



# Cross-Border Trade in Services

Observations and Findings on Rwanda's CBT Services Sector

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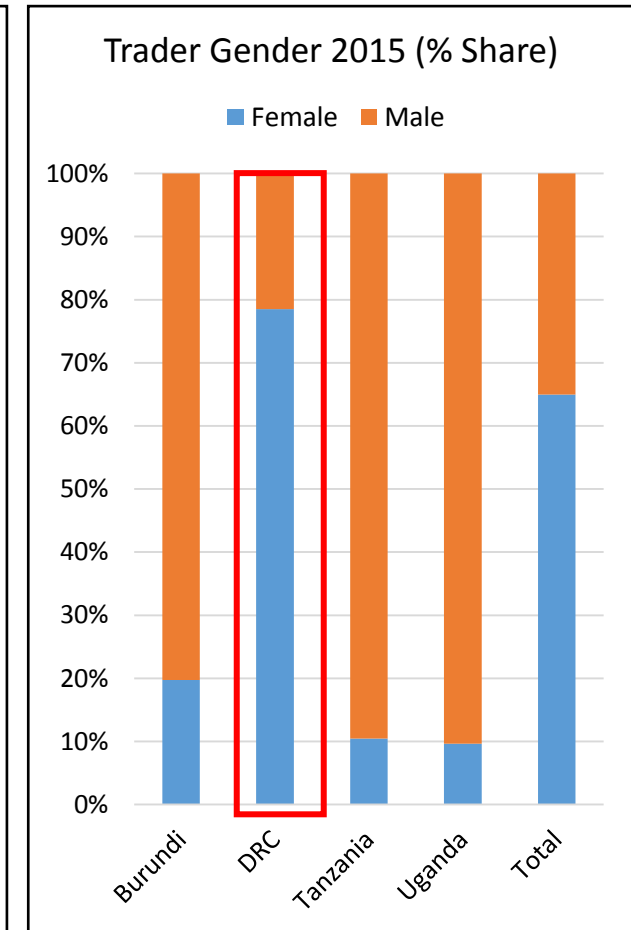
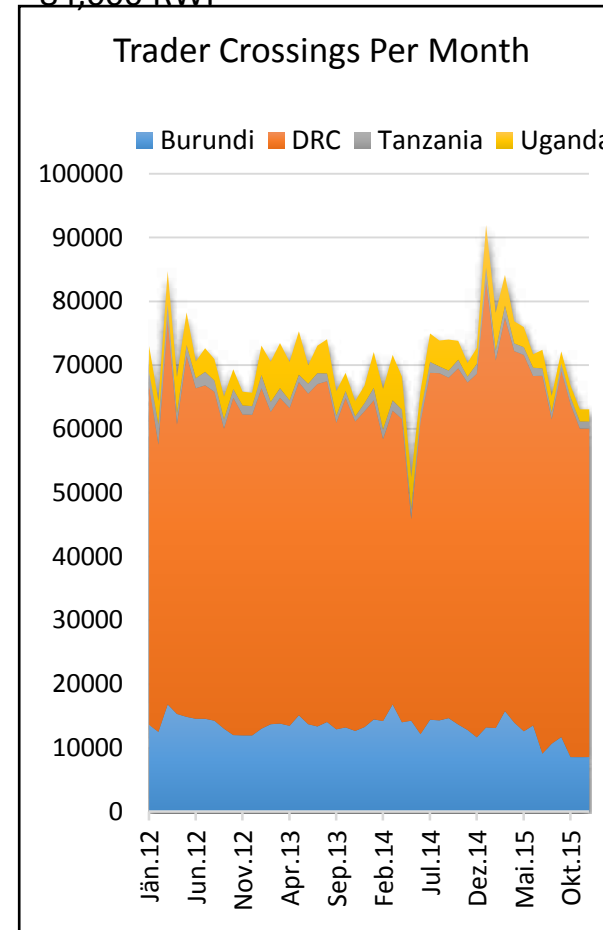
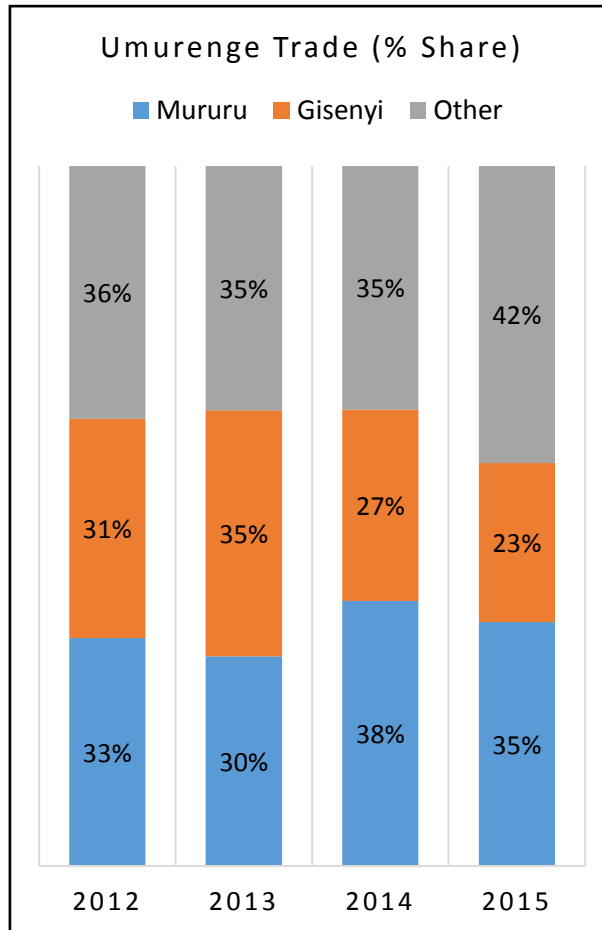
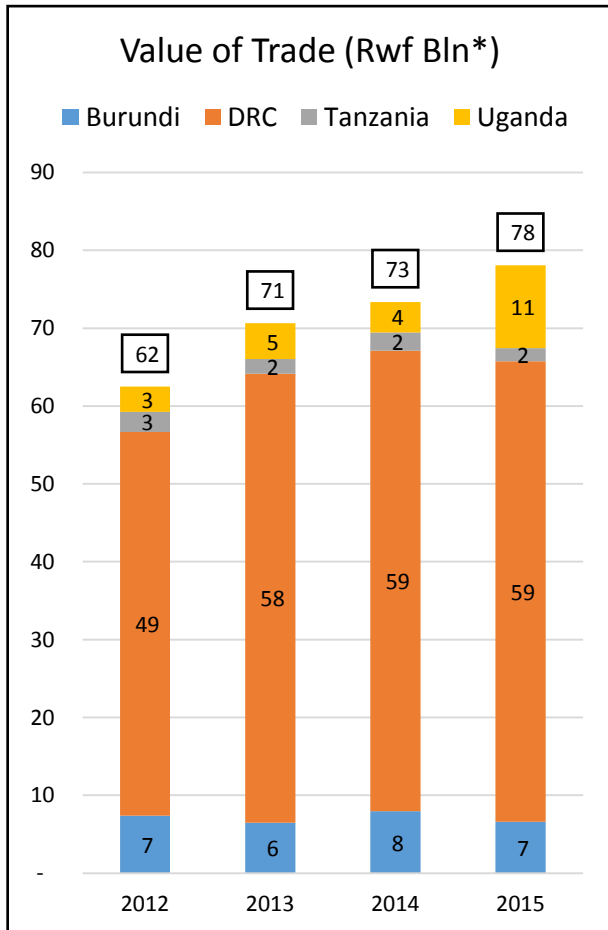
# Cross-border Trade in Goods – Snap Shot

