

## Services snapshot

# Rwanda



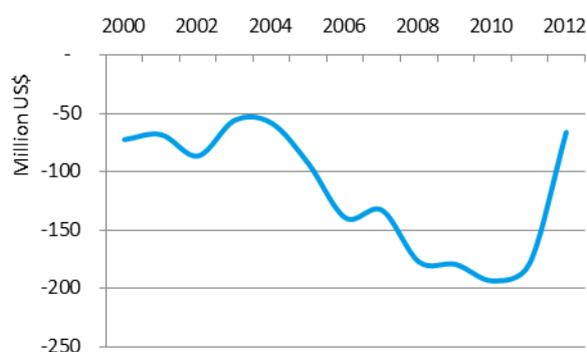
### KEY SERVICES DATA<sup>1</sup>, 2013

Services<sup>2</sup> share of industry value added: **58%**  
 Services share of employment 2012: **20%**  
 Trade in services<sup>3</sup> contribution to GDP: **15%**  
 Services share of total exports: **35%**  
 Services export composition: **travel (76%), transportation (19%), other commercial services (5%)**  
 Services import composition: **transportation (81%), travel (17%), other commercial services (2%)**  
 Services exports: **US\$ 386 million**  
 Services imports: **US\$ 472 million**  
 Services trade deficit: **US\$ 86 million**

### SERVICES AT A GLANCE

Rwanda has achieved impressive development progress. Between 2005 and 2012, real GDP growth averaged 8% per annum. Accounting for 58% of value added GDP in 2013, services have replaced agriculture as the main contributor to GDP.<sup>4</sup> This has not translated equally into employment; employment in services is only 20% compared with 75% in agriculture.<sup>5</sup> Moreover the rate of growth of the services sector contribution to GDP has recently dropped to 4% compared to 11% for the manufacturing sector.<sup>6</sup> Among the services sub-sectors, wholesale and retail is the largest, followed by transport, storage and communications. These sub-sectors, along with tourism, have been driving services sector growth over the last five years.<sup>7</sup>

Figure 1. Services trade deficit is decreasing



In 2012, services trade contributed 15% to GDP.<sup>6</sup> The most recent data on services trade is from 2013 when Rwanda had a trade deficit of US\$ 86 million. **The country is indeed a net services importer, though the gap between exports and imports has been progressively decreasing over the years (see Figure 1).** In 2012-2013 Rwanda was a net exporter of travel (with a trade surplus of US\$ 214 million), communication (US\$ 4 million) and financial services (US\$ 0.8 million).<sup>8</sup>

## SERVICES SUBSECTORS

### Financial services

The financial sector is relatively small. **Insurance and other financial services account for less than 1% of services exports and slightly above 1% of imports in 2012** (see Figure 2).<sup>8</sup> The first Financial Sector Development Programme adopted in 2008 helped catalyze a dramatic increase in the share of the population with access to financial services from 47% to 72%. The second Programme is being implemented over 2013-2014. Financial services remains bank-dominated in terms of total assets.<sup>9</sup> There are 16 banking institutions, 7 insurance companies and 66 microfinance institutions.<sup>10</sup>

### Communication services

The information and communication technology (ICT) sector has been expanding rapidly from a low base. The government, the private sector and international organizations have financed developments within this sector, as reflected in the Vision 2020 efforts to widen access to ICT. Nevertheless, the ICT sector continues to face a number of challenges. Despite the fall in broadband internet costs 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 dependent on neighbouring countries for under-sea cable access, which greatly increases connectivity costs. Limited access to electricity and high usage costs are also major impediments to the spread of ICT services.

