Tourism in Africa Series

Creating a new tourism licensing and grading system: **LESSONS FROM RWANDA**

2019

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*Front cover:
African lodge inside Akagera Park,
Rwanda.*

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1818 H Street NW
Washington, DC 20433
Telephone: 202 473 1000
Internet: www.worldbank.org

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This report was written by Hermione Nevill, Lars Grava and Hamidou Sogo, with contributions from Gokhan Akinci, Shaun Mann, Talia Salem and Hans Shrader. It builds from work executed by the Rwanda Development Board, supported by Karisimbi Business Partners through the World Bank Group.

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Executive Summary

The tourism sector in Rwanda is growing rapidly, largely driven by gorilla trekking and the Meetings, Conventions, Incentives and Exhibitions (MICE) segments. The sector has been a national priority since 2000 and is recognized as a key driver of growth in the country's long term development strategy 'Vision 2020'. There had been a gap, however, in the regulation of the tourism sector, which was potentially affecting the attractiveness of the Rwandan market as a tourism destination and reducing the competitiveness of firms providing tourism services. To address this, in 2014 the Government of Rwanda (GoR) began to introduce a new regulatory framework, which would license and grade tourism suppliers. It was the GoR's intention to raise the quality of tourism supply (from tourism entities like hotels and restaurants) in line with international standards, contributing to increased market access opportunities and ultimately stimulate growth in the sector.

The World Bank Group (WBG), through the International Finance Corporation (IFC) Advisory Services, provided technical assistance in Rwanda over three years to support the creation of a new tourism regulatory agency, operationalize two new regulations, and license over 400 tourism entities under challenging time and resource constraints.

In working with the Government of Rwanda and other stakeholders, IFC learned several lessons that may be useful to other practitioners who are considering:

1. How to create and develop a regulatory regime from scratch to respond to a specific regulatory gap;
2. How to place an emphasis on implementation beyond pure policy work; and
3. How to be flexible and innovative to make the system as efficient as possible under time and resource constraints.

This note sets out what was achieved, how it was achieved, and what was learned in the process. Together with material on global best practices, it is designed to provide a practical case study and share implementation insight for practitioners and government officials working in the fields of tourism and business regulation.

The first section explores the design of the new regulatory framework for tourism—namely licensing and grading. Rwanda had no preceding regulatory framework for the tourism sector, so there was effectively a blank slate. This presented an opportunity to put in place a modern and contextually appropriate regulatory framework without any legacy issues from previous frameworks. However, it also presented a challenge in terms of institutional capacity and experience. Second, the GoR passed the Tourism Law in 2014 (prior to IFC involvement) and had subsequently developed draft Licensing and Grading Ministerial Orders (regulations) by the time the program started. The challenge for the team was to ensure that the draft legal framework was in line with international best practice and targeted towards achieving the government's objectives, before beginning implementation.

The second section explores the implementation of the licensing and grading regulatory framework. The chapter reviews the formation and training of the newly mandated regulatory agency, establishing interagency roles and coordination in practice, the development of licensing and grading processes, supporting materials, communication and outreach to the private sector, and full operationalization of a new system.

The third section examines maximizing the efficiency of the day-to-day management of the licensing and grading system. The Rwanda Development Board (RDB), the institution mandated to regulate the tourism sector, needed to determine to what extent the newly operational regime was fulfilling its purpose. The team needed to identify metrics to see whether the private sector was supportive of the regime, whether they believed it was good for the industry and could lead to growth in the future, and whether it was being efficiently implemented. The RDB had ambitious targets to meet in terms of numbers of tourism entities that needed to be licensed, a very small staff and a fledgling system. It became apparent from the baseline that the targets were unlikely to be met and that adjustments needed to be made to manage the system more efficiently. The project supported the RDB to maximize its efficiency and effectiveness by providing advice on staffing, targeting and adopting realistic performance measurements.

The program achieved good results: at the project close in 2018 the private sector was satisfied with both the premise for regulation and its implementation—and 433 entities were licensed and 106 graded.

Through this work, the team came away with several key learnings:

Designing a regulatory framework

1. Regulatory quality is best initiated through analysis using good design principles.
2. Implementation may move ahead without a perfect regulatory framework, so long as it is adequate, weaknesses are recognized, and mitigation measures (like pilots or review periods for stock-taking) are built in.
3. New regulators may be hesitant to explore 'new' regulatory methods like voluntary compliance or risk-based regulation.
4. Complementary technical expertise enriches the analysis and reform recommendations.

Implementation of the framework

1. With limited resources, it is necessary to prioritize certain tourism entities and sequence regulatory enforcement.
2. Interagency coordination is very important and support and trust should be built from the outset.
3. Embedding technical support with the regulator is effective.
4. Sensitization is important but communicating sanctions to tourism entities is equally effective in encouraging applications.
5. It is important to implement technology with sustainability in mind.
6. Technology challenges may delay application submission and processing.
7. For any technology implementation, the regulator's IT department must be engaged from the outset.

Managing to maximize efficiency

1. Being able to tangibly demonstrate inefficiencies, delay and cost implications derived from weaknesses in the regulatory framework gets management attention.
2. A workload calculator to model operating scenarios was a cheap and effective management tool.
3. Building a central database of data on tourism entities would increase long-term operational efficiency.

The program achieved good results: at the project close in 2018 the private sector was satisfied with both the premise for regulation and its implementation—and 433 entities were licensed and 106 graded.

Introduction

The tourism sector has been identified as a priority sector to achieve Rwanda's development goals as set out in Vision 2020.¹ Starting from a low base, the contribution of tourism to GDP grew from 5.2 to 5.7 percent between 2017 and 2018, and is set to continue this trajectory, reaching 6.1 percent per annum 2018-2028.²

Figure 1: Rwanda Visitor Exports and Visitor Arrivals over time

Source: World Travel and Tourism Council³

In 2014 the government initiated formal regulation of the growing sector for the first time, and subsequently requested the support of the World Bank Group (WBG). The International Finance Corporation (IFC) Advisory Services provided technical assistance over three years to support the creation of a new regulatory agency within the Rwanda Development Board (RDB), operationalize two new regulations, and license over 400 tourism entities under challenging time and resource constraints.

This document sets out what was achieved, how it was achieved, and what was learned in the process. Together with material on global good practices, it is designed to provide a case study and share implementation insight for practitioners in the field of tourism regulation.

The tourism sector has been a national priority for economic development in Rwanda for the last two decades.

¹ Vision 2020 is a government development program in Rwanda, launched in 2000 by President Paul Kagame.

² World Travel and Tourism Council (WTTC). (2018) *Travel and Tourism Economic Impact: Rwanda*.

³ World Travel and Tourism Council (WTTC). (2018) *Travel and Tourism Economic Impact: Rwanda*.

