This report demonstrates that we do know quite a bit about HEs from survey and economic statistics—their location and distribution, and their size. We can begin to see that their main role in Rwanda is in lifting families out of abject poverty and food insecurity—and to some extent lifting families out of poverty altogether, in the non-farm sector—but that few are likely to grow large enough in the near future to make a significant impact on the shape of the economy as a whole. The review also demonstrates what we do not know: how they get started, what initial support they need and receive, what keeps them running and, above all, just how important they are in the lives and the household economies of rural and urban families. We do not know whether the experience of running a household enterprise is the same or different in rural and urban areas, the extent to which farm-based enterprises can be compared at all with non-farm ones and whether there are important gender (and perhaps age) differences in the impact of the HE on life and survival. We also understand little about the aspirations and ambitions of those who found and run HEs. It is these questions which the proposed research sets out to answer.
RWANDA COUNTRY STUDY

Raising Productivity and Reducing the Risk of Household Enterprises
Diagnostic Report
Rwanda Country Study: Raising Productivity and Reducing the Risk of Household Enterprise

Diagnostic Report

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Lillian Mutesi and Serge Musana were responsible for Appendix 6

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Disclaimer

The findings, interpretations and conclusions reached in this report do not necessarily reflect the views of the Board of Executive Directors of The World Bank or the governments they represent.
Note on the Inception Report

The World Bank commissioned the research for which this is a diagnostic report as one of a series to support governments with their development partners (ODPs) in sub-Saharan Africa to develop their policies, strategies and programmes to support the growth of and reduce the risks for non-farm HEs.

This report is a revised version of an earlier one and incorporates the suggestions and takes account of the comments made at a stakeholders workshop held in Kigali in June 2010. It is intended to provide an accurate and comprehensive report about what is already known about HEs and is based mainly on desk research undertaken to inform a qualitative investigation of HEs in Rwanda.

It demonstrates that we do know quite a bit about HEs from survey and economic statistics – their location and distribution, and their size. We can begin to see that their main role in Rwanda is in lifting families out of abject poverty and food insecurity – and to some extent lifting families out of poverty altogether, in the non-farm sector – but that few are likely to grow large enough in the near future to make a significant impact on the shape of the economy as a whole. The review also demonstrates what we do not know: how they get started, what initial support they need and receive, what keeps them running and, above all, just how important they are in the lives and the household economies of rural and urban families. We do not know whether the experience of running a household enterprise is the same or different in rural and urban areas, the extent to which farm-based enterprises can be compared at all with non-farm ones and whether there are important gender (and perhaps age) differences in the impact of the HE on life and survival. We also understand little about the aspirations and ambitions of those who found and run HEs. It is these questions which the proposed research sets out to answer.

It is intended that as work on the project progresses, gaps in knowledge and understanding will be integrated into the report. The final report will provide the basis for making research-informed recommendations to the Government and other interested parties to enable them to support the growth of a strong and vibrant household enterprise sector in Rwanda.
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## Executive Summary

### Key Messages

- Household Enterprises are an important source of non-farm employment in Rwanda and play a key role in poverty reduction and providing decent jobs.
- Targeted support to increase the productivity and reduce the risk of Household Enterprises will be required if Rwanda is to achieve its ambitious development plans.
- Policy and support needs to be targeted to meet the specific needs of household enterprises which differ in important respects even from micro enterprises.
- There has been no specific research into Household Enterprises in Rwanda and research on the informal sector has failed to include the vast majority of Household Enterprises in sampling frames or to look at them as a separate type of enterprise from others in the informal sector.
- There are a number of Government policies and programmes that are designed to support the growth of the private sector including micro and small scale enterprises but none has considered the specific needs of Household Enterprises. There has been no evaluation of the impact of Government policies and programmes specifically on Household Enterprises and many are still in the early stages of implementation.
- The main barriers to the growth of Household Enterprises seem to be poor education, lack of marketable skills, access to credit, market intelligence, access to markets and limited demand for product and services.
- There are programmes and projects specifically designed to support the start-up and operation of Household Enterprises. However few have been formally evaluated and the numbers they can reach are small compared with need. The evaluation that has been carried out suggests that what works is providing literacy training and training in running an enterprise alongside a marketable skill, providing access to finance and giving ongoing support. Scaling up successful projects may prove difficult.

Rwanda remains one of the poorest and least urban countries in the world. Despite a strong commitment to pro-poor policies poverty reduction has only been marginal in the last 10 years. Strong economic growth has been accompanied by widening inequalities, especially in rural areas. Over eighty per cent of the population remain dependent on subsistence agriculture for their livelihood and there are high levels of underemployment in rural areas. Pressure on land combined with high population growth necessitates significant growth in non-farm employment much of which will have to come from the start-up of family enterprises (Abbott and Rwirahira 2010). The importance of household enterprises in poverty reduction and employment creation seems not yet to have been fully appreciated by the Government (Appendix 5).

The Government has identified the private sector as a sustainable engine for economic growth, complemented by a multidimensional programme of poverty reduction, as its main development strategy (Ministry of Finance and Economic Planning 2007). However, the important role that the household enterprise sector can have in poverty reduction and, potentially, in economic growth has not been given the attention it warrants in Government
policy and programmes. In particular there has been a failure to recognise that the vast majority of operators running an HE are unlikely to see themselves as running a business. They are more likely to see themselves as income generating or being in self employment.

In 2006 there were 615,108 HEs in Rwanda employing 706,473, outnumbering the 72,000 private sector enterprises enumerated in 2008 (PSF 2008). The majority of HEs are not registered for local taxes and operate from residential homes or no fixed location, but they play a key role in poverty reduction and the creation of non-farm employment. They go unrecognised and unrepresented and the vast majority of them are not included in official counts of the private sector (PSF 2008), or even in studies of the informal sector (FIAS 2006; NISR 2007a). Even when they are recognised they are conflated with micro enterprises (e.g. FIAS 2006; Strode et al 2007). Yet they are different from micro enterprises which employ paid labour on a regular basis and generally operate in trading centres (Gaal 2010, Appendix).

This executive summary highlights the following key issues:
- the potential role of HEs\(^1\) in poverty reduction and employment creation;
- the characteristics of and the constraints facing HEs
- a summary of relevant policies/programs and their impact and limitations in raising the productivity and reducing the risk of HEs in Rwanda.
- an indication of the gaps in our knowledge of HE sector to guide the empirical research that will be undertaken in Stage 2 of the project.

**The Role of Non-Farm HEs in Rwanda**

In considering the role of HEs we need to distinguish between their actual and potential role in economic growth by, for example, growing into micro and even small enterprises, providing paid employment and becoming part of the formal economy, and their role in poverty reduction enabling the poor to increase their incomes. With a high rate of underemployment and a rapidly growing population, Rwanda urgently needs to grow her labour market to absorb the ‘surplus’ labour and avoid the possibility of unrest amongst those who cannot secure decent employment. Non-farm HEs can play a key role in providing employment for this growing labour force. HEs are clearly one route for poor individuals and households to move out of poverty, and households that include an HE in their portfolio of livelihood activities are generally better off than those who are reliant on subsistence farming and/or farm labouring to sustain their livelihood.

However, there is clearly a mismatch between the available labour and the needs of the labour market. While there has been no research into the potential opportunities for HEs, the national skills audit (HIDA 2009) showed that the main shortages are for artisans (skilled manual workers), technicians and professionals. The identified areas of skilled shortages in the private sector are precisely in those occupations where there would be opportunities for skilled workers to establish HEs. However, the overwhelming majority of the ‘surplus’ labour force is poorly educated and lacks marketable skills and is therefore unable to establish HEs in market niches where there is strong demand for skilled artisan labour. This is undoubtedly why the vast majority of HEs engage in trade.

There is little information on the motivation for starting an HE in Rwanda. However, the available evidence suggests that push factors are more important than pull factors, especially in rural areas, where it seems likely that households with ‘surplus’ labour which have the

\(^1\) HE. is used throughout this report to refer to non-farm household enterprises.
necessary capital invest in an HE. This raises the question of what opportunities there are for HEs to enter the economy (especially those that do not require skills and/or a reasonable level of education).

**Characteristics of and Constraints on Non-Farm HEs in Rwanda**

HEs are own-account businesses that are operated by the owner without any paid employees, although they may use the unpaid labour of other members of the household. They provide self-employment in rural, as well as urban areas, and are a normal element of a modern labour market.

HEs are heterogeneous and fall along a continuum. At one extreme are those operated as part of a portfolio of livelihood activities with the operator’s household living in poverty. These may be described as survivalist. At the other extreme are those that are the operator’s only employment and where the operator has ambitions to grow the HE this could be seen as entrepreneurial. It is the latter ones that have the potential to grow into micro enterprises and create paid employment, but they probably only make up minority of a HEs. However, there is the potential for all HEs to be supported to become more productive, to provide more stable employment for their operators, and for at least some to raise their productivity so that they become liable to pay income tax. Support needs to be targeted to meet the very diverse needs of the different types of HEs.

The ability of some households to start HEs seems to be contributing to a growing class structure in rural areas where a small ‘elite’ of households have at least one member whose main occupation is non-farm employment (HEs or waged employment) with subsistence agriculture, a middle group who have landholdings large enough to support their households, and a lower group who are in extreme poverty and are dependent on small non-viable subsistence farms and/or wages from farm labour (Vinck et al 2009). There is certainly evidence of a growth in inequalities in rural areas between 2000 and 2006 (NISR 2007b).

The vast majority of HEs are in trade (both retail and wholesale). This may be because the initial start-up costs are less than for setting up other types of HEs or it may be related to skill as a majority of adults are poorly educated and do not have marketable skills. However, it may also be related to demand given the low spending power of the majority of Rwandans, especially those in rural areas, or to a lack of market intelligence.

Most HEs are run by those with little or no education. This is a reflection of the general low level of education amongst the adult population, especially in rural areas. On the one hand this shows that HEs are a viable route out of poverty for those who would find it difficult to compete for non-farm employment. On the other hand low levels of education are one potential barrier to HEs expanding and taking advantages of opportunities for growth. However, there is an education premium: the median earnings of HE operators that have had secondary school education are higher than those who have not.

Both men and women can be heads of HEs. Indeed, starting an HE is an important route for women moving out of subsistence farming. Women seem to find the route into self-employment easier than into waged non-farm employment. Women can combine running an HE from home with their other responsibilities. They may not wish to grow their enterprise, but these enterprises are important in giving women a degree of economic independence and improving their bargaining position in the household. As women tend to invest more in their
children than men, increasing women’s control over economic resources could have a spillover effect and improve the lives of children.

The majority of HEs do not identify any constraints. The main barrier to starting up an HE is initial investment capital. Most capital for HEs comes from savings or borrowing from relatives (usually parents). This suggests that HEs are more likely to be started by those who are able to generate a cash surplus. Better-off-households, therefore seem to be more likely to be able to invest in an HE than poorer ones. However, while debit aversion is clearly one reason why more HEs do not borrow from financial institutions the more likely reason is lack of access. Over half the population are financially excluded, rural areas are poorly served by banks and the vast majority of those considering investing in an HE do not have the necessary collateral to secure loans from banks or microfinance institutions (FinScope 2009).

However, it is likely that the low number of constraints identified is because the majority of HEs are not growth-orientated and the operators are more concerned with making a living than growing their enterprise. Those that are growth-orientated, or entrepreneurs wishing to set up an HE, undoubtedly face the same constraints as those setting-up/operating a micro or small enterprise. Major constraints include the poor transport and power infrastructure combined with high costs, the high risks of starting up a business, lack of market intelligence, access to finance, poor education and lack of business and technical skills.

The Impact of Government Policies and Programmes on HEs

HEs form a distinct sector in the labour market and consideration needs to be given to their specific needs. However, Government Policy has failed to recognise the distinctive nature and role of HEs. Much of the research that has informed Government thinking on supporting private sector growth has focused on enterprises that operate in fixed locations and has thereby failed to include the vast majority of HEs (FIAS 2006; NISR 2007a; PSF 2008). The recently introduced comprehensive SME policy and strategy is targeted at growing enterprises and especially MSMEs with a major objective being to bring more into taxation. Little consideration seems to have been given to providing support for HEs, which are clearly very different from small and medium enterprises (SMEs) or even micro enterprises (MEs) and require to be supported in different ways. The Government’s SME Strategy (Ministry of Trade and Industry 2010) does not differentiate between HEs and MEs, but as this report shows, MEs, which employ paid workers are very different from many HEs, which are mainly owner-operated without any additional labour, and are frequently run from home. Furthermore HEs rarely separate their business from their daily lives (Chichello and Sienaert 2009) and, especially in rural areas, form part of a household’s livelihood strategy (Vinck 2009).

A number of Government policies and programmes aimed at supporting micro enterprises, entrepreneurial growth more generally and/or rural development may have a positive impact on some HEs. Most of these policies and programmes are still being introduced or have only been introduced in the last two or three years so have not yet been evaluated. Even where there has been some evaluation there has been no separate analysis of the impact on non-farm HEs. Key policies here include encouraging communities to work together to start up enterprises, widening access to credit, and programmes specifically designed to support the start-up and growth of micro and small size enterprises in rural areas. Broader policies are aimed at building social capital and general trust which are important in underpinning economic growth (see e.g. Halpern 2009). The Government have also introduced a legal
requirement that all small scale non-farm enterprises register nationally. This measure of requiring all businesses to formalise may enable the Government to better target support and widen access to credit for small-scale enterprises including HEs. Alternatively it may cause HEs to close or fail to register (Appendix 5).

A range of other Government policies and programmes may have a positive impact on HEs. At present lack of education, of relevant technical and vocational skills, poor access to, and the high costs of power, telephones and IT, especially outside of Kigali have a negative impact on HEs. Likewise limited access to market intelligence and markets inhibits their growth. Policies designed to increase productivity and stimulate growth may increase the demand for the products and services sold by HEs and provide opportunities for new HEs to enter the market. Education policies, including TVET, will provide more young people with marketable skills that they can use in setting up their own HEs. However, the policies will do nothing to build the capacity for those already operating HEs, who are generally poorly educated and lack employability skills. The mutual health insurance scheme which provides limited access to health care is open to all those who can afford the premiums including HE operators and covers about 82 per cent of the population. Energy and water policies will, when implemented, not only ensure that HEs have access to power and water but reduce the burden on women of collecting wood and water, giving them more time to engage in labour market activities. The National Land Policy will ensure that landowners are able to register legally their title to the land and thereby use it as collateral for loans potentially improving access to loans for HE operators and those who wish to set up HEs.

