge transfer (for instance in areas such as environmental conservation to suppliers), contributing to better working conditions

⁷⁸ Inputs provided by stakeholders (RWASAGA) - February 2012

⁷⁹ Inputs provided by stakeholders (RWASAGA) - February 2012

for employees, and reducing negative environmental and social impacts.

Examples of incentives that IPAs can envisage to promote the tourism sector include: duty-free imports of capital goods, equipment and inputs; training grants for locally employed staff; accelerated depreciation on environmentally friendly assets; assistance with the long-term lease of business property; loan guarantees for small firms and grants or tax breaks for investors in key opportunity areas.

Some interesting ideas that emerge from UNCTAD's work and study in this field include:

- Attracting investment to support for infrastructure development (water supply and electricity) by establishing "tourism development zones" that concentrate a cluster of tourism related facilities, to stimulate large scale investment.
- Promoting collaboration among public and private players in the industry through Public Private Partnerships (PPPs)⁸⁰. PPPs are sometimes used to upgrade tourist sites or to open up new regions to tourism.
- Real estate incentives can contribute to attract investment to develop high-end tourism. For example, Mauritius provides incentives to purchase luxury residences in specific areas, giving rights to residency permits, the right to rent and sell property and freedom to repatriate funds or revenues raised from the sale or renting of the property.
- Defining goals and targets is important to assess the success of investment promotion strategies. Goals should be related to the wider tourism strategy, the desired impacts of the promotional activity should be clearly defined (to assess long-term results) and operational targets should be put in place to measure short-term results. A framework to do this could include a track record of the number of general enquiries, of serious enquiries (leading to visits and extensive information exchange) and realized projects.

Source: UNCTAD (2010). Promoting Foreign Investment in Tourism. New York and Geneva, 2010

3.4.2) Regulatory Frameworks

Rwanda is in the process of passing a Tourism Bill to regulate the industry. The Bill has been presented to Parliament and is currently undergoing the processes towards its adoption. The draft bill:

- Provides a regulatory framework for the main areas in the tourism sector of hotels, tour guides, tour agents and other tourism services.
- Establishes RDB as the regulatory agency for the tourism sector and provides the framework for the regulation of the sectors of the industry.
- Provides for an Agency to issue operational licences to accommodations and restaurants, tourist enterprises and tourist guides; grade various accommodations, restaurants and tourist enterprises according to their infrastructure / facilities & service capability as well as inspect and advise the various accommodations and restaurants, tourist enterprises and other tourist facilities towards to their infrastructure, hygiene and services.

⁸⁰ PPPs involve a contract between a public and private party, in which the private entity provides a public service or project and assumes substantial technical and operational risk in the project.

- Grants the Minister of Trade and Industry the authority to make further regulations where necessary upon the recommendation of the regulatory agency.
- Provides for the protection of tourists and visitors, the regulation of hotels, restaurants as well as tourist enterprises and services.

At the time of drafting of this report, the bill had not been passed. The law has remained for the last two years in Parliament

Other relevant national-level laws and regulations related to the tourism sector include:

- Organic law on environmental protection and management (and environmental impact assessment regulations) which decreed that environmental impact assessments are mandatory for approval of major development projects activities and programs.
- Organic Land Law Act of 2005, which establishes that all land belongs to the State, the districts and the cities. These public institutions then lease out the land to individuals or companies for a period of 99 years. This law establishes that there is no discrimination in law between Rwanda nationals and foreigners.
- Law on crafts (2010), which seeks to organize (and formalize) the sector through cooperatives, to promote specialisation in specific crafts and certification by RDB.
- Law No. 03/2009 of 27 March 2009, seeking to strengthen TVET institutions through a new institutional framework for the governance, management and delivery of TVET. Most notably, this law provided for the establishment of the Workforce Development Authority (WDA) and Integrated Polytechnic Regional Centres (IPRCs)
- Ordinance 41/291 of 2/9/1955 related to the exploitation of hotels, restaurants and drinking areas, establishing that a license is required and standards of hygiene must be met.

According to the World Economic Forum 2011 report on travel and tourism competitiveness, Rwanda ranks higher than all other EAC countries in the regulatory framework index, thus providing her a competitive edge against other regional competitors

Table 19: Travel and Tourism Competitiveness Index 2011 Ranking (Regulatory Framework)

	Regulatory Framework
Rwanda	75
Kenya	113
Tanzania	121
Uganda	116
Burundi	137

Source: WEF (2011), The Travel and Tourism Competitiveness Report 2011.

In spite of this, some areas of weakness have been identified which could be further developed in order to continue strengthening the sector:

- Lack of legislation to regulate and protect the industry and governing tourism professions (lack of licensing system for services providers)⁸¹
- Regulation on accreditation, certification of recognition of equivalence of academic and vocational qualifications in the tourism industry (as explained in the section on capacity building and skills development)

3.4.3) *Institutional Frameworks*

Since 2010, the main institution responsible for tourism development, marketing, promotion of sustainable tourism and conservation of wildlife (encompassing wildlife preservation and management of national parks) is the Rwanda Development Board (RDB).⁸² RDB's mission emphasizes private sector development and growth. The agency was affiliated to MINICOM until 2010, when it was moved under the President's Office. Whilst no longer directly affiliated to MINICOM, RDB still implements the majority of policies developed by the Ministry, namely the SME and Industrial policies, Tourism Policy, Intellectual Property, the NES, Trade and Investment Policies. It is also important to note that the Department responsible for the tourism sector is also responsible for policies related to environmental conservation.

The Rwanda Private Sector Federation has a Tourism Chamber, consisting of four industry associations namely: accommodation, tour operators, transport and taxis and private education institutions. It is a forum for industry cooperation, training, lobbying and voicing the industry's role and contribution.

Local authorities also play an important role in tourism development. The District Councils are responsible for planning community projects, land-use planning, urban and rural development, provision and maintenance of tourist services, sites and attractions and monitoring standards

RDB has shown a leadership role in the development of the tourism sector and regarding investment attraction in the sector. However, it has been suggested that RDB has insufficient personnel to supervise and monitor tourism development⁸³ and that is under resourced⁸⁴ and that the private sector (tourism chamber) needs strengthening to participate more actively in tourism development.

Box 3: Institutional Structure for Promotion of Tourism: Selected Experiences of Developing Countries

A "typical institutional framework" for the tourism sector in most countries combines instances dealing with:

- (a) Investment attraction - creating conditions to ensure attraction of foreign

⁸¹ Government of Rwanda and UNWTO (2009). Sustainable Tourism Development Master Plan for Rwanda. May 2009

⁸² The Rwanda Development Board is structured in 3 cross-cutting departments (Investment Promotion, Assets and Business Management, and Human Capital and Institutional Development) and 5 economic clusters (Agriculture, Services, Tourism and Conservation, ICT, Trade and Manufacturing).

⁸³ Nielsen, Hannah and Spenceley, Anna (2010). Op.cit.

⁸⁴ Government of Rwanda and UNWTO (2009). Sustainable Tourism Development Master Plan for Rwanda. May 2009

investment in the tourism sector

(b) Marketing and Promotion - disseminating information to achieve maximum growth in arrivals

(c) Product (or tourism offer) development - developing, for instance, facilities attractions, skills and infrastructure and ensuring quality, in the sector or in a subsector.

(d) Market intelligence - research and monitoring in the tourism industry to identify emerging needs and inform policy development.

It is less clear to what extent there is a typical institutional setting aimed at maximizing development gains from tourism (for instance, enhancing the contribution of the sector in terms of employment through improved linkages with other economic sectors, local communities and SMEs) and minimizing potential negative effects of tourism development from the social or environmental perspective.

Several of the mandates mentioned above are currently being carried out by RDB. The following sections describes certain aspects of institutional frameworks that differ from Rwanda's in the case of a few developing countries that were ranked better than Rwanda in the WEF 2011 Report⁸⁵ (Rwanda is ranked as 102)

- **Barbados** (ranked 28 - First developing country mentioned in the list)

The Ministry of Tourism has responsibility for policy formulation in the sector. A different tourism agency, the Barbados Tourism Investment Inc., is charged with facilitating investment in tourism. The Barbados Tourism Authority (an agency of the Ministry of Tourism) is responsible for: tourism promotion and marketing; carrying out market intelligence; registering and licensing and classifying tourist accommodation and restaurants; licensing hotels; and regulating other tourist services as determined by the Minister. It also is charged with maintaining existing air and sea passenger transport services to and from Barbados, and cultivating new routes.⁸⁶ interesting features of the institutional structure of include the following: (a) the Ministry of Tourism has an agency called the Barbados Conference Services Limited responsible for the promotion of event marketing and (b) the Barbados Tourism Authority maintains 11 offices abroad focused on promotion and event marketing to tourists about Barbados.

- **Costa Rica** (ranked 44 - success story in the development of eco-tourism)

The Costa Rican Institute for Tourism (ICT) is responsible for the design of tourism promotion policy. Currently, its central goal is the promotion of sustainable tourism development, by maintaining a balance between economic and social outcomes, environmental protection, culture, and country assets. The ICT is also responsible for the implementation and monitoring of tourism policy. Other public sector organizations share responsibilities in this area. The Ministry of the Environment, for instance, enforces national environmental laws, particularly in national protected areas and other natural assets. It also monitors the environmental performance of tourism companies. Local governments are responsible for policy implementation as it relates to territorial planning, infrastructure development, and public services at tourism sites. The General Controller is responsible for monitoring policy

⁸⁵ World Economic Forum (2011). Op. cit.

⁸⁶ WTO (2008) Trade Policy Review of Barbados. Report by the Secretariat.

mechanisms, especially tourism incentives. Private sector organizations, such as the National Chamber of Tourism and other business and professional associations, play a consulting and lobbying role in policy design and implementation.⁸⁷ Interesting aspects of Costa Rica's institutional framework is the development and oversight, by the ICT, of several certification schemes for tourism attractions and sustainable tourism businesses. The latter certification takes into account the level of impact on sustainability, taking into account economic, social, and environmental variables and is aimed at reinforcing Costa Rica's image as sustainable tourism destination.

- **Mauritius** (ranked 53 - first African / regional partner mentioned in the list)
The Ministry of Tourism is responsible for policy development. It encompasses several associated agencies. The Mauritius Tourism Promotion Authority (MTPA) establishes codes of practice and standards, and monitors their compliance. It also promotes Mauritius abroad by conducting advertising campaigns, participating in tourism fairs, and organizing, in collaboration with the local tourism industry, promotional campaigns and activities in Mauritius and abroad. The Tourism Authority is in charge of delivering licenses and permits. All tourist establishments, as well as listed activities, must obtain a tourist enterprise license from the Tourism Authority before starting their operations. It is administered and managed by a board consisting of a Chairperson (appointed by the Minister in charge of tourism) and representatives of the Prime Minister's Office and ministries in charge of tourism and finance; MTPA and three other persons with wide experience in the tourism industry (appointed by the Minister). An interesting institutional feature of policy making regarding the tourism sector in Mauritius is an associated agency (of the Tourism Ministry) dealing only with finance for tourism development: the Tourism Fund. This Fund finances tourism-related projects and development and maintenance of tourist sites and attractions in regions with high tourist potential. It also caters for community development. In addition with Ministry of Tourism also has a Tourism Employees Welfare Fund which was set up to provide social and economic welfare to employees of tourism enterprises and their families. The government acts as a facilitator of private sector expansion in tourism development. A well-articulated policy framework, as well as solid links and public collaboration among diverse stakeholders have been crucial to develop a strong private sector response.⁸⁸

- **Cape Verde** (ranked 89 - LDC graduated in 2007)
In Cape Verde a Ministry of Tourism, Industry and Energy was created to ensure coherence in policy making in different spheres that were considered key to develop the tourism sector i.e. extending access to energy and developing linkages with the industrial sector, particularly light manufacturing. In the view of its current Minister⁸⁹, good governance and strategic support for development were crucial to the success of the tourism sector in Cape Verde. In this sense, the country made an effort to develop a brand associated with good governance to attract investment and developed diverse initiatives that have led to increased contribution of the tourism sector to employment and development of an entrepreneurship spirit in the private sector. Other agencies deal with other aspects of policy making in this area. For instance, the Ministry of

⁸⁷ Monge-Gonzalez, Ricardo; Rivera, Luis and Rosales-Tijerino, Julio. (2010). Productive development policies in Costa Rica: Market failures, Government Failures and Policy Outcomes. IDB, March 2010.