Background

CONTEXT

The tourism sector in Rwanda is growing quickly, though it is starting from a low base. The core products driving tourism growth are the gorilla trekking experience in the Virunga National Park, and the Meetings, Incentives, Conference, and Exhibitions (MICE) market segment in Kigali, Rwanda's capital city. Tourism has been a national priority since 2000 and is included as a key driver of economic growth in Vision 2020. The World Economic Forum ranked the country's growth at number 18 out of 185 countries and predicted a rise to 8th place in the longer term (2018–2028). In 2016, leisure visitors comprised 48.4 percent of total tourism spend, while business visitors accounted for 51.6 percent.⁴ East African Community (EAC)⁵ travelers were found to have generated the highest revenue at 25 percent followed by Europeans at 22 percent.⁶

This growth, welcomed by the government, had so far been unregulated. While all businesses were required to obtain an operating license, there were no sector-specific requirements for tourism entities. This contrasted with neighboring countries in the EAC where tourism licenses, permits, levies, grading standards and other regulations had been in place for some time. While EAC standards themselves required updating, the lack of any formal quality requirements in Rwanda put businesses at a competitive disadvantage, especially in the context of buyers such as regional tour operators who need to provide tourists with product consistency across markets, especially since tours can often include multiple countries in East Africa.

In 2014, the Government of Rwanda (GoR) introduced a new regulatory framework. It was their intention to raise standards of supply (tourism entities) and stimulate more growth in the sector to create jobs. While there was already rapid growth in the sector in Rwanda, it is considered a mark of global competitiveness to ensure the tourism industry complies with industry minimum standards.

“We want to improve standards of service through proper regulation and monitoring. This will lead to more tourists and therefore more jobs.”

- EMMANUEL HATEGEKA, CHIEF OPERATING OFFICER, RWANDA DEVELOPMENT BOARD (RDB)

In terms of good practice, there are several advantages to formal regulation. Firstly, regulating suppliers helps to protect consumers. The consumer protection legal framework is often complex, but licensing businesses that provide services directly to consumers is one way to help to reduce fraudulent or dangerous practices that put consumers at risk. De-risking these businesses and ensuring they adhere to minimum standards by law provides increased market access to buyers—notably foreign tour operators—who are often legally required in their own countries (and insurance policies) to only conduct business with licensed suppliers. Thirdly, licensing (compliance to minimum standards) and grading (quality benchmark systems) collectively serve to increase the overall quality of supply in a destination and eliminate unfair competition from suppliers who do not invest in raising standards. This can help to increase the overall competitiveness and reputation of a destination, or at least put it on a par with its neighbors (for example, Kenya). Lastly, there is evidence to suggest that improving business standards can help to improve conditions for staff and increase competition between workplaces to attract and retain workers.

In most destinations in 2019, quality control by the market works alongside formal regulations. Indeed, hotel grading (or classification) is only obligatory in two of the top five major tourist destinations in the world. In France, the United States, Germany, and the United Kingdom, hotel grading is completely voluntary. Many of the benefits mentioned above can also be derived from non-regulatory mechanisms, such as voluntary or industry-led schemes, awards, certification from recognized labels like The Automobile Association (AA), Fair Trade Tourism, Rainforest Alliance,

⁴ The Republic of Rwanda & The National Institute of Statistics of Rwanda. (2017) *Statistical Yearbook 2017*. Retrieved from <http://www.statistics.gov.rw/publication/statistical-yearbook-2017>

⁵ East African Community is made up of the Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania and the Republic of Uganda.

⁶ Rwanda Development Board (RDB) (2017) *2017 Annual Report*. Retrieved from <http://rdb.rw/wp-content/uploads/2018/08/RDB-Annual-Report-2017-Final.pdf>

Slow Food, and user-generated content (UGC).⁷ UGC is created by the travelers themselves and it is aggregated and published on digital platforms such as Yelp or TripAdvisor, allowing these reviews to be viewed by future travel consumers all over the world. This phenomenon is arguably replacing the need for formal grading of tourism entities. It is just as common now to see the TripAdvisor 'Certificate of Excellence' displayed prominently on the door of an establishment as it used to be to see the number of national grading stars. Consumers are increasingly verifying quality, as well as availability of facilities/amenities based on previous guest reviews rather than the destination's own system of stars, but such platforms are unlikely to replace the need for licensing.

Some form of licensing (that includes health and safety inspections) will likely remain a requirement for intermediate buyers who need to guarantee a set of minimum standards to their clients and protect themselves from potential litigation. In many countries these minimum requirements are not part of tourism legislation, but form part of existing construction, health or safety permitting.

Plaque outside a German hotel promoting their star rating.

WBG SUPPORT

The GoR requested assistance from the WBG to operationalize a new tourism regulatory regime.

The Tourism Law⁸ was passed in 2014 mandating the Rwanda Development Board (RDB) to regulate the tourism sector, and subsequently two Ministerial Orders were drafted to specifically regulate tourism licensing and grading. At the GoR's request, IFC began a program of technical assistance to streamline and implement the new tourism regulatory instruments over the course of three years.

IFC put together two implementation teams composed of experts across the World Bank Group. The first team was comprised of a Global Tourism specialist and a Business Regulations specialist, who worked closely with a third-party implementation partner (consulting firm) on the ground. A second team comprised of Information Communication Technology specialists supported automation of the work produced by the first team. These two teams coordinated, but worked independently to support the RDB.

Figure 2: Tourism Regulation Project Teams

During the course of the program the team achieved good results. At the end of the three years of support, Rwanda had a newly regulated tourism sector, the RDB was fulfilling its mandate and operating a fully functional and automated licensing and grading system, and improvements in efficiency were being made on an ongoing basis. At the close of the program in 2018, the private sector was satisfied with both the premise for regulation and its implementation—and 433 entities were licensed and 106 graded.

⁷ Salem, Talia; Twining-Ward, Louise D. 2018. *The Voice of Travelers: Leveraging User-Generated Content for Tourism Development 2018 (English)*. Washington, D.C.: World Bank Group. Retrieved from <http://documents.worldbank.org/curated/en/656581537536830430/The-Voice-of-Travelers-Leveraging-User-Generated-Content-for-Tourism-Development-2018>

⁸ LAW No 12ter/2014 OF 19/05/2014 REGULATING THE TOURISM INDUSTRY IN RWANDA

MAIN OUTPUTS

POLICY AND OPERATIONAL REVIEW

STAFFING RECOMMENDATIONS
(INCLUDING JOB DESCRIPTIONS)

TRAINING AND 'BESPOKE' EXAMINING STAFF
AND 10 INSPECTORS

10 STANDARD OPERATING PROCEDURES (SOPS)
PLUS TEMPLATES, CHECKLISTS, ETC.

TRAINING MANUAL ON SOPS

COMMS PLAN DEVELOPED AND REACHED 500 ENTITIES
(PLUS PRESENTATIONS, TOOLS, PRESS RELEASES)

WORKLOAD CALCULATOR

M&E SYSTEM

AUTOMATED ONLINE PLATFORM

MAIN OUTCOMES

433 ENTITIES LICENSED

106 ENTITIES GRADED

FULLY OPERATIONAL NEW SYSTEM IN PLACE

PRIVATE SECTOR SATISFIED WITH PREMISE FOR
REGULATION (AVG. FEEDBACK RATING 4.5/5)

SATISFIED WITH PROCESS FOR REGULATION (AVG. FEEDBACK
RATING 4.5/5)

HOW TO USE THIS DOCUMENT

The document has been written for colleagues, government agencies and other practitioners of regulatory reform in tourism. It was produced to share the experience of doing such work in Rwanda, and to present best practices where applicable. It may be useful for three reasons:

1. It was a regulatory regime implemented from scratch as opposed to a reform process;
2. The emphasis was on practical implementation rather than policy work; and
3. The team had to be flexible and innovative to make the system as efficient as possible under resource constraints.