**Projects and Programmes that support HEs**

There are a number of projects and programmes that support HEs run by NGOs, civil society organisations and central and local Government (Appendix 6). There seems to be little coordination, many appear not to have been evaluated and there are of variable quality (see e.g. Education Development Centre 2009). Most of the projects and programmes provide skills and entrepreneurship training to specific groups, youth, women, or vulnerable groups. Many are located in Kigali but some work in rural areas. A few provide more general capacity building through basic education. The common factors in those that have been positively evaluated are that they provide training in marketable skills as well as in basic business skills, they provide access to finance for business start-up and there is some on-going support (Appendix 6).

**Taking the project forward**

What do we not know – what can the research add to our knowledge in order to help inform government policy and programmes and the work of organisations that are supporting HEs?

We do not understand much about HEs from the perspective of those running them or the stakeholders in the communities in which they live. We make inferences from correlations in survey data. We need to understand much more about motivations, the role of HEs in household’s livelihood strategies, barriers to setting up and running HEs. What would support them in operating more effectively? Do HEs provide a decent living or more probably which types do so? Which types of operators want to expand their HEs and what would help them do so? Why do some HE operators not want to expand and would they think differently if they saw the opportunity to be supported to do so? What opportunities are there for new HEs to enter the market, are there unmet needs for goods and services that HEs could
meet and in what locations? Why are HEs not starting to meet these unmet needs? What is the failure rate for HEs and why are they failing? What are the characteristics of what are seen as successful HEs? What do operators of HEs think marks out a successful HE from an unsuccessful one? What is the impact of government policies and programmes? What support would enable them to operate more successfully? Until the answers to these questions are understood policies, programmes and effective support cannot be put in place. Key questions to explore include:

1. Why people start up an HE;
2. Why they set up the type of HE they do;
3. The barrier/problems they encountered in setting up an HE. What do they mean when they say capital, finance, and credit are problems?
4. What opportunities do they see for other types of HEs and why did they did not operate that type of HE?
5. How does the HE fits in with their/their household livelihood strategy?
6. What are their ambitions, do they want to grow their HE?
7. What support do they get from projects and organisations, where can/do they get help and advice?
8. What helps them to run their HE?
9. What hinders them in running their HE?
10. What policies, programmes and projects would enable them to run more effective and efficient HEs?

The Government, ODPs and NGOs active in supporting poverty reduction and entrepreneurial initiatives need to consider the extent to which, and the ways in which, they wish to deliver programmes to support HEs and specifically to target the different types of HEs.
CHAPTER 1: BACKGROUND AND CONTEXT

1.1 Introduction
This report examines what is already known about HEs in Rwanda and the important role that HEs can and do play in poverty reduction and employment creation in rural as well as urban areas. They form an important and integral segment of the labour market, and governments need to take account of them in policy formulation, regulatory frameworks and laws as well as recognising their diversity (ECA 2005). In Rwanda, for example, they form the overwhelming majority of private sector enterprises and provide employment for about three quarters of those whose main job is in the private sector (PSF 2008; Chichello and Sienaert 2009; Strode et al 2007; Gaal 2010, Appendix 3). In total they provide employment for 56 per cent of women and 35 per cent of men in non-farm employment (Gaal 2010, Appendix 3). While their contribution to aggregate economic growth remains debated (La Porta and Shleifer 2008) their importance to household livelihoods and poverty alleviation is undeniable (Snodgrass 2005). Further poverty reduction and economic growth will depend to a large extent on supporting the development and sustainability of non-farm family enterprises (Abbott and Rwirahira 2010). The need to encourage the start-up and support the sustainability and growth of HEs, especially in rural areas, was recognised in Vision 2020, and the realisation of the anticipated benefits from land reform will depend in growing non-farm employment (FAO 2006).

1.2 Research Methodology
The research for this report is in two main phases and is supported by a National Steering Committee that provides advice and guidance. In Phase 1 desk research was undertaken to provide an understanding of what was already known about the non-farm household enterprise sector in Rwanda and the policy and support context in which it operates. In Phase 2, mainly qualitative field work will be carried out to ensure a richer and deeper understanding of the sector. The National Steering Committee provided guidance on areas where they would like to have a fuller understanding in order to be able to develop policies, programmes and projects to support and nurture the HE sector before the start of Phase 2. An important element of the methodology for this project is listening to the ‘voices’ of stakeholders (Government, NGOs, Development Partners), and beneficiaries (i.e. the operators of HEs). It recognises that in tackling an issue Governments have to start where the people are, be prepared to be innovative and flexible and to recognise that complex issues do not have simple solutions. It recognises the need to bring together the codified knowledge of experts and those whose needs and daily life-world are under consideration. It also recognises that policy problems are ‘wicked’ they are difficult to define and there are no ‘solutions’ in the sense of definitive and objective answers (Chapman et al 2009). The issue of HEs, or, rather, the issue of increasing the productivity and reducing the risks of HEs, is related to a range of Government policies, priorities and strategies. The social, economic and policy context in which they are enmeshed is dynamic and they are embedded in a complex system of changing problems that interact with each other.

The outcome from the project will be a final report integrating the findings from the desk and field research and making research-informed recommendations to the Government and other stakeholders. The report will provide information that will permit the identification of areas
susceptible to action and information on support provided by programmes and projects that could be scaled up. The findings will be of value to policy makers, project designers, the PSF and other stakeholders. It will enable them to prioritise issues, interventions and efforts to scale up policies, programmes and projects to support the start-up and growth of HEs. Importantly, the fieldwork undertaken to inform our conclusions and recommendations will include talking to those who run HEs. Their perspective is an essential element of any understanding of what will enable HEs to play a central role in poverty reduction and economic growth.

The conceptual framework for the project is provided by Steel and Snodgrass (2009). They point out that understanding the dynamics, constraints and potential of informal enterprises is essential for designing policies and interventions that can turn HEs from mechanisms for coping with vulnerability and poverty to engines of economic and employment growth. They argue that policies and programmes need to be developed that will support the start-up and growth of HEs. This resonates with the recommendations of the census by the Rwandan Private Sector Federation (PSF 2008) which pointed out that the private sector is the only sustainable driver of the economy and as such needs to be nurtured and encouraged through positive and friendly policies. However, we need to keep in mind that the emphasis in this research is on how individuals and households can build their capacity to start up HEs and how this capacity can be converted into running successful enterprises through a supportive social and physical environment. This requires asking three main questions:

- do individuals running HEs or those for whom starting an HE is an employment option have the necessary capabilities/skills to run productive HEs?
- is there the necessary infrastructure in place?
- is there the necessary societal, legal and fiscal support for HEs?

The answers to these questions will enable us to understand what steps the Government and other stakeholders can take to support the growth of productive HEs and reduce the risks for those running them. Figure 2 sets out a preliminary capability set for HEs.

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**Figure 1: Capability Set for HEs**

<table>
<thead>
<tr>
<th>Individual</th>
<th>Infrastructure</th>
<th>Societal, legal and fiscal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education/training/skills</td>
<td>Roads and transport</td>
<td>Public policies and programmes</td>
</tr>
<tr>
<td>Trust(^1)</td>
<td>Water and sanitation</td>
<td>Legal and regulatory frameworks</td>
</tr>
<tr>
<td>Health</td>
<td>Energy</td>
<td>Microfinance</td>
</tr>
<tr>
<td>Gender</td>
<td>Tools and other basic equipment</td>
<td>Regulated market</td>
</tr>
<tr>
<td>Age</td>
<td>ICT</td>
<td>Norms and values</td>
</tr>
<tr>
<td>Confidence</td>
<td>Land</td>
<td>Employment opportunities</td>
</tr>
<tr>
<td>Assets/savings</td>
<td>Security</td>
<td>Rule of Law</td>
</tr>
<tr>
<td>Time</td>
<td>Site of operation</td>
<td>Human Rights</td>
</tr>
<tr>
<td>Market intelligence</td>
<td>Social support</td>
<td>Projects</td>
</tr>
</tbody>
</table>

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\(^1\) This approach is informed by the work of Amarty Sen. See e.g. Naussabaum and Sen eds. (1993), Sen (1999)

\(^2\) The important role of trust in social and economic development has been developed by David Halpern. See Halpern (2009)
1.3 Defining a Non-farm Household Enterprise
A non-farm\(^4\) household enterprise is an owner-operated business that is normally in the informal sector\(^5\) and does not employ paid workers on a regular basis (Figure 1). Other family members may contribute unpaid labour. Non-farm refers to those activities that are not primary agriculture, forestry or fisheries but does include trade and the processing of agricultural products even when undertaken on the farm (Gordon and Craig 2001). HEs may provide the sole employment of the operator or may be part of a strategy of individual income diversification. HEs may also be part of a household’s livelihood strategy\(^6\) and form part of the household’s portfolio of income-generating activities. In urban areas they generally provide the sole employment of the operator but in rural areas operators generally combine running their enterprise with agricultural work (Strode \textit{et al} 2007; Gaal, 2010, Appendix 3). Those that operate from fixed locations are generally known to the authorities and pay local taxes but those that operate from home or no fixed location have generally not registered with the authorities (FIAS 2006; Strode \textit{et al} 2007). They may also pay VAT on goods they purchase to run their businesses and, unlike larger registered businesses, cannot reclaim this.

\textbf{Figure 2: Degrees of Formality Segmented by Type of Work and Enterprise Size}

Degrees of Formality Segmented by Type of: Enterprise, Work, Productivity, and Risk

1.4 Household Enterprises and their Role in Poverty Reduction and Economic Growth
In this section we look at what the research literature tells us about the role of HEs in poverty reduction and economic growth. Supporting the start-up and growth of HEs is important not only in providing more ‘good’ jobs (those that provide a non-poverty income) but also as providing a route out of ‘poor’ jobs and enabling individuals and households to escape

\(^4\) ‘non-farm’ should not be confused with ‘off-farm’. The latter is often used to refer to all activities away from the household’s own farm including farm labouring. For this reason we use non-farm in this report (see e.g. Gordon and Craig (2001)).

\(^5\) The International Labour Organisation (2004) quotes a harmonised definition of the informal sector agreed by the Expert Group Informal Sector Statistics. The informal economy includes private unincorporated enterprises (excluding quasi-corporations) which produce at least some of their goods and services for sale or barter, have less than five paid employees, are not registered, and are engaged in non-agricultural activities (including professional or technical activities (P17)).

\(^6\) Ellis (1999) defines a livelihood as comprising the activities, the assets and the access that jointly determines the living gained by an individual or a household.
poverty or at least to reduce their level of poverty. HEs can reduce vulnerability and risk as part of a household’s portfolio of activities. Households that incorporate an HE are generally better off than those that rely solely on subsistence agriculture or farm labouring (Figure 3). Poor households are often risk averse and having more than one way of sustaining their livelihood spreads risk and helps them cope with shocks. In rural areas, a majority of households have more than one source of ‘income’ (NISR 2007b) and those that do not are at greatest risk of extreme poverty (Vinck et al 2009). The changing employment patterns in rural areas seem to be driving an increase in inequalities between those households dependent on agriculture and those households whose portfolio of livelihood strategies combine non-farm employment and/or a non-farm family enterprise with subsistence agriculture (Clay and Kamaayana 1997; 2007b; Vinck et al 2009). There was a growth in inequalities between 2000 and 2006 in rural areas and this seems to be associated with an increase in non-farm employment NISR 2007b).

Figure 3: Average Household Income by Livelihood Group (excluding Kigali)

![Graph showing average household income by livelihood group](source: Vinck et al 2009, P46)

HEs play an important role in poverty reduction but the extent of their contribution to aggregate economic growth remains debated (Gomez 2008; La Porte and Shleifer 2008). Most provide an income that is generally sufficient for day-to-day survival or at best for providing a stable living (Readon et al 2006). Many operators of HEs do not distinguish between personal and business finance and they do not keep records. They are operating their enterprise to pay for their daily and weekly living expenses. They are therefore vulnerable to shocks such as illness and fluctuations in demand (Gomez 2008; Chicello and Sienert 2009).

HEs are important in providing employment for ‘surplus’ labour and may provide a route out of poverty. Many poor households are risk-averse and want to have a portfolio of livelihood sustaining activities rather than focus on one. HEs can also offer income generating activities for women who operate them in combination with their other household responsibilities. Women may be running their HE in addition to agricultural work and domestic labour and do not have the time or energy to grow their enterprise (Chen et al 2002).

The push factors (lack of land, or of land adequate to support the household, lack of alternative employment opportunities, ‘surplus’ labour, risk reduction) are probably more
important in driving the growth of HEs than pull factors such as a strong desire to become a self-employed entrepreneur. Further, HEs may be started to manage risk, a deliberate strategy to manage anticipated fluctuations in income by spreading risk or a coping mechanism in response to shocks (Davies 1996; Ellis 2000; Yaro 2006). HEs, especially in rural areas, are part of an individual’s portfolio of activities, and HE activities may be pursued seasonally when there is little agricultural work to do. Policy makers need to understand the nature and patterns of income diversification in order to inform policies and programmes. HEs, for example, that are undertaken because of pull factors are much more likely to result in a virtuous spiral of improved household income whilst those based on push factors are more likely to lead to stagnation or even a decline in household incomes (Reardon et al 2006).

The main barrier to starting up and expanding HEs have been identified as a lack of financial capital, lack of human capital (poor education), poor infrastructure (water and energy) and lack of access to markets (roads and transport) (see e.g. Steel and Snodgrass 2009).

1.5 Rwanda Country Context
Rwanda has been recognised as one of the best performing countries in Africa and as having created a very favourable ‘soft’ business infrastructure. Lacking natural resources it has identified building a knowledge based economy as the path it must take to sustained economic development. It has achieved political stability and is widely recognised as having a committed, credible and capable government. There has been sustained economic growth since the late 1990s, with GDP per capita increasing from US$ 248 in 1999 to US$ 520 in 2009 (Abbott and Rwirahira 2010) and a compounded annual growth rate of 17 per cent between 2001 and 2010 (Napier 2010). Much of this growth has been driven by the rapidly growing private sector, and not least by the growth in HEs (Chichello and Sienaert 2009). Over 75 per cent of GDP comes from services and the agricultural sector. The service sector has grown consistently over the last five years (except for 2007) but the growth in both agriculture and industry has been less consistent over the same period (Napier 2010). In 2008 agriculture account for 33 per cent of GDP, industry 15 per cent and services 45 percent (adjustment 6 %) (Napier 2010, P22).

