

Rwanda “Leans In” to Information Services To Achieve Development Goals and Spur Competitiveness

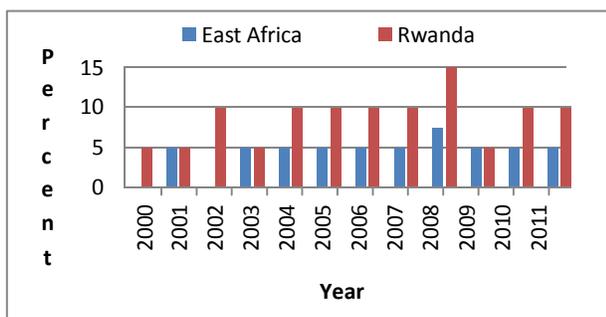
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Rwanda is a low-income, landlocked country in East Africa whose transport costs are among the highest in sub-Saharan Africa. In 2000, the government of Rwanda launched its Vision 2020 program, which seeks to transform Rwanda into a middle-income country by 2020 using investments in information communication technology (ICT) services to transform its economy into a “knowledge-based” society. Based on its economic reforms and investments in ICT, Rwanda has recently emerged as one of the most competitive economies in sub-Saharan Africa, as measured by the World Bank’s Ease of Doing Business index, and appears on track to meet its development goals.

Services are the fastest-growing sector in Rwanda’s rapidly expanding economy

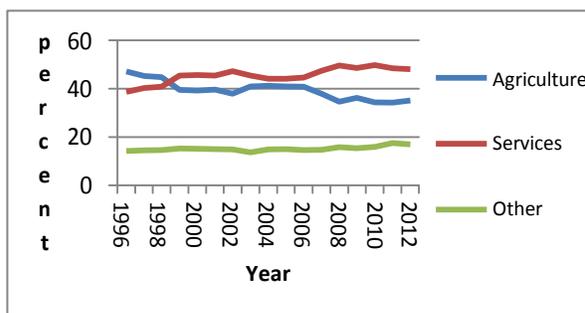
From 2000 to 2012, Rwanda’s government introduced financial and institutional reforms that helped Rwanda become one of the fastest-growing countries in East Africa. Although Rwanda’s economy was starting from a low base, the compound annual growth rate (CAGR) of the country’s real gross domestic product (GDP) for 2000–2012 exceeded the aggregate CAGR for the 17 countries in East Africa (CAGR Rwanda = 7.4 percent, CAGR East Africa = 5.3 percent).¹ Rwanda’s services sector has been a key driver in this economic growth (figure 1). The CAGR of Rwanda’s real GDP in services was 9.1 percent in 2000– 2011 (latest data available), while that of East Africa was 5.4 percent.² Although agriculture accounts for up to 80 percent of employment in Rwanda, the services sector replaced agriculture as the main contributor to GDP in 1999 and is now the economy’s largest sector (figure 2). Financial inflows from multinational donors related to Rwanda’s economic reforms have fueled increased activity in Rwanda’s largest services sectors—wholesale and retail trade; transport, storage, and communications; real estate; and business services. This trend has largely been responsible for Rwanda’s recent services growth.

Figure 1 Rwanda’s real GDP in services has shown strong rates of growth since 2000



Source: UNCTADstat (accessed Sept. 2014)

Figure 2 Services have increased their share in Rwanda’s GDP



Source: UNCTADstat (accessed Sept. 2014)

Vision 2020: Rwanda’s long-term focus on ICT skills and services

The onset of Rwanda’s rapid economic growth coincided with the adoption in July 2000 of Vision 2020, a strategy aimed at raising Rwanda to middle-income status by turning its chiefly agricultural economy into a knowledge-based society by 2020. This transformation requires Rwanda to increase its GDP per capita to \$900 by 2020, compared to \$220 in 2000 and \$630 in 2012. The Vision 2020 pinpointed the services sector, and ICT services and skills in particular, as the key drivers that would propel Rwanda’s economy forward. In its focus on services and ICT, Vision 2020 recognized that higher agricultural production, and continued dependence on exports of coffee and tea, would not be enough to generate strong economic growth in the future, particularly since the country is small and landlocked and has very high air and inland freight rates.