Material has been organized into the following three sections:

Section 1

Framework: Identifying the challenge and designing a new regulatory system

- How did the team design the policy, regulations and other legal instruments?

Section 2

Operations: Implementing the new system

- How were these instruments translated into operations and put into practice?

Section 3

Management: Maximizing the efficiency of the system

- Once in practice, how is the system managed and improved on an ongoing basis?

Each section presents:

A) THE REAL RWANDA-SPECIFIC CHALLENGES

B) GOOD INTERNATIONAL PRACTICES FOR ADDRESSING CHALLENGES

C) INTERVENTIONS THAT WERE DEPLOYED IN RWANDA

D) LESSONS LEARNED BY THE TEAM

1. Framework: Identifying the challenge and designing a new regulatory system

This section explores the design of the new licensing and grading framework for tourism. It focuses on the legal instruments (laws and regulations) and the requirements developed, with the objective of providing a competitive enabling environment for the private sector. The next section will look at the implementation of the framework.

a) THE CASE OF RWANDA: WHAT WAS THE CHALLENGE IN DESIGN?

With no preceding regulatory framework for the sector, there was effectively a blank slate in Rwanda. This presented an opportunity to put in place a modern and contextually appropriate regulatory framework without any legacy issues from previous frameworks, but also presented a challenge in terms of institutional capacity and experience.

The GoR passed the Tourism Law in 2014 (prior to WBG involvement) and had already developed draft Licensing and Grading Ministerial Orders (regulations) by the time the program started. The challenge for the team was to ensure that the draft framework was competitive and in line with international good practice, before beginning the process to implement it.

b) GLOBAL BEST PRACTICE FOR FRAMEWORK DESIGN

Principles of good regulatory practices

The concept of regulation encompasses the full spectrum of how government ensures compliance with public policy objectives. This includes legal instruments like primary legislation (laws) and secondary legislation (regulations), as well as institutions, their interrelationships, the quality of policymaking, the effectiveness of decision making, the use of mechanisms to solicit inputs from the private sector, and the use of non-regulatory instruments like codes of conduct. In designing its support, the team used principles of good regulatory design and implementation based on OECD guidelines and World Bank Group experience globally. For effective regulatory reforms, it is important to ensure that:

- Regulation is a proportionate response to the identified problem and is the minimum required to achieve objectives, with minimum compliance burdens;
- Regulation is effective in resolving identified problems;
- New regulation is consistent with other existing regulations;
- Regulation is flexible and not unduly prescriptive, and is continuously updated and improved;
- Regulation is transparent and accessible (including being understandable and effectively communicated to stakeholders by government);
- Regulatory processes promote a culture of openness and accountability, including responsiveness to stakeholder inputs;
- Regulation respects legal and constitutional requirements; and
- Regulation is appropriately targeted and enforceable.

To regulate or not to regulate?

This question typically arises in response to an identified challenge or problem in the market where regulation may be one proposed solution. It is considered good practice for government authorities to first conduct a Regulatory Impact Assessment (RIA) to determine the benefits and costs of new regulation, relying on expert opinion and inputs from businesses. When preparing a RIA or any other impact assessment, the first question that needs to be asked is: “What would happen if nothing was done? Is regulation necessary? How much regulation?”

If it is determined that there is an appropriate public policy objective—for example, in order to create a more level playing field, or improve the tourism brand—regulating the tourism sector could be an appropriate solution. In this case the regulation should be done in the lightest manner possible, in line with the principles described in the previous box: *“Regulation is a proportionate response to the identified problem and is the minimum required to achieve objectives, with minimum compliance burdens.”* It may be, for example, that non-regulatory instruments could just as effectively deal with the challenge that was identified in the market. If it is determined that regulation is the best option to address the challenge, good design becomes imperative.

Designing a regulation

Regulatory design is the first part of implementing a new regulatory system or revising an existing one. In designing regulation, clarity of concepts and language is crucial. This plays

a significant role in ensuring compliance and helping businesses to understand exactly what they are required to do. Furthermore, good practice in tourism suggests that new or amended regulations are announced well beforehand (for example, one year) so that businesses have a chance to comply with requirements and can factor in any additional costs to their pricing and sales structures. This is especially important in the tourism sector where packages are often sold to consumers many months in advance of their visit.

Mandatory versus voluntary frameworks

Many countries do not have tourism licenses or grading frameworks at all. Others have mandatory minimum standards requirements, coupled with voluntary quality classification, depending on the challenge the regulation is trying to address. The table below compares grading (classification) requirements in several of the world’s top tourism destinations:

Figure 3: Hotel Classification Schemes

	GERMANY	UNITED KINGDOM	ITALY	FRANCE	UNITED STATES	GREECE
REGULATORY BODY	HOTELSTARS UNION	THE AA AND NATIONAL TOURISM BOARD	REGIONAL GOVERNMENTS (WITH NATIONAL MINIMUM REQUIREMENTS)	PRIVATE CONSULTANCIES (REGULATED)	INDEPENDENT GROUPS (AAA)	GOVERNMENT
MANDATORY OR VOLUNTARY	VOLUNTARY	VOLUNTARY	MANDATORY	VOLUNTARY	VOLUNTARY	MANDATORY

In comparing these top tourism destinations, three major types of grading regulation emerge:

1. Regulation based on mandatory minimum requirements by category: This is the most rigid form of grading. In these cases, legislation very precisely describes the exact characteristics and minimum requirements that establishments in each star category must have. Spain and Italy follow this model, and accommodation is inspected and enforced by the public sector.
2. Regulation that combines minimum requirements by category with points for optional facilities and services: This approach guarantees minimum standards at establishments and also recognizes differences in the added value offered by different accommodations through their facilities and services (for example, room service or a swimming pool), but these don’t need to be the same in all cases. Used in France and Germany, this model means accommodations are categorized by inspectors or auditors.
3. Regulation that combines minimum requirements by category with minimum quality requirements: A minimum level of facilities and services (in accordance with the category granted) is ensured, but the overall number of these services isn’t as important as their quality. Establishments are visited by consultants (for example, mystery shoppers) who not only rate various aspects of the hotel, but also give advice to management on how to improve facilities and services and obtain a higher rating. The UK and US are examples of markets that use this model.