However, it remains one of the poorest countries in the world and is heavily aid-dependent; over 50 per cent (52.48) of revenues in 2009 were from aid. It is resource-scarce and landlocked, both strong inhibitors to economic growth. It remains heavily dependent on rain-fed, mainly subsistence, agriculture and there is high pressure on land much of which is degraded through exhaustion and erosion. Seventy per cent of the population are young adults and children and approximately 85 per cent of the population live in rural areas (Abbott and Rwirahira 2010). High population growth (2.8% per year) combined with many farms too small to support a family means that there is an urgent need to increase non-farm employment opportunities and grow the labour market.

To meet these challenges there is an urgent need to develop a competitive private sector. However, this presents a significant challenge given a limited internal market, high transaction costs, high investment risk and weak institutional capacity. Challenges that need to be overcome include: poor physical infrastructure and disadvantage geographical location, which increase transaction costs for getting goods to market both internally and externally; high energy costs; a shortage of skilled workers (Bigsten and Isaksson 2008); and low rates of saving and of domestic and inward investment. Other potential barriers to business start-up, including HEs, are the low proportion of the population that have bank accounts, 14 per cent
in 2008 (Fin Mark Trust), the poor access to IT and electricity especially in rural areas and the
low ownership of phones in rural areas (Abbott and Rwirahira 2010; FinMark Trust 2008;
Nsengiyumva and Habumuremyi 2009). Whilst strong growth in the service sector and
increased agricultural productivity provide opportunities for private sector investment and
growth (including HEs) the lack of a manufacturing sector means that tools and equipment
have to be imported, driving up the start-up costs for many types of business enterprise. High
levels of poverty mean there is low domestic demand, with about 80 per cent of the
population being mainly dependent on subsistence agriculture. This may be one reason why
so many businesses, including HEs, are concentrated in commerce and trade (PSF 2008;
Strode et al 2007).

Marginal reductions in poverty rates have been accompanied by a growth in inequalities in
rural areas in recent years. In 2006, 56.9 per cent of the population lived in poverty and 36.9
per cent in extreme poverty, a modest decline from the 2000 levels of 60.4 per cent and 41.3
per cent respectively. More recent comprehensive data on poverty levels are not available but
there may have been a further decline in extreme poverty but little change in the overall
poverty level (Abbott and Rwirahira 2010: see also: FinScope Rwanda 2008; Ministry of
Health et al 2009; Vinck et al 2009 ). The extent to which economic growth has been
translated into poverty reduction is an important issue. Pro-poor policies require that the
incomes of the poor grow faster than those of the better off (Ministry of Finance 2002). Over
the period 2000–6 there was a national annual consumption growth rate of three per cent, but
also a significant growth in inequalities from a Gini of 0.47 in 2000 to one of 0.51 in 2006.
While the Gini decreased marginally in urban areas it increased significantly in rural ones,
from 0.374 to 0.439. It grew most in those areas with the highest growth rates: Southern
Province, with an annualised consumption growth rate of 4.3 per cent from 0.394 to 0.510;
and Eastern Provence, with an annualised consumption growth rate of 6.1 percent, from 0.382
to 4.34 (NISR 2006, P8). It is noticeable that Northern Province which had the lowest
annualised consumption growth rate (1.2%) and where there was a decrease in the Gini (from
0.417 to 0.407), also had the lowest growth in independent non-farm enterprises between
2000-1 and 2005-6, 13.5 per cent of the national total (Strode et al 2007). All consumption
deciles experienced some growth over the period, but the poorer majority experienced less
consumption growth than the richer minority (Bigsten and Isaksson 2008). Given that the
majority of the poor depend on subsistence agriculture, reducing poverty further will
dependent to a significant extent on diversifying employment opportunities in rural areas,
including supporting the growth of non-farm HEs.

1.6 Policy Context

Vision 2020 is Rwanda’s ambitious programme for development and the Economic
Development and Poverty Reduction Strategy (EDPRS) 2008 -12 is the mid-term framework
for implementing the Government’s long-term agenda. It explicitly recognises that economic
growth alone will not reduce poverty and improve the lives of the poor and incorporates
programmes to empower the poorest and support them in exiting poverty. Key elements of
Rwanda’s policy include economic growth, achieving the MDGs, improving agricultural
productivity and creating non-farm employment in rural areas.

EDPRS has been evaluated as providing the basis for achieving the Government’s
development Goals but it is also recognised that it is underfunded. There is also an
implementation gap and a lack of capacity in central and local government (Abbott and
Rwirahira). Many of the policies and implementation strategies relevant to HEs have only recently been introduced and there has been little monitoring and evaluation.

The EDPRS is based on three pillars designed to accelerate economic growth and promote human development:

1. Sustainable growth for jobs and exports - investing in improving the climate for business investment, thereby achieving private sector growth. In the shorter term the priority is reinforcing the productive and export potential of the agricultural sector, but in the longer term the goal is to diversify the economy by promoting the non-farm sector.

2. Vision 2020 Umurenge is a pro-poor rural development and social protection programme which aims to eliminate extreme poverty by 2020 by releasing the productive capacity of the very poor. It includes public works, credit packages and direct support. It is implemented at village level and uses participatory-based methods.

3. Good economic governance is seen as a precondition for poverty reduction and development, creating a comparative advantage in ‘soft infrastructure’ (good governance and institutional arrangements important for private investors) compensating for Rwanda’s relatively poorly developed hard infrastructure and disadvantaged geographical location (Ministry of Finance and Economic Planning 2007).

The EDPRS is monitored on a bi-annually against a set of targets. Local councils agree a performance contract (Imihigo) each year with the Government and are monitored against the targets they set. The monitoring framework includes developing businesses at local level and is intended to encourage communities cooperating in entrepreneurial activities (Appendix 4).

The growth of the private sector is seen as central to Rwanda’s development, but the focus has been mainly on enlarging the formal sector. Most attention has therefore been given to attracting inward and domestic investment through creating a sound ‘soft’ business infrastructure and developing policies to support the start-up, operation and growth of entrepreneurial businesses that are in or likely to rapidly move into the formal sector and create employment opportunities (Ministry of Trade and Industry 2010). Some of the recommended strategies in the MSE Policy and Strategy would, however, be of benefit to HEs.

Government policies designed to reduce extreme poverty could also have a positive spill-over for HEs. This could take two forms: increasing demand for the products and services of HEs and by increasing the incomes of the poor, enabling them to accumulate the capital to invest in starting-up an HE. Agricultural policies could also have a positive spill-over effect by increasing demand and enabling more households to accumulate capital to invest in HEs. Health, education and other policies designed to build capabilities will empower and enable people to take more control over their lives and potentially start up HEs and grow existing ones.

The Community Development Policy is designed not only to give more control over local decision making to local communities but also to build trust and social capital and increase well-being. Social capital and trust are important as a foundation for economic development
(Halpern 2009). Levels of trust in Rwanda are low and this may, for example, militate against people being prepared to take out group loans from microfinance institutions.

1.7 Situating Non-farm Household Enterprises in the Rwandan Economy

HEs, as we have indicated above, are the smallest type of enterprise and different from even micro-enterprises (see Figure 1 above; Gaal 2010, Appendix 3; and Chapter 2 below). It is probable that the vast majority of operators of HEs do not see themselves as running a business. Rather they see themselves as undertaking income-generating activities or possibly doing a job to earn money to live on. It is clear that policies and programmes need to be developed to support HEs and indeed probably to support the different types of HEs. However, in Rwanda HEs are not differentiated from other micro-enterprises. A number of surveys have been carried out out of the informal sector (e.g. FIAS 2006, NISR 2007a) but they have only included businesses operating out of trading centres in their samples and did not considered HEs separately from other micro businesses. Some reports as well as the Rural Micro and Small Enterprises Promotion Project, (Ministry of Trade and Industry), refer to micro- and small-scale enterprises (MSSE) but these enterprises are often referred to as SMEs causing confusion with small and medium-sized enterprises. The recently approve Small and Medium Enterprise Development Policy in fact also incorporates micro enterprises (Table 1) but does not separately identify HEs. Indeed it is not clear if it includes HEs at all as it refers to enterprises with between 1 and 3 employees while HEs are owner operated and do not have employees. Furthermore, it does not indicate if ‘employees’ refers to paid employees or includes non-remunerated members of the household.

Table 1: Categorisation of Business in Rwanda

<table>
<thead>
<tr>
<th>Size of Enterprise</th>
<th>Net Capital Investment (Million FRW)</th>
<th>Annual Turnover (Million FRW)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-enterprise</td>
<td>Less than 0.5</td>
<td>0.3</td>
<td>1 - 3</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>0.5 less than 15</td>
<td>0.3 – less than 12</td>
<td>4 - 30</td>
</tr>
<tr>
<td>Medium Enterprise</td>
<td>15 – 75</td>
<td>12 – 50</td>
<td>31 - 100</td>
</tr>
<tr>
<td>Large Enterprise</td>
<td>over 75</td>
<td>More than 50</td>
<td>More than 100</td>
</tr>
</tbody>
</table>

(Source: Ministry of Trade and Industry 2010)

The private non-farm sector in Rwanda is very small and mainly made up of micro- and small enterprises that are informal (not registered with government and therefore not paying taxes), semi-formal (having provided the government with some information, usually by local registration of the right to do business) and formal (registered to pay income tax). See Figure 1 above; FIAS 2006; PSF 2008. The vast majority of enterprises are informal. The Rwanda Business Operator Census Report (PSF 2008) enumerated 72,994 formal and semi-formal businesses. Ninety per cent of these were micro-enterprises with a majority being run by the owner without employees. However, if we include the informal sector there are about 665,000 micro-enterprises, providing employment for around 915,000 people (10 per cent of those in employment) in 2006. About 80 per cent of these are operated by the owner with no employees, even unpaid family members (Strode et al 2007).

Whilst the vast majority of micro-enterprises operating in trading centres and other fixed locations have paid an annual local business registration fee, those operating from domestic

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7 Employment in this report means work undertaken to provide for livelihood. It may or may not be remunerated and it may be undertaken for an employer outside the household; it may be self employment (farm or non-farm) or it may be working in a family enterprise as a dependent member of the household (non-head).

8 ‘Patente’ is a local charge set by local authorities. The amount is determined by the local authority with the basic ‘P’ being not more than 2000 FRW. However, the amount paid is a multiple of this depending on if the business is in an urban or rural location and on other factors. The officials who collect ‘P’ are also supposed to provide support to the business but the capacity to do this
premises or no fixed location have not generally had to register or paid any taxes. The Government is now pushing to formalise all business, including HEs. A Ministerial Order approved in 2009 requires all business of low income to be on the Registry of Trade Register. Businesses that have a turnover of less than 10,000 RFW a day are required to pay 2,000 FRW to register. Failure to register and display a licence will result in being fined. It is unclear how widely publicised the requirement has been or how rigorously it is being enforced. Nor is it clear what incentives the Government has put in place to encourage registration. It is also too early to tell if businesses are registering. The existence of a Register of Businesses could enable the Government to provide targeted support and widen access to credit for HEs. Alternatively it could result in some HEs shutting down or even deter people from starting up an HE in the first place.

1.8 Situating Non-farm Household Enterprises in the Rwandan Labour Market

In this section we look at the quality and quantity of available workers, the quality and quantity of available jobs and the matching process linking workers and jobs. From our analysis we conclude that there is an excess supply of labour that is low-skilled and poorly educated and a deficit of decent jobs, with some evidence that the process matching workers and jobs is not optimal. There is also evidence of a decline in the proportion of adults in employment, accounted for by increased participation in education, and a sectoral shift out of subsistence agriculture into non-farm work and farm labouring.

Since 2000 there has been a decline in the proportion of workers employed in the primary sector (mainly agriculture) and an increase in employment in the secondary sector (manufacturing) and the tertiary sector (services). Employment in agriculture fell from 90 per cent in 2000 to 77 per cent in 2006, while in manufacturing and the service sector it increased. The most notable increase was in the service sector which increased its share of employment from less than a tenth of all jobs in 2000 to nearly a fifth in 2006 (Strode et al 2007). Non-agricultural jobs are on average better paid than agricultural jobs, although many non-agricultural jobs were lower-paying in 2006 compared to pay levels in 2000 (Strode et al 2007).

There was an increase in waged employment in the same period, from 11 per cent to 21 per cent, driven by an increase in waged farm employment (from 4% to 8%) as well as non-farm waged employment (from 7% to 11%). There was also an increase in employment in independent non-farm enterprises (from 5% to 10%). The causal mechanisms for this shift have not been extensively researched but are likely to be a combination of push factors, landholdings too small to support the household and the availability of waged employment in agriculture and non-agriculture (Clay and Kampayana 1997). This conclusion is supported by the estimation that the shift from working on a family farming enterprise to other types of

is very limited. Business may also be charged market fees set by local authorities and a tax on properties used for business. Local authorities are not supposed to make a surplus from taxes .

* In situating HEs in the Rwandan labour market we are drawing mainly on Strode et al’s analysis of the Integrated Household Survey (2007) because this is the study that has been used most frequently in Rwanda. In doing this we recognise that the analysis of the same data set by the World Bank (Cichello and Sienaert) differs somewhat and in particular uses a different occupational classification. By differentiating between the head of a family enterprise (farm and non-farm) and dependent workers as Strode et al (2007) do it is also possible to see more clearly the disadvantaged position of women in the labour market as they are much more likely to be dependent (unpaid) workers than the operator of a family enterprise, farm or non-farm 3 This is based on a comparison of EICV1 and EICV2 data. However, the questions on employment differed between the two surveys and it is likely that the shift out of agriculture is exaggerated in the comparison. EVIC2 also seems to have been more successful in collecting instances of agricultural wage labour and so the increase may also be an exaggeration.
employment accommodated the additional half million workers that came on to the labour market between 2000 and 2006 (Strode et al. 2007).