⁸⁸ Zafar, Ali (2011). Mauritius: an economic success story. World Bank

⁸⁹ "Cape Verde: the graduate". Interview by "Making.it magazine industry for development" to Fatima Fialho, Minister of Tourism, Energy and Industry of Cape Verde, May 2011

Environment and Territorial Planning (a) develops and implements policies to ensure conservation and at the same tourism attraction in mountain areas and beaches, and (b) ensure enforcement of environmental regulation in protected areas. An interesting feature of Cape Verde's institutional framework is an agency to promote business and private sector development and innovation (which is part of the Ministry of Economic Planning, Growth and Competitiveness). This institution manages programmes to develop local enterprises and SMEs following a clustering and incubators approach. These programs encompass business coaching, access to market information. Success in terms of employment generation, informal sector and increased number in terms of tourism business or enterprise creation.

- **The Gambia** (ranked 92 - First LDC mentioned in the list)

The Ministry of Tourism and Culture is the leading agency with the mandate to develop the sector. The Ministry has oversight over several agencies: the National Centre For Arts and Culture (in charge of development and maintenance of main tourist attractions), the Gambia Hotel School (institution offering specialized training in tourism leading to the awarding of professional management certificates and diplomas) and the Gambia Tourist Authority (which is responsible for marketing, development of added value products, improving quality standards, encouraging investment in targeted subsectors -i.e. the Gambia River for eco-tourism- and reinforcing safety and security).

Elaboration from: WEF 2011 Report and different institutional sources from various developing countries

3.5) Trade Liberalization Commitments Affecting the Sector

Under the GATS, Rwanda has undertaken the following trade liberalization commitments under tourism services and recreational services:

- Fully liberalized: Recreational, Cultural and Sporting Services (related to ecotourism facilities) under the 4 modes of supply.
- Partially liberalized: (CPC 641) services related to Hotels and restaurants (including catering) and (CPC 642) Restaurants services. In these subsectors, services trade under modes 1, 2 and 3 have been fully liberalized while limitations are maintained with respect to trade under Mode 4. In this respect, market access limitations and national treatment limitations exists for
 - (a) Measures affecting senior executives and specialist who possess knowledge that that is essential to the provision of the service (in the case of hotels)
 - (b) Measures affecting natural persons in the following categories: directors, senior executives and specialists who possess knowledge that is essential to the provision of the service.
- Not liberalized: Travel agencies and tour operators services (CPC 7471) and Tourist guides services (CPC 7472)

Liberalization in the GATS context means that countries cannot retract from these commitments and undertake more protective measures, for instance in regional or bilateral negotiations. GATS commitments are thus assumed as baseline for further negotiations aimed at liberalization. Thus, taking into account that tourism services have been identified as a priority service sector for liberalization under EAC,

COMESA and in the Tripartite Agreement, it is likely that in the future, Rwanda will move beyond these commitments.

3.6) Tourism Services Sector: an Analysis of Strengths, Weaknesses, Opportunities and Threats

Sectoral SWOT Diagram

<p>Strengths</p> <ul style="list-style-type: none"> - 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. 	<p>Weaknesses</p> <ul style="list-style-type: none"> - 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
<p>Opportunities</p> <ul style="list-style-type: none"> - 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 	<p>Threats</p> <ul style="list-style-type: none"> - 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 to tourists brought in on packages or staying in international hotels
<p><u>Required spill-ins from other sectors</u> Transport (air and road), education, Construction, financial, ICT, electricity and water</p> <p><u>Anticipated spill-overs into other sectors</u> Food supply chain, promotion of hospitality and event management, handicrafts, arts, sporting and recreational services</p> <p><u>Key stakeholders</u></p>	

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

4) 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.⁹⁰ The development agenda of Rwanda as reflected in the Vision 2020⁹¹ calls for efforts to be made to widen access to ICT among the population, and to promote ICT for e-Governance, education and capacity-building, and for use by the private sector. Special attention has been given to the ICT sector within the service sector both from a policy level and government resource allocation.

The GoR believes that the efficient development of ICTs can contribute significantly to balanced regional development, and address rural-urban imbalances in terms of living conditions and access to education, health and other social services. By offering a number of opportunities for the rural population, ICTs can contribute to the fight against poverty and more generally improve the ability of the people to participate in the economic, social and political life of the country.

And indeed, over the past few decades, ICTs have enormously contributed economic and social progress in both developed and developing economies. But the ICT sector is not only as a means to achieving development and economic growth but also as a productive sector in its own right composed of both ICT goods and ICT services.

There is no commonly agreed definition of ICT services but it is useful to distinguish between ICT services and ICT-enabled services, including because the two categories of services may call for different policy-making and interventions. ICT services are composed of IT services (e.g. programming, systems integration, application testing, IT infrastructure management and maintenance, IT consulting, software development and implementation services, data processing and database services, IT support services, data warehousing, and content management and development) and certain communication services (mainly telecommunication and audiovisual services). ICT-enabled services can be considered to be formed of 3 sub-categories namely *front-office services* (which comprise call centres and customer contact centres), *back-office services* (e.g. data entry, human resources, payroll, finance and accounting, procurement, transcription) and *knowledge processing outsourcing services* (e.g. financial analysis, data mining, engineering, research and development, insurance claims processing, architectural design, remote education and publishing, medical diagnostics, journalism).

ICT and ICT-enabled services are increasingly important in world trade and this is largely related to the phenomena of outsourcing (sourcing of services outside of a firm) and offshoring (sourcing of services outside of a national territory). ICT and ICT-enabled services offer growing business and trade opportunities. "Between 2000 and 2009, international trade in communication services almost tripled, and trade in

⁹⁰ Republic of Rwanda (2000), *Rwanda Vision 2020*, Ministry Of Finance And Economic Planning.

⁹¹ Rwanda has an ICT hub and is seeking to become a regional hub for ICT for East Africa. To achieve this objective, the GoR tasked itself to develop both ICT skills and a sustainable ICT infrastructure framework

computer and information services more than quadrupled. Communication services in 2009 accounted for 2.5 per cent of total services trade, while the share of computer and information services was about 5.6 per cent. The potential value of ICT-enabled services has been estimated at around \$475 billion (WTO, 2010)."⁹²

Another important feature of the ICT sector in recent years has been the development of innovative products which address countries' specific economic and social conditions. Mobile money which refers various financial services offered through mobile phones and other handheld mobile devices is one such product. Mobile money services initially consisted mainly of sending money easily, cheaply, and securely but are rapidly evolving to services like savings accounts and micro-loans in a number of countries. The market that mobile money represents worldwide is said to one that will reach \$7.8 billion in direct and indirect revenues from serving 364 million clients by 2012. This market has drawn a lot of interest from many players including *inter alia* the mobile network operators (MNOs), banks, consumers, airtime sales agents, utility companies, donors and Government officials, including regulators. But the incredible successes in some countries, including for the East African region in Kenya with M-Pesa, should not create the illusion that these are easy to replicate. For mobile money to develop successfully must not only be an enabling environment but many customers, performing many transactions per customer.⁹³ Not all countries will have markets with such characteristics so rather than merely seeking to replicate the successes of their neighbours countries should seek to adapt services or develop new services which are adapted to their needs and local conditions.

4.1) Role and Performance of the ICT Services Sector in Rwanda

4.1.1) Role of ICT in the Economy

Until recently, the telecommunications sub-sector had three private companies in the market i.e. MTN Rwanda, Rwandatel and Tigo. As can be seen in the table below Rwanda's Telecommunications market consists mainly of mobile communication services, with fixed telephony representing only a small portion of the market. MTN Rwanda controlled 71 per cent of the market base in comparison to TIGO'S 19.4 per cent and Rwandatel's 9.3 per cent. As of December 2010 the three operators had over 3.5 million mobile subscribers and some 40,000 fixed telephony subscribers.

Table 20: Telecoms Industry Market Structure

Operators	Mobile Subscribers January 2010	% of the market	Mobile Subscribers December 2010	Fixed telephony	Total	% of the market
MTN Rwanda	1,886,023	75.50%	2,546,983	10,995	2,557,978	71.30%
Rwandatel	487,250	19.50%	306,706	28,653	335,359	9.30%
TIGO	123,897	5.00%	695,072	16	695,088	19.40%
Total subscribers	2,497,170	100%	3,548,761	39,664	3,588,425	100%

Source: Rwanda 2010 ICT Status Baseline Survey

⁹² UNCTAD (2011), *Information Economy Report*, p 54

⁹³ Dolan, Jonathan (2009), *Accelerating the Development of Mobile Money Ecosystems*, Washington, D.C., IFC and the Harvard Kennedy School

But Rwandatel's mobile license has since been cancelled.⁹⁴ The company was however allowed to maintain its operations in fixed telephony and internet services using a different license. The cancellation of the license in April 2011 - for failure to implement its license requirements that include coverage rollout obligations, quality of services and investment plan - resulted in TIGO's market share increasing to 33 per cent and that of MTN falling to 67 per cent. The telecommunication industry now has one firm (MTN Rwanda) dominating the market share with a proportion of 67 per cent whereas the other firm (Tigo Rwanda) has a market share of 33 per cent.

MTN Rwanda is owned by MTN Group limited (80 per cent) and Crystal Ventures limited (20 per cent). Rwandatel is owned Libya Investment Authority Portfolio Network (80 per cent) and Social Security Fund of Rwanda (20 per cent).

The broadband industry is equally an oligopoly with Rwandatel as the main player with a 47 per cent market share followed by MTN which accounts for 30 per cent, Altech Stream 18 per cent while the other six ISPs share the remaining 5 per cent of the market. Concentration is within the top 3 firms with the other firms having little market power. The number of internet service providers has also increased from 9 (in 2007) to 12 (in 2009).

ICT services more broadly, including networking, systems development, user support and systems administration are also expanding in Rwanda. Local and foreign business ventures have established which are producing both ICT services and products (e.g. local assemblies of computers and software development). The development of ICT products in Rwanda can be a key factor in supporting the uptake of ICT by the population and by firms. For example, a phone assembly plant was set up in Rwanda by a Chinese firm named A-Link Technologies, a digital and technology subsidiary of ChinaLink in Beijing. The plant, which was located in the ICT Park in Kacyiru assembled five different kinds of Rwandan branded mobile phones, which were relatively cheap and assemble from imported materials. A-Link's mobile phones were the first to be programmed in the local Kinyarwanda language.⁹⁵ The development of local products can also promote the development of related ICT services. *Rwanda Computer Network* for example has developed not only computer assembly and computer parts sales but also computer programmes, network installation and configuration, and various courses on IT. The company has built facilities on a large company campus, with assembly, storage and training rooms for computer courses.⁹⁶ But the capacity of these firms to compete on the domestic market, when the market is opened to foreigners, and on regional markets still needs to be established.