CASE STUDY

The United Kingdom's voluntary grading system

The UK's rating system comprises a set of Common Quality Standards which were developed in 2006 with all the major tourist boards. These standards and rating categories are now applied throughout the British Isles, comprising annual inspections and assessment across nine areas. The areas are hospitality, service, bedrooms, bathrooms, cleanliness, food, the hotel exterior, public areas, and dining rooms or restaurants. Hotels, guest accommodation, self-catering and serviced accommodation are given star ratings, while caravan, camping and glamping sites are given pennant ratings. Stars are offered by the Automobile Association (AA), Visit Britain and its partner bodies, Visit Scotland and Visit Wales. For full accreditation, hotels must annually undergo an overnight inspection and pay a fee of around US\$700 (for a one-star hotel) and US\$2,400 (for a five-star hotel).⁹ Out of the many thousands of restaurants in the UK, the AA identifies over 2,000 as the best by awarding them Rosettes for culinary excellence. The Rosette is an award rather than a classification, and they are awarded annually on a rising scale of one to five.

UK HOTEL STAR RATINGS

1 star: Courteous staff provide an informal yet competent service. All rooms are en suite or have private facilities. A designated eating area serves breakfast daily and dinner most evenings.

2 stars: A restaurant or dining room serves breakfast daily and dinner most evenings.

3 stars: Staff are smartly and professionally presented. The restaurant or dining room is open to residents and non-residents.

4 stars: Professional, uniformed staff respond to your needs or requests. Well-appointed public areas. The restaurant or dining room is open to residents and non-residents. Lunch is available in a designated eating area.

5 stars: Luxurious accommodation and public areas. A range of extra facilities and a multilingual service available. Guests are greeted at the hotel entrance. High-quality menu and wine list.

Source: The Automobile Association, 2018

Is there a difference between standards and quality?

Standards, or 'minimum standards' typically refer to the minimum requirements a business should meet to be allowed to operate. In practice this refers to health, safety, hygiene and other measures that afford consumers (and employees) basic protection and prohibit bad practices from tarnishing the reputation of the industry. These are typically set by government. Quality, on the other hand, has traditionally been measured by physical features (for example, number of facilities, or size of bathrooms) with different bands of quality reflected in the numbers of stars awarded to a business. Regulation on quality has largely evolved, however, because the guest experience and appreciation of quality is recognized as being diverse, subjective and increasingly about the overall 'experience' and level of service rather than just facilities.

Regulatory authorities

It is common practice for the Ministry of Tourism to regulate the tourism sector, for example setting sector policy, standards, licenses, levies or concessions. This typically means they are responsible for developing and enforcing regulations. In some cases, the inspection and maintenance of records is carried out by semi-autonomous agencies, such as national tourism organizations or tourism boards, or centralized regulatory bodies. In much of the developed world, it has become highly decentralized with regional centers or even municipalities taking on the inspections and general enforcement function, while the development of the framework is still maintained at the central level. In voluntary systems, it is common for trade and private sector associations to carry out inspections, adhering to common standards set at the national level.

Determining entities subject to regulation

It may not be realistic to expect that all tourism entities, including products like community homestays, can comply with all requirements that are designed for larger operations. There should be a differentiated approach in regulation, based on the level of risk that the tourism entity or activity poses. For lower risk entities and activities, requirements may be fewer, different, less costly, or processed in a faster time. At the same time, there should be a common objective of formalizing all entities operating in the tourism sector and ensuring safety. Entities that are subject to regulation, or to variations of regulation, should be clearly defined in the regulations with expansion on definitions or eligibility described in accompanying guidelines if necessary.

⁹ The Automobile Association (n.d.) 'AA Hotel and Hospitality Services: Ratings and awards.' Retrieved from <http://www.theaa.com/hotel-services/ratings-and-awards>

Setting fees

Regulation and managing the processes and paperwork behind the regulatory system comes at a cost. It is considered good practice to set fees (shouldered by the entities to be regulated) that cover such administrative costs. Fees should not go beyond cost covering or ever be seen as a means of generating revenue for government or other entities. In cases where this happens over-regulation tends to become a problem, which results in associated rent-seeking and conflict between different institutions.

c) WHAT DID WE DO IN RWANDA TO DESIGN THE LEGAL FRAMEWORK?

While the Tourism Law had already been passed in 2014 and the Licensing and Grading Ministerial Orders were still in draft form, the team provided a comprehensive technical review of the new law and the regulations, based on the regulatory principles described on Page 14. The team provided recommendations and amended legal text to the GoR for improving the framework. Out of 69 total articles, the team recommended 26 articles for revision and designated six as 'high importance'. The final output of this effort was a Policy and Operational Review submitted to the RDB.

In general terms, the review found the legal framework to be adequate for the introduction of licensing and grading regimes, but not competitive in the following areas:

- I. **Unclear language, terminology and classifications:** The regulator had little experience drafting legislation and as a result some of the language in the Tourism Law and Ministerial Orders lacked clarity and consistency. For example, there was no definition of the following terms; restaurant, bar, night club, tour operator, travel agent or tour guide, despite the requirement for these entities be licensed. Similarly, the term 'grounds for cancellation' [of license] was used several times, without specifying how this would be determined.
- II. **Onerous requirements:** In some cases, there were conditions in the regulations, which placed too great a burden on the private sector. For example, one article requires a business to auction off tourist's lost property if it was not returned—hosting an auction would be an undue burden for a small business. Many of these mandatory requirements are particularly onerous for smaller businesses, and there was no differentiation of requirements based on risk or size of enterprise.

- III. **Alignment with outdated EAC framework:** The Ministerial Orders were largely based on EAC quality standards. While it is considered good practice to align national standards or requirements to those of larger economic blocs in order to have access to other markets, in this case the EAC framework itself was relatively outdated. For example, sustainability measures such as the provision of disabled access are commonplace requirements in the world's more competitive destinations, but have not yet been included in the EAC framework.

The GoR had set ambitious targets for licensing tourism entities in the country and decided not to revise the legal framework before implementation to avoid delays. In the face of this decision, IFC agreed to support implementation of the existing legal framework with two provisions (explained in the following section).

The first was the development of Interpretation Guidelines for Tourism Entities with definitions, checklists, a self-evaluation, a hotline, and answers to frequently asked questions (FAQs). These resources complemented the Ministerial Orders and were effective at simplifying both compliance and enforcement. A survey conducted six months prior to program closure showed that 90 percent of entities were satisfied with the service provided by the RDB in clarifying areas of confusion.

The second provision was the agreement to pilot the licensing process with a pre-targeted group of larger, established tourism entities and take stock after six months to review its effectiveness and implications for amending the legal framework.

d) WHAT DID WE LEARN ABOUT DESIGN?

1. **Regulatory quality is important.** A deep analysis of the regulatory provisions helped identify gaps and inconsistencies in the law to guide the reforms needed. Using good principles of regulation, it was possible to compare the provisions in Rwanda against international practices. It was also important to recognize which reforms could be more easily achieved (for example, procedural changes), and which would need to be implemented over a longer term (for example, legal amendments).
2. **Don't let the perfect be the enemy of the good.** The desire to have an ideal legal framework should not paralyze the efforts to get results. The legal framework and concept of industry regulations was new for the country, and the regulator lacked experience and capacity in the framework design. At the same time, there was internal pressure for the regulator to meet rollout targets, and the team learned that in such a contest between taking time to develop the 'perfect' framework and moving ahead with an 'adequate' framework—the latter became more important. The team stayed flexible to accommodate the needs of the regulator, but built in provisions to take stock of the status and modify the risks this entailed—notably a progress review after six months of implementation to assess implications for the legal framework and for regulated businesses.
3. **Regulators in a new field like tourism may be hesitant to explore new regulatory methods like voluntary compliance or risk-based regulation in designing implementation.** Regulatory design needs to be recognized and treated as an incremental process, accepting that regulators may use established control methods at first, but reformers should keep in sight a more flexible regulatory regime. It has been recognized that 'agile regulation' is the future of fast-growing economies.
4. **Find the right experts.** Different complementary perspectives enrich the analysis and reform recommendations. The team was composed of tourism sector and business regulation experts, as well as local management consulting expertise. This made it possible to provide experiences from complementary fields when designing the regulatory framework.