If we consider jobs started in the last five years (excluding independent farmers) we can see that just under half (45%) were as unpaid farm worker while 12 per cent were in paid farm work; thus over 40 per cent were in non-farm employment. Twenty-three per cent were in paid non-farm employment and 19 per cent in independent non-farm work (16% as operator and 3% as dependent worker). Independent non-farm work together with waged non-farm was especially important for young people aged 21 to 30 years, with just over fifty percent of them starting non-farm employment (author’s own calculation from data in Table 4.5, P23 Strode et al. 2006).

The Rwandan labour market, however, continues to be characterised by a deficit of decent work, with the numbers of working poor remaining high. Forty per cent of working adults have more than one source of ‘income’ with those in rural areas being more likely to have more than one job and men more so than women (NISR 2006, P28). In order to understand the labour market in Rwanda it is important to take account of time-related underemployment as well as unemployment. The former can provide information on the extent to which the economy can provide full employment for all those who want it and thus a better understanding of the true employment situation (International Labour Organisation 2004).

There is low unemployment (people available for and seeking work), but high underemployment, especially amongst men in rural areas\(^{11}\). The average number of hours worked a week in all jobs is 31 (men 35, women 28) but this falls to 27 (30 men, 25 women) for those whose main occupation is agriculture (NIRS 2006, P28). However, women, in addition, spend well over 20 hours a week on domestic duties while men spend only around five\(^{12}\) (NISR 2006, P30). Assuming a normal working week of 40 hours in productive labour this suggests that up to a quarter of the adult workforce is in reality surplus to requirements, with the vast majority residing in rural areas\(^{13}\). However, we must exercise some caution because, as Fox and Gaal (2008) point out, measuring labour force participation in countries like Rwanda is problematic give the variety of activities in which people engage across the day, especially in rural areas, and the pattern of work across the seasons.

Whilst most men and women engage in productive labour there is a concern that underemployment may be turning into unemployment for a growing number of young people, especially in rural areas. If this is not addressed there may be even greater migration to urban areas, and a large number of marginalised young people could present problems for the authorities. A 2009 report (Education Development Centre 2009) found that there is a growing pool of unemployed/marginally employed young people, especially men, who have migrated from rural areas to urban areas, including Kigali. The Centre for Support to Small

\(^{11}\) When we talk about workers we are generally referring to those above 15 years of age, unless we explicitly state otherwise. In 2006 about 10 percent of children aged 11 to 15 years were in ‘employment’, 51.2 percent of young adults aged 16 to 20 years and 80.6 percent of adults 21 years and over (NISR 2006, P29). It is of course likely that that many children, especially in rural areas contribute to the livelihood work of the household, and boys as well as girls contribute to domestic labour, including fetching wood and water (NISR 2006 Ps 29 -30).

\(^{12}\) According to the latest version of the United Nations Guidelines on Calculating GDP many of these activities count as economic activities but statistical agencies rarely consider them as such and households do not consider then as economic activities either (Fox and Gaal 2008).

\(^{13}\) The International Labour Organisation (2004) point out that the questions asked in surveys in Rwanda does not make it possible to calculate underemployment within the norms set by the ILO, but it is possible to calculate a pseudo underemployment rate. Using a 35 hour week they calculate that at the time of the 1988/89 Labour Force Survey that 47 per cent of the adult population was underemployed, 42 per cent men and 53 per cent women, with 93 per cent residing in rural areas (P 20).
and Medium Enterprises in Rwanda (CAPMER) estimate that 85 per cent of Rwandan young people are in reality ‘unemployed’ with most young people in rural areas being surplus labour (Appendix 6).

There is a low level of human capital and the workforce is poorly educated, with a majority of the population having primary school education or none and only just over two-thirds of the population declare themselves as literate (71.5% of men and 60.1% of women). Literacy rates are much lower in rural areas than in Kigali or other urban areas (Ministry of Health et al 2009; NISR 2006). Education attainment is poor even amongst younger age groups, with many of those who have only attended primary school being barely literate (Education Development Centre 2009).

There is also a mismatch between the skills of those seeking employment and the skills employers are looking for, with a shortage of skilled labour at all levels from technical and vocational to higher education (HIDA 2009; Abbott and Rwirahira 2010). It is estimated that there is a 60 per cent skills gap in the private sector and a 30 per cent skills gap in the public sector.

1.9 Household Enterprises in a Segmented and Segregated Labour Market

It is important to understand the location of non-farm HEs within the Rwanda labour market as they comprise a distinct segment. HEs provide employment, main or supplementary, for a growing number of adults in rural as well as urban areas. They provide one important route out of agricultural work and generally provide a higher standard of living than enjoyed by those dependent on agricultural employment alone (Strode et al 2007; Vinck et al 2009; Gaal 2010, Appendix 3). However, it is important not to see them in isolation from agricultural employment. In rural areas agricultural and nonfarm employment are linked through investment, production and consumption, and both form part of complex livelihood strategies at both the individual and the household levels (Davis et al 2008; Vinck et al 2009). In urban areas HEs are more likely to be an individual’s sole employment, although many households combine income from more than one type of employment, including HEs.

The Rwandan labour market has three main segments: agricultural work, own-account non-farm work and non-farm employment\(^{14}\). The vast majority of workers are either self-employed or unpaid family workers, mainly in agriculture. Figure 4 shows the occupational hierarchy. The majority of workers are in agriculture (86.7% of women, 67.9% of men). Just under six per of women (5.7%) and 10.3 per cent of men run a household enterprise. Only one per cent of men and 0.3 per cent of women are employers, that is, own an enterprise that has paid employees. Six per cent of women and 20 per cent of men are in paid employment with the remaining 2.3 per cent of women and 0.7 per cent of men being family workers in non-farm enterprises.

\(^{14}\) When talking about employment in Rwanda we need to have agreed terminology for the status of workers. We will use main occupation to refer to the work that has been recorded as such in household surveys and likewise secondary employment. We use family worker to refer to someone who works under the direction of the head of household (independent farmer or own-account worker), independent farmer to refer to someone who controls a subsistent farm, farm labourer to refer to someone who works on a farm for pay (in cash or kind) on a regular basis, own-account worker to refer to the head of a non-farm family enterprise, employee to refer to someone who has non-farm employment for which they receive pay (in cash or kind) on a regular basis and owner-manager to refer to the head of an MSME.
A majority of those in waged employment work in the informal sector with over 90 per cent (91.1%) of those in waged farm work employed in the informal sector compared with 58 per cent of those in non-waged farm work (Strode et al, P32). The higher the level of education the lower the likelihood of being engaged in agricultural work; 10.7 per cent of those with no education compared to 96.7 per cent of those with higher education are employed outside the agricultural sector (Strode et al, P20).

Figure 4: Rwanda Labour Pyramid Including Agriculture

(Source: Gaal 2010, Appendix 3)

The labour market is very different in Kigali from the rest of the country, and in urban areas outside of Kigali compared with rural areas. Waged non-farm employment is heavily concentrated in Kigali, where 48 per cent of workers are employed in this type of employment and 18 per cent in independent non-farm work. The proportion of workers in these types of employment varies little by province, although a slightly lower proportion of workers are in non-farm employment in the Eastern Province than the others. There is some evidence that a growth in employment opportunities attracts migrants, with Kigali and the Eastern Province attracting a significantly larger number of migrants than the other provinces and Northern Province experiencing higher a rate of out-migration than the other provinces (Strode et al, P13).

Occupational mobility appears to be mainly from working on a family farm to paid farm work, operating a non-farm enterprise or paid non-farm work. Non-farm workers are less likely to live below the poverty line than those who derive their main income from agriculture. Nearly three quarters of those in paid non-agricultural employment and just under two thirds of those in independent non-farm work earn a living wage. However, a majority of those dependent on agriculture are poor, ranging from 72.4 per cent of those engaged in waged farm work to 57.9 per cent of independent farmers (Strode et al 2007, P42).

There is gender segregation, with women predominantly located in lower status and less well remunerated jobs within the segmented labour market (Human Development Department

15 Migration to the Eastern Province is mainly to take up agricultural work, as there is more land available than in other part of Rwanda. Migration to Kigali is to take up non-farm employment, including starting an HE.
2009). Men are disproportionately moving out of farm work and men captured three quarters of the new jobs created between 2000 and 2006 as well as being more likely to start a small business than women. In total 19 per cent of workers were in paid non-farm employment as their sole or main occupation in 2006 (salaried and own account) compared with 11 per cent in 2000. But only 11.6 per cent of women compared to 27.8 per cent of men were in paid non-farm work. Median earnings are higher for men; the ratio of female to male earnings is 0.67; the ratio of rural to urban earnings is 0.49, and; the ratio of waged to non-waged is 1.64; the ratio of secondary to primary is 2.20 and of tertiary to secondary 2.87 (World Bank, last accessed 06.04.2010).

1.10 Conclusions
It is clear that Rwanda urgently needs to find ways of creating employment to absorb both the existing surplus labour and new entrants to the labour market. Failure to do so will not only limit economic growth but will make it difficult if not impossible to reduce poverty levels further, and economic inequalities will remain high. The Government has correctly identified growing the private sector as the main way to increase employment as well as drive economic growth. However, it has fails to recognise the key role that HEs play in reducing poverty and creating decent employment or at least it has failed to recognise that HEs are different from enterprises that have employees in a number of important respects and need to be targeted specifically if they are to become more productive and if the risks of operating one are to be reduced.
CHAPTER 2: NATURE AND STATUS OF NON-FARM HOUSEHOLD ENTERPRISES

2.1 Introduction
In this chapter we report on the findings of our systematic review of the literature on HEs in Rwanda (see Appendix 2 for an annotated index of literature, Appendix 3 Gaal 2010, Appendix 4 for the policy analysis and Appendix 5 for a directory of projects and programmes). This provides a picture of the HE sector in Rwanda in terms of its location, distribution and size. However, our understanding of the HE sector is based on the findings from surveys that have not been designed explicitly to research the sector and we have found no research that has studied it in detail in Rwanda. We also consider the support environment for HEs in terms of Government policies and programmes and of projects that provide support for HEs.

We have indicated in our analysis of the labour market that HEs do play an increasing role in absorbing surplus labour and reducing poverty as well as potentially contributing to economic growth. Earnings in non-farm HEs tend to be higher than for agricultural work, waged and non-waged. As our analysis below will show, they form a distinctive segment of the labour market and are different from micro, small and medium enterprises in a number of important respects:

1. they do not employ waged labour, and while family members may contribute labour only about 14 per cent of HEs ‘employ’ family members in Rwanda;
2. many of them operate from domestic premises rather than from a fixed location outside the home;
3. many of them do not keep records and income is immediately spent on consumption;
4. especially in rural areas, they are run as part of a portfolio of household activities and a substantial minority are run as a secondary activity by the operator;
5. they do and can provide employment opportunities for those whose level of educational attainment would make it difficult for them to find non-farm employment in many parts of the economy, even in relatively unskilled work.

While there are Government policies and programmes that potentially support HEs or may have a negative impact, we have found no policies or programme that explicitly target HEs or indeed differentiate them from other micro and small scale enterprises (4). Many of these policies, in any case, have only been introduced in the last two or three years and there is little information on the impact they are having and certainly no information on the impact they are having on HEs. We will map out the policies and programmes that potentially provide support for HEs, although none of them explicitly recognise HEs as distinct from micro-enterprises.

There are a number of projects that support different groups in the population to start-up HEs and/or run them more successfully (Appendix 5). These vary from fairly large nation-wide projects to small local ones, and from ones targeted at the general population to ones aimed at specific groups such as young people or women. The quality of these projects is also variable (Education Development Centre 2009) and few have been subject to systematic evaluation.
2.2 The Household Enterprise Sector in Rwanda
In this section we provide a brief analysis of the HE sector in Rwanda. We will draw mainly on Gaal 2010 (Appendix 3 provides a full copy of the paper) as she uses the same definition of HEs as we are using in this report. We will, however, draw on the findings of other research where they provide additional insights into the operation and functioning of the sector (see 2 for an annotated bibliography of the relevant literature).

The main source of information on the HE sector in Rwanda is the data from the cross-section Integrated Household Surveys carried out in 2000 and 2006 (see Appendix 1 for details of the surveys). The analysis of these surveys permits consideration of how the role and function of HEs in Rwanda may be developing, but data from two points in time is inadequate for trend analysis. Most of the published reports providing information on the HE sector in Rwanda are based on an analysis of one or both of these data sets (Cichello and Sienaert 2009; Dabalen et al 2004; NISR 2006, 2007b; Strode et al 2007; Gaal 2010, Appendix 3). However, the findings of the reports written by NISR and the World Bank differ somewhat. This can be attributed to four main factors: different decisions made about how to deal with inconsistencies in the data and how to compare findings from the two surveys when the wording of questions had changed; a different classification of the population into occupational groups; differential use of weighted and non-weighted data; and a different definition of ‘non-farm household enterprise’.

We found no research specifically focusing on HEs and their operation at a national or more local level and our fieldwork will be important in providing more detailed information on HEs. Although the research by World Wide Initiatives (2009) included owner-operated business in its sample, from the information available in the report the vast majority of the businesses included in the sample are not HEs as defined in this project. The reports on the informal sector (FIAS 2006, NISR 2007a) focus on enterprises in trading centres and therefore do not include the majority of HEs in their sampling frame. Furthermore they do not consider HEs separately from other enterprises, although it is clear that a significant proportion of their sample were HEs. Even if they had provided information on the HEs in their sample they would not have been representative of the sector. Nevertheless some of the findings are of interest, especially those relating to constraints and barriers to formalisation.

2.3 Trends in Employment in Non–farm HEs
HEs form the largest segment of the private sector, as we have indicated above. In 2006 there were 615,108 HEs providing employment for 706,473 people (Table 2). Ninety-three per cent of all micro-enterprises (HEs and MSEs) were HEs, and they provided employment for 75 per cent of those employed by the sector. However, only 14 per cent of HEs employ family labour. HEs are the main employment for 55 per cent of their operators, 82 per cent in Kigali, 72 per cent in other urban and 49 per cent in rural areas. In urban areas for the majority of those running an HE it is their only job, whilst in rural areas only a tiny minority of HE operators (18%) have only one job. In urban areas just over a third of households incorporate an HE whilst 27 per cent do in rural areas (Gaal 2010, Appendix 3).