CBT goods exports worth US\$ 100 million per annum – mainly DRC

Informal CBT is concentrated in two Umurenge – Mururu and Gisenyi – Combined Account for 60%

Each month 60-70,000 trader crossings take place - The average monthly value traded per trader is 84,000 RWF

Women make up approximately 60% of informal traders, but only dominate trade with DRC



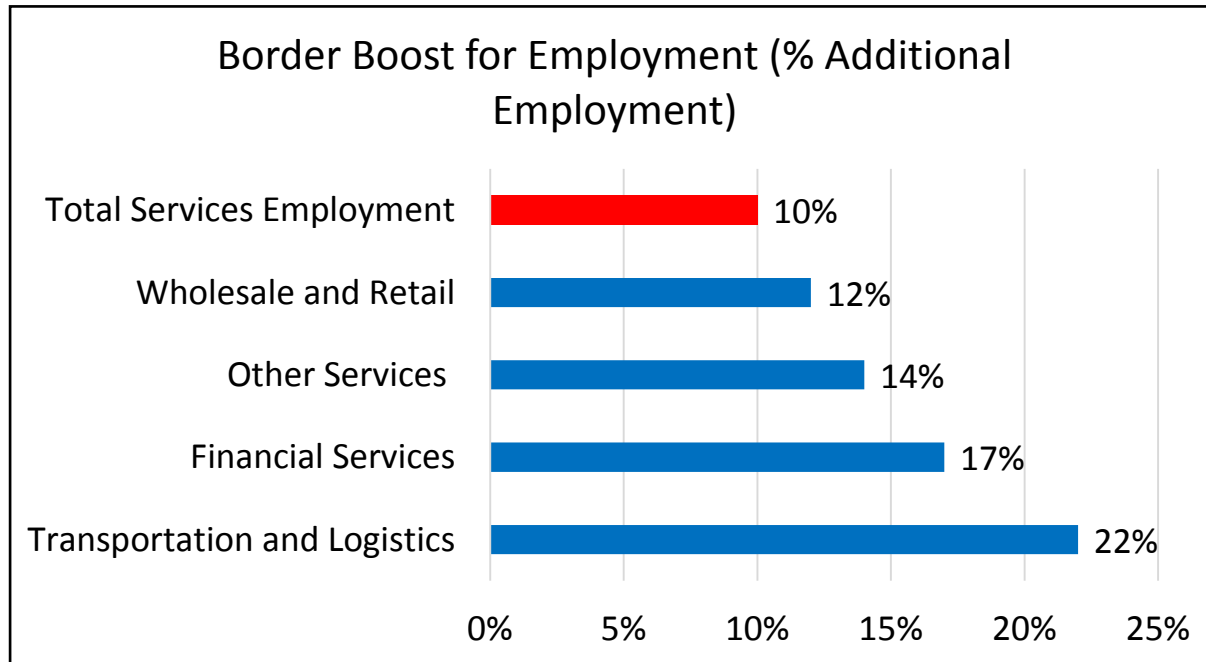
\*Export Values only

Source: BNR ICBT 2015. Own calculation

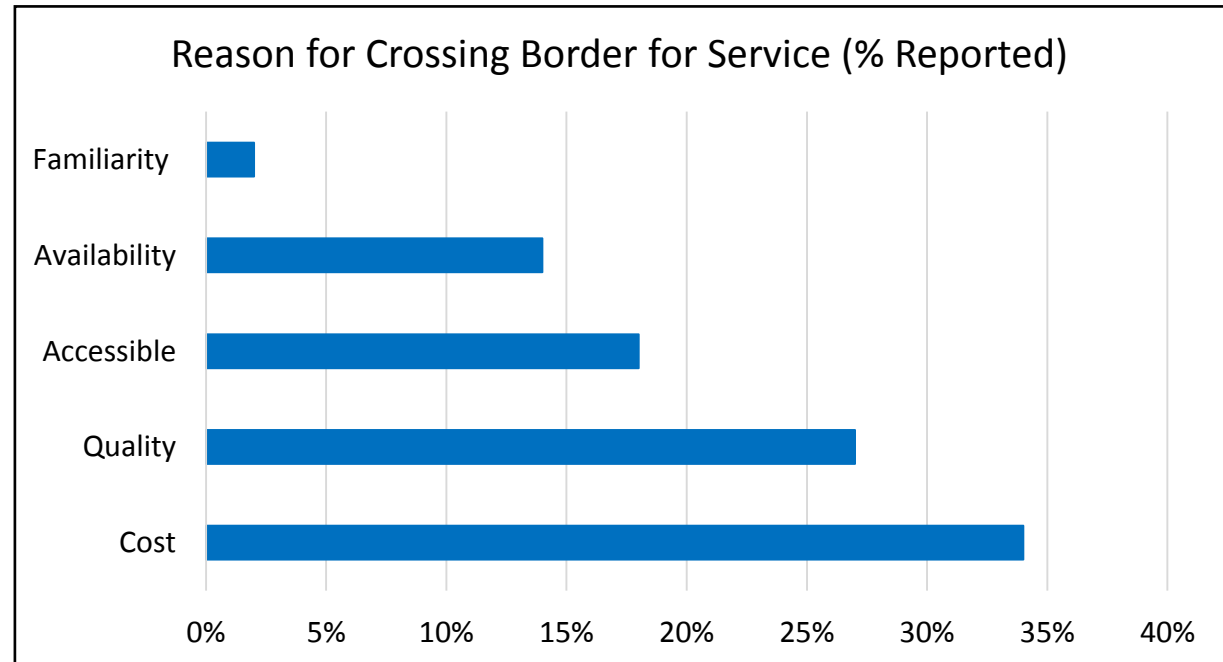
# Evidence of a employment boost for Services on the border

- **Border locations have 10% higher employment** in services compared to sectors not on the border when controlling for:
  - Population;
  - Poverty rates;
  - Urban;
  - Rural;
  - Border.

- Demand for **services as an intermediary input** into other economic activities:
  - Wholesale and retail services
  - Transportation services
  - Financial services
- Rwanda trading on its comparative advantages (*Cost, Availability and Quality*)
  - Strong rule of Law
  - Strong Institutions
  - Strong regulatory and Institutional Framework



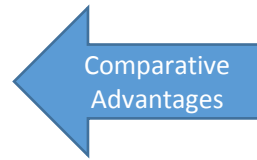
Source: NISR EICV 3, NISR Establishment Census, 2014, BNR ICBT 2014, Own calculation