A deep analysis of the regulatory provisions helped identify gaps and inconsistencies in the law to guide the reforms needed.

2. Operations: Implementing the new system

This section explores the implementation of the licensing and grading regulatory framework. It includes the formation and training of the newly mandated regulatory agency at the RDB, establishing interagency roles and coordination in practice, the development of licensing and grading processes, supporting materials, communication and outreach to the private sector and full operationalization of a new system—starting with a pilot. The final section will look at the longer-term management of this system, with a focus on improving efficiencies.

a) THE CASE OF RWANDA: WHAT WAS THE CHALLENGE IN IMPLEMENTATION?

The RDB was mandated by the Tourism Law to take on the new role as tourism regulator. This meant that an entirely new department needed to be created and that capacity and experience would need to be built from scratch. Some parallel regulatory functions that impacted the tourism sector, however, did already exist across a few institutions. These included health and safety, fire and police checks, which were executed by the Rwanda National Police (RNP) and the Ministry of Health (MINISANTE), as well as an inter-ministerial quality spot-check system (usually mobilized around strategic national events or conferences) and a consumer protection and quality assurance team at the RDB. The first challenge for the team was to set up a new department at the RDB and ensure that all parallel inspections or regulatory processes could be streamlined and coordinated to reduce the burden on the private sector.

The second challenge was the lack of an administrative framework. The regulations may have been in place, but there were no defined systems or processes through which to implement them. The team needed to develop tools, systems and processes to interpret and operationalize every requirement in the legal framework. This included a sanctions or penalties system for failure to comply.

It was also the first time that the private sector would be introduced to the mandatory requirements of licensing and grading. While earlier consultations on the legal framework appeared to show support for the concept, wider sensitization needed to be done, as well as more strategic decisions taken on which entities these requirements applied to, and in how they should be targeted to apply. The Government of Rwanda wanted the requirements to apply to all tourism entities, no matter the type or size. However, there was no complete database listing all tourism entities, only an estimate of around 44,000 operational tourism entities in Rwanda (including the informal sector). The challenge for the team was to reach as many entities as possible to fulfill the GoR's expectations.

*Hotel and Convention Centre
in Kigali, Rwanda.*

b) GLOBAL BEST PRACTICE IN IMPLEMENTATION

Managing institutional coordination

For regulatory reform initiatives that cut across institutions, one of the most challenging aspects is the formalization of the relationships between institutions. It takes a great deal of effort to agree on common principles; duties, rights and obligations; standard operating procedures; responsible officers; and budget. This type of engagement should be prioritized at the outset, since it can take a while for coordination solutions to come into effect. While it is often necessary to have an instruction from a political leader or a steering committee to cooperate, this is often not sufficient. Agencies may additionally need to memorialize their commitments in memoranda of understanding, which are binding for both sides. Such a delineation of authority requires clear roles and mandates, streamlined processes and sharing of information, and data. These types of agreements are common in many countries in many regulatory areas, for example for one-stop shops for business registration, among institutions involved in construction permitting, or in coordinating the procedures for agencies involved at border crossings. To ensure sustainability of these relationships, formalized agreements and delineated mandates are necessary.

Inspections coordination and transparency

This coordination imperative tends to become particularly challenging in relation to onsite inspections. In many countries, inspections systems are inefficient, repetitive and discretionary. Inspectors visit businesses with no clear plan, are disruptive and slow in their investigations, do not follow standard procedures, impose penalties as sources of official or unofficial revenue generation, and leave no record of their visit. In some places this creates fertile ground for abuse. While this is a worst-case scenario, it is considered good practice to take measures to avert these kinds of inefficiencies and support accountability and transparency. Countries can use a variety of measures such as using a clear 'inspections targeting system' (including risk assessment), establishing and publicizing standard procedures to follow when onsite, providing a copy of their conclusions and posting it online within 48 hours, and ensuring the mechanisms for appeal are clear.

Infractions and penalties

When an infraction is identified, there is a spectrum of responses available to government. These should be based on risk assessment to determine the extent of the damage caused by the infraction and the entity's history of compliance. If there is an immediate risk to the health and safety of the population, then the regulatory authority may be authorized to shut down operations immediately. If the infraction is not imminently dangerous, but should be rectified soon, then the inspector may give a deadline within which to correct the infraction. For the smallest infractions, there should

simply be a warning or guidance on how to fix the problem. Such a spectrum of penalties should be articulated in regulations or guidelines (depending on how easy it should be to revise the penalties) and followed consistently.

Building a constituent database

An accurate and up-to-date database of regulated entities (including names, activities, addresses, email, and other information) is key to proper regulatory implementation and evidence-based decision making. Such data is necessary to track regulated entities and compliance. It is a critical component of risk-based assessments. Databases can also be shared with other institutions in order to have a comprehensive record of a given entity and reduce the burden placed on government and businesses in providing identical information in duplicate. Databases can be as simple as an Excel file with the appropriate fields (which can also link to a website form or other form of electronic data collection) or can be included in the customer relationship management systems (CRMs), which vary in cost and sophistication.

Guidelines support interpretation of regulations

Laws and regulations often do not contain all the information that is necessary for businesses to comply with requirements. To foster compliance, guidelines can be a light-handed regulatory tool to support the implementation of the regulations. Although not a legal document, guidelines are considered part of the regulatory framework and should be approved at the appropriate level (such as the head of the regulatory authority). A key benefit of guidelines is that they can be more easily adapted and amended than the governing regulation. Guidelines can include parameters for how things are measured, how to make decisions at certain stages, or how to elaborate definitions and interpretations of key clauses or requirements. In guidelines, interpretation of the requirements should be clear and more explicit to help improve compliance.

Technology for operations

Automation and the use of web-based platforms is increasingly common and considered a best practice. Properly designed and deployed, an automated system reduces paperwork, allows for streamlined workflow and approvals, gives licensing applicants access to information and resources, eliminates the need for entities to physically visit a RDB office, enables instant electronic delivery of license certificates, and can cut down on personnel costs. While ICT solutions are often seen as an end in itself, in fact the real reform work lies in mapping and reengineering processes, gathering information on requirements, adopting a system for digital signatures and routing of documents. All of the guidelines and instructions for application need to be populated on the chosen platform, which needs to interact with other necessary systems or websites.

Hotel and Convention Centre
in Kigali, Rwanda.