More recently mobile money services have been developed by local telecommunications service providers with services ranging from sending money to

⁹⁴ License was revoked in April 2011 after failing to comply with article 57 of the law no 44/2001 of 30/11/2001 governing telecommunications in Rwanda which addresses coverage rollout obligations, quality of services and investment plan. This was the second time the government was privatising the telecom company after Terracom, an American firm that had initially taken over in 2005, failed to meet its license obligations. (<http://allafrica.com/stories/201104100238.html>)

⁹⁵ Kezio-Musoke, David (2008), "Rwanda scores a first in EA with \$0.5m phone assembly plant", in *The East African*, September 28, consulted online at <http://www.theeastafrican.co.ke/business/-/2560/475400/-/6jema7z/-/index.html>.

⁹⁶ IFC (2008), *Voices of Women Entrepreneurs in Rwanda*, World Bank Group

anyone in Rwanda, to withdrawing cash from any authorized telecommunication mobile money agents (who were 1387 as of November 2011), buying airtime for oneself or any other person and buying cash power (electricity bills payment). There are currently two telecommunication companies namely TIGO and MTN in Rwanda and they are both engaged in the mobile money service provision. Between Jan 2011 and November 2011, the number of subscribers in the country was reported to be 639,673 with 697,497 transactions having been conducted in the same period; these amounted to 7,955 million Rwanda francs, for more details see table below.

Table 21: Mobile Financial Service Development Jan – Nov 2011

Payment Type	Agents/branches	Subscribers	Number of Transactions	Value (Million RWF)
Mobile Payments	1,387	639,673	697,497	7,955
Mobile Banking	215	155,986	527,300	5,215

Source: BNR Monetary Policy and Financial Stability Statement 2012

4.1.2) Performance of the Sector

The extension of coverage of telecommunications services is ensured through the obligation put to all telecommunication companies to cover all the districts in Kigali and at least 10 districts outside Kigali. This has facilitated the coverage or provision of telecommunication services to over 70 per cent of the geography of the country. This however is biased in favour of mobile telecommunication services which have covered over 90 per cent of the population, with internet services (e.g. cyber cafes) concentrated in the urban areas of the country.

Table 22 : Telecommunication Service Coverage

Company	Geographical Coverage	Population Coverage
MTN Rwanda	97.01%	95.60%
TIGO	71.48%	92.30%

Source: Statistics and Tariff Information in Telecom Sector as of September 2011

The very low figures for fixed telephony services reflect a trend of slow or negative growth of fixed lines subscriptions that is observed worldwide and which is explained by the developments in mobile telephony and voice over Internet Protocol (VoIP). In more developed countries the trend has been to replace traditional voice services (delivered over the public switched telephone network) with VoIP or voice over broad-band (VoB) while in developing countries basic voice telephony are covered by mobile services.⁹⁷

⁹⁷ It has been suggested that there may a number of implications of a lack of fixed lines, including limiting the availability of ADSL (Asymmetric Digital Subscriber Line), and to potentially lead to less competitive pressure in the broadband market. Also this would imply that households would be unable to have next generation integrated triple play services (telephone, Internet and television). This is likely to slow down the move to NGNs and convergence and prevent consumers from benefiting from a number of applications, services, functionality and lower costs of triple play delivered over broadband networks. However, it has also been suggested that these limitations may nonetheless not be considered important enough for developing countries to expand their investments in fixed networks on a large scale. Information Economy Report (2009), p. 3.

The developments within the ICT sector have been financed by the GoR, the private sector and international organizations like the World Bank, which funded an e-Rwanda project as part of the NICI2 plan (June 2006 to December 2010). Achievements in terms of the diffusion of ICTs have been spurred by a range of innovative ‘pro-development’ applications such as e-banking, e-agriculture, education, e-government and e-trade from the ICT sector spread across the development agenda within agriculture, health sector, manufacturing, infrastructure and education.

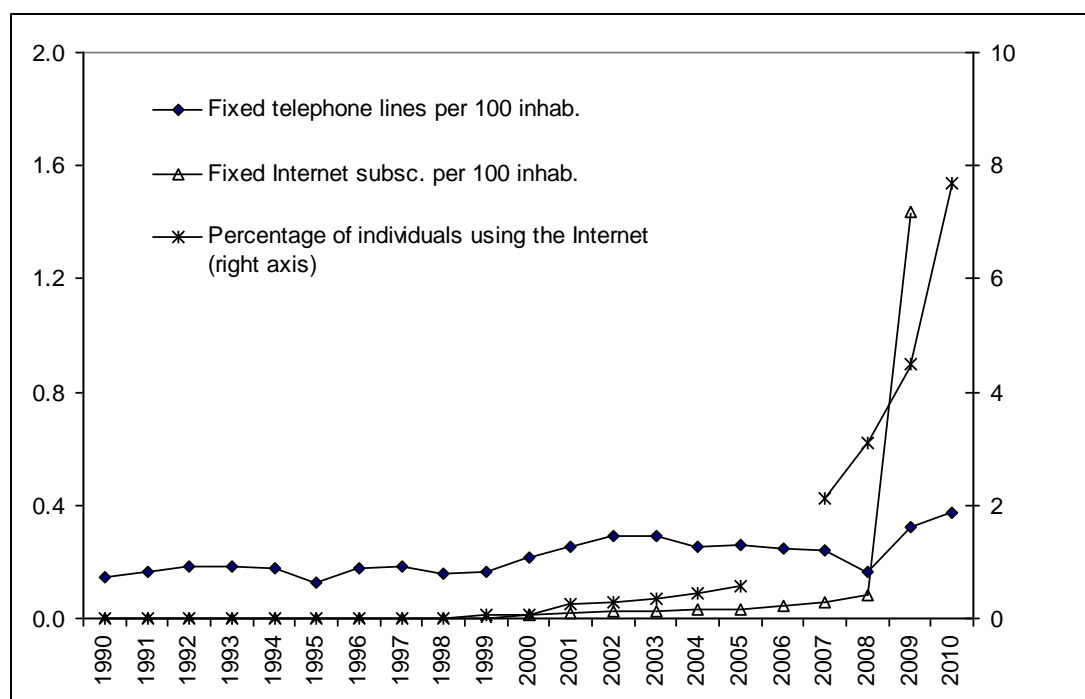
Box 4: The Use of ICT in Public Institutions

Presently, the use of computers has been fairly widespread across public institutions. In 2006, almost 57 per cent of public institutions used computers to support their activities and operations. In 2010, all public administration institutions now declare that they use computers on daily basis to support their activities. In addition, all public institutions surveyed declare having access to Internet compared to 78 per cent who declared it in 2006.

Source: *ICT Status Baseline Survey*

Investment going to the ICT sector has been increasing in Rwanda, the World Bank world development indicators show. During the 2005-2009 period, the sector received 377 million USD investment, most of them during the last two years. The intensified efforts to revive the sector have lifted off the sectors' development indicators (Figure 1). Especially during the last two to three years, there has been remarkable improvement in the use of telecommunication services.

Figure 14: Various ICT Indicators in Rwanda, 1990-2010



Source: *The World Bank, World Development Indicators Database.*

Rwanda's overall combined tele-density improved tremendously from 1.1 connections per 100 people to 35.2 per 100 people in the last decade. These figures compare favourably with the experience of several other African countries. The growth has been mainly driven and dominated by increased mobile phone penetration. This has

increased from 332,762 in 2006 to 3,548,761 subscriptions in 2010 to 4,304,532 in September 2011. Main line telephones (fixed) have increased by more than 100 per cent in the same time frame though usage is limited to 0.24 per 100 inhabitants in the country.

The continuous price decrease of mobile phone devices, which cost as low as RWF 7,000 (11.5 USD) has been partly responsible for the high growth in mobile subscription. This is supported by the decrease of mobile usage charges, which have gone as low as RWF 20 per minute. Generally the mobile phones have not only increased Rwanda's population's access to basic voice communications, but also provided access to non-voice applications, such as e-banking or e-commerce. A good example being the MTN '*Mobile Money*' service which was launched in February 2010 with the intent of helping the population by bringing financial services closer to the people especially in rural areas which have no or very few financial institutions.

Internet usage has surged the past 5 years from 3,165 users (in 2006) to 1,233,422 users in 2010. Rwanda's ICT sector has already surpassed other EAC countries in some ICT indicators. Especially in the case of number of internet subscriptions per inhabitants Rwanda has become the leading EAC country (Table). The number of households with internet access was still only 1.8 per cent in 2010. The international Internet bandwidth has dramatically improved from 156 mbps (in 2007) to 686 mbps in 2010. However, overall internet penetration has remained low and stood at 5.3 per cent in 2010. To address the accessibility issue across the country, all thirty districts of Rwanda have telecentres⁹⁸ installed with laptops for low cost Internet connection⁹⁹.

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 as compared to other EAC countries (Table). Rwanda still does not have sufficient international bandwidth. Being landlocked, the country is very dependent on neighboring countries for connectivity, which greatly increases connectivity costs.

The percentage of households with internet access at home and the overall use of internet are still lagging behind Kenya, Uganda and Tanzania. Fixed telephone services are far from satisfactory as well. Only 13 per cent of the population has fixed phone lines. Mobile phone services have been advancing rapidly, with mobile cellular networks covering 96 per cent of the population in 2009 and cost of mobile phone services are lower than other most of the other EAC countries.

⁹⁸ Rwanda Telecentre Network (RTN) is a national network of community-based centres that are united in their commitment to strengthen the social, economic, educational, and cultural life of their communities through technology. These are based mainly in small rural towns and urban areas throughout Rwanda. They are also commonly called Telecentres or community Information centers (CIC). Even though some Telecentre are serving the unique needs of their communities, but have many similar objectives and capabilities, including community development, information provision, technology-based training, distance education, email and Internet access, secretarial services, and desktop publishing services They are financed with public resources.

⁹⁹ Sarah Lacy, 'How to Cross the Digital Divide, Rwanda-Style', available at <<http://www.washingtonpost.com/wpdyn/content/article/2009/06/24/AR2009062401533.html>

In an attempt to reduce wholesale prices and determine charges used by operators to charge one another to interconnect with each other's network an interconnection rate review was conducted by RURA in 2011. After the review the rate was reduced from 40 Rwandan Francs (which had been in place since 2006) to 28 Rwandan francs and this was expected to fall to 26 francs in 2012. The overall impact was to reduce off-net call charges from 90 Rwanda francs to 60 Rwandan Francs. The challenge though is that one of the operators has refused to comply with the official charge of 28 Rwandan Francs and RURA is in the process of ensuring compliance.

Also energy access and high costs are a major impediment to Rwanda's ICT Sector. 16.5% of the population has access to electricity. Rwanda's electricity costs approximately \$0.24/Kwh or 24 US c/Kwh which is at least double that of its neighbours. 64% of businesses surveyed in the 2008 business investment climate survey cited access and cost of electricity as a major constraint

Table 23: Various ICT Indicators in EAC Countries

		Rwanda	Burundi	Tanzania	Kenya	Uganda
Internet						
Fixed Internet subsc. per 100 inhab.	2009	1.43	0.06	1.09(1)	0.08(1)	0.09
Fixed broadband Internet subsc. per 100 inhab.	2010	0.025	0.002	0.007	0.011	0.059
Fixed broadband Internet connection charge (\$)	2010	171	na	na	50	135
Fixed broadband Internet monthly subsc. (\$)	2010	85.7	na	21.3	37.9	13.7
% of households with Internet access at home	2010	0.13	na	0.74	4.04	0.37
% of individuals using the Internet	2010	7.7	2.1	11.0	21.0	12.5
Telephone						
Fixed telephone lines per 100 inhab.	2010	0.37	0.39	0.39	1.14	0.98
% of households with a mobile cellular telephone	2008	13.1	na	28.1	na	16.4(2)
% of households with a fixed line telephone	2008	1.1	na	0.7	na	na
% of the population covered by a mobile cellular network	2009	96	83	85	84.5	100(3)
Mobile phone charges-3 minute local call (peak) (\$)	2009	0.45	0.58(2)	0.59	0.31	0.50
Other Indicators						
% of households with electricity	2008	6	na	11.5	na	9.2
% of households with a TV	2009	3.3(3)	na	9.9	na	6.4

(1) 2010 figures.