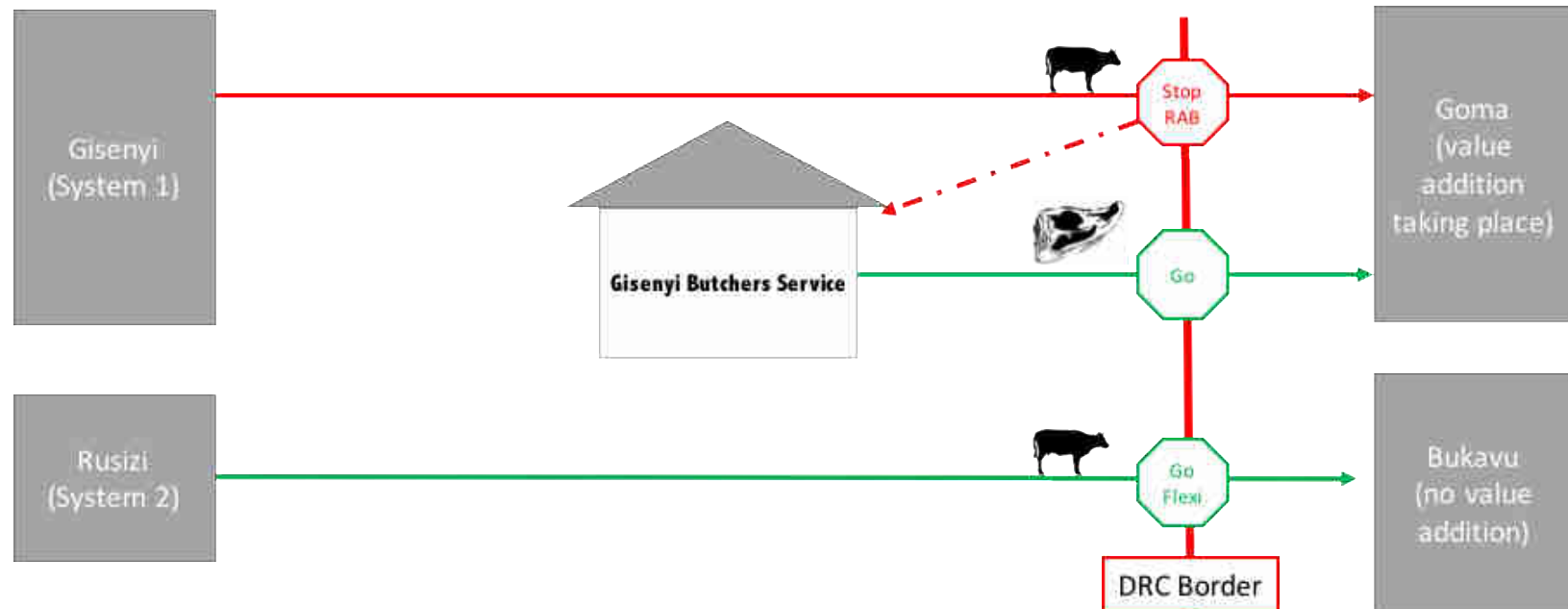
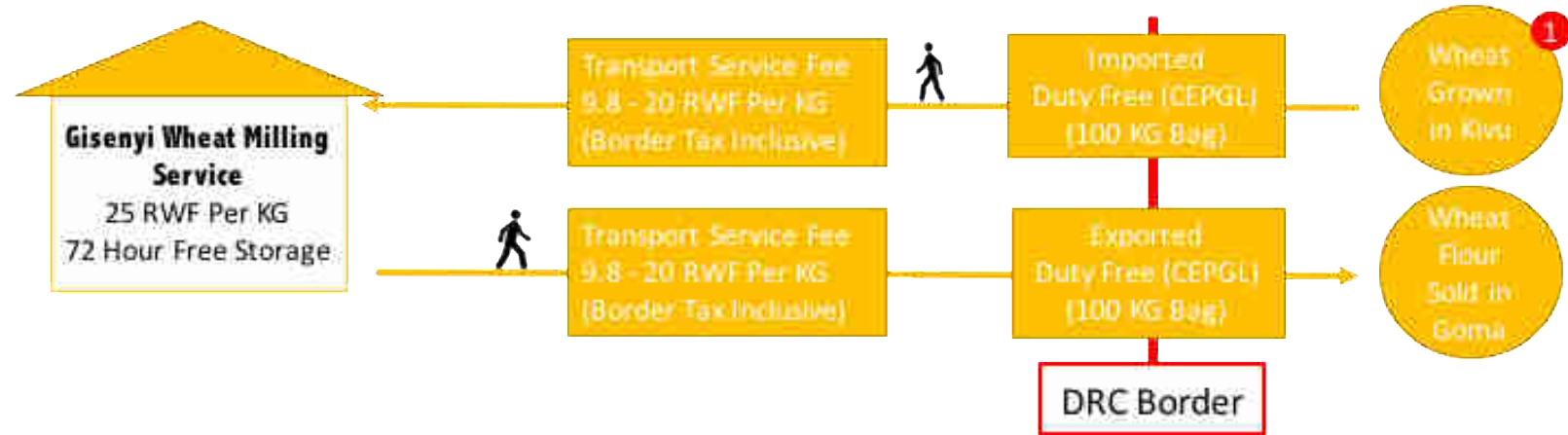
Source: World Bank: 2016

# Retail and Value Added Services – Examples of 3 Eco-Systems

- Mostly observed in agro-processing:
  - Reliable electricity
  - Safety and security
  - Quality



- Link between regulatory framework for goods and services
  - CEPGL / EAC STR critical for value added services
- Synergistic relationship between border managers, district officials and local business
  - Would a decentralised approach to CBTS be more beneficial for growth in the sector