The telecommunications market consists mainly of mobile communication services, with fixed telephony representing only a small portion of the market. There are four private companies in the market, i.e. MTN Rwanda with the largest market share (also providing mobile money services), Rwandatel, Airtel and Tigo, the second mobile money services provider. The four

Figure 2. Financial services share in services trade

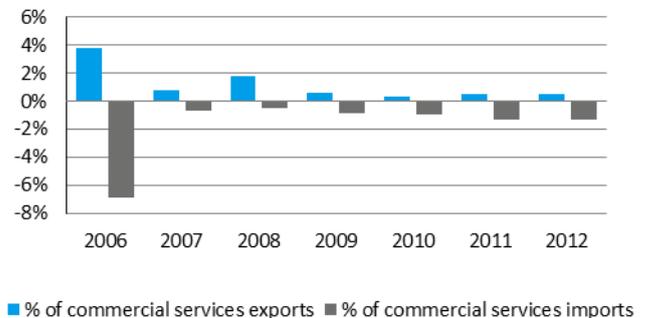


Figure 3. Communication services share in services trade

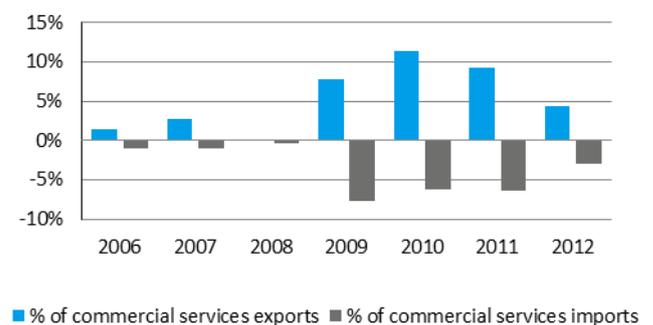
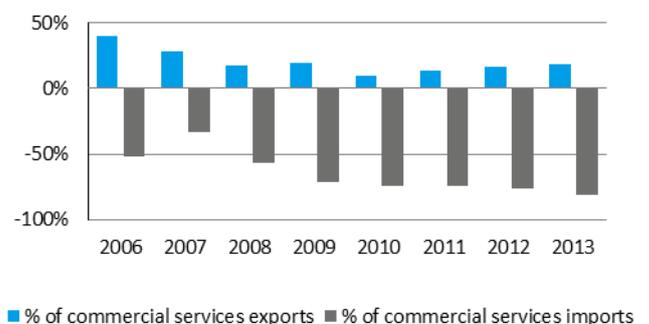


Figure 4. Transport services share in services trade



operators have over 5.7 million mobile subscribers and some 44,000 fixed telephony subscribers.<sup>11</sup> **Rwanda is a net exporter of communication and related services.** They represented 5% of services exports in 2012 (see Figure 3).<sup>8</sup>

### Transport services

**Rwanda is a net transport services importer; transport services represented 76% of services imports in 2012 (see Figure 4).**<sup>8</sup> In 2012, there were 41 companies and cooperatives which operated different types of public transport vehicles. The sector is rather informal and uncoordinated: in terms of total available seat capacity, individual operators provide 70% of the supply.<sup>12</sup> International public transport services are provided by 7 registered private companies and ONATRACOM, the only public sector operator. Of the 8 companies, 3 are Rwandan-owned and the rest are from different neighbouring countries.

There is no railway network. However, the country is working in partnership with other countries of the region to fund a railway network with connectivity with EAC countries and the DRC. Rwandair is the only airline, 99% owned by the government. Maritime transportation is largely limited to Lake Kivu with minimum informal economic benefits.

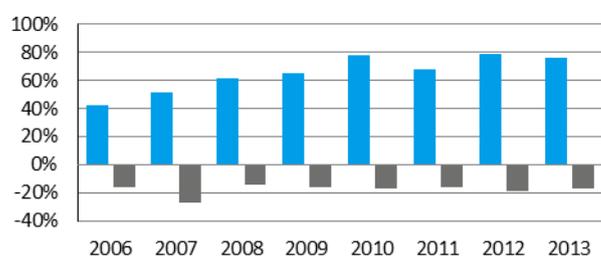
### Tourism

The tourism sector constitutes a key driver for future growth and economic diversification. Its export earnings amounted to US\$ 298 million revenues in 2012/2013<sup>11</sup>: Figure 5 shows the positive performance of travel services in particular.<sup>8</sup> Tourism sector is estimated to support 34,000 jobs directly and another 74,000 indirectly. As such, the government has prioritized it and put in place several strategies, policy measures and incentives that have led to steady growth and early recovery after 2008.