*For regulatory
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between
institutions.*

Screenshot from the Rwanda Development Board's website, highlighting licensed tourism entities in Rwanda.

c) WHAT DID WE DO IN RWANDA FOR IMPLEMENTATION?

With the RDB newly mandated as a regulator to the industry, it was necessary to create a new unit that would lead on the licensing and regulatory work. Given the heavily constrained resource environment for implementation, the 'RDB Customer Care and Regulatory Division' team structure was initially made up of a Division Manager and three Licensing Specialists. For each member of staff, the team established reporting structures and detailed job descriptions. The advisory team was embedded at the RDB and worked hand in hand with the new staff for the duration of the program. They developed and updated a project plan each week to guide the RDB Division, as well as led working sessions twice per week to track progress and advise on operational rollout. The Customer Care and Regulatory Division undertook three core activities in its new function related to licensing and grading; initial licensing and ex ante inspection of all tourism entities; annual ex post inspections of all tourism entities; and biennial grading of all accommodation entities and restaurants.

The team tried to resolve some of the coordination and overlap issues between the various institutions (for example, health or police), particularly regarding inspections. The team made technical recommendations for greater coordination which included:

- Agree on which authorities should be part of the coordination model.
- Bring these authorities together under the coordination umbrella of the RDB or for the RDB to develop a joint MOU/cooperation agreement individually with the respective authority.
- Use shared ICT solutions where the coordinating entities can have access to the tourism entity profile, inspection results, inspection plans and visit schedules.

- Standard operating procedures on how to develop joint inspections and report back. This will ensure consistency of application of inspection practices across coordinating entities.
- Conduct joint inspections.
- Efficient monitoring and evaluation of the effectiveness of the inspection activities.

Unfortunately, these recommendations were not adopted during the program and the challenge remained in place.

The team then reviewed the requirements stipulated in the licensing and grading legislation in order to begin building out an administrative system to operationalize them. It was determined that 10 different processes or actions needed to be developed in order to implement the requirements, for example 'Process 1: Apply for an operating license', or 'Process 4: Initiate a temporary suspension'. The development of these processes took the form of Standard Operating Procedures (SOPs) or flow-charts indicating the passage of information, decision-making responsibility, and how it should be dealt with at each stage. In many cases, tools were developed alongside the SOPs where clarity in the legal framework was missing. These included checklists, or guidelines for how to interpret information and make decisions. The team compiled this all together into an SOP training manual and delivered training to the RDB operational staff in the Division.

The team developed a project plan each week to guide the RDB, as well as led working sessions twice per week to track progress and advise on rollout.

Figure 4: Example of a Standard Operating Procedure: Applying for an Operating License

*With the exception of tour guides, all tourism entities must pass inspection as a condition of licensing.

The team developed an online platform, which automated all the processes mentioned (physical inspections were still carried out, but data entered electronically). The system was built using pre-existing best-practice and robust open-source¹⁰ tools that could be quickly configured to suit the requirements of the tourism regulator. The implemented system supports the entire tourism licensing workflow including conducting offline field inspections using a mobile application, which automatically uploads information from field inspections online, and eventually makes selected information on tourism entities available to the public. The system also leveraged pre-existing government-shared technology services; these included (i) being hosted at the government data center, (ii) utilizing the national electronic payment platform developed by the government: Irembo, and (iii) utilizing the already established government Public Key Infrastructure (PKI) to provide digital signatures that completely eliminated the need for paper and physical signatures in the approval process. The implemented system was also integrated with the other key government systems, such as the business registry in order to avoid applicants having to provide information already shared with another arm of government. The use of reliable open-source technologies resulted in a robust and sustainable system without imposing high licensing costs to the government. To further enhance sustainability, the system was developed to be as configurable as possible, enabling the RDB IT department to easily adapt it to future needs without the need to engage a software developer. Tourism entities (the ultimate beneficiaries of the system) were also involved in the project right from the onset, to ensure that their views and requirements were incorporated in the system.

Once the system was ready to be used, a pilot was designed. In 2016, the RDB invited 30 high profile hotels and tour operators to be among the first to complete the licensing process. Most of the entities attended a workshop for awareness and training, and the pilot resulted in 10 successful licenses. But the tourism entities' process to collect documents for the application, and the RDB's process for reviewing and issuing the license was slow, pointing to several areas in the legal and administrative framework that needed to be improved for wider rollout to all tourism entities. These issues were highlighted as recommendations in the team's Policy and Operational review document.

Moving from the pilot into general rollout, the team developed a list of first-tier entities that would be targeted for licensing. In the absence of a comprehensive database that listed all the entities that needed to legally comply with the new regulations, the team came up with a temporary solution. A first-tier list was drawn up based on information that the government held from a few different sources. The list comprised 522 entities, made up of those formally

registered with the Office of the Registrar General (ORG), had been inspected by the RDB in the past, and/or were known to have turnover exceeding 20 million Rwandan francs (information held by Rwanda Revenue Authority). It was thought that these entities would be easier to physically reach or contact and would be more likely to be able to comply more quickly than those who were smaller and more informal.

Having identified which businesses were to be targeted, the team then needed to reach these entities, introduce the details of the new regulatory requirements, and convince them to begin the application process. The RDB invited tourism entities (by email and formal letter) to participate in one of 10 sensitization workshops across the country, supported by a media campaign in the local press and radio. Communication channels and target audiences are shown in the following figures. Workshops were effective in building awareness of the law, answering questions on the interpretation of requirements, and promoting understanding of the value of the regulations. However, workshop attendance was inconsistent and only a few entities actually went on to submit license applications. The rate of applications only improved once the team began communicating the deadlines for submission and the consequences of noncompliance. This was effectively done through the Rwanda Hospitality Association (RHA), the umbrella organization for all private-sector hospitality establishments, in conjunction with another mass media campaign over radio, television, and social media. In the two months that followed, applications increased by 40 percent.

Figure 5. Communication Channels for Media Campaign and Target Audiences

¹⁰ Open source refers to a software for which the code is available and can be modified or customized by developers.

Table 1: Regulation Stakeholders

RDB EXECUTIVE LEADERS	RDB INTERNATIONAL COLLABORATORS	PUBLIC SECTOR AND OTHER EXTERNAL STAKEHOLDERS	TOURISM ENTITIES	TOURISM TRADE ASSOCIATES	GENERAL PUBLIC
CEO	TOURISM AND CONSERVATION	CITY OF KIGALI	HOTELS	RWANDA HOSPITALITY ASSOCIATION	TOURISTS
COO	CUSTOMER CARE AND REGULATION	RURA	VILLAS	RWANDA TOURS AND TRAVEL ASSOCIATION (RTTA)	LOCAL CONSUMERS
CFO	MICE PROMOTION	RRA	COTTAGE	RWASAGA (TOUR GUIDES)	
CTO	FINANCE	WASAC	SERVICED APARTMENTS		
	AUDIT	NATIONAL POLICE	MODELS		
	LEGAL	MINISTRY OF JUSTICE	LODGES AND TENTED CAMPS		
	IT	PUBLIC HOSPITALS	RESTAURANTS		
	OFFICE OF REGISTRAR GENERAL	DISTRICT OFFICES	BARS		
	INVESTMENT PROMOTION	RWANDAONLINE	NIGHTCLUBS		
		INTERNET SERVICE PROVIDER	TOUR GUIDES		
		INTERNET CAFES	TOUR OPERATORS		
			TRAVEL AGENTS

d) WHAT DID WE LEARN ABOUT IMPLEMENTATION?