# Transport Services Sector - An elaborate sector responding to specific market challenges and opportunities

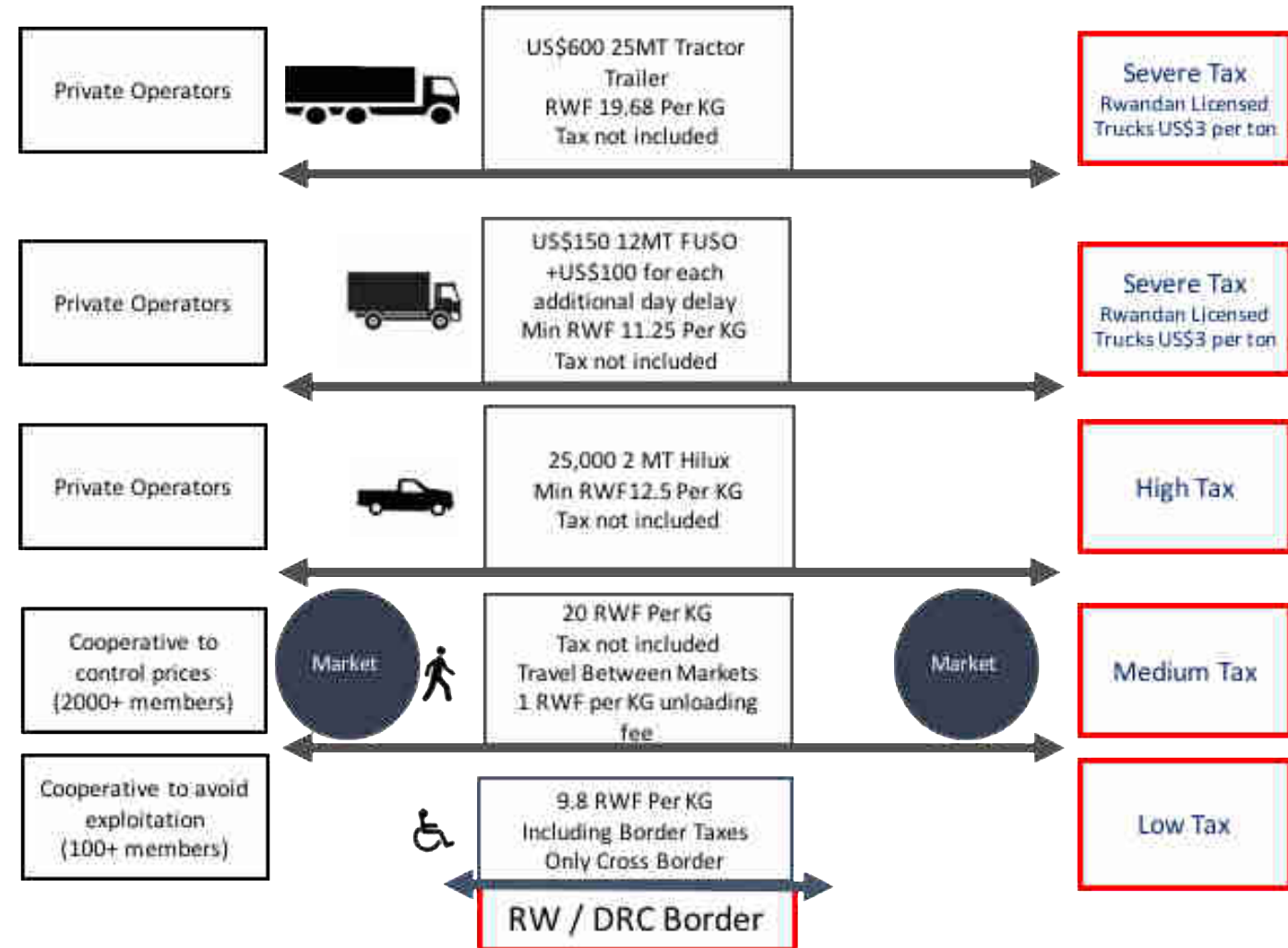
Segmented transport sector designed to meet needs of almost all customers

- Convenience (speed over size)
- Managing risk and uncertainty
- Taxes
- Availability of Finance - Lower levels of working capital may push firms toward smaller transporters

## Challenges – Border as a Barrier

- Congolese registered vehicles entering Rwanda - Rwf 15,000 per entry or US\$ 150 for three month pass;
