

## Rwanda is betting on innovation and blazing the trail on the African continent

Article written by Lucile Dhuy, Investment Analyst, sub-Saharan Africa, Symbiotics

*This small East African country holds the second spot in sub-Saharan Africa in the World Bank's Doing Business 2018 ranking. It is the economic model to follow for the rest of the continent.*

It is in Kigali that the World Economic Forum held its 2016 Africa meeting under the theme "The Fourth Industrial Revolution". After the first, second and third industrial revolutions were brought forth by steam, then electricity, and then electronics, respectively, today it is the new technologies that are upsetting the world's economic exchanges. Africa has not been left behind.

Rwanda is certainly not the first country anyone thinks of when illustrating the digital transformation boom on the continent. Despite two decades of peace and stability, the country remains in the shadow of the 1994 genocide, which has marked the collective memory. To boot, the smallest country in East Africa is most often eclipsed by its neighbor Kenya, a veritable spearhead of the regional economy and a mobile banking pioneer thanks to M-Pesa, its mobile phone payment system (*pesa* means money in Kiswahili).

### Numerous reforms

Yet the "land of a thousand hills", one of the densest on the continent, holds the ranking of second best business environment in sub-Saharan Africa according to the World Bank's *Doing Business 2018* report, which was published in October 2017. Significantly, Rwanda has equally accomplished the most in terms of reforms that make doing business easier (access to credit, enterprise creation, property transfer, etc.) over the past fifteen years worldwide.

And despite its limited natural resources, the country has made significant economic and social progress: economic growth is sustainable, averaging 8% since 2000 – one of the highest rates on the continent, coupled with a significant decrease in poverty, from 57% to 39% between 2005 and 2013, according to the World Bank. One of the keys to this success has been massive investments, with the help of international donors, in new information and communication technologies.

### Technological leap

Technological innovation is omnipresent. It is found notably in healthcare (e-clinics, the delivery of medicines by drone), municipal services (computerized and accessible online, which is in stark contrast with the heavy-handed bureaucracy encountered in other countries in the region) and access to financial services.

For example, it is no longer necessary to make loan payments in cash in person; Rwandans can now make their payments and transfer money directly via their mobile phones, saving them a great deal of time and money, which is much appreciated by entrepreneurs. This is also having a positive impact on financial inclusion: between 2012 and 2016, the percentage of formally banked adults soared from 42% to 68%, largely thanks to mobile banking, according to Rwanda's FinScope 2016 report.

### **The divide between urban and rural areas**

While the digital transformation is at the heart of the country's modernization, carried along by a young population – 60% of Rwandans are under the age of 25 – and exponential growth in Internet and mobile phone penetration, it should be noted that urban and educated inhabitants are benefiting the most. While Kigali is 100% connected via optical fiber, this is not the case in the rest of the country.

Despite rapid urbanization, the Rwandan population overall remains largely rural and dependent on subsistence agriculture. Access to electricity is also a barrier, as the lower score on this indicator in the *Doing Business* report brings to the fore. In terms of education, while a number of training centers, reputed universities, enterprise incubators and other tech labs have been created recently, it is crucial to bridge the divide in order to ensure quality primary and secondary education for all Rwandans.

Rwanda is surfing the wave of innovation. In order to ensure that the "Rwandan economic miracle" endures, the country will also have to continue to develop essential structural reforms, thus remaining an economic model for the rest of the continent.