The importance of HEs in the labour market becomes even more evident when we consider the non-agricultural labour pyramid. Nearly 40 per cent of women in non-agricultural employment and 32.1 per cent of men are managers of a HE. They are the largest single type of employment for women and the only type of employment that is more important for men is
waged employment without a secure contract, which provides employment for 46.3 per cent of men (Figure 5).

Figure 5: Labour Market Hierarchy Excluding Agriculture

The vast majority of HEs are in rural areas (a reflection of population distribution), but the highest level of growth in HEs has been in urban areas outside Kigali (Table 2).

Table 2: Size of HE Sector and Number of Workers Employed by Area, 2000 and 2006

<table>
<thead>
<tr>
<th></th>
<th>Number of HEs</th>
<th>Number of Workers Employed in HEs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2006</td>
</tr>
<tr>
<td>Kigali</td>
<td>41,618</td>
<td>61,311</td>
</tr>
<tr>
<td>Other urban</td>
<td>15,949</td>
<td>76,341</td>
</tr>
<tr>
<td>Rural</td>
<td>176,906</td>
<td>477,455</td>
</tr>
<tr>
<td>Total</td>
<td>234,473</td>
<td>615,108</td>
</tr>
</tbody>
</table>

Although migration was higher than anticipated between 2000 and 2006, with around 500,000 internal adult migrants, they are not over-represented amongst HE managers. Nine per cent of migrants are operating independent non-farm enterprises and one per cent are working as unpaid family workers in a non-farm enterprise (Strode et al. 2007). Amongst the main reasons given for migrating are lack of employment and lack of land which is consistent with population pressure forcing younger people to seek non-farm employment.

2.4 Key Characteristics of Non-farm HEs

Independent non-farm work is an important route out of agricultural employment for both men and women, and HEs are especially important for women. Women captured only 25 per cent of the opportunities to move into non-farm paid employment between 2000 and 2006 but 40 per cent of new small enterprises were founded by women, mainly HEs. In 2000 nearly 77 per cent of HEs were managed by a man but this had declined to just over 54 per cent by 2006. In contrast over the same period the decline in male management of MSEs was only 6.5
percentage points. HEs clearly provide an important route for women into non-farm employment (Strode et al 2007).

HEs clearly provide an important form of employment for young people, many of whom are surplus to the labour needs of the family farm. In 2006 the vast majority of the operators of HEs were aged between 21 and 45 years and between 2000 and 2006 there was an increase in the proportion of those aged 15 to 30 operating HEs and a decline in older age groups.

However, HEs are also an important part of livelihood diversification, as we have already discussed in Chapter 1 above. HEs provide employment for surplus labour in two senses. Firstly they can provide employment to individuals who would otherwise be unemployed and secondly they can provide additional employment for those whose main employment is not full-time. Importantly, the operators of these types of HEs may not regard them as businesses.

The education level of HE managers is slightly higher than the national average but only 11.8 per cent have post-primary education. The average education level of HE managers declined between 2000 and 2006 even though average education levels in the country rose over the same period. This may be because a high proportion of new managers come from rural areas where education levels are generally lower and/or because of the increase in female managers as women on average have a lower level of educational achievement than men. Regression analysis suggests that education has a positive impact on income from an HE with both men and women who have secondary education having higher hourly income than those without (Gaal 2010, Appendix 3).

Commerce has the highest number of HEs, accounting for 70.1 per cent, followed by services (11.4%) which include, among others, maintenance and repair, domestic services and art and handicraft (Figure 4). Whether this concentration is related to demand-or supply side-factors is not clear, but commerce is clearly an activity in which those with little education can engage.
2.5 Poverty and HEs
As we discussed in Chapter 1 above, poverty reduction is an urgent priority for Rwanda given the continuing high levels of poverty and the failure of pro poor policies to reduce inequalities. The growth of the HEs sector has poverty-reducing consequences, as the earnings from non-farm HEs tend to be significantly higher than those from agricultural waged labour and subsistence agriculture (World Bank, 2009; African Development Bank, 2009). In 2006 HEs were predominantly in the top two richest consumption quintiles. There is strong evidence that those households that operate a non-farm household enterprise as their sole means of livelihood or as part of a portfolio of activities are less likely to be poor than those who are dependent on substance agriculture. Dabalen et al (2004) using EICV1 data, found that the non-farm self-employed had significantly higher average earnings than farm workers or non-farm employees, and that households with farm and non-farm enterprises were less likely to be poor. Vinck et al (2009) considering livelihood strategies in rural areas also found that households that combined agriculture with non-farm HEs were better off than those who relied on subsistence agriculture or farm employment. However, the median earnings of managers of HEs are lower than those of managers of micro-enterprises (Gaal 2010, Appendix 3).

2.6: Perceived Constraints and Risks
There is little information specifically on the barriers to setting up, running and growing an HE in Rwanda. Appendix 8 provides a list of what have been found to be the constraints on HE development based on a review of the literature. This provides a framework for considering what the constraints are likely to be on HEs in Rwanda which will inform the research we are undertaking. However, it is noticeable that the focus is on infrastructure and societal, legal and fiscal barriers: markets; land, labour and equipment; workers, infrastructure; finance; the legal regulatory and business environment; and Government policies. As we have argued above we think it is necessary to consider how the capacity of individuals can be developed so that they have the capabilities necessary to start and successfully run an HE and then to consider what the barriers are to them using their capabilities to run successful enterprises.

The SME Policy and Strategy (Ministry of Trade and Industry 2010) suggest that all enterprises in Rwanda face a number of challenges, including a poor transport infrastructure, limited supplies of power, a weak education system, challenges with contract enforcement, a lack of insurance companies and low levels of societal trust. The authors further suggest that the risk of failure is high for those setting up small enterprises, that it is difficult for them to gather information and market intelligence, to invest in capacity building or to take advantage of economies of scale in terms of energy, transportation or raw materials.

A 2006 study of the informal sector in commercial centres (many of which were HEs) identified fifteen constraints faced by informal and partially formal business and estimated the severity of the constraints for those who experienced them (FIAS 2006). The most common constraint was finance, mentioned by 90 per cent, with a half or more of informal enterprises mentioning transportation (60%), access to land (60%), microeconomic stability (55%), cost of financing (55%) and cost of electricity (50%). Just under 50 per cent of informal enterprises mentioned access to premises and crime, theft and disorder as constraints. Where enterprises face constraints in access to finance or the cost of electricity, these were particularly severe, with access to land and premises, cost of financing and macroeconomic instability also being severe constraints.
However, in EICV2 the majority of micro-enterprises reported no barriers, with the main barrier reported to setting-up an HE being lack of capital (21%) and lack of access to markets (15%). Location (8%) and administrative regulations (5%) were also mentioned as barriers (Strode et al 2007). Only one per cent said that lack of access to credit was a problem. Lack of capital was more of a problem outside of Kigali and than in Kigali. Access to markets was significantly less of a problem in the Eastern Province than elsewhere. The lack of HEs identifying more constraints does not mean that there are not other constraints to growth more probably it is an indication of a lack of ambition to grow or even a realisation that becoming more productive is a possibility. This suggests a need to raise the awareness of HE operators of the potential to grow and to provide support in enabling them to do so.

One important barrier to the start-up and development of HES has been access to finance. The issue of access relates to a number of things including low incomes and lack of collateral, debit aversion, lack of access to financial institutions and the fact that most banks only serve the better off. In Appendix 2 we include a summary of relevant findings from the Fin Mark Rwanda 2008 survey and a summary of a report by Napier (2010) on supply-side financial inclusiveness. Appendix 2 provides illustrative information on some of the larger pro poor banks and microfinance institutions. We also include a description of the MTM Mobile Money service which enables people to transfer money using their mobile phones in Appendix 5. In Appendix 5 we also describe the Village Phone Project which supports the provision of a pay phone service in rural areas, usually by supporting an HE to set up the service.

The main source of capital for HES is household savings (65%) and loans from parents (10 %), accounting together for 75 per cent of all credit. Borrowing from banks or microfinance institutions was used by only around five per cent. This resonates with the findings of the 2008 FinScope Survey (Fin Mark Trust 2009) which found that over half (56.8%) of those who had borrowed money in the previous 12 months had borrowed from relatives or friends and only 16.8 per cent from formal financial institutions. Given the high reliance on household savings and loans from parents, it seems likely that setting up a HE is an option only for those who can accumulate savings.

It is unclear whether the lack of borrowing from formal institutions is because of lack of access or because owner-operators do not want to borrow from such institutions but it is probably a combination of both (Napier 2010). The UMURENGE SACCOS Strategy (Appendix 6) may enable more people to gain access to finance if the main barrier is lack of access to financial services. However, the Fin Mark Trust Survey found high levels of debt aversion and few people borrowing to start an enterprise. However, there is evidence from the work of projects that those supported by them to get micro finance loans take them out (Appendix 5) and the demand for loans through the Women’s Guarantee Scheme is reported to be high. So another factor may be the ability of those setting up HES to write a business plan that is acceptable to funding institutions. Most of those that start HES do not have a regular income or collateral, so this is another barrier. The reform of land tenure (Appendix 4) will mean that a high proportion of the population will have land they can use as collateral for loans within the next two years but the Fin Mark Trust Survey 2008 found that another barrier to borrowing was fear of loss of property. Other additional factors are lack of trust which is a barrier to group borrowing and the high rates of interest charged by microfinance institutions and the pro-poor banks combined with short repayment periods (Napier 2010). It may also be
due to lack of access, lack of collateral, fear of debt and lack of trust. These are issues we will follow-up in the Focus Group Discussions (FGDs).

<table>
<thead>
<tr>
<th>Table 3: Primary Source of Capital for HEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>HE</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Household savings</td>
</tr>
<tr>
<td>Loan from commercial bank</td>
</tr>
<tr>
<td>Loan from parents</td>
</tr>
<tr>
<td>Loan from popular bank</td>
</tr>
<tr>
<td>COOPEC</td>
</tr>
<tr>
<td>Other loans</td>
</tr>
<tr>
<td>Tontine (community resources)</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(Source: Gaal 2010, Appendix 3)

There is also little information on why micro businesses do not register. FIAS (2006) concludes that the incentives to formalise are weak, as is enforcement. They suggest the main barriers are probably a lack of understanding or knowledge about registering and a concern about paying taxes and social security payments (Figure 7). They point out that most of the enterprises they surveyed were happy to pay the Patente (right to operate) (Appendix 2) because it is cheap and there is little bureaucracy. Also there is strong local enforcement. They, like the 2008 census (PSF 2008), found that HEs operating from fixed sites paid this local levy. It appears not to be a barrier or burden to HEs operating outside the home.

Figure 7: Reasons for Remaining Informal

(Source: NISR 2007a)

The Government has recently (Ministerial Order No 2/09, 2009) introduced a requirement for non-farm business of low values to register and be placed on the Register of Trade. For business that have a turnover of less than FRW 10,000 the registration fee is FRW 2000. It is not clear what strategies the Government is using to provide information on this, to sensitise businesses including HEs to register if they have put any incentives in place. Given that the main reason given in a recent survey of the informal sector (NISR 2007a) was not wanting to have to deal with the authorities and the second was a lack of information (Figure 7) the Government will need to ensure that the measure does not have a negative impact on HEs, discouraging new ones to start–up and causing existing ones to close down.

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2.7: Overcoming Constraint and Supporting HEs

Our analysis of the literature on HEs and specifically on the HE sector in Rwanda enables us to begin to see what capacities need to be developed to enable individuals to be able to start-up and run successful enterprises and what the environmental, societal and fiscal barriers are to them doing so. We can now consider what actions Government and other parties are taking to support individuals in developing their capabilities and reducing the barriers to HE development. As we have already indicated the Government has not recognised the distinct nature of HEs and its policies to develop the private sector are generically targeted to micro small and medium enterprises. Some of these policies will support HEs generally, others will support HEs that are more comparable to micro-enterprises, that is, provide the sole employment of the operator, provide (or have the potential to provide) a decent income and are operated in designated premises or in a trading centre. Many of the Government’s broader development policies including those aimed at rural transformation may also benefit HEs (Appendix 4). Most of the projects and programmes targeting HEs are run by civil society organisations but two programmes are operated by the Government (Appendix 5).

We have, however, found little evaluation of Government policies and programmes, and indeed many of them have only been introduced very recently and have not yet had time to have an impact. Few of the projects run to support HEs have been evaluated, as far as we have been able to ascertain. An important part of our fieldwork will be assessing the impact that Government policies and programmes are having on HEs (positive and/or negative) and the impact of projects. What we can do at this stage is map out the support that is available (Table 4) and consider the possible impact of Government policies and programmes (Appendix 4).