- Rwandan vehicles need to purchase 14 day permit for unspecified amount to enter DRC and face other adhoc fees on loads moved

Working to resolve constraints on both sides of the border is important for growth in the sector



# Financial sector targeting retail banking services for DRC

## Rwanda's comparative advantage

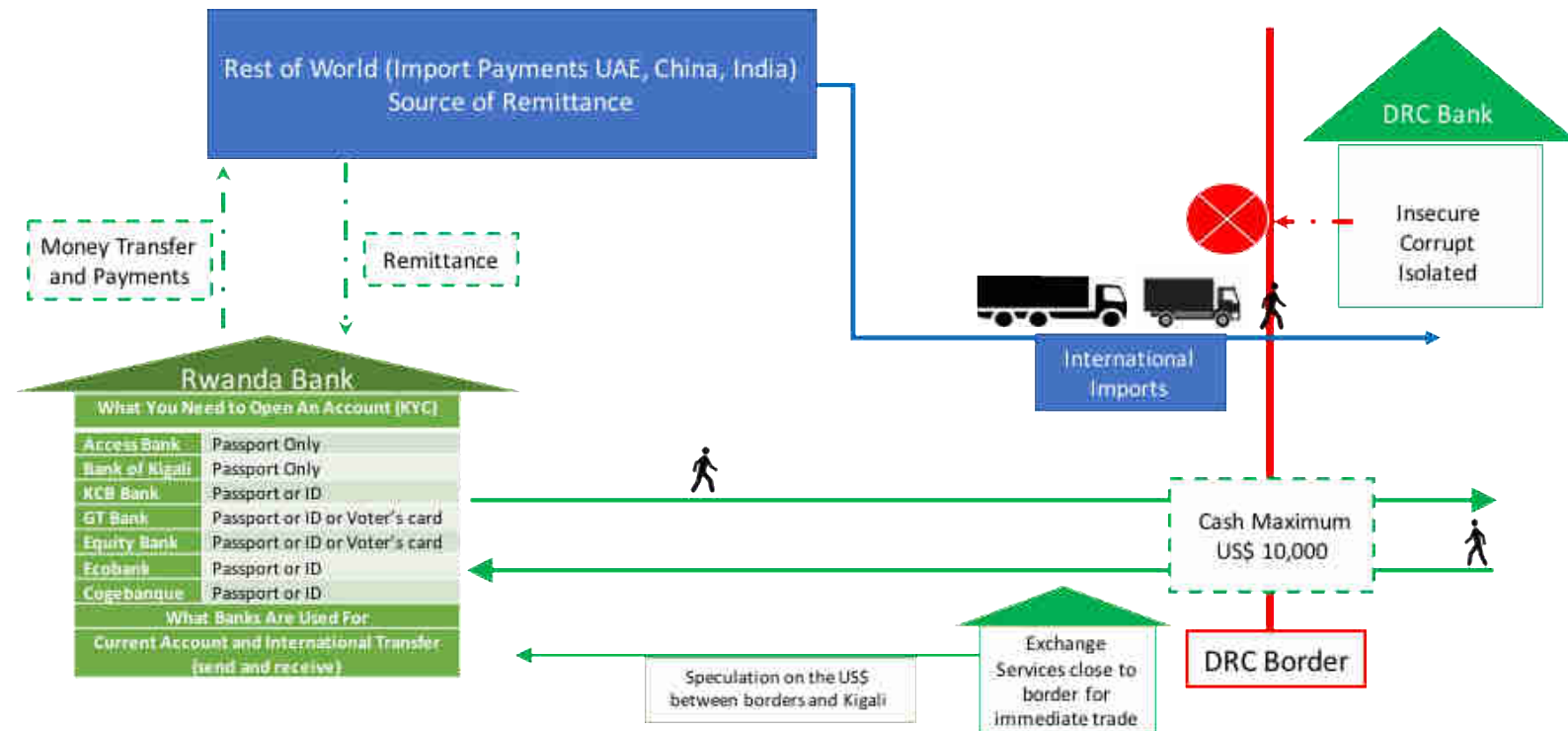
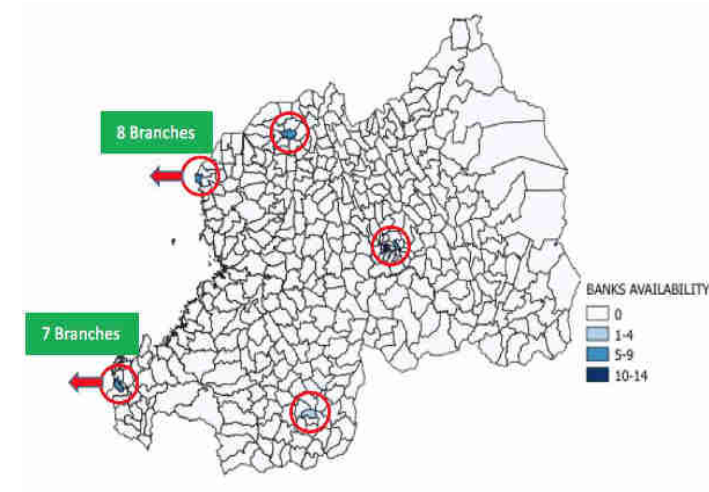
- Strong institutions
- Rule of Law
- Clear regulation