(2) 2006 figures.

(3) 2008 figures.

Source: The World Bank, World Development Indicators database.

The International Telecommunication Union (ITU) measures ICT development index of 152 countries and price index of 165 countries. The indices use broad set of statistics in order to capture current state of the ICT sector in the sample countries. The development index aims to indicate progress made in regard to ICT infrastructure, use and skills. The price index, however, intends to monitor affordability of the ICT services. In 2010, Rwanda ranked 142 and 159 the development index and price index respectively, below other EAC countries. From 2008 to 2010, Rwanda's ICT development index ranking improved one step and ICT price basket fell by a modest 2.1 per cent. In contrast, the ICT prices roughly halved within two years in Uganda and Tanzania.

Table 24: ICT Development and Price Indices, 2010 (Rank)

	Rwanda	Burundi	Tanzania	Kenya	Uganda
ICT Development Index	142	na	138	115	140
ICT Price Basket	159	na	136	138	135

Source: ITU (2011) *Measuring the Information Society*

4.2) The Contribution of the Sector to the National Economy

In many countries the ICT sector is an important source of both formal and informal employment creation. The sector is therefore particularly attractive to countries with a large pool of unemployed youth as employees tend to have an above-average level of education, and to be younger than the employees in other sectors. Moreover, jobs in the ICT sector are often perceived as attractive, because of upward mobility, job security, and the availability of training opportunities. In many developing countries, telecommunications services account for an important share of ICT sector value added. For most low-income countries, telecommunications services still offer the greatest employment opportunities within the ICT sector. This is the case for fixed telecommunications but also for the mobile sector which has contributed both to economic growth and the creation of many new jobs across the value chain. With respect to the potential impacts on the poorer segments of the population, it should be noted in particular that many of the new jobs in the mobile sector in developing countries are informal, and indirect employment is many times higher than direct employment in the sector, including jobs for airtime sales by street-side and official vendors.¹⁰⁰

The skills required to provide formal ICT services will range from high school diplomas (e.g. for call centres and routine BPO services) to specialized masters degree or PhD (for the highest level research and analysis required for KPO).¹⁰¹ When devising national policies for the ICT sector, including in determining which specific products or services will be developed, it is important for policy-makers to take in to account the availability of skills domestically both in terms of skill level and number of skilled workers.

Box 5: Matching Available Skills and Workforce to ICT Sector Development

Egypt can be cited as an example of a country which has successfully developed its ICT sector in recent years. In 2009, not only was the sector the industry with the highest growth rate in the country the value-added of the ICT sector reached \$5.6 billion in 2009, corresponding to 3.8 per cent of GDP. The impact was also obvious in relation to employment with approximately 182,000 people in the ICT sector and in ICT-enabled services. The country's success in the sector is based on a number of assets such as its geographic proximity to Europe, a relatively low cost of doing business, a supportive business environment, and a young, well-trained, multilingual workforce. Figures indicate that there over 300'000 graduates are produced each year in the Egyptian universities, of which 80'000 have technical and scientific skills. But the Egyptian Government has also developed a strategy specifically aimed at the development of the ICT-enabled services sector which includes efforts to: development a long-term strategy for offshoring and outsourcing in Egypt; promoting investments through FDI incentives; strengthening legislation and regulation pertaining to

¹⁰⁰ UNCTAD (2011), *Information Economy Report*.

¹⁰¹ Gereffi, Gary and Karina Fernandez-Stark (2010), *The Offshore Services Global Value Chain*, Center on Globalization, Governance & Competitiveness, Duke University.

ICT-enabled services; improved infrastructure and promotion of an entrepreneurial culture. Given its focus on employment creation an important focus has been on labour-intensive outsourcing services at the lower end of the value chain. However, ultimately, the intention is for the country to move up the value chain to services which are more profitable.

Sources: El-Shenawy (2011) cited in UNCTAD (2011), IER and UNCTAD (2011), IER, Chapter VI "Assessment of Efforts to Promote and Export-oriented ICT Sector", pp. 53-65

On a human capacity level, Rwanda's ICT sector is still at an early stage of development. This is evidenced by the fact that the country has approximately a total workforce of 1713 labour units, 23 per cent have university education, 45 per cent secondary education, 25 per cent primary education and 7 per cent have no qualification. The women account for 22 per cent of the workforce in ICT with foreigners constituting 4 per cent (most have university education)¹⁰²

Table 25: Qualification Status of Skills' Set in the ICT Sector (Rwandan)

Province	No Qualification	Primary	Secondary	University	Total
Kigali	34	162	545	275	1'016
Southern	26	58	62	28	174
Western	21	71	54	21	167
Northern	11	47	31	4	93
Eastern	31	82	57	18	188
Rwanda	123	420	749	346	1'638

Source: Establishment Census 2011

Table 26: Qualification Status of Skills' Set in the ICT Sector (Non Rwandan)

Province	No Qualification	Primary	Secondary	University	Total
Kigali	1	2	13	54	70
Southern	0	0	1	1	2
Western	0	0	0	1	1
Northern	0	0	1	0	1
Eastern	0	1	0	0	1
Rwanda	1	3	15	56	75

Source: Establishment Census 2011

The challenge of inadequate or insufficient ICT skills has been persistent for the last decade at all levels of skills sets, i.e. artisans, technicians and professionals. To this effect, important academic programmes have been started by the Kigali Institute of Science and Technology (KIST) to address the professional gaps.

The institute offers several programmes relevant for the development of the ICT sector in the country including BSc in Computer Engineering & Information Technology, BSc in Computer Engineering, BSc in Electronics and Telecommunication Engineering, BSc in Computer Sciences, Master of Communications Management, Master of Operational Communications, and Master of Information System. The institute houses an Information and Communication Technology Service Center (ICT) which *inter alia* seeks to develop, test, prototype,

¹⁰² Establishment Census August 2011

and incubate IT infrastructure for the country, in areas such as research and development in application software, networking, database management and administration, Web, and multimedia applications. The institute also has a Regional ICT Training and Research Center (RITC) which focuses on research in appropriate technology for poverty alleviation, applying ICT for development in the EAC region, producing ICT professionals, and updating them on the rapid changing ICT innovations.

The Work Force Development Authority has also started many ICT training programmes in the polytechnics and TVET's. The challenge though is that the trainees are either still within the education system or are yet to be integrated in the employment system. In some cases, those that have been integrated suffer from skill mismatches. A recent initiative that will continue to address the ICT skill shortages in the country is the establishment of Carnegie Mellon University in Rwanda (CMU-R) which will deliver a Professional Development courses targeting both mid-career professionals and recent graduates with a strong background in technology as well as a Master of Science degree in Information Technology with a multidisciplinary curriculum. CMU-R will benefit not only Rwandan students and professionals but also the GoR has announced that students from EAC countries will also be eligible for scholarships for the programmes of the university.

In terms of the business actors involved, traditionally, the ICT sector was dominated by large public corporations or transnational corporations (TNCs). This was in a large part due to the large investments required upfront. However, there are also important roles for smaller businesses and many new opportunities are now emerging for ICT SMEs.¹⁰³

The primary challenges facing the EAC ICT section were identified by a recent study as being fourfold: i) challenges related to business environment, ii) challenges related to levels of business skills among entrepreneurs, iii) challenges related to access to finance (with respect to three types of financing gaps, namely start-up, working capital, and capital expenditure), and iv) challenges related to the lack of a connected network of entrepreneurs.¹⁰⁴ With respect to the first element, as was stated earlier in this report, Rwanda fares well as compared to the other countries of the region the other three elements would still merit further focus from policy-makers.

ICTs, by their very nature, are cross-cutting and therefore, in addition to being an economic activity in their own right, contributing to wealth creation and employment, they affect many other sectors of the economy, including key sectors for poverty reduction and the achievement of the MDGs. ICTs are now impacting all areas of life of the individual (e.g. health and education), and of society (e.g. affecting general economic performance and governance) and to the more ordinary aspects of life (e.g. entertainment). Given the important linkages between sectors Government can have on the one hand the policy objective of developing ICTs as an economic activity with high growth potential, but also on the other hand have as an objective the dissemination, propagation and accessibility of ICTs as part of their development strategy.

¹⁰³ UNCTAD (2011), *Information Economy Report*.

¹⁰⁴ InfoDev (2010), *Transforming East African ICT Sector by Creating a Business Engine for SMEs*, InfoDev, UKaid, and Hivos.

In particular, the linkages can be strong between the ICT sector and the tourism sector discussed earlier in this report. In all regions today, including in Africa, the tourism and handicrafts industries are routinely using ICTs to deliver product information directly to their target consumers. Tourist lodges and hotels, but also Governments through national tourism websites, are advertising their unique products and engaging directly in reservations or sales of tourism products to consumers. As the Rwandan economy and economic agents further develop and become increasingly competitive, the use of ICTs will also become more and more important as a tool to enable them to make their products and services known to a wider audience and to access global markets.

The current GoR has from the start put a strong emphasis in its development plans on the diffusion of ICT across the economy. It has been successful in promoting key national policy objectives (both those of a commercial and non commercial nature) through by improving the internal efficiency of firms and government entities through ICT uptake, and is seen in this respect as an example for countries in the region and the continent.

Most of majors' Government institutions have websites with information targeted at the general public and some are offering services online such as the Immigration/Emigration Directorate General which allows applications to be submitted through the Internet for visa, the Rwanda Revenue Authority with online tax declarations; and the National Electoral Commission for inquiries on electoral list. The private sector has also begin to provide online services such as the commercial banks which are offering services online as SMS banking, mobile banking and web based online services and a few companies selling various services online (ticketing, airtime, cash power, booking air tickets, hotel reservations, etc.).¹⁰⁵

Box 6: Using ICT for Development in the Health and Agricultural Sectors

ICT has also been integrated into its healthcare management system. These include initiative such as: Open MRS, an open source medical records system which tracks patient-level data; the TracNET¹⁰⁶ and Trac PLUS systems which help to monitor infectious diseases such as HIV/ AIDS, TB and Malaria; CAMERWA, a drug and medical supply management system; telemedicine which delivers health care services, information and education to remote areas; Health Management Information Systems that integrates data collection processing, reporting and the provision of information for decision-making; and finally health sector e-learning for the instruction of nurses. As a result, ICT accessibility has been increased in the health sector.

In the agricultural sector, the Agricultural Management Information System (AMIS) was adopted in 2010. The system compiles data of agricultural products prices from various markets with a purpose of educating farmers on the actual international prices for their products in order to reduce exploitation by the middlemen by reducing the information asymmetry problem between the two parties. Farmers, traders, and

¹⁰⁵ The Measures Taken For Implementation of the UNESCO Recommendation Concerning the Promotion and Use of Multilingualism and Universal Access to Cyberspace, Rwanda Report, (December 2010), Source: "The Rwanda 2010 ICT Status Baseline Survey Draft", available at http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/CI/CI/pdf/2nd_report_rwanda.pdf

¹⁰⁶ TracNET is a dynamic information technology solution designed to collect, store, retrieve, disseminate and facilitate the analysis of critical program, drug, and patient information related to HIV/AIDS.

consumers get market price information via SMS or via interactive voicemail for those who cannot write or read. The service helps people to follow price trends for various commodities and enables them to get into direct contact with large-scale traders on local and international markets.

As will be described further, it would be important for Rwanda to review the extent to which its ICT plan sufficiently identify and prioritize how to capitalize on new opportunities to export a wider range of ICT services, as opposed to promoting the broader role of ICTs in the economy through the diffusion and uptake of ICT goods and products by individuals, firms and Government entities.