Table 4: Capability Set and Overcoming Constraints

<table>
<thead>
<tr>
<th>Capability Set</th>
<th>Situation</th>
<th>Government Policies and Programmes</th>
<th>Projects, Programmes and Organisations etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td></td>
<td></td>
<td>Most of the projects to support HEs include basic education, employment skills training and entrepreneurship (5). Few have been evaluated and numbers served are small compared to need.</td>
</tr>
<tr>
<td>Education/training/skills</td>
<td>Low level of education, lack of marketable skills and of entrepreneurial skills.</td>
<td>Two programmes (AGASEKE Promotion Project (KCC) and the Rural MSE Promotion Project (MINICOM)) provide support for existing enterprises including HEs. M + E through EDPRS. The BDS provides support to businesses but seems more geared to micro and SMEs than HEs. Indeed the majority of operators of HEs may well not think of themselves as running a business. It has just been re-launched following an evaluation. The VUP Programme may enable some of those involved in the public works programme to gain skills that subsequently enable them to start an HE.</td>
<td>Most of the projects to support HEs include basic education, employment skills training and entrepreneurship (5). Few have been evaluated and numbers served are small compared to need.</td>
</tr>
<tr>
<td>Trust</td>
<td>Trust in other people low.</td>
<td>Community Development Policy aims at building trust and social capital.</td>
<td>Most of the projects to support HEs include basic education, employment skills training and entrepreneurship (5). Few have been evaluated and numbers served are small compared to need.</td>
</tr>
<tr>
<td>Health</td>
<td>Poor health</td>
<td>Mutual health insurance</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>Cultural attitudes to women are poor especially in rural areas. Women are disadvantaged in the labour market.</td>
<td>Strong support for gender equity. Women’s Guarantee Fund for credit. Women specifically targeted in Government programmes,</td>
<td>A number of the projects offered by NGOs etc specifically target women</td>
</tr>
<tr>
<td>Age</td>
<td>High levels of</td>
<td>Youth Policy but no specific</td>
<td>A number of the projects</td>
</tr>
</tbody>
</table>

16 MSSEs are divided into three types: subsistence, emerging and expanding. The first two are almost certainly HEs but the third may well include MEs. See Appendix for more detailed information.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment/underemployment amongst young people. Migration to towns from rural areas by those seeking employment, especially young men. High proportion of HEs run by youth.</td>
<td></td>
<td>Programmes to support youth in setting up businesses. run by NGOs to support the start-up of HEs target young people.</td>
</tr>
<tr>
<td>Confidence</td>
<td>Low levels of confidence especially amongst women. Low levels of willingness to take risks</td>
<td>NGO projects aim to build confidence.</td>
</tr>
<tr>
<td>Assets/savings</td>
<td>Low levels of savings and lack of assets. Risk averse and poor access to microfinance etc.</td>
<td>Land Registration Programme Umurenge SACCOS NGOs running projects provide support in getting access to microfinance.</td>
</tr>
<tr>
<td>Market intelligence</td>
<td>Poor access to market intelligence.</td>
<td>Cooperative Policy encourages marketing coops but Policy not working well. BDS but not really aimed at HEs and only just re-launched A number of projects including the two Government programmes organise selling cooperatives.</td>
</tr>
<tr>
<td>Time</td>
<td>High levels of underemployment especially in rural areas suggests that time is not a problem although women have less ‘spare’ time than men.</td>
<td></td>
</tr>
<tr>
<td>Social support</td>
<td>There is strong support from family but less integration into wider support networks. The Community Development Policy is aiming at building trust and social capital</td>
<td>Buses are not designed for those who may wish to travel carrying goods for marketing.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads and transport</td>
<td>The road infrastructure and transport are poor especially in rural areas. The Government has a road improvement programme and has specifically recognise the need for all-weather roads in rural areas but the level if investment needed is high and improvements will take time.</td>
<td>Buses are not designed for those who may wish to travel carrying goods for marketing.</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>Water and sanitation needs significant upgrading especially in rural areas where women often have to spend a significant amount of time collecting water. The Government has targets for improving access to improved sanitation and safe water but as with roads the investment required means that it will take time for all rural areas to be served adequately.</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Energy costs are high, electricity is not widely available outside of urban areas and people in rural areas depend on wood. Government policy is to encourage the use of the improved cook stove and for communities to invest in biogas generators. There are plans for solar energy parks. There is a Government programme to scale up electricity access from 9% to 16% over the next five years. This may help HEs in urban areas outside Kigali.</td>
<td>The Village Phone Project is designed to give access to the telephone to people living in rural areas. Evaluation of the project suggests that village phones benefit established HEs.</td>
</tr>
<tr>
<td>Tools and other basic equipment</td>
<td>We have no evidence that getting tool and equipment is problematic. HEs like other small businesses that are not VAT-registered will have to pay VAT on tools and equipment they purchase for business use.</td>
<td>The Village Phone Project is designed to give access to the telephone to people living in rural areas. Evaluation of the project suggests that village phones benefit established HEs.</td>
</tr>
<tr>
<td>ICT</td>
<td>Access to computers and the internet is not widely available outside of urban areas. The telephone network covers over 90% of the country but ownership of mobile phones is low outside of Kigali and other urban areas.</td>
<td>The Village Phone Project is designed to give access to the telephone to people living in rural areas. Evaluation of the project suggests that village phones benefit established HEs.</td>
</tr>
<tr>
<td>Land</td>
<td>A high proportion of the population own land and generally use it for subsistence agricultural. The Government is implementing the requirement for all land to be registered. This may enable more HEs to access credit. However, HEs</td>
<td></td>
</tr>
</tbody>
</table>

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17 Youth in Rwanda is defined as under 35 years. However, many of the projects aim at young people in their late teens and early 20s and this seems to be the group where unemployment is becoming most problematic.
Security | Security has been identified as an issue for enterprises. | Community policing is seen as a way of building trust and confidence in the police force. | Access to insurance is very low especially in rural areas. 
---|---|---|---
Site of operation | HEs that operate in public space are generally in trading centres with limited hawking on the streets. There is some indication that work space may be an issue for some enterprises. | We have been able to find no regulations that restrict where HEs are able to operate. However, anecdotally we understand that there are regulations restricting what hawkers can sell on the streets and requiring most traders to operate in designated areas. | 
Societal, legal and fiscal | 
Rule of Law | There is evidence that there is some corruption at a local level but we have no specific information on how this might impact on HEs. | There is a strong anti-corruption drive nationally. | 
Legal and regulatory frameworks | There is some indication that there is difficulty in enforcing contracts but we have no evidence on how this might impact on HEs. The vast majority of HEs are in the informal sector, although some are semi-formal. | The Government now requires all enterprises including HEs to register. There is no indication as yet of the impact this is having. | 
Microfinance | Access to financial services is low especially in rural areas. Demand by HEs also seems to be low but those who are able to get access through projects seem to take it up. Interest rates are very high and repayment periods short. | The Government has put in place the Umurenge SACCO Strategy so that every village has access to financial services. It is too early to tell if the scheme will work. | A number of projects support clients in getting access to microfinance to set up HEs. The Care International Village Savings and Loan Scheme has been evaluated and works well but there is a concern that the cost per client is high. 
Regulated market | Some concern has been expressed about crime, theft and disorder and HEs may be being restricted in where they can operate. | Community policing should enable HEs to work with the police to tackle crime and theft. We need to explore more careful the legal restrictions that local authorities can place on where HEs operate. | 
Norms and values | There is evidence of risk aversion and a lack of an entrepreneurial spirit. Traditional patriarchal values may militate against women starting HEs. | The Community Performance Contacts encourage communities to think about how they can work together to develop enterprises. Entrepreneurship is taught at all levels of education to encourage and enable young people to set up enterprises. |
### Employment opportunities

The vast majority of the population are employed in agriculture. Non-farm employment opportunities are very limited in rural areas but there is a high level of underemployment and pressure on land. There is a poor match between the skills of the population and those demanded on the labour market. The opportunities for enterprises are not well understood but there is some indication of market saturation in trade. High levels of poverty especially in rural areas mean that demand for goods and services are low.

The Government is restructuring TVET so that the curriculum meets the needs of the labour market and employers. Education institutions more generally are being required to review the courses they offer and the curriculum so that graduates have the skills demanded by the labour market. There is an expectation that a high proportion of those exiting the education system will start up enterprises. It is unclear what support is being put in place to enable this.

The SME Policy identifies 10 value added areas and a number offer opportunities for HEs including tourism, agro-processing, handicrafts, cut flowers and textiles. A number of the projects we have identified, and the two Government programmes, provide training in skills in demand on the labour market. There is some evidence that graduates from these programmes are able to set up enterprises but we have found little information on how successful they are in the longer term and if they provide a decent living.

### Human Rights

We have found no evidence that human rights violation impede people setting up HEs. However, women are not always able to exercise their rights and there are high levels of gender based violence.

There appears to be no body that represents HEs. The Private Sector Federation represents the interests of the private sector. However, it is clear from the work it has done on collecting information on the sector that it sees its role as representing MSMEs rather than HEs.

Gender equality is enshrined in the 2003 Constitution. The Government is strongly committed to promoting gender equality and there is a gender monitoring office and the Government is introducing gender budgeting.

A number of the projects are specifically targeted at women and concerned to empower them.

### 2.8: Discussion

Our analysis of the literature on HEs in Rwanda enables us to come to a number of tentative conclusions and also raises a number of issues that we will need to explore in detail in the fieldwork phase. Our understanding is limited because we are drawing on survey data and making inferences from correlations. In the fieldwork phase we will be carrying out qualitative research so that we can come to an understanding of what it is like to operate an HE in Rwanda.

HEs clearly play an import and growing role in providing non-farm employment. There is evidence that they provide one source of employment for the growing pool of ‘surplus’ labour. Starting an HE is a strategy that seems to be available to better-off households, as the capital for starting one generally comes from savings or borrowing from parents. However, we know little about the motivations for starting an HE are and what the push and pull factors are. Nor do we know how these vary between different types of HEs. There is also a need for a greater understanding of why more HEs do not access microfinance. We will explore these questions during the fieldwork stage.
HEs provide an important route out of agricultural employment for women as well as men. Women, however, are less likely than men to operate an HE as their main employment and on average work fewer hours. This suggests that, as has been found in other countries, running an HE may be being combined with domestic and other responsibilities by some women. There may also be cultural barriers. We will explore, during the fieldwork stage, the extent to which this may be the case.

HEs clearly play an important role in poverty reduction, as households that incorporate an HE tend to be better off than those that are dependent on agriculture. However, there are clearly variations and we will explore these during the fieldwork stage.

There is little evidence to confirm or disconfirm the role that HEs may play in economic growth. Few employ family members suggesting that they at best provide employment for one person and the vast majority seem to operate from domestic premises or no fixed location. Few even pay local taxes, as they are not ‘visible’ to the local authorities. However, in the absence of panel data it is not possible to determine what proportion, if any, of HEs become more productive, provide more stable employment and become micro or even small enterprises. We will explore this during the fieldwork phase. We will also explore the characteristics of more successful HEs in economic terms.

The HE sector is clearly heterogeneous and we will explore the various types of HEs to determine the extent to which the typology described in the literature provides a framework for categorising HEs in Rwanda. There is tentative evidence to support the typification of HEs as survivalist, steady employment and entrepreneurial but not to indicate the proportions fitting in each category. There may also be other ways of classifying HEs that would be more appropriate for, for example, enabling the targeting of appropriate support. We will keep an open mind but think it important that we explore the potential for typifying HEs as this will facilitate Government and other agencies in targeting appropriate support. Our tentative typification is:

1. Survivalist HEs will be found mainly in rural areas, they will be part of a portfolio of livelihood activities undertaken by a household that lives in poverty. The main concern is with generating additional income. Income will be spent as it is earned and no records will be kept;
2. Steady employment HEs will be found in urban as well as rural areas and will generally be the main livelihood activity of the operator although the household may have a portfolio of livelihood activities. The household will not be living in poverty. However, the operator will have no plans to expand the enterprise and income will generally be spent on day-to-day living expenses;
3. Entrepreneurial HEs will be found predominantly in urban areas, be the sole occupation of the owner and the owner will have plans for expansion. The operator will see his HE as a business. Owners are likely to be saving some income and these are likely to be HEs that have borrowed or would wish to borrow from micro-credit institutions.

It is also not clear what the barriers to the growth of HEs are. These may be related to the characteristics of the operator and/or the opportunities for HEs. A greater understanding of the actual and potential barriers for HEs prospering and growing is important if appropriate support is to be provided. Conversely, we also want to know more about why HEs fail. We
also need to know more about the extent to which Government policies are supporting HEs and what the operators of HEs think that Government can do to support them. We also need to know more about what type of projects best support the start-up and growth of HEs. We will explore all these questions during the fieldwork phase.

We know that operators of HEs are no more likely to be geographically mobile than those moving for other types of employment. We also know that to the extent there is mobility it tends to be from rural to urban areas, and especially Kigali. We need to explore in more detail the reasons for mobility and immobility. Why do people move to set up an HE and what would have encouraged them not to move? Alternatively would people be prepared to be mobile if there were opportunities to start up an HE in a new location?

Although the owners of HEs are marginally better educated than the adult population as a whole, few are educated beyond primary school level and/or have employability skills. We have little information on the extent to which poor education acts as a barrier to operating an HE and especially as a barrier to expanding an enterprise or exploiting opportunities for starting one up. We also have no information on the extent to which there is a potential demand for education and training. These issues need to be explored in more depth during fieldwork.

We know that the vast majority of HEs are engaged in trade with other sectors, with a noticeable number being in the service, manufacturing and transport sectors. We can only hypothesise about the reasons for this. It may be that these are the sectors where there is a demand for HEs. It may be that these sectors enable the setting up of HEs with little or no start up capital or provide opportunities for those with low educational achievement. Alternatively it may be that those setting up HEs have little information on what is possible or it may be because in many locations there is little demand for the goods and services of HEs. Other possibilities are that poor transport, cost and availability of electricity and/or lack of access to ICT are barriers to moving into other sectors. We will explore the reasons for HEs operating in certain sectors and not in others during the fieldwork stage.

We know that there is a skills shortage in Rwanda and that areas of skills shortage may provide opportunities for setting up HEs. The Government sees the establishment of non-farm enterprises as one of the main ways of growing employment. Many HEs are run by those with little education or training but Government policy mainly seems more focused on encouraging/facilitating those with secondary, TVET and higher education to establish their own businesses. During the fieldwork phase we will explore what the potential opportunities for HEs are. We also need to explore the extent to which there may already be an oversupply of HEs operating in specific activities in at least some locations.

We have only a very limited understanding of the barriers to starting up and running an HE in Rwanda. Most HEs identify no barriers and of those that do the main one is access to capital. However, we do not know what this means. Given that the capital to start most HEs comes from savings or borrowing from parents it seems likely that it is lack of access to these sources that are being referred to. This needs to be explored. Also the reason for other barriers, especially those identified by operators of MSMEs, not being identified needs to be examined. It may be that these barriers are not identified because of the limited scope of HEs but there could be other reasons.
We also need to explore what services and other support would be of benefit to HE operators. Given the low proportion of the adult population that has a bank account, access to banking may be an issue, although most adults who do not have a bank account say it is because they do not have a large enough income (Fin Mark 2008). However the availability of micro-finance may be important. The membership of the mutual health insurance is likely to be high given the high proportion of the adult population in employment. However, we do not know to what other insurance HEs have access or would wish to have access, for example insurance against theft and fire. We do not know what the potential demand is for saving for old age.