¹ Rwanda is compared to East Africa in order to benchmark its growth relative to its neighboring countries.

² Rwanda’s real services GDP grew at slower rates after 2008 due to the financial crisis.

ICT development strategy and achievements

Since 2000, Rwanda's ICT activities have focused on liberalizing the regulatory environment for ICT, upgrading infrastructure, developing ICT skills, and improving access to government services:

- Privatization and market liberalization in the telecom industry led to the establishment of three mobile phone operators and 11 Internet providers by 2012.
- A Kigali-based 2,500-km fiber optic network, with links to neighboring countries, has helped expand the number of Internet users and lower the cost of broadband Internet connections (table 1).
- A national training center is boosting ICT skills among the population.
- "E-Rwanda," a \$10 million program funded by the World Bank, has developed e-government applications, linked public offices together, trained public servants, and improved ICT services and awareness in the rural areas.
- Pro-development applications are proliferating. Examples include use of computer networks to organize patient data in health centers and hospitals, and apps enabling mobile phone subscribers to receive and send money and keep track of the prices of agricultural products.
- Investments since 2004 have improved the electric power supply, furthering ICT goals.

Table 1 ICT Indicators: Rwanda and Developing Sub-Saharan Africa (SSA), 2005–11

	Rwanda							SSA
	2005	2006	2007	2008	2009	2010	2011	2011
International Internet bandwidth (bits/second/person)	5.9	7.4	16.1	26.7	34.0	154.6	309.0	427.5
Internet users (per 100 people)	0.6	na	2.1	4.5	7.7	8.0	7.0	12.8
Mobile cellular subscriptions (per 100 people)	2.4	3.3	6.5	13.2	23.6	33.4	40.6	53.9
Fixed one-time broadband Internet connection charge (current US\$)	na	na	na	na	176.0	171.5	83.3	40.3

na = not available. Source: World Bank, Africa Development Indicators. SSA = developing SSA countries only.

Rwanda has increased its activity in the ICT services sector . . .

- New ICT businesses include software developers, telecommunication and Internet service providers, broadcasters, information technology equipment resellers, ICT capacity-building businesses, system integrators under ICT solutions providers, and cybercafé operators. In 2012, the ICT sector had 2,985 registered ICT companies and accounted for 41.4 percent of Rwanda's \$255 million in FDI.
- In 2013, the government announced plans to develop an ICT park to house private companies and development organizations; construction is in progress.
- Carnegie Mellon University established a campus in Kigali to provide advanced training and master's degrees in ICT. It awarded 22 degrees in ICT to its first graduating class in July 2014.

. . . and improved the investment climate

- In 2013 the World Bank ranked Rwanda as the second most competitive country in sub-Saharan Africa for starting a business (behind Mauritius) and as the 32nd out of 189 countries surveyed worldwide in its Ease of Doing Business Indicators. Rwanda achieved this distinction despite ranking 31st in SSA on the cost of trading across borders, due to its high transport costs.
- The World Bank's 2013 overall rating reflects Rwanda's success in reducing business costs using electronic applications to improve transparency and simplify the processes for starting a business.

However, much more needs to be done

Rwanda's Vision 2020 focus is on using ICT infrastructure to attract investment and create high-value services-related jobs. The future success of Rwanda's ICT initiatives will thus depend on its attracting private investment and creating a skilled labor force that can take advantage of Rwanda's competitive, business-friendly policy environment.

Sources: United Nations Conference on Trade and Development (UNCTAD), UNCTADstat, World Statistical database; UNCTAD, *Rwanda: Services Policy Review*, 2013; World Bank, *Toward Transformation? ICT in Post-Conflict Rwanda*, January 2013; World Bank, Africa Development Indicators; Republic of Rwanda, MINECOFIN, "Rwanda Vision 2020," August 2000; World Bank, Ease of Doing Business database, June 2013; World Economic Forum, *The Global Information Technology Report: The Metamorphosis to a Knowledge-based Society: Rwanda*, 2013, 119–26; Republic of Rwanda, Ministry of Youth and ICT, *Rwanda ICT Sector Profile, 2012*, December 2012; National Bank of Rwanda, *Foreign Private Investment in Rwanda 2012*, 2012.

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