1. **Given limited resources, it is necessary to prioritize and sequence regulatory enforcement.** This was a question of sequencing outreach to certain tourism entities based on the resources available. It is understandable that not all tourism entities can be licensed at once, particularly since it was hard to find records about businesses specifically engaged in tourism activity. Therefore, taking the approach of targeting entities already known in the tax system was a practical one. However, it provided its own limitations, particularly the neglect of informal businesses (or those not VAT registered) who are likely to need more support in complying with regulations, and likely to need to improve in order to meet minimum standards.
2. **Greater interagency outreach could have been built into program design.** Most of the sensitization efforts were private-sector facing, and the team neglected to sufficiently engage stakeholders within the public sector. The regulator required licensing applicants to submit supporting documents issued by other government agencies. However, some of these agencies were not aware of the Tourism Law's implementation or the service required of them to support licensing. It resulted in delays for applicants to obtain necessary paperwork, and duplicated efforts of other agencies in inspecting tourism entities.
3. **Embedding technical support with the regulator is effective.** Operationalization of a regulatory regime cannot be managed by meetings or ad hoc support alone. A key component of the technical support in Rwanda was engaging a management consulting firm with an established country presence and knowledge of the country context, and placing them physically in the offices of the regulator. In this case the consulting firm was embedded with the regulator and worked with the regulatory officials on a day-to-day basis on brainstorming, training, organizing meetings, communicating and problem-solving together with the regulator. The firm did not have specific expertise in business regulation or tourism and relied on technical expertise from the WBG. The consulting firm developed a strong rapport and working relationship with the regulator, which resulted in accelerated decision making, strong public and private sector engagement, and ultimately the successful licensing of 400 tourism entities.

4. **Sensitization is important, but communicating sanctions is equally effective in encouraging applications.** While the team implemented a detailed communications and outreach campaign that was effective in informing some tourism entities about the purpose and requirements of regulation, it was not effective at actually generating applications. This result was achieved more effectively after deadlines and sanctions for non-compliance were also communicated, and the message was spread by an established industry association which was better able to directly reach many of its members.
5. **It is important to implement technology with sustainability in mind.** Governments in Africa usually face several challenges when implementing technology due to resource, skills and capacity limitations. It is critical to design sustainability into the implementation model so that the government can effectively sustain and operate the implemented technology after technical assistance is withdrawn. To do this, the team utilized existing government e-services such as hosting, e-payment and Public Key Infrastructure for digital signatures. The team also enrolled the RDB ICT team in training on the base technologies used to develop the new system. Reliable open source technologies without high license fees were utilized for the automation, making the system affordable to operate in the long run. The implementation was done by an East African firm with local presence in Rwanda, which ensured that sufficient technical expertise was built near the client. The implementation was also phased in bite-sized chunks in order to give the client adequate time to adapt to the reform.
6. **Technology challenges delayed application submission and processing.** Use of the online licensing system was particularly challenging in rural environments with little to no internet connectivity. The team learned that sufficient time must be dedicated to configuration, testing, and defect resolution. Further, users must be provided with sufficient training and support to enjoy the technology's greatest efficiencies. Regulators can consider hiring additional resources that have greater familiarity with online forms and databases.
7. **For any technology implementation, the regulator's IT department must be engaged from the outset.** Internal or inter-departmental engagement is just as important as end-user and interagency engagement. Delays to the rollout could have been avoided by earlier consultations and regular briefings with the regulator's IT department. The IT department must be engaged from the outset to ensure that all aspects of installation, integration, hosting, administration, training, maintenance, and support have been considered.

While a detailed communications plan informed tourism entities of the new regulations, communicating deadlines and sanctions were more effective at generating applications.

Public beach in Gisenyi, Rwanda.

3. Management: Maximizing efficiency of the system

This section examines the longer-term, day-to-day management of the licensing and grading system. The management function is performed by the regulator, the Customer Care and Regulatory Division of the RDB, and is focused on monitoring and delivering results, as well as improving efficiencies in obtaining those results.

a) THE CASE OF RWANDA: WHAT WAS THE CHALLENGE IN MAXIMIZING EFFICIENCY?

The regulations were enacted to deliver on the GoR's ambitions to raise standards of supply and stimulate more growth in the tourism sector to create jobs. There is not sufficient literature to support the case that improved standards stimulates growth in the immediate short-term (the life of the program), so in order for the RDB to determine whether or not the newly operational regime was fulfilling its purpose, it needed to think creatively about ways to assess the efficacy of their work. The team needed to identify proxy metrics to see whether the private sector was supportive of the regime, whether they believed it was good for the industry and could lead to growth in the future.

The Division Manager also needed to understand how well the new regime was actually operating. For example, how quickly licenses and grades were being awarded, whether the system was running smoothly, if the private sector had any complaints, or what kinds of problems were slowing down performance. The Division had ambitious targets to meet in terms of numbers of tourism entities that needed to be licensed, a very small staff and a fledgling system. It was becoming apparent that the targets were unlikely to be met and that adjustments needed to be made to manage the system more efficiently.

b) GLOBAL BEST PRACTICE ON EFFICIENT REGULATORY MANAGEMENT

Government entities are often expected to deliver on their mandate with scarce resources. For this reason, operational efficiencies are a key consideration for any regulatory activity. Operational efficiency means reducing the cost of regulation and the time it takes to regulate and enforce regulations. Several good practices are listed below.

Risk-based approaches: Inspections are typically onerous and time consuming for both government and businesses. One of the most effective methods to preserve scarce government resources while also achieving public policy objectives is the use of risk-based regulation. In its essence, inspectors target entities that are more likely to create hazards and penalize them accordingly. This can be based on the types of activities that the businesses are conducting as well as their history of compliance. There are two key components to successful risk-based regulation: a robust database and a government willingness to let go of 100 percent control. In reality, this is often surprisingly difficult for many regulatory bodies because they believe that they are required to ensure total control of all activities lying within their mandate. The counter-argument is that limited government resources are better directed toward higher risk businesses and activities to achieve public policy objectives without burdening low risk businesses. In the tourism field, high-risk activities could include extreme sports or adventure activities (diving, skiing, etc.) or the hosting of MICE events where poor compliance with standards could affect a large number of people. High-risk entities could be those that sell such activities, provide those services or have a history of poor compliance.

Self-regulation: In addition to risk-based inspections, there are several other means to ease the regulatory burden on businesses and also preserve government resources. For example, 'self-regulation' is a means by which low-risk entities confirm that they comply with regulations. For example, if a small tour operator has a simple business, then they should be able to submit an affidavit that they comply with all requirements enumerated in a checklist and receive a license. The tour operator is then held liable for any infractions later identified through random, risk-based or complaints-based inspections.