## Challenges

- Know your client and cost of servicing DRC customers
- High entry cost for Congolese into Rwanda – Rwf 15,000 Entry Fee
- Border Opening Times

## Cross-border mobile banking - emerging and exciting new opportunity

- New products require new regulation
- Mobile Banking Internal Interoperability
- Mobile Nano-Loans
- Looking at US\$10,000 -20,000 transactions for business



# Health– Dynamic sector taking advantage of the CBT Opportunity

## Investment Incentives and Recognition of Services as an Export

- Foreigners coming to Rwanda for health services not viewed as export.
- Investors cannot take advantage of investment incentives for exporters

## Targeting Regional Customers:

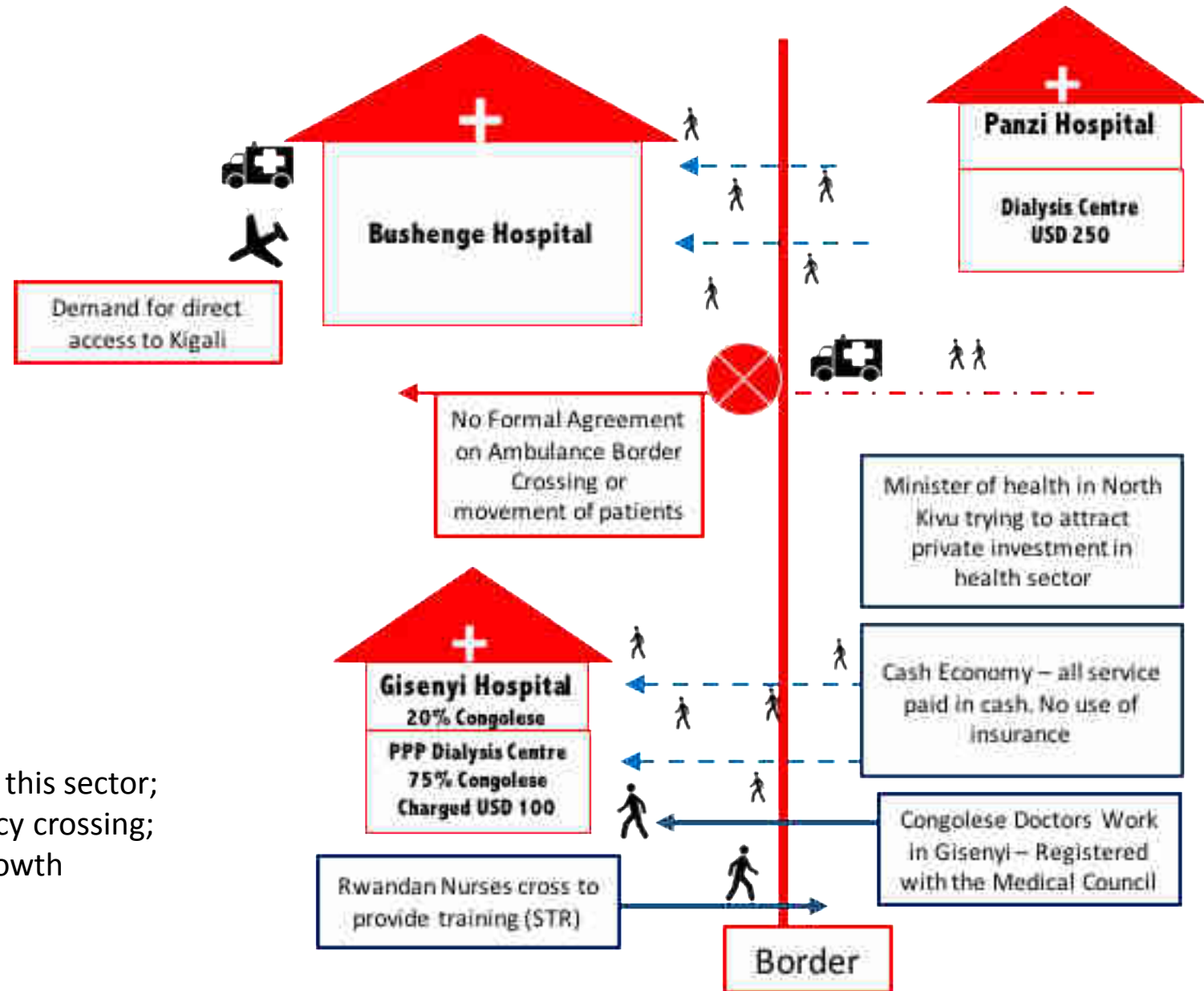
- PPP between hospitals and private investors is one option.