4.3) Reforms in the ICT Services Sector and ICT Services Trade

Governments have an important role to play in facilitating the expansion of the ICT sector by creating an enabling framework for its development. Among the policy measures that Government can consider are privatization and liberalization, regulation of the ICT sector, policies to enhance trust in the use of ICT services, provision of training in ICT skills, incubation of ICT enterprises (e.g. through the establishment of technology parks), and the use of public procurement.

The GoR has introduced specific policies and measures with a view to promoting the ICT sector. The liberalization of the market was one of the most significant steps undertaken, whereby privatization and increased competition occurred in parallel with significant upgrading of regulatory frameworks. As in many countries Rwanda initially jointly provided communication services (postal and telecommunications) through a common entity, the *Poste, Téléphone et Télécommunications* (PTT). Rwandatel was founded in 1993 and became Rwandatel SA in 1995 when the postal and telecommunications services were officially separated. Rwandatel's performance, as measured *inter alia* by its market penetration, was quite low before the privatization process was launched in 1996, through Law No. 2 on Privatization and Public Investment and a presidential decree. Rwandatel was formally privatized in June 2005, when it was licensed to provide fixed, mobile and internet services. The company passed through several changes of ownership (with Government at one point taking back ownership after the company failed to honour its engagements). In the meantime, the first mobile operator, MTN Rwandacell, had been launched in 1998. In 2004, Government also sold its shares of MTN Rwandacell to promote competition in the sector. A third mobile license was issued in 2008 to an international operator (Millicom/Tigo).¹⁰⁷

The liberalization of the telecommunications market was successful in promoting new entrants in the market and promoting competition, as there was increased participation of different companies in the market, in all segments (fixed telephony, mobile telephony, internet service provision, TV), with most progress in the mobile and internet services segments. This increased competition, together with increased investment in network infrastructure, has had a positive impact in lowering call charges: it was estimated that call charges have been reduced by 35 per cent since the liberalization of the telecoms market. Increased competition has also created

¹⁰⁷ Nseguyumva, Albert and Emmanuel Habumuremyi (2009), A Review of Telecommunications Policy Development and Challenges in Rwanda, Association for Progressive Communications (APC).

awareness about consumer protection. Thus the regulator has been confronted with complaints against existing operators regarding billing, services interruption, poor customer services and equipment damage.

Major investments in ICT infrastructure have been rolled out by the government, private sector and development partners, including the following examples:

- The National Backbone Optic Fiber of about 2,500 Km has been laid throughout the country connecting all Districts, nine main Border posts and several other public and private Institutions such as schools, health centres. This included the connection to the main route of Gatuna-Kigali and Kigali – Rusumo for the international connectivity to the submarine cable with an objective of acquiring affordable and reliable connectivity.
- The Kigali Metropolitan Network project has been completed and about 98 government institutions are already connected with optic fiber cable. The objective of the project is to provide broadband connectivity to all Government Institutions in Kigali City including the Commercial Banks in Kigali and further link them to the National Backbone for interconnection with all the Districts.
- The National Data Center project has been implemented and about 98 per cent of the required physical construction completed.
- Communication Navigations and surveillance/Air Traffic Management (CNS/ATM) project whose objective is to create reliable air traffic system. The air traffic Management information system has been deployed and is currently in the testing phase.
- To ensure Enhancement of ICT Infrastructure, the Local Area Network (LAN) in 28 Districts and all GoR Ministries has been standardized in order to facilitate the deployment of e-Government Applications. Local Area Network in 28 Districts and all Ministries has been completed.
- In a bid to automate government processes in order to improve public service delivery, the e-Government application has been deployed in 3 government institutions, and 37 e-forms for the migration office have been developed and tested.
- 9 video conferencing facilities and 29 tele-presence¹⁰⁸ equipment have been deployed in government Institutions.
- 94 Websites have been developed and migrated to TYPO3¹⁰⁹ and better web content management platform.

¹⁰⁸ Equipment that facilitates usage of video conferencing

¹⁰⁹ Latest Content Management System

- Several application including tourism online reservation system, Mortgage registration system, Labour market information system and RDB Intranet open source solution have been developed.

The Government's strategy can therefore be considered successful regarding investment attraction. The private sector responded positively to the market liberalization by investing considerable amounts in network infrastructure development, including fibre optic cables. In spite of that, the privatization process has presented some challenges and shortcomings. As was stated earlier, in 2007 the Government took back ownership of Rwandatel, when it became dissatisfied with the behaviour of one strategic investor because it failed to fulfill its contractual obligations in terms of expansion, quality and reliable services provision and nationwide outreach). After that the government re-nationalized the operator and swiftly proceeded with its re-privatization with the sale of an 80 per cent take to Libya-based Green Communications.

Rwanda promotes universal access through the Presidential Order 05/01 of 13/03/2004 on Universal Access, which established the UAF (Universal Access Fund) with the objective of accelerating the use of ICT in the country. It is funded through the contribution of 2 per cent of the turnover of the licensed operators in the country. The Regulatory Board manages the UAF, which provides partial finance for the extension of universal access and the spread and take-up of information and communications technologies (ICT) in designated areas of the country. The Regulatory Board have used the sum of eight hundred thirty seven million, seven hundred twenty thousand and eighty-eight Rwandan francs (837,720,088 RWF) in facilitating the provision of accessible internet connections in Government Institutions, police stations, military camps, schools, universities, hospitals, etc.¹¹⁰

The experience of countries in developing their ICT markets has shown that in countries with limitations on market entry, the roll-out of infrastructure and the uptake of ICT use among enterprises have typically been more limited than elsewhere. "A more open market for ICT services allows private enterprises to enter, stimulates growth and investment, increases the availability of infrastructure and affordable services, and fosters innovation. At the same time, adequate regulation is required in order to reap full benefits from opening up. Despite the rapid growth of the ICT sector in the past few decades, various constraints to its expansion remain. A number of countries have not liberalized the ICT sector fully, and even in those that have, barriers to entry may remain, in terms of high licensing costs or significant market power over key facilities that are hard to replicate. The role of Governments includes minimizing direct and indirect barriers to market entry, as well as providing adequate regulation of existing players. Limits on market entry through de facto or de jure monopolization of specific market segments, high administrative prices for licences or spectrum, complex and cumbersome licensing processes, and a lack of effective regulation for dealing with companies that have significant market power, constrain the effectiveness of the market."¹¹¹ Given the size of the Rwandan market, the number of operators that can operate in a sustainable manner may be relatively limited. However, it would be useful for the GoR to undertake a careful review of the domestic situation to determine whether further measures can be undertaken to

¹¹⁰ Sourced from

http://www.rura.gov.rw/index.php?option=com_content&view=article&id=158&Itemid=238

¹¹¹ UNCTAD (2011), IER 2011, p. 58.

facilitate the functioning of the telecommunications sub-sector, including measures relating to the complexity of licensing processes and cost of licenses as well as measures to deal with possible anti-competitive practices by firms with market power.

4.4) Inventory of Policy Measures, Legislation, Regulation and Institutions

4.4.1) Policies

The first attempts to promote the use of computers in public offices were recorded back in 1985 and in 1990 already the Ministry of Planning adopted a systematic approach to IT development. A National IT policy was first adopted in 1992, followed in 1993 by a Master Plan on IT. The full implementation of the plan and policy were not possible until 1998 when it was found that they were already obsolete.¹¹² Today, the policies affecting the ICT sector in Rwanda include: i) the Policy on Science, Technology and Innovation of October 2006, ii) National Information and Communications Infrastructure (NICI) Plans, and the NES of 2011.

The overriding objectives of the Science and Technology Policy are as follows:

- to support the growth of the economy of Rwanda, specifically to support the Vision 2020 targets of a steady growth in GDP – 8 per cent per year from 2010 to 2020;
- to advance the quality of life for all the citizens of Rwanda, specifically to support the Vision 2020 target of a GDP per inhabitant of 900\$ by 2020;
- to improve skills and knowledge among the population, specifically to create a “knowledge-based” economy;
- to maintain viability and strategically choose to enhance opportunities for growth in rural areas;
- and to integrate technical education with commerce, industry and the private sector in general.

The government, through the NICI plans aims to achieve these above outlined objectives and the overall Vision 2020 ICT goal.

The NICI Plans are made up by programmes and projects to incorporate ICT at every level and in every sector of society based on the following ten pillars: Education, Human Capacity Development, Infrastructure Equipment and Content, Economic Development, Social Development, E-Government and E-Governance, Private Sector Development, Rural and Community Access, Legal, Regulatory and Institutional Provisions and Standards, and National Security. The plans are in four phases to be implemented in 5- year periods each i.e. the 1st (2001-2005), 2nd (2006-2010), and 3rd (2011-2015) NICI Plans emphasized the exploitation and utilization of ICT products and services to support the delivery of government services and the activities of various sectors of the economy. Government did not specifically prioritize between the sectors because of the low levels of ICT application in all the sectors.

¹¹² Nseguyumva, Albert and Emmanuel Habumuremyi (2009), op. cit.

The first two of these plans, NICI1 (2001-2005) and NICI2 (2006-2010) have been completed, and Rwanda is currently implementing NICI3 (2011-2015). Emphasis in NICI I was placed on creating a conducive environment by establishing institutional framework for ICT policy, putting in place the necessary legal and regulatory mechanism, liberalization of the telecommunications market, reduction of entry barriers to the telecommunications market as well as an effective implementation and coordination mechanism. The NICI II (NICI-2010 Plan) focused on providing world-class communications infrastructure as a backbone for current and future communications requirements. Several projects ranging from increased nationwide coverage of telecommunications networks, versatile and high capacity national optic fiber backbone network, national data center as well as a centralized monitoring and operations center were among the several projects accomplished. The third plan NICI III (NICI-2015 Plan) will build on the two previous phases to propel Rwanda to the fourth and final phase of the NICI process. In this phase, emphasis will be placed on service delivery across five focus areas identified to fuel continued growth. These focus areas include private sector development, community development, e-government, cyber security and skills development. The NICI III Plan has identified a number of project and measures towards addressing the focus on these five areas. It is expected that NICI III seek to maximise the return on important government investments with a focus on the delivery of efficient ICT supported services.

The trade policy objectives of Rwanda for the ICT sector are described in Rwanda's 2011 NES. The NES identifies BPO among the nascent, non-traditional export sectors to be prioritized. The document states that BPO has a limited presence in East Africa but that its growth rate will likely surpass the global growth rate. The strategy also considers that Rwanda has a solid foundation from which to expand based on existing firms active in the provision of IT and BPO services (back office services in finance and administration) to various industries, domestically and regionally. Moreover, such BPO activity is considered crucial in terms of providing employment, including for women. Finally, the NES identifies cloud computing as an area of particular interest for Rwanda, once its new national data center and new fiber optic cable will be in place. The challenges identified by the NES are well-known: i) the lack of strong domestic ICT and business skills base, ii) insufficient language skills in English and French of many secondary and tertiary graduates to compete in the global BPO market, and iii) infrastructure deficiencies and related costs in electricity and telecommunications, iv) lack of access to working capital and funding for Rwanda service providers, v) limited ability of start-up firms to bid for Government contracts.¹¹³

4.4.2) Legislation and Regulation

The main laws that currently exist for the ICT sector are the following: i) Law No. 44/2001 of 30/11/2001 governing Telecommunications, ii) Law N° 18/2010 of 12/05/2010 Relating to Electronic Messages, Signature and Transactions, and iii) a draft ICT Bill.