The main source of tourism income came from the leisure segment, which registered US\$ 135 million in 2012, followed by business tourism, diasporic visits to family and friends and transit passengers.<sup>13</sup> In 2008, the tourism and travel sector included 48 tour operators (employing around 200 persons), 163 tourism accommodation units with 3,150 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 rank.<sup>11</sup>

The sector continues to face challenges such as the limited length of stay of tourists and a lack of diversity (an estimated 90% of earnings are driven by Mountain Gorilla tours). This could explain the slight decrease of tourism receipts<sup>14</sup> share in total exports since 2009 from 37% to 33% in 2012. Tourist arrivals increased to 815,000 and total receipts to US\$ 337 million in 2012, both double the values in 2006.<sup>6</sup>

Figure 5. Travel services share in services trade



■ % of commercial services exports ■ % of commercial services imports

### FOREIGN DIRECT INVESTMENT (FDI)

Inflows of FDI have been on an upward trend with the exception of 2010, when inflows decelerated due to global volatility. In 2012, the sectors that attracted the highest value of investment were all services sectors: tourism, energy and water, construction, real estate and the ICT sector.<sup>15</sup>

With a ranking of 46th out of 189 countries in the World Bank Ease of Doing Business index published in June 2014,<sup>16</sup> Rwanda is now ranked the second easiest place to do business in Sub-Saharan Africa.<sup>17</sup>

## FOOTNOTES / SOURCES

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1. Key data derived from: UN statistics division – National Accounts Official Country Data, WTO Trade Profile, ITC Trade Map, ILOSTAT Database – Recensements de population (PC).
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. United Nations Statistics Division – National Accounts Official Country Data.
5. ILOSTAT Database – Recensements de population (PC): August 2012 recorded value for individuals older than 16 years old excluding institutional population, employed in the following aggregate economic activities: Construction; Trade, Transportation, Accommodation and Food and Business and Administrative services; Public Administration, Community, Social and other Services and Activities.
6. World Bank - World Development Indicators.
7. UNCTAD - Services Policy Review, Rwanda (2013) and AfDB - African Economic Outlook, Rwanda (2012).
8. ITC Trade Map.
9. Finance and Economic Planning of Rwanda - Financial Sector Development Program II (FSDP II), 2012. Available at: [http://www.minecofin.gov.rw/fileadmin/user\\_upload/Rwanda\\_FSDP\\_II\\_October\\_11\\_2012.pdf](http://www.minecofin.gov.rw/fileadmin/user_upload/Rwanda_FSDP_II_October_11_2012.pdf).
10. Rwanda Development Board. Available at: [www.rdv.rw](http://www.rdv.rw).
11. UNCTAD - Services Policy Review: Rwanda (2013).
12. Rwanda Ministry of Infrastructure – Transport Sector Strategic Plan for EDPRS2 (2013). Available at: [http://minecofin.guv.rw/edprs2/uploads/media/Final\\_Transport\\_Sector\\_SSP.pdf](http://minecofin.guv.rw/edprs2/uploads/media/Final_Transport_Sector_SSP.pdf).
13. Rwanda Ministry of Trade and Industry – Annual Report 2012.
14. International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items.
15. Rwanda Development Board Achievement Report (2012).
16. World Bank Group – Doing Business Index, June 2014.
17. World Bank – Country profile: Rwanda. Available at <http://www.worldbank.org/en/country/rwanda>.



### For additional information

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