## Foreign Nurses

- Licences renewed annually by Medical Council,–  
**Ensuring Interventions are fair and balanced**

## Potential Cross Cuttings Areas for Further Work

- Visa restrictions pose some risk to future growth in this sector;
- Border opening times and procedures for emergency crossing;
- Regulation to promote investment and promote growth
- Cross-border cooperation between hospitals



# Education Services - Dynamic sector taking advantage of the CBT Opportunity

## Enrollment Requirement

- Academic equivalence certificate issued by Rwanda Education Board

## Mutual recognition of qualifications –

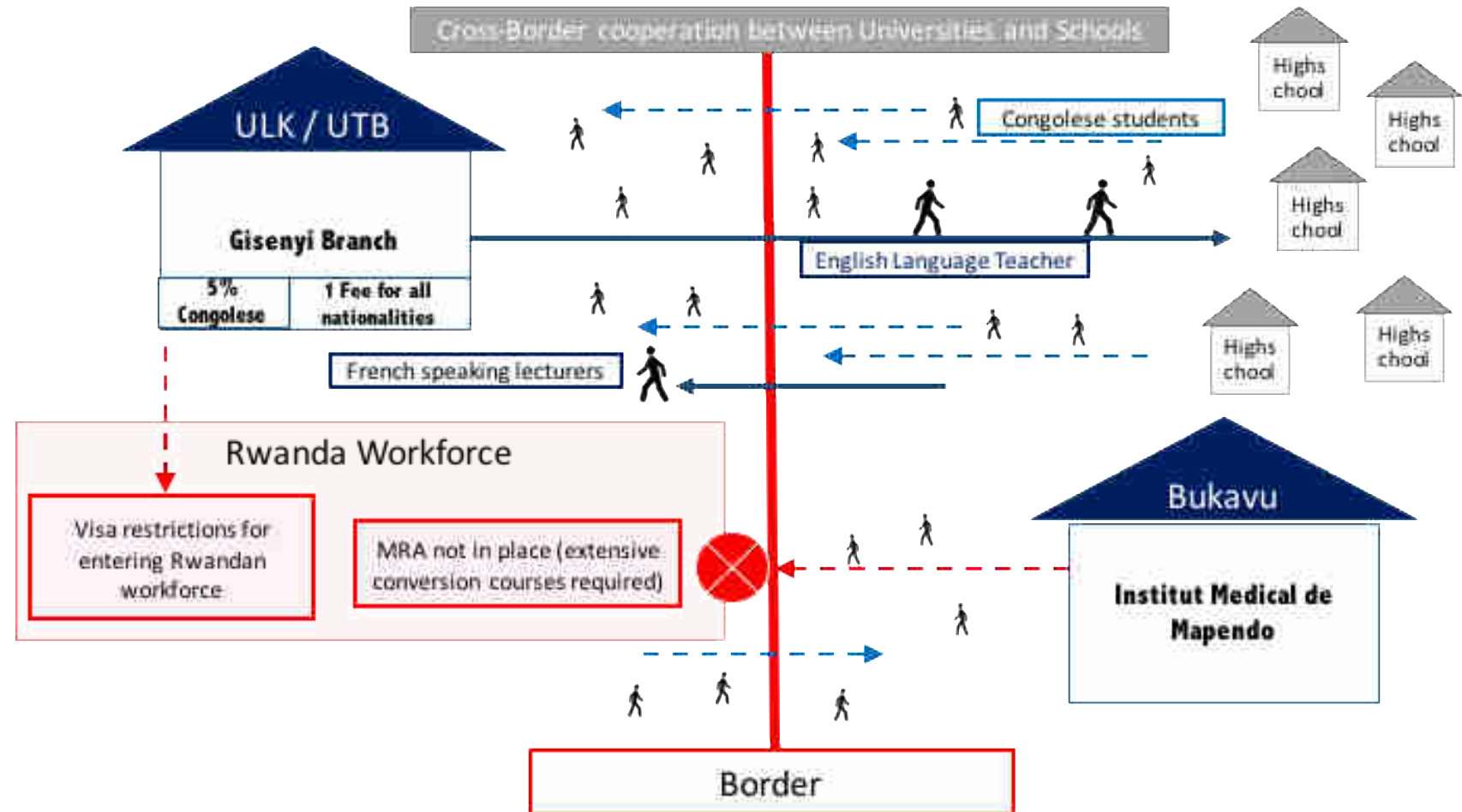
- Lengthy and costly conversion schemes in some instances