We shall consider legal matters such as access to land and work sites and contract enforcement. We will also explore the extent to which legal requirements are perceived to be a barrier and if this perception is a constraint on growing HEs. We will also explore HEs reactions to the Government’s recently introduced requirement that they formally register. Do they see any advantages to this? Are there disadvantages?

Many Government policies that impact on HEs are still in the process of being implemented and there has been little evaluation of their impact. Many have the potential to be beneficial to the HE sector, but there is potentially an implementation gap. In the fieldwork phase we will be able to explore the extent to which the policies have had an impact on HEs and what other policies and programmes the Government could potentially put in place to support the HE sector.

Our analysis suggests that there is an urgent need for the Government to focus more explicitly on nurturing and supporting HEs in both its policies and its programmes. There needs to be more recognition of the specific challenges faced by HEs as well as the role they can and do play in reducing poverty and absorbing surplus labour. Recognition needs to be given to the distinctive nature and role of HEs as well as taking account of the different types of HEs. HEs are likely to be especially important in creating employment for young people, women and non-farm employment in rural areas.

2.9: Conclusions
This report has reviewed what we know about HEs in Rwanda considering what we can learn from research on HEs and the environmental, societal, legal and regulatory context in which they operate. Most HEs are about income generation or at most providing income rather than starting up businesses.

Rwanda is facing the challenge of combining high economic growth and poverty reduction with reducing the large income gap. The creation of new employment opportunities is a key challenge given high levels of underemployment (or hidden unemployment) and with the labour supply projected to grow significantly year on year. If not remedied, growing income gaps and rising underemployment and unemployment risk creating social tensions and conflict with a large group of marginalised young people who are surplus to the requirements of their households’ need for agricultural labour and unable to find alternative employment. At the same time there is a need to focus on rural development, given the high concentration of the population in rural areas both in terms of increasing agricultural productivity and creating non-farm employment opportunities to absorb the growing pool of surplus labour.
HEs provide one potential source of employment for young people coming onto the labour market. They also provide an opportunity for households to invest in non-farm enterprise as part of a strategy to improve their standard of living and fully utilise their labour capacity. They are especially important for women, providing opportunities for young women entering the labour market and for women working as dependent agricultural workers. HEs have the potential to reduce poverty and provide decent employment if the Government and other stakeholders invest in raising their productivity and reducing risk.

We have pointed to the important role that HEs do play and can be supported to play more adequately in poverty reduction and employment growth. We have also raised concern that the Government and its partners including the Private Sector Federation are sufficiently aware of the important ways in which HEs differ from other enterprises requiring that policies and programmes are specifically tailored to their needs, most crucially that HEs are more concerned with income generation and making a living than running a business. Indeed, there is a need to consider the needs of the different types of HEs, as the Government has done to some extent in the Rural Micro and Small Enterprise Promotion Project \(^{16}\) (Appendix 5). However, while the Government has pointed to a number of policies and other initiatives that they see as supporting the development of HEs (Table 5; Appendix 4) we would argue that there needs to be a more coordinated focus on supporting HEs and ensuring that their specific needs are met. The Government is clearly challenged by a policy implementation gap, implementation is still in the early stages and it is difficult to measure impact.

While there are a number of projects (Appendix 5) (including the Rural Micro and Small Enterprise Promotion Project) there is no demand-led service to support individuals wishing to start-up or develop an HE. The Business Development Service (Appendix 5) is being restructured following evaluation. However, it is clear that the Service is not targeted to meet the needs of the vast majority of the population. Indeed, the majority of those running HEs or likely to start up an HEs in the near future need support with basic literacy skills as well as training in running a small business. Encouraging people to think about developing enterprises has to be accompanied by support for those who come up with income generating ideas.

We will explore during the field work phase the extent to which and ways in which Government policies and programmes are impacting on HEs and what the HEs themselves think would support them and enable them to be more productive.

Table 5: Policies and Programmes the Government See as Supporting HEs

<table>
<thead>
<tr>
<th>Policies and Programmes</th>
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<tbody>
<tr>
<td>EDPRS combined with the Community Development Policy and Performance contracts</td>
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<tr>
<td>The National Savings Mobilisation Strategy combined with the Umurenge SACCOS Strategy</td>
</tr>
<tr>
<td>Small and Medium sized Enterprises Development Policy and the Business Development Service</td>
</tr>
<tr>
<td>The National Policy on the Promotion of Cooperatives and the Rwanda Cooperatives Agency</td>
</tr>
<tr>
<td>Land Tenure Reform</td>
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\(^{16}\) We should note that this is a project limited to rural areas and that there is no guaranteed funding beyond 2011. Also it targets a number of specific vulnerable groups
Opportunities and Potential for Growing a Dynamic HE Sector
The main opportunity is the available supply of labour combined with the increasing demand for goods and services that comes with economic growth. The Government is committed to building a strong and vibrant private sector and has put in place a range of mechanisms to support private sector growth. Educational opportunities are expanding with the introduction of the nine year basic programme and the expansion of TVET and entrepreneurship is to become embedded in the school curriculum. Growing industries like tourism provide opportunities for HEs to move into new sectors.

Projects run by NGOs, the Government and others have shown that it is possible, with the right interventions, to support the start-up and growth of HEs. During our fieldwork it will be important to assess the impact of these and our sampling will take account of this (Part 4) as will our agendas for focus groups discussions and structured interviews. We will also explore what type of support those running HEs think would help them to be more successful.

Main Sources of Conflict between HEs and Authorities that could be addressed
This will be explored during the fieldwork phase. Potential sources of conflict are restrictions on where HEs can operate and the payment of local charges, although the research on the informal sector in Rwanda has found paying local charges not to be problematic. We will also explore the perception of the Governments requirement that all business register with the Registrar of Business, recognising that HEs may well not be aware of this requirement.

Most Critical Constraints on HEs
There are a large number of constraints on HEs including a skills and education deficit, poor infrastructure, lack of capital, difficulty in accessing market intelligence and weak home demand for goods and service. A particular challenge will be encouraging those setting up HEs to move into new markets.

We will further explore constraints, during the fieldwork phase, from the perspective of those running HEs and, if we can locate them, people who would like to establish an HE. We will also talk to local officials and other key informants.

Main Risks Faced by HEs
Establishing an HE presents the manager with a number of risks and these will vary with circumstances. We will explore risk perception during the fieldwork phase. We have found no research on the numbers of failures of HEs. There are no panel data available. However, failure is clearly a risk. Other potential risks including getting into unsustainable debt, loss of savings and an inability to make a living out of the HE.

Support Mechanisms that are working
These will be explored during the fieldwork stage, as all we have at this time is information on organisations that support HEs. However, from the reports on those projects for which we
have been able to find evaluations, what seems to work is a combination of basic education, training in a marketable skill, training in running a business and support in accessing microfinance. Post-start-up support can also be important, and marketing cooperatives seem to be especially valuable for selling handicraft products intended for the local tourist market and export. We will explore what works further during the fieldwork phase. We also plan to carry out a value chain analysis of at least one project that has a marketing cooperative. We are already aware of one project that is planning on moving out of handicraft production because of the high mark-up made on the products by middlemen.

Taking forward plans to ensure that the cooperatives are working well may be important if they are to play a role in supporting HEs. The Umurenge SACCOS strategy may have spill over in supporting the development of buying and selling cooperatives of HEs. Involvement in Umurenge SACCOS may build capacity and confidence and encourage the development of other cooperatives at a local level.

**Recommendations and Strategic Priorities**

To make recommendations at this stage would be premature. However, given the important role that HEs play in reducing poverty and providing employment and their distinctive nature, the Government may wish to consider how it can ensure that its policies and programmes designed to support the economic growth and private sector development can take account of the specific needs of HEs.

**Next Steps**

Based on our analysis of what we know about HEs in Rwanda and the context in which they operate we are now going to carry out field work to fill in the gaps in our knowledge and understanding. Specifically we are concerned to understand what it is like to operate an HE in Rwanda, what barriers and constraints operators face in trying to operate and develop their enterprise and what would help to make them more productive and reduce the risks they face. Part 4 describes the methodology in more detail. The research tools we will use for focus group discussions with HE operators, the structured information we will collect from HE Operators and the agendas for interviews with local officials and key informants are also included in Part 4.
Appendix 1: Integrated Household Surveys (EICV 1 and EICV2)

The Integrated Household surveys are carried out every five years. They are the major source of information on poverty and the labour market in Rwanda. The responsibility for the surveys lies with the National Institute of Statistics of Rwanda who are supported in conducting them by international consultants. The surveys provide information on a wide range of economic and social issues including employment.

The surveys are cross-sectional. In other words a new sample is selected for each wave of the survey. The ability to compare the findings from the two waves is based on the fact that the samples are random and therefore, within confidence limits, assumed to represent the population from which they are drawn.

In 2000 the sampling frame was based on the data and cartographic materials from the 1991 Rwanda Census of the Population and Housing and in 2005 it was based on the 2002 Rwanda Census Frame. Caution must be exercised in comparing the findings from the two surveys. In calculating numerical estimates of change across the two surveys two sets of errors are involved: errors in the sampling frames used and errors in the samples selected.

The sampling is a two-stage design with sampling proportional to size. The three main strata are Kigali Urban, other urban centres, and rural prefectures. Rural prefectures are further stratified into 11 sub-strata corresponding to each rural prefecture. Each stratum is divided into zones (primary sampling units, PSUs). PSUs are selected with probability proportional to size. In each PSU a random sample of a fixed number of households are selected for enumeration. In 2000 there was no replacement but in 2005 there was replacement from a random sample of households. The achieved sample size for EICV1 was 570 PSUs and 6,420 households and for EICV2 620 PSUs and 6,900 households.

So that the survey could be used to provide estimates at the national level the survey data were weighted. The data are weighted at PSU level. The basis for weighting was the frame from which the samples were selected. The main report on the 2006 survey points out that there is a poor fit between the 2000 survey and the 2002 population survey while the 2006 sample is a reasonable fit with the population projections from the 2002 census (NISR 2007b).

In relation to the findings from the surveys presented in this report the words of caution the authors give concerning the growth of the working population is of special note. They suggest that the growth in the working population may be up to 200,000 fewer than is suggested by comparing the weighted data from the two years due to error in the sampling frame used in 2000. In addition there are survey sampling errors. They suggest that the size of the adult workforce increased by at least 500,000 between the two surveys.

Most of the findings reported from the two surveys are descriptive and use weighted data; that is, the sample is recalculated so that it is representative of the population frame from which the sample was drawn. This means that where differences between the two surveys are found they cannot be tested for statistical significance but can only be interpreted as providing descriptive differences. Some analysis of the data, however, making comparisons between
groups across the surveys or between groups within the surveys uses unweighted data and does test for statistical significance. In these cases we can say within confidence limits whether the differences are likely to be due to chance (sampling error) or not. However, what we should be interested in is large difference; small differences, even if statistically significant are unlikely to be of interest.
**Appendix 2: Annotated Index of Literature**

**Author:** Cichello, P. and Sienaert, A.  
**Date of Publication:** 2009

**Title:** *Making Work Pay in Rwanda*  
**Place of Publication:** Washington DC  
**Publisher:** The World Bank

**Brief description**  
The study examines the role of employment earnings and labour markets in shared growth. In particular, it identifies the growing sectors, as well as the constraints faced by the poor in benefiting from this growth. In addition, the study describes the structure of the labour market in 2006 and recent labour market trends, with a focus on the restructuring of employment over the 2000 to 2006 period. The study also examines the link between employment and earnings and poverty.

**Methods**  
Secondary analysis of the 2000-01 integrated Household Survey.

**Summary of main findings**  
The report indicates that an important kind of non-farm employment in Rwanda is operating non-farm household enterprises. Many of these businesses activities and accounts are not separated from the everyday lives of household members, which makes them very different to micro-enterprises. The report also points out that lack of capital and access to market are the main obstacles which limit the growth of non-farm household enterprises.

**Recommendation**  
Efforts to bring non-agricultural household enterprises into the tax revenue system (i.e. to formalize them) run the risk of limiting the scale of such businesses or causing some to close outright. As these household enterprises are a vital method of escaping low-earning agricultural employment, such efforts need to be carefully considered. As the ICA notes, a focus on improving the benefits associated with formalization for many (such as enhanced business service availability, forms of state support, and contract enforcement) would encourage such enterprises to formalise. As non-agricultural jobs tend to have much higher earnings than agricultural work, the growth of household enterprises should be strongly encouraged.

**Authors:** Dabalen, A, Paternostro, S. and Pierre, G.  
**Date of Publication:** 2004

**Title:** *The Returns to Participation in the Non-farm Sector in Rural Rwanda: World Bank Policy Research Working Paper 3462*  
**Place of Publication:** Washington DC  
**Publisher:** World Bank

**Brief description**  
The paper investigates the differences in outcomes (earnings and consumption) between individuals (households) who participate in the non-farm sector and those who do not. It uses propensity score matching methods to create appropriate comparison groups of individuals and households.

**Methods**  
Secondary analysis of the 2000-1 Household Survey.
Summary of main findings
The paper found that non-farm self-employed individuals in rural Rwanda have significantly higher earnings than farm workers and non-farm formal employees. The benefits to non-farm self-employed individuals are much higher among those who are not poor than among the poor. Diversified households, those with a farm and a non-farm enterprise, are less likely to be poor and farm households which do not participate in the market have significantly lower consumption levels than households that do. However, the benefits of market participation appear to matter less for the poor than for the non-poor. Little difference in expenditure is found between market participants and non-market participants, for comparable households.

The paper also analyses empirically the determinants of participation in the non-farm sector by identifying the factors which influence the decision to participate in the non-farm sector. The results show that an individual’s decision to participate in the non-farm sector is a function of his or her productive assets (ability, skills and motivation, the financial and structural status of the household), and the array of opportunities available in the environment in which they live. The paper argues that in rural areas individuals enter the non-farm sector until the utility from working in the non-farm sector is equal to that from working in agriculture.

Recommendation
The study concludes that the Non-farm Sector in Rural Rwanda holds great promise in improving household earnings and expenditures, and in the end poverty reduction. The main policy should focus on facilitating the expansion of the Non-farm Sector in Rural Rwanda, finding ways to include the poor, and increasing their earnings.