Law No. 44/2001 of 30/11/2001 governing Telecommunications regulates the ICT sector in Rwanda. The law provides for the Regulatory Board to regulate

¹¹³ Rwanda Ministry of Trade and Industry (2011), Rwanda National Export Strategy.

telecommunications networks and telecommunications services in Rwanda. The Law empowers the Regulatory Board to ensure that telecommunication services are available throughout the country as well as safeguard the interests of users and potential users.

The Law also provides that the regulator will maintain and promote effective competition in the provision of telecommunications services throughout the country. The Regulator is responsible for issuing licenses based on laid out conditions to relevant applicants. The licenses are to be granted in a transparent and objective manner, without discrimination. Licenses may however be refused for the following reasons:

1. to protect national integrity and/or national security,
2. for reasons of limitations on the frequency spectrum,
3. if competition in the sector can be adversely affected, and
4. if the applicant has substantially failed to meet obligations.

The Law also provides that subject to the Ministerial order, based on the advice of the regulatory board, there are circumstances in which licenses may not be required.

Law N° 18/2010 of 12/05/2010 Relating to Electronic Messages, Signature and Transactions addresses issues of legal requirements and recognition for electronic messages; liability of communication network service providers, licensed certification authority and intermediaries; communication of electronic messages; electronic signature; secure electronic messages and secure electronic signatures; effect of digital signatures; consumer protection; computer misuse and cyber crime; regulation of certification authorities; electronic transactions; and government use of electronic messages and electronic signatures.

Rwanda has submitted a draft ICT Bill to the parliament for approval. The aim of the draft ICT Bill is to establish a harmonized framework for information and communication technologies (ICT) policy and regulation. The specific objectives are include:

- to promote national ICT policy objectives for the ICT industry;
- to establish a licensing and regulatory framework in support of national policy objectives for the ICT industry taking into account the convergence of technologies;
- to establish and strengthen related institutions with powers and procedures for the administration of this Law.

The draft ICT Bill identifies and establishes the responsibilities of policy makers and the regulatory entities for each of the ICT sub-sectors including universal access and electronic communication and lays out the central principles of ICT policy and regulation. The objectives include:

- (a) to establish Rwanda as a major global centre and hub for communications and multimedia information and content services;
- (b) to promote a civil society where information-based services will provide the

- basis for continuing the enhancement of quality of both work and life;
- (c) to grow and nurture local information resources and cultural representation that facilitate the national identity and global diversity;
 - (d) to regulate the sectors for the long-term benefits of the consumers and investors;
 - (e) to promote a high level of consumer awareness and confidence in service delivery from the industry;
 - (f) to ensure an equitable provision of affordable services over ubiquitous national infrastructure;
 - (g) to create a conducive business environment for robust ICT applications;
 - (h) to facilitate the efficient allocation of resources such as skilled labor, capital, knowledge and national assets;
 - (i) to promote the development of capabilities and skills within Rwanda's convergence industries; and
 - (j) to ensure information security, network reliability and integrity.

The draft ICT Bill represents a comprehensive overhaul of the legal framework for the ICT sector in Rwanda. It provides a framework for both the technical and economic regulation of the sector. It specifically includes provisions for ensuring effective competition regulation and consumer protection, universal access, data security and electronic communications in the sector. It also provides for a new licensing framework that creates new business opportunities, and this will allow the operators to provide all types of services through a unified license. The law was drafted in a spirit of harmonization with EAC and COMESA ICT laws and regulations while complying with ITU guidelines and recommendations.¹¹⁴

4.4.3) Legislative Gaps

It would be important for the GoR to determine whether its regulatory framework adequately addresses the current situation in its ICT sector. For example, mobile money have recently been developed but if they need to be made sustainable it will be important that an adequate regulation be put in place - one that will enable the development of mobile money, within parameters of fair competition for established service suppliers such as banks but without creating overly burdensome requirements for providers which are contributing to financial inclusion of many. Mobile money providers generally emphasize the need for regulations that are incremental and proportional. Banks on their side generally contend that the fact that MNOs are operating outside the regulations that apply to banks gives them a competitive advantage. Regulators in concerned countries are looking to creating an environment which allows for the development of mobile money as a means to promote financial inclusion and support national socio-economic development. They may however at times lack of experience with convergence of financial and telecommunications regulatory regimes as well as lack of financial and technical capacity. The balance sought is for financial inclusion and consumer protection to both be promoted through adequate regulation of mobile money.¹¹⁵

¹¹⁴ "Cabinet approves draft ICT bill", by Frank Kanyesigye, *The New Times*, 08.11.10, <http://www.newtimes.co.rw/news/index.php?i=14438&a=35440#>

¹¹⁵ Dolan, Jonathan (2009), op. cit.

4.4.4) Institutional Framework

The key public institutions in the telecommunications sector in Rwanda are the Ministry of ICT in the President's Office; the Rwanda Utilities Regulatory Agency (RURA), the regulator, and the RDB. A National ICT Steering Committee (NISC) was also set up in the context of the NICI plans.

The roles and responsibilities of the Ministry of ICT (MINICT) are to: i) develop and disseminate ICT policies, strategies, programs and mobilize resources for sector programs; ii) oversee and coordinate the implementation of national ICT programs as well as Institutions and Agencies under supervision, iii) monitor and evaluate the implementation of sector and sub-sector policies, strategies and programs, iv) promote the integration, adoption and use of ICT in all areas of the society and economy; v) coordinate with international agencies and institutions working in the sector of ICT; and vi) promote institutional and human resources capacities and professional skills development in the sector.

As a multi-sector regulator, RURA is also responsible for the regulation of energy, transport, communications, water and waste management utilities. RURA was established by the law No 39/2001 as an independent national authority to administer different sectors offering public services, promote transparency, protect free competition and provide inclusive service, as well as protect users' rights. In accordance with the Telecommunication Regulation Law, RURA has the mandate to regulate the telecommunications sector, enhance and deploy services in compliance with the most advanced technology to meet user's needs at the most suitable prices.¹¹⁶

RDB-ICT is one of the focuses on one of the five economic clusters covered that the institution. RDB-ICT takes over the mandate and functions of the previous entity known as the Rwanda Information Technology Authority—RITA and is entrusted with the implementation of the NICI plan, monitoring and evaluating the implementation of ICT programmes across Ministries, Departments and Agencies, increasing ICT awareness and providing advisory and support services to ICT programmes.¹¹⁷

The NISC is responsible for the implementation of the NICI Plans and ensuring increased accountability and effective implementation. The NISC is chaired by the Minister in charge of ICT in the Office of the President. The committee also comprises of eminent Rwandan and international experts who offer strategic direction and guidance to the process as well as other GoR ICT initiatives with a view to expediting decision-making, fostering and increasing participation of all stakeholders. NICI III provides that the NISC will report to the Office of the President and collaborate with the joint sector-working group (JWG) to review NICI III progress and mobilize resources. The ministry will form technical and policy and strategy

¹¹⁶

Sourced from:
http://www.rura.gov.rw/docs/GUIDELINES_FOR_SITING_AND_SHARING_OF_TELECOM_BTS_INFRASTRUCTURE.pdf

¹¹⁷ The Measures Taken For Implementation of the UNESCO Recommendation Concerning the Promotion and Use of Multilingualism and Universal Access to Cyberspace, Rwanda Report, (December 2010), Source: "The Rwanda 2010 ICT Status Baseline Survey Draft", available at http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/CI/CI/pdf/2nd_report_rwanda.pdf.

committees comprised of national and international experts that will advise key national ICT strategic initiatives, and more importantly advise long-term strategic alignment of ICT to National goals. The roles and responsibilities of the NISC are follows:

- Bi-annual review of the NICI III implementation progress to ensure that appropriate
- Improvements are incorporated and aligned with NICI III objectives
- Mobilization of resources
- NICI III advocacy

Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA). It benefits from membership in the Association of Regulators of Information and Communication for Eastern and Southern Africa (ARICEA)¹¹⁸ and from the COMESA ICT policy that was developed to serve as a policy model for the harmonious development and application of ICTs across member states. The strategic importance of this sector has also been identified at the regional level, where a process of regulatory and technology convergence is gradually taking place and a series of strategies and plans are ongoing to promote ICT in the region. Rwanda is also a member of the East Africa Regulatory, Postal and Telecommunications Organization (EARPTO), now called East African Communications Organization (EACO).

4.5) Trade Liberalization Commitments Affecting the Sector

During the Uruguay Round negotiations relating to services Rwanda did not opt to liberalize its telecommunications, audiovisual or computer and related services in the WTO. This implies that while the country has undertaken a number of policy options to privatize and liberalize these sectors it has not taken an internationally legally binding commitment not to reverse policies in these areas in the WTO.

As an LDC, Rwanda is currently exempted from the obligation to offer further liberalization commitments in the current round of WTO negotiations. However, for a country committed to developing its ICT and ICT-enabled services sectors, and given the benefits that liberalization has brought to date (e.g. in the telecommunications sector) it is unlikely that there will be any incentives to reverse the trend in the liberalization of certain ICT sub-sector. In the context, the GoR could consider in future to what extent commitments at the international level, in all or some of the sectors that have tested liberalization for a number of years now could be offered.

Rwanda does, however, as an LDC benefit from the adoption at the recent WTO Ministerial conference of a waiver that enables WTO Members to offer preferential

¹¹⁸ The Constitution of ARICEA provides that, in pursuit of the above objectives the Association may, inter alia: i) deliberate on issues related to the development and implementation of ICTs and make recommendations to the relevant authorities or take any other appropriate action; ii) develop and adopt guidelines and model regulations for ICTs; iii) contribute to the development, harmonization and implementation of ICT policies and regulations within the subregion and the African continent, and at international level. ITU (2009), *ICT Regulatory Harmonization: A Comparative Study of Regional Initiatives*, Support for Harmonization of ICT Policies In Sub-Sahara Africa (HIPSSA), p.31.

treatment to LDC Members, including in terms of market access in modes and sectors of export interest to them. It may be useful for Rwanda to consider whether any of the WTO Members are particularly important target markets for its exports of ICT and ICT-enabled services so as to present them with a request for preferential market. This could in particular be the case of temporary movement of natural persons, including in the categories of Independent professionals who would provide services on the basis of a contract or Graduate trainees who would be transferred for career development purposes or to obtain training in business techniques or methods. Through the temporary movement of such persons to supply services in markets where ICT and ICT-enabled services are possibly more developed than in Rwanda the country could gain from the experience and skills (including management skills) that these persons would bring back to Rwanda.

At the regional level Rwanda has undertaken to liberalize the main ICT sectors, i.e. Computer and related services (i. consultancy services related to the installation of computer hardware, ii. software implementation services, iii. data processing services, iv. data bases services); all telecommunications services and all audiovisual services. A number of other services relevant for the provision of ICT-enabled services were also liberalized including: legal services; accounting, auditing and bookkeeping services; research and development services; management consulting services; and maintenance and repair of equipment. This implies that Rwanda has committed to allowing EAC services and services suppliers to enter its market. Rwanda's commitments are very liberal across all sectors thereby allowing services to be imported into the country from EAC partners either cross-border (e.g. over the internet) or following the establishment of commercial presence by EAC firms. These commitments could contribute to increased investments from the region into Rwanda.

In communication services, the other EAC countries, with the exception of Burundi, have also taken commitments in a large number of sub-sectors which should provide regional export opportunities for Rwandan services and services suppliers. When it comes to the other relevant services sectors a careful review of EAC partners schedules of commitments would be required but it can be noted, for example, that when it comes to Computer and related services Burundi liberalized all 4 sub-sectors¹¹⁹ in 2010, Kenya has liberalized Consultancy services related to the installation of computer hardware in 2010, Uganda pre-committed to liberalize all four sub-sectors by 2015, while Tanzania has not to date opt to liberalize the sector. These commitments offer a number of export opportunities but Rwanda can pursue further market access in all areas of export interest to it in the future EAC services liberalization negotiating rounds.