## Language as a barrier

- Switch from French to English had big impact on CBT Education both for teachers and students
- Universities offering English language training across 18 high schools in Goma with 1200 students

## Challenge for Internships

- Visa requirements for foreign students prevent them doing internships





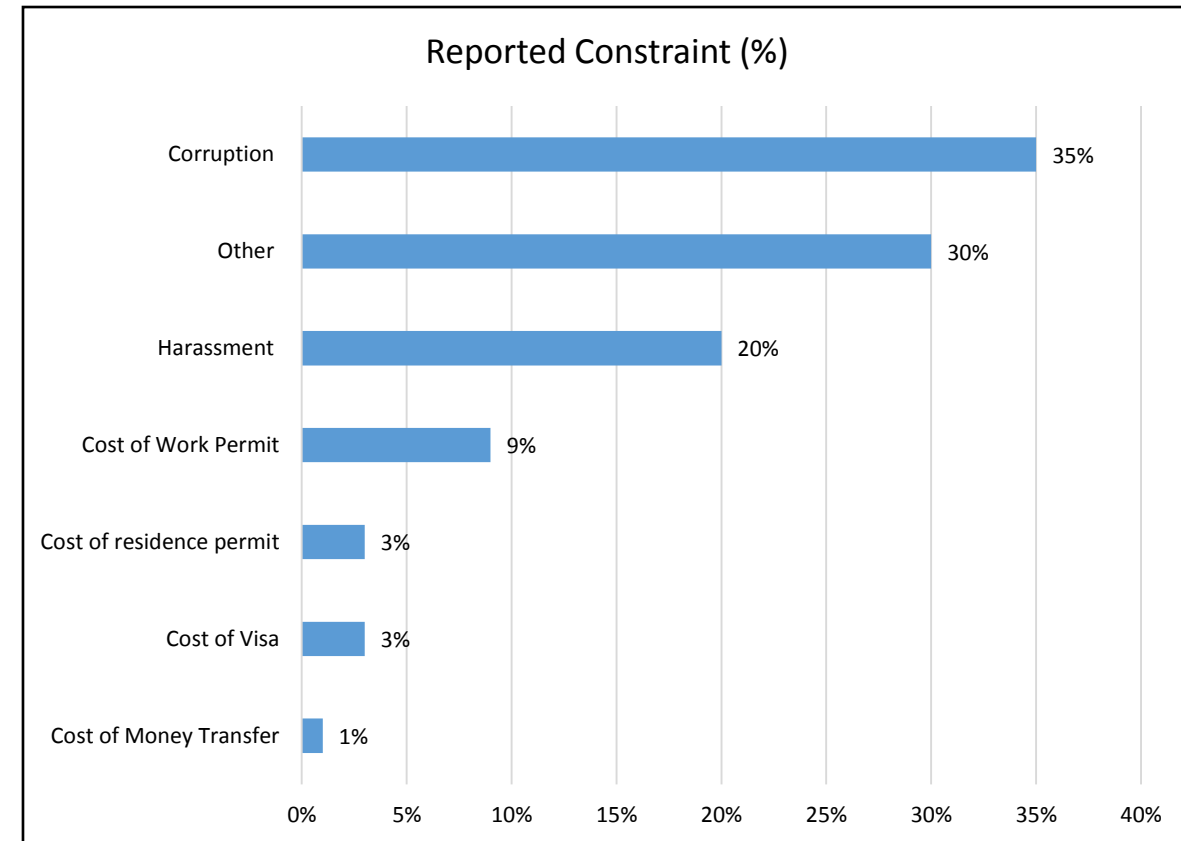
# Why CBTS is different from typical services trade...non-tradable become tradable!

## ***CBT Services is Different- The Non-tradable becomes tradeable***

- Haircuts often considered non-tradable:
  - Face to face interaction – cannot be rendered at a distance;
  - Ubiquity, limited value, Low skill, low-wage;
  - High cost of transporting the supplier;
- Field Interviews: hairdressers come from Congo to work in border towns before moving to Kigali where salaries are higher
- **Other areas include hotels, restaurants and other leisure services**
- **Key Challenges include**
  - Entry fee for Congolese vehicles is reducing demand;
  - Border opening times limit access;

## **Constraints**

- World Bank Survey considered from perspective of consumer crossing the border
- Similar to those for trade in goods



Source: World Bank: 2016

# Conclusions and Recommendations

## Data Collection and Monitoring

No data collected on CBTS but clearly taking place

Necessary to Understand what is happening if support is to be effective

- Buy in and support at the national level
- Identify key data to be collected and methodology for collection
- compiled in an easily accessible

## Regulation and Border Management

### The Border is a Barrier

Physical Barrier  
Language Barrier  
Cost Barrier  
Regulatory Barrier

- Border opening times;
- Vehicle entry fees;
- Equal treatment for Rwandan licensed vehicles;
- Cross-Border agreements on emergency health care;
- Mutual recognition agreements in education;
- Investment incentives and tax treatment
- Inter-operability agreements for cross-border mobile payment;
- Standards and sanitary requirements

## Diversification and Innovation

Much of the Existing Services around the border are driven by the existence of the border.

Rwanda can play to its comparative advantage (standards, quality, regulation)

- Investment promotion and incentives – Health and Education;
- Innovation and diversification - financial tools such as nano-loans and large dollar mobile transfers for business;
- Market Linkages - Promotion of cross-border cooperation between businesses

Thank you