Author: Donner, J. and Escobari, M. X. Date of Publication: 2009
Title: A Review of Evidence on Mobile Use by Micro and Small Enterprises in Developing Countries
Publisher: Journal of International Development 22, 641 – 658.
Brief Description
This paper reports on a systematic review of 14 studies of mobile phone use by micro and small enterprises in developing countries including one case study from Rwanda.
Method
Systematic review of the literature
Summary of Main Findings
The review found that the availability of mobile phones improves the efficiency and profitability of MSEs but there is little evidence that they enable the creation of new businesses; that is they support changes in degree rather than changes in structure. Mobile phones increase the information available to MSEs reducing price variability and increasing profit per customer. They enable the streamlining of marketing and procurement and the widening of market and customer base. They improve material and informational flows rather than transform them.
The paper makes no specific policy recommendations but points to the need for further research to determine if the benefits accrue to all types of MSEs.
Brief description
The report seeks to identify the essential characteristics of the Rwanda Youth Opportunity Project’s target group of urban, out of school youth aged 15-24; understand Rwanda’s labour market and its skill demands and trends; understand the existing policies and institutional capacities of public and private youth-serving organisations in Rwanda.

Method
- A review of relevant policies, programmes, reports and statistical data.
- Key informant interviews and focus groups, and site visits.
- Focus groups and interviews with young people in Kigali, including those on training programmes, members of a cooperative, members of youth groups, heads of households, house girls and young people ‘from the street’. The average age of informants was 20 years.

Summary of main findings
The main findings of the research were:
- that there are a large number of young people living in urban areas that have educational and employment needs. There is a clear mismatch between the skills employers are looking for and those with which young people leave school. Secondary and technical school graduates are no more likely to have decent employment than those who have only primary school education;
- that many urban youths lack decent employment; although they generally generate sufficient income to get by they are nevertheless struggling to survive;
- there is anecdotal evidence that the number of young people (especially young men) migrating to Kigali is growing and these young people are marginalised and living in unstable conditions;
- a severe shortage of comprehensive programmes to support young people in gaining livelihoods;
- a large number of projects are targeted at different groups but they are uneven in terms of depth, quality and capacity and there are no successful programme models to follow;
- there are a large number of policies and action plans relevant to job creation for young people but implementation is less strong;
- four growth areas were identified that could provide employment opportunities for young people: agro-processing; construction; ICT, and; service and hospitality.
- there are three subsets of youth that form the basis for recruiting to programmes;
  - those who dropped out of primary or early secondary school, have migrated to Kigali in search of work and lack any skills or training;
  - those who have gained some specific employability skills;
  - those who have graduated from secondary or technical school.

Recommendation
There is a need for Government policies and programmes specifically to address the needs of young people. There is need to focus on providing relevant, practical experience for youth to gain labour market training and skills. These could include incubators, apprenticeships; site
visits/field trips, and short term work groups. However, they caution that self-employment may not be the most viable option. There is a need to make considerable investments in organisational and programmatic capacity-building with a carefully selected network of service delivery partners. This should include training and performance coaching to assure program consistency, management accountability, and quality. The study also recommends a focus on creating immediate income-generating opportunities for youth. The program should primarily focus on creating access to formal, stable jobs for youth in growing industries. Self employment remains a viable option, but should be considered a secondary alternative as these are often more risky, unstable, and seasonal ventures for youth to move into.

Author: Foreign Investment Advisory Service (FIAS)       Date of Publication: 2005
Title: Rwanda Mini-Diagnostic Analysis of the Investment Climate
Publisher: FIAS

Brief description
The study undertook an assessment of the investment climate to identify issues that affect private sector development. It focused on the legal framework/business procedures, tax and customs (operating), the informal sector, land, and gender issues. The input into the analysis came from interviews with public officials, private sector representatives and the donor community, as well as the results of other studies.

Summary of the main findings
The informal sector is the main form of economic activity in Rwanda. There are an estimated 900,000 firms in the informal sector, of which about 70,000 are in the secondary sector and employ about 320,000 people (mainly in retail trade, agri-business and handicrafts). This dwarfs the registered formal small enterprises, which mainly comprise micro and small firms, and account for about 3,000 firms. Of these, only 150 operate in the secondary sector, accounting for 18 per cent of GDP and employing about 3,000 people. In comparison, there are only about 400 large firms.

On the other hand, the report also examines the economic and social costs of informality. It indicates that when so much of production takes place outside of the regulated free market (in a parallel market) resources are diverted away from the official sector. This impedes economic growth, the rule of law is compromised, and business practices adapt to an unregulated environment. The absence of formal and standardized procedures for informal businesses limits their scope for scaling up. These systemic problems arise in addition to the loss of fiscal revenue as well as adding avenues for corruption.

The study also describes some of the constraints in the informal economy: It indicates that firms are:
- market-constrained (they cannot take government contracts);
- potentially resource constrained (they can access finance only on the informal market and cannot participate in donor-funded projects);
- are likely to be unable to participate in capacity building programs.
All of these factors constrain informal business growth which ultimately constrains the growth of the economy. The report also found that women entrepreneurs lack the capacity to take advantage of available opportunities to start HEs. Women entrepreneurs can obtain financing through the Popular Bank, credit unions, micro-credit institutions, and commercial
banks but with an illiteracy rate of 53%, the majority of women entrepreneurs (especially in rural areas) lack the skills to manage credit. They lack the technical expertise to establish enterprises or write sound business plans, which are essential for access to commercial loans. This lack of capacity affects women entrepreneurs’ competitiveness. Second, enterprise support institutions such as the Association des Femmes Entrepreneurs in Rwanda lack the capacity to reach women entrepreneurs in rural areas and assist them with the necessary and specific services they need.

**Recommendation**
The study recommends that firms need to be made aware of the long-term gains from formal activities. Policies to encourage informal sector firms to formalize should hinge on reducing bureaucratic hurdles and at the same time providing incentives to firms to move to the formal sector.

**Author:** Foreign Investment Advisory Service (FIAS)  
**Year of Publication:** 2006  
**Title:** Sources of Informal Economic Activity in Rwanda  
**Place of publication:** Kigali  
**Publisher:** Government of Rwanda

**Brief description**
This report is based on a survey of 897 enterprises in Rwanda conducted in June 2006. The survey sample came from a subset of the 65,000 firms operating at different levels of informality in Rwanda, specifically the 44,000 operating in commercial centres with at least 150 enterprises.

This report analyzes the causes of informality and identifies possible approaches to encourage greater formalization.

**Method**
A sample of 897 enterprises was selected from those based in commercial centres with a high concentration of business units (150 minimum). The target population was the 44303 enterprises located in such centres. A stratified two stage probability sample was drawn with numbers proportional to size. At the first stage stratification was by province and Kigali City and 30 administrative sectors were sampled. At the second stage enterprises were stratified into six categories (agriculture, manufacturing, construction, services, trade, other).

The achieves sample was made up of 26.11 per cent in Kigali (23.49% formal, 2.26% informal), 20.52 per cent in the Western Province (20.07% formal, 4.45% informal), 20.41 per cent in the Eastern Province (13.45% formal, 5.96% informal) and 13.68 per cent in the northern Province (12.77% formal, 0.91% informal)

The sample therefore only represents MSSEs in large trading centres and cannot be generalised beyond these.

**Summary of main findings**
The Report provides a classification of enterprises in Rwanda along a continuum from informal to formal and by size. It is the only report we have found apart from World Bank (2009, 2010) to differentiate between family production (small scale) and micro-enterprises. However, it provides no separate analysis of household enterprises.

The report indicates that there were approximately 77,000 MSSEs in 2006 which is significantly fewer than the Integrated Household Survey of that year found. The study found that the vast majority of the enterprises were Micro and Small Scale Enterprises (less than 10 employees) with a few SMEs. Most were semi-formal that is they
had a local trading licence (85.9%) but were not registered nationally or registered to pay income tax. In total 95 percent were paying local and/or national taxes.

The average size of the enterprises was very small with almost 90 per cent having less than two workers, very limited assets and very local in their scope of operation. The owners of the enterprises were relatively young (average age 34 years), not well educated (80% had at most completed primary school) and with more men than women running enterprises.

The informal sector covers almost all areas of production, manufacturing and service activities. Retail commerce and wholesale trade were the most common subsector for MSSEs in all provinces, accounting together for 70 per cent. Hotel, restaurants and bars accounted for 15 percent, social and personal services 10 percent and manufacturing 5 per cent.

The main reasons for remaining informal were the high cost of taxes, although the partially formal businesses (the vast majority) paid Patente. Lack of information was a further barrier to formalisation. The main disadvantage to informality identified was a lack of access to finance. The main incentive to formalisation was that it would give access to finance.

The study identified a number of constraints on the development of enterprises. These included: difficulty accessing financing (working capital); limited markets; difficulty obtaining raw materials and other inputs at reasonable cost; limited resources to own building space; lack of technical and management training for the owners; difficulty finding required equipment locally; lack of own transport facilities and appropriate parking; taxes; and others including: lack of diversification, low profitability of enterprises, poverty of members, inadequate infrastructure, limited access to electricity.

The study recommends that to encourage the formalisation of informal and partially formal businesses the Government should disseminate information, revise the social security laws and improve business support services including access to finance.

Discussion
Although the author recognises that household enterprises are different from micro- enterprises no separate analysis of them is undertaken. Given that the vast majority of the enterprises surveyed had less than two employees there must have been HEs in the sample. However, given that only enterprises working in trading centres were included in the sample, HEs included in the survey sample would not be representative of the vast majority of those operating in Rwanda. Nevertheless the barriers identified and the reasons for wanting to remain informal are likely to be factors that will inhibit the growth of HEs.

Recommendations
The study recommends that in order to encourage formalization of informal and partially formal enterprises the government should undertake action in three key areas: information dissemination, revising social security systems and improving business support services including financing.

First, given that enterprises see taxes as the major obstacle to formalization and those enterprises that formalized their activities said that they realized tax is less of a burden than they thought it would be information on how to start a business, register a business and on tax policies and their consequences must be disseminated more effectively. Second, further effort must be made to enable and encourage smaller enterprises to provide social security for their employees. Third, a concerted effort is required to provide business support services for the micro- and small-enterprises.
**Brief Description**
Presentation of the findings from the FINSCOPE Rwanda 2008 survey

**Method**
A survey with a stratified multi-stage nationwide probability sample using face-to-face interviews administered to 20,000 respondents in Kinyarwanda in 2008.

**Summary of main findings**
Ninety-one per cent of adults claim to engage in some form of income generating activity and 93 per cent are from households that engage in some kind of agricultural activity: 72 per cent of these rely totally on farming and 21 per cent engage in other income-generating activities. Per capita incomes a month varied from no income (0.8%) to more than FRW 50,000 (3.3%). Fifty per cent of adults earn less than FRW, 5000 a month and more than 60 per cent are below the poverty line.

Just over eleven per cent of respondents had their own business, more than the 9 per cent who received wages/salary. Ninety-one percent said that they generated their own income from farming and selling products such as wood and charcoal. Those who generated their own income were most vulnerable in terms of monthly income. In terms of indicators of poverty, 71 per cent of the population always/often are unable to assist those who depend on them financially, 59 per cent have gone without cash income but less than 3 per cent had gone without shelter.

**Poverty Indicators % Population Always/Often**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Been unable to assist financial dependents</td>
<td>71</td>
</tr>
<tr>
<td>Gone without cash income</td>
<td>59</td>
</tr>
<tr>
<td>Been unable to give guests something to eat and drink</td>
<td>41.3</td>
</tr>
<tr>
<td>Unable to afford drink when wanted one</td>
<td>32</td>
</tr>
<tr>
<td>Gone without clean water to cook/drink</td>
<td>21.4</td>
</tr>
<tr>
<td>Gone without medicines or medical treatment needed</td>
<td>20.5</td>
</tr>
<tr>
<td>At least one person gone without shoes</td>
<td>19.9</td>
</tr>
<tr>
<td>Unable afford to pay mutual health</td>
<td>18.9</td>
</tr>
<tr>
<td>Gone without fuel heat to cook food</td>
<td>17.5</td>
</tr>
<tr>
<td>Go without blanket when needed</td>
<td>19.3</td>
</tr>
<tr>
<td>Not enough to eat least one meal a day</td>
<td>18.9</td>
</tr>
<tr>
<td>Gone without shelter</td>
<td>17.5</td>
</tr>
</tbody>
</table>

Less than six per cent of the population have access to electricity.

Fifty-five per cent of the population live more than one hour from a bank and only 20 per cent live within 20 minutes. In rural areas 60 per cent live more than one hour from a bank compared with 26.3 per cent in urban areas.

Levels of education were low especially in rural areas, where nearly half the population had incomplete primary education or none and less than 10 percent had any education beyond primary school level. Even in urban areas around 70 percent of adults had at best completed primary education.

Table: Education
Respondents had a reasonable good understanding of loans in both urban and rural areas and of interest on loans. However, understanding of other financial terms was relatively low suggesting that around half of the population had little understanding of banking. Although 80.8 per cent trust banks, 89.1 are debt-averse and 69.9 per cent think financial institutions expensive, while 60.4 per cent think banks are only for rich people.

**Product Penetration**

Fifty-two percent of adults are not served by any formal or informal financial products, 2.8 per cent use all three, 1.9 bank + other formal, 5.1 per cent other formal + informal and 4.2 bank + informal. Of those that are served the vast majority use informal services, that is, the products are not legally recognised.

**Financially Served**
Women are less likely to be served than men – 56 per cent women with compared 47.6 per cent men.

There is a high level of saving – 63 per cent - but low use of formal institutions for saving. Less than a quarter use banks (22.4%) and 4.6 per cent use other formal products. Just over 70 per cent keep their savings (or at least some of them) as cash at home or in a safe hiding place. Strong urban/rural differences can be seen; the use of informal in rural areas is higher. The main reason for saving is medical expenses and other shocks; also a small percentage (less than 20per cent) for buying land or livestock.

Just over a quarter of adults (26.6 %) had borrowed in the 12 months prior to the survey and 33 per cent of those who earn wages or own business

The main source borrowing is family/friends – 56.8 per cent. Banking is for the economically active who earn wages/salaries.

Bank borrowing: urban 19 per cent, rural 8 per cent, MFI urban 12 per cent, rural. Shop etc urban 15 per cent, rural 30 per cent.

People borrow money for daily living expenses (23.9