Outsourcing to third parties: Inspections can also be outsourced to third parties who conduct inspections on behalf of the regulatory authority. The government licenses or accredits the third party to track compliance and the third party may be held liable for any infringements. This eases the burden on government

provided it can maintain adequate controls over the third party. This is common in a number of fields, such as health and safety or construction where engineers or architects are licensed to ensure compliance in, for example, Singapore.

Technology and Automation: Another means of saving resources is use of technology, such as information on a website or electronic workflows. Although there may be greater costs at the outset, these should pay off as the technology solution is mainstreamed into operations and reduces the time regulators need to spend on processing.

Monitoring and Evaluation (M&E): M&E is a means to track the effectiveness and efficiency of government reforms. There is a Theory of Change linking activities (what is done) to outputs (what is produced) to outcomes (what is achieved) to impacts (what matters). Design of any regulatory action should start by defining the ultimate impact that the regulatory authority is seeking and working backwards to identify actions that will lead to such an impact. This kind of M&E framework typically measures effectiveness (for example, of a policy decision). M&E can also be used as an on-going operational or management tool to track progress towards key goals and indicate to managers when actions need to be adjusted (for example, to deliver quicker results, which measures efficiency).

“Our hotel has begun advertising our grade in the reception area and online to attract customers. We also hope to use the grade to recruit new employees.”

- 3-STAR HOTEL IN MUSANZE, JUNE 2018

C) WHAT DID WE DO IN RWANDA TO MAXIMIZE EFFICIENCY?

The team developed an M&E framework for the RDB to track effectiveness and efficiency of the licensing and grading regime. The M&E system collects data from three sources; rolling surveys to tourism entities that applied through the portal; RDB internal staff surveys; and data derived from the portal.

To track effectiveness of the regime, the M&E framework used five indicators:

1. Private sector (tourism entities) perceives that there is continued value to their business from the licensing/grading system.
2. Private sector reports evidence of increased benefits to their business over time.
3. Private sector perceives costs associated with compliance to be manageable and reasonable (i.e. it is 'worth it').
4. Private sector reports buyers (customers and/or tour operators) are aware of/value tourism licenses.
5. Private sector reports consistent, high levels of perceived government support to the industry (over time).

The latest figures show that 69 percent of respondents are supportive of the new licensing regime and expect to benefit from it. The three most popular benefits expected were “more customers and bookings”, “new customers and bookings” and a “better performing workforce.” These all point to a degree of confidence in creating new market opportunities.

LEVEL OF SATISFACTION
WITH RDB SUPPORT
FOR LICENSING
AND GRADING

LEVEL OF SATISFACTION
WITH PREMISE
FOR TOURISM
OPERATING
LICENSE

To track efficiency, the M&E system identified six indicators. Each indicator is supported (or not supported) by several different data sources including surveys and data derived from the portal (for example, number of applications, processing time, number of appeals, etc.):

1. The application requirements are reasonable.
2. The website is effective.
3. The RDB is issuing licenses effectively and on time.
4. Inspections are effective and efficient.
5. Inspections are not too burdensome or frequent.
6. Grading is effective and generally meets expectations of tourism entities.

The latest figures show an average score of 4.1 out of 5 for level of satisfaction with the application process.

“RDB is supporting the tourism sector by creating a level playing field for business to compete.”

- 3-STAR HOTEL IN KIGALI, JUNE 2018

A first run of the survey tool was done and a set of valuable results generated. These were presented to the GoR (RDB management) to demonstrate the value of the regime and its contribution to Rwanda’s objectives in the sector. It was clear that the system overall needed to be made more efficient and deliver quicker results without expanding on resources.

To enhance efficiency of the licensing process (averaging 12.9 licenses awarded each month), a low-cost workload calculator tool was developed in Excel to model the numbers and speed at which licenses/grades were awarded. The model showed how variable inputs and adjustments (for example, adding new staff) could alter the projected outcomes, together with associated budgets. Some of the suggested scenarios included hiring more staff or adopting risk-based approaches, showing the tradeoff between budget invested and numbers of entities licensed or graded over time. Using the calculator, the team showed that without making any changes it would take the RDB until July 2383 (365 years) to license all the entities in the country.

The following recommendations were then made to enhance efficiency:

- Use technology: Develop online inspection and grading checklists in one platform.
- Increase staff: Hire, second, or contract additional resources to share workload.
- Build capacity: Train staff to deliver more in less time.
- Eliminate staffing duplication: In Rwanda there were multiple inspectors assigned to each tourism entity.
- Reduce to one license inspector per entity.
- Reduce to two graders per entity.
- Employ risk-based inspections to save time (fewer, more efficient inspections).
- Simplify legal requirements: Amend regulations to simplify requirements.

Based on the projections the workload calculator created, the team was able to secure the RDB management buy-in to carry out several of these recommendations. For example, the team developed online inspections applications and grading checklists to speed up the process of entering data into the system. The team supported the contracting of 10 temporary grading inspectors, training them on requirements and developing a bespoke examination to assess and support their readiness.

“RDB staff were very professional during the onsite inspection process. They provided clear guidance on how to improve our standards to comply with the law.”

- 4-STAR HOTEL IN KIGALI, JUNE 2018

d) WHAT DID WE LEARN IN MAXIMIZING EFFICIENCY?

1. **Our approach remained flexible to address challenges on an on-going basis.** We agreed at the outset to support the operationalization of a regulatory framework that still needed improvements, on the basis that we would be able to demonstrate inefficiencies more tangibly after the pilot and M&E results. These were both effective mechanisms to quantify the size of delay and costs generated through certain practices, and we were able to secure management buy-in for several adjustments, which improved efficiency.
2. **The workload calculator was a cheap and effective management tool.** It is a working model that can be used alongside the real-time M&E feedback survey system to monitor progress and adjust back-office operations for increased efficiency. It provided tangible projections and numbers that were able to capture the attention of management for effective decision making.
3. **Building a central database of data on tourism entities would increase long-term operational efficiency.** While the law now mandates that all agencies inspecting tourism entities report their findings to the RDB, there is no formal system to manage the sharing or storing of these data sets. A central database of entities organized by trade name and tax number would not only enable better coordination of inspections, but also better tracking of compliance history to support the introduction of a risk-based approach to inspections, and other government priorities.

Conclusion

IFC learned several lessons from the implementation of a tourism regulatory system in Rwanda. This note provides an overview for practitioners and government officials by covering global good practices, Rwanda's experience, and the lessons learned. While the project was largely successful in meeting objectives, such as supporting the RDB in waging an effective awareness campaign, introducing an ICT system, making decisions about appropriate staffing levels, and ultimately licensing tourism entities, there were a number of actions that could have been implemented more effectively, such as better coordination of institutions involved or adoption of risk-based assessment tools.

The findings demonstrate that building a regulatory system from scratch requires a range of expertise, persistence and flexibility, while constantly listening to the private sector. The groundwork has been set for an effective tourism regulatory system that can be evaluated and adjusted according to on-going needs. Over time it will make the sector more competitive and will contribute to Rwanda's economic development.

The findings demonstrate that building a regulatory system from scratch requires a range of expertise, persistence and flexibility, while constantly listening to the private sector.

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