It is also noteworthy when one considers the training requirements that may be needed to ensure that an adequate workforce is available for the development of the ICT and ICT-enabled sectors that Rwanda has also liberalized its higher education sector at the regional level. This would allow regional services suppliers who are in a position to provide services relevant for the development of ICT skills or skills useful for ICT-enabled services to access Rwanda's market, thereby contributing to addressing the skills gap.

¹¹⁹ Consultancy services related to the installation of computer hardware, Software implementation services, Data processing services, and Data bases services.

4.6) An Analysis of Strengths, Weaknesses, Opportunities and Threats

A SWOT analysis of the sector clearly shows the progress that has been made in the sector and some of the strengths on which these achievements have been based. A number of weaknesses are also identified so as to point to areas where further progress could be sought. For example, while the government's commitment to the development of the sector is a clear strength, as can be seen with the government's investments in the sector as well as the NICI plans, it is clear that more private sector involvement is needed to ensure that the ICT market is properly developed. In addition, the issues of limited capacity and skills continue to be constraints in the sector. Regional competition is also a major challenges to Rwanda's dream of becoming a regional ICT hub. Finally,

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> - 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, Kinyrwanda) - Profitability of sector - Infrastructure is relatively easy to develop due to size of country - Market is relatively untapped 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> - Lack of 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 - limited linkage with poverty reduction and mass employment creation
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> - 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 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> - Need to scale up investment for HR and other costs. - Strong competition (all EAC partners are seeking to become the ICT regional hub)
<p><u>Required spill-ins from other sectors</u></p> <p>Education, energy (electricity)</p> <p><u>Anticipated spill-overs into other sectors</u></p> <p>Health, education, government services, agriculture, tourism, transport and financial</p> <p><u>Key stakeholders</u></p> <p>RURA (multisector regulator), RDB-ICT, Ministry of ICT, Ministry of Science, Technology and Scientific Research, Consumers' associations, private sector</p>	

5) RECOMMENDATIONS

5.1) Cross-Sectoral Recommendations

Development of National Services Sector Policy/Trade in Services Strategy

While Rwanda has clearly done well in articulating sector specific strategies for the development of the services sector, there is still need for a holistic National Services Policy or Trade in Services strategy which will focus on coordination, improvement and implementation of existing strategies, as well as boosting services exports. This National Policy or Strategy will identify overall services sector goals as well as interventions, which will cut across all services sectors in boosting services exports. This will serve to complement the existing sector strategies to ensure the overall development of services exports.

Developing Culture of Quality in Services Production and Provision

Services sector development in Rwanda should emphasise on the development of quality in the different sectors. The development of a culture of quality in the services sector will enable Rwanda service firms to be competitive enough to thrive against the competition from the region. The objective therefore, is to develop competitive, efficient, cost effective and professional service firms. This entails the development of necessary skills at all levels for all Rwandans that will be engaged in the services sector. However, lack of the necessary human capacity is one of the major challenges of the services sector in Rwanda. Rwanda needs to produce able technicians and craftsmen needed for the industry and services. There is a need to increase opportunities for training in various areas with certifications to identify the levels of competence of service professionals. The development of these skills is also key to ensuring that the growth in the services sector in Rwanda is reflected in the growth of formal employment in those sectors.

The GoR should support programmes that will ensure that quality standards are adopted and maintained in the services sub-sectors. This will be crucial in establishing a competitive edge in services in the region, as the regional competition is seen as a threat to the country's international competition.

Appropriate Sequencing of Sector Reforms

It is necessary to appropriately sequence the services sectors reforms and regulatory changes. For example, if state monopolies are privatized without creation of competitive environment and efficient regulatory framework it may lead to private monopolies and mere transfer of monopoly rents to private owners (possibly foreigners). Similarly, if increased entry of foreign firms into financial sector is not accompanied by adequate prudential supervision and full competition, this may lead to concentration of market in few firms and deterioration in credit lending and investment decisions. Indeed, if policies to ensure universal access to financial services are not put in place, liberalization may not improve SMEs and poor's access to essential financial services. Managing reforms of services markets, therefore,

requires integrating trade liberalization policies with a careful combination of competition policies and regulatory reforms.

There are strong economic and regulatory linkages between the liberalisation of trade in services and competition policy. It is important that the GOR ensures that an effective Competition Policy, laws and institutional framework are in place for the proper development of the services sector. Rwanda has adopted a Competition Policy. In addition, Parliament is currently finalising the adoption of a Competition Law that will establish a Competition Authority as well as rules for regulating Competition. Along side this, there is an EAC Competition Law, which serves to regulate anti-competitive activities across the region. It is important that Rwanda implement these Competition Laws as a way of ensuring the effective functioning of these markets. If sector regulators are also regulating competition, it is important that they also cooperate with the national and regional competition authorities. Therefore, Rwanda needs to prepare its regulatory and supervisory structure before liberalising its trade in services, e.g. prudential regulation for financial services, pro-competitive regulation of telecommunication etc. In the context of EAC Common Market liberalisation, Rwanda also needs to adopt appropriate regulatory frameworks in all sectors that have been committed for liberalisation.

Initiating Reforms of the Services Sector through Regional and International Engagement

Rwanda should use international agreements to enhance credibility of potential domestic reform, and strengthen domestic regulation. However, Rwanda needs cooperation from partners to provide support at four levels: in devising sound policy, strengthening the regulatory institutions, enhancing participation in the development of international standards, and in ensuring access to essential services in the poorest areas. Rwanda should therefore advocate for technical assistance/aid for trade in these areas.

There is also a need for deeper integration that creates a single market in one or more sectors through regulatory harmonization and infrastructural coordination. This is particularly with regards to the EAC and COMESA. There is therefore a need for Rwanda to push for integration and harmonization in the regional context, particularly the full implementation of the EAC Common Market.

For Rwanda, in the light of its small domestic market, and its land-linked nature, it is essential that its services sector strategy must be regional in outlook. Rwanda must look to becoming the regional hub for certain key services. Rwanda's strategy to becoming a regional hub can be reduced to three basic steps:

- review regulation in specific service sectors with a view to develop a framework to develop Rwanda as the regional hub for the specific sectors.
- Conclude arrangements with Rwanda neighbours, which would facilitate the entry Rwanda's service firms into neighbouring markets. Develop strategies that would actively promote and support the entry Rwanda's firms into neighbouring markets.
- Specifically target investments to strengthen Rwanda's service industries. Rwanda's service providers are not competitive enough; Rwanda should seek out and invite world-class companies and firms into the priority service sectors.

Rwanda should be sold as the perfect entry point into the East and Central African market.

With regards to the negotiation of these international agreements, there is the need to do the following:

- Ensure ongoing exchange of information and coordination of national positions with relevant government ministries and agencies so as to establish a coherent and uniform negotiating position of the country,
- Ensure continuing dialogue with private sector organisations, Chambers of Commerce, labour unions, academia and NGOs so as to obtain sector specific information on their activities and to be aware of offensive and defensive trading interests of service sectors in the country, and
- Follow closely the services-related activities in the WTO, particularly in view of a possible re-launch of Doha negotiations, in order to ensure coherence and WTO compatibility of EPA obligations and commitments. Develop a national strategy regarding the relationship between multilateral (GATS) and regional (EPA and other regional trade agreements) services liberalisation, preventing conflicting regional obligations and ensuring WTO-compatibility.

Building Effective Regulatory Institutions

Trade in services, far more than trade in goods, is affected by a variety of domestic regulations, ranging from qualification and licensing requirements and procedures in professional services, prudential requirements and rules on consumer protection in financial services, pro-competitive regulation in telecommunication services, universal access requirements in health and education services to safety regulations in transportation services. The benefits of trade and investment liberalisation – whether multilateral, regional or bilateral – may only be realised if the regulatory environment in the host country is appropriate. There is therefore the need to achieve the following:

- There is the need for convergences with other strategies and economic development policies/plans to ensure appropriate services sector reform. In particular, Rwanda's, Trade Policy, Competition Policy, Industrial Policy, Export Strategy, Investment Promotion Policy and the Small and Medium Enterprises (SME) policy all contribute towards creating the environment where the services sector strategies will be implemented. It is therefore necessary to ensure that the policies and strategies are complementary.
- Establish a strong, comprehensive, effective and transparent legal and regulatory regime for trade in services with consistent implementation and in accordance with international trade rules and standards; which ensures that both domestic and foreign services suppliers operate towards achieving national policy objectives..
- Ensure full and permanent cooperation from ministries and authorities involved in horizontal issues of services liberalisation, in particular those responsible for commercial presence of foreign service providers in the country (mode 3), trans-border movement of foreign service suppliers (mode 4), immigration, labour market, monetary policy (currency controls, liberalisation of payments and transfers) etc.

- Ensure full cooperation from ministries and agencies involved in policies and regulation of services sectors (including transport, telecommunication, financial services – banking, insurance, tourism, professional services and other sectors under negotiation)
- Integrate the service sector into the national strategy for overall economic development, employment, enhancing competitiveness of industries and agriculture, attracting FDI, and promoting exports. It is necessary to integrate the Services sector strategy into the EDPRS.

Allocating Incentives in Order to Attract Investors and Promoting the Competitiveness of the Rwanda Services Sector

There is a need for government to put in place targeted incentives to ensure growth in the service sectors. There is also a need to ensure that the necessary support infrastructure is put in place to ensure that the services industry in Rwanda is competitive, particularly when compared with others in the East African region. In this regard it is necessary for government, for instance, to introduce policies that encourages or requires financial institutions to dedicate minimum share of their credits to be used for financing exports of SMEs.

Ensuring the Even Distribution of the Economic Benefits from the Development of the Services Sector

The Tourism sector analysis notes that tourism establishments are not concentrated in Kigali but are rather spread out throughout the country. This is an important feature of the sector in terms of potential economic impact, which is distributed throughout the country. This is not the case for all sectors (e.g. economic activity in ICT is concentrated in urban areas). It is important for the strategies and policies for the development of the services sectors to take this into consideration in ensuring that there is not only universal access to these services, but that the economic benefits are evenly spread across the country.

Recommendations to Ensure Beneficial Outcomes from Services Liberalization

- Advancing and prioritizing the design and implementation of regulatory frameworks in sectors that are subject to liberalization in the regional setting
- Ensuring coherence between these sector-specific regulatory frameworks with other government (and regional) policies (including social safety nets and pro-poor policies, financial, monetary, technological and labour market policies)
- Coordinating and ensuring coherence among commitments under various trade agreements
- On sequencing, prioritization of the regional process and ensuring that further liberalization at the inter-regional and multilateral levels entail commitments that are coherent with the outcome of the regional integration process.
- Need to further support businesses and services providers in entry into neighbouring countries as well as making them competitive in regional and global levels

5.2) Recommendations for the Tourism Sector

Further developing leisure tourism can have a very positive impact in the sector in terms of generates increased revenues. There is scope for improving leisure markets that can be considered traditional for Rwanda (European and American tourists) but also non traditional (African tourists). The analysis also shows the need to generate more revenue from business tourism. To achieve this, improvements are required with respect to (a) the quantity of Rwanda's tourism products, (b) the quality of the services offer and (c) linkages within the sector and with other sectors.

Regarding Product Development and Diversification:

Increasing revenues derived from tourism in Rwanda is correlated to succeeding in extending the length of stay of visitors. This in turn, requires addressing current shortcomings. In the case of business tourism, such shortcomings relate to developing entertainment alternatives in main cities and in the case of leisure tourism this requires improving quantity and quality of tourism facilities and strengthening linkages with recreational, cultural and sporting services

Regarding Tourism Promotion and Marketing:

- Raising awareness about current (and new) tourism offerings for (a) visitors who come to the country or (b) at the regional level. Such actions may entail further developing linkages with local tour operators, car hire companies, hotels and restaurants, conference organizers, as key actors for the dissemination of information and interacting directly with tourists.
- Addressing capacity building needs in the areas of product development strategies and statistical compilation and analysis
- Enhancing the coordination of export promotion activities, maximizing the use of the regional framework through (a) awareness raising of services providers and tourism operators with a view to promote joint business ventures or intraregional tourism and (b) joint development of tourism facilities and key infrastructure

Capacity Building and Skills Development:

- Developing the business of SMEs, in partnership with larger firms (particularly hotels), in accordance with Rwanda's policy of attracting big groups such as Hyatt (and others).
- Strengthening the educational framework (i.e. institutions and legislation) for tourism capacity building. For example: developing support programs to train the trainers, designing incentives to promote skills upgrading and training in SMEs and the private sector and promoting information and experience sharing in policy making and business practices (for instance through study tours in the region).
- Developing policies and strategies (at the macro and micro level) to monitor and continuously improve quality in services delivery.
- Using the regional framework to develop the qualifications framework and accreditation system.

Access to Finance and Investment Incentives

- Extending the Rwanda Exporter Development Program (REDP) to SMEs linked to tourism sector value chain (aside from hotels and restaurants). This program provides SME exporters (or intended exporters) with strategic support, export training and education, technical assistance with respect to standards, mentoring, market development, access to finance (under soft loans modalities) and performance evaluation.
- Designing a framework to assess the effectiveness of investment incentives regimes and undertaking an evaluation of the current fiscal incentives against objectives set for the sector.
- Developing a tourism and hospitality guarantee fund.
- Putting in place a "tourism and hospitality training levy" to finance initiatives aimed at improving skills in the sector¹²⁰.

Other Recommendations:

- Facilitating and expanding the participation of a wider range of enterprises (especially SMES) in diverse and dynamic productive activities related to the tourism sector.
- Developing legislation to regulate and protect the industry and governing tourism professions (including licensing system for services providers) and taking greater advantage of regional collaboration to develop these regulatory frameworks
- Strengthening the institutional framework dealing with tourism development and entrepreneurship

5.3) Recommendations for the ICT Sector

Continue to Develop the Infrastructure and Inputs Required to Take Full Benefits of ICT Sector Development

The GoR still needs to focus on improving access to different ICT services at affordable rates as this will be an important determinant of its success in the development of various ICT producing activities. Examples of this relation include cheap and reliable broadband connectivity as essential inputs for the development of an outsourcing industry and affordable mobile services as requirement for the development of mobile applications, such as mobile money services.¹²¹ Given the other main cost item apart from connectivity costs are wages, it follows that the development of services exports can be impeded by connectivity costs which are kept relatively high by telecommunications operators. Similarly, this will reduce the scope for paying higher salaries to employees.¹²²

If the country has insufficient numbers of skilled persons for the targeting ICT or ICT-enabled services this will impede the development of the local ICT industry and may serve as a deterrent to attracting FDI. But developing the adequate skills in sufficient quantity will require that the Government, in collaboration with the private-

¹²⁰ Inputs provided by stakeholders (RWASAGA) - February 2012

¹²¹ UNCTAD, IER 2011.

¹²² UNCTAD, IER 2009.

sector, identifies the specific services it wishes to develop and the precise needs of enterprises, be they domestic or foreign. Measures to ensure that supply matches demand will be needed to ensure that skills developed through education and training are those that are sought by ICT enterprises.¹²³

Box 7: Industry-driven Training for the ICT Sector in Mauritius

In 2009, a joint public-private partnership which involved the National Empowerment Foundation (NEF), the Outsourcing & Telecommunications Association of Mauritius (OTAM), the *Chambre de Commerce et d'Industrie France Maurice* (CCIFM) and the Mauritius Institute of Training and Development (MITD) was developed to offer an “ICT Empowerment Training Programme” which targeted to train 2,000 school leavers or young unemployed persons who have a higher school certificate or a good school certificate.

The programme stemmed from the observation that ICT is one of the most resilient industries to the global crisis and that the sector had for more growth provided the human resources were available. The role of each partner was clearly defined: Government financed through NEF the cost of the trainers to the tune of Rs 21 million, the MITD provided the infrastructure facilities and the placements were done by the NEF in collaboration with OTAM. The training focused on following areas: call centres, BPO (for finance and accounting), software development, IT networking and infrastructure.

The training programmes were designed and delivered by industry professionals and lasted 5 weeks for the Call Centre and BPO streams and 7 weeks for the IT streams. After the training, all participants were given a work placement of 4 weeks (for IT stream 9 weeks). No guarantee can be given that the work placement will lead to a full-time job, but the objective is to recruit as many participants as possible after the work placements according to the needs of the ICT companies and the profile of the trainees. The challenges faced in implementing the programme however include lack of infrastructure (training rooms and computer labs) and of trainers to train the amount of people needed by the industry.

A weakness that was identified in the training programme was that it did not provide certification (which affected the public's perception of the training). This problem was addressed through a partnership that was established with the BPO Certification Institute (BCI) that offers certification programmes for BPO Professionals cutting across BPO/ KPO domains). On January 10, 2011, Mauritius celebrated the graduation of its first batch of 150 BCI certified professionals.

Sources: Commonwealth Secretariat (2011), Promoting IT Enabled Services, Lessons from the commonwealth No. 3, London, Commonwealth Secretariat; Mauritius National Empowerment Foundation website (www.nef.mu); <http://callcentercertifications.com/bci-news.asp>

Further Development the Policies for the ICT Sector

It is important that Government further fine-tune its ICT strategy to clearly identify and distinguish priorities in the ICT sub-sectors and activities that will be supported and it hopes to ensure the sector becomes sustainable over time. In particular the role of Government is to create and enabling regulatory and investment environment and to provide the infrastructure required that will allow for development of products and services. Another important element to consider is the extent to which the domestic market or export markets will be targeted through ICT sector development.

¹²³ UNCTAD (2011), IER 2011.

Building on the 2010 approval of the ICT Bill Rwanda should seek to take greater advantage of outsourcing opportunities relating to both ICT and ICT-enabled services. For countries seeking to enter the various ICT markets, including in the context of outsourcing, it is important to consider the different categories of services that can be provided along the value chain. Within information technology outsourcing (ITO) there are services that correspond to the low, mid and high segments of the value chain, while business process outsourcing (BPO) services are found in the low and mid segments and knowledge process outsourcing (KPO) are considered the highest segment of the chain.

As the early movers in the provision of offshore services may be moving up the value chain opportunities for newcomers can arise in the low and mid segments of the value chain. However, it should also be noted the services offshoring market is becoming increasingly consolidated on the supply side which implies that leading firms continue to expand their global markets. When considering opportunities from the sector countries need to be realist in terms of what they expect to accomplish as local or even regional firms will have difficulties in competing with the established offshore services giants.¹²⁴

Table 27: Elements which May Affect Strategies for the Offshore Development of ICT and of ICT-enabled Services

Advantages for the provision of ICT services	Advantages for the provision of ICT-enabled services
Quality and costs of international telecommunication connectivity	
Effective promotion of existing opportunities to potential investors	
Cost and availability of appropriate skills	Geographical location that allow the sourcing company to cover multiple time zones and provide around the clock delivery
	Language skills corresponding to the client base of the sourcing company
	The existence of talent and technology hubs
	Low attrition rates

Source: Adapted from UNCTAD IER 2009

The decision in terms of what types of technology is needed to perform a given service will depend in part on the type of services (e.g. fibre optic connectivity may be more relevant for voice-based services, whilst for data traffic, there can be more flexibility, making it possible in certain situations to rely on satellite connections. There may also be technological requirements which are company-specific. For companies processing very large quantities of data, the extent of bandwidth may be more important than the reliability of the connections. Finally, the cost aspect is important.¹²⁵ Developments such as the spread of submarine cables in Africa will therefore impact on how potentially interesting countries will be considered in future as locations for contact centres.

The level of interaction between the client and the supplier will also vary in function of the level of services provided with high value added services requiring a relatively high degree of interaction because activities (e.g. in the high-tech, automotive,

¹²⁴ Gereffi, Gary and Karina Fernandez-Stark (2010), op. cit.

¹²⁵ UNCTAD, IER 2011.

aerospace and health care sectors) are complex and require a high degree of customization. While this type of services allows for greater opportunities for knowledge transfer to the host country (in the case of offshoring) than ITO and BPO segments the latter may be easier to develop as they have become largely commoditized and require little interaction between the client and provider.¹²⁶

Initially, the bulk of services off-shored to developing countries (particularly newcomers) may be in relatively low skilled contact centres, but exports of higher value added service activities can be developed over time if the adequate infrastructure and skills are developed. However, the sector is evolving fast for carefully assess in what areas they may represent a competitive export location and may wish to develop further develop their exports.

Countries, particularly those that are latecomers in Africa, Asia and Latin America and the Caribbean must therefore focus on developing as many locational advantages as possible and on identifying niches in which they can compete most effectively. In this regards the costs and quality of broadband connections, the availability of human resources in the areas targeted are key factors that need to be addressed by policy-makers.¹²⁷ Moreover, financial or fiscal incentives can be considered as a means to encouraging investors to invest in the country. However, countries need to be mindful that such measures could result in a "race to the bottom" among potential destinations which may be harmful to them in the long-run.¹²⁸

When identifying niches services to produce the GoR may also wish to plan how Rwanda may seek to move from the production of relatively low value-added services to more complex services over time. In this respect, the times human resources but also the regulatory framework that need to be developed over time (e.g. to ensure adequate protection of intellectual property and private data) need to be planned for.¹²⁹

Continue to develop the legal environment: IPR, data privacy legislation

Rwanda's cyber security needs to be reinforced to mitigate ever-increasing cyber threats. Cyber security awareness will need to be disseminated and public private institutional collaboration strengthened. Furthermore, a strong policy, legal and regulatory framework to ensure cyber security and compliance will be required, particularly if the development of ICT-enabled services continues to be prioritized by Government.

Continue to Collect Data and Improve Measurement of Trade in ICT and ICT-Enable Services

Informed decision-making requires that policy-makers, negotiators and other Government officials have access to data and statistics regarding the production and trade of services. While a number of efforts are taking place, with the support of development partners, to measure ICT for development (i.e. the definition and

¹²⁶ Gereffi, Gary and Karina Fernandez-Stark (2010), op. cit.

¹²⁷ UNCTAD, IER 2009, p. 86.

¹²⁸ UNCTAD, IER 2009, p. 86.

¹²⁹ UNCTAD (2009), IER, p. 86

analysis of internationally comparable statistical ICT indicators and the setting up of a global database on core ICT indicators) efforts should also be directed to recording economic activity in ICT and ICT-enabled services production but also services trade, including through the implementation of the Manual for International Statistics on Services Trade.

Continue to Promote Private Sector Development

In this context the GoR may consider the extent to which Public procurement can also be used as a catalyst for local ICT industry development, in particular with respect to SMMEs. Indeed, Government ICT procurement has been shown to represent an important part of domestic demand in low-income countries. In order for such a strategy to be successful, procurement rules should be designed in such a way that local ICT enterprises are given a real opportunity to qualify for the tender process.¹³⁰

Private sector development could also be development through the establishment of partnerships with regional and continental ICT leaders or first-movers who may have acquired expertise in areas of interest to Rwanda (be they Kenya, Egypt or Mauritius). Such efforts could be assisted by strategic Government interventions and would also serve to develop trusted networks and mentorship, as these were also found to be lacking in the region.¹³¹

¹³⁰ UNCTAD (2011). IER, p 61

¹³¹ InfoDev (2010), op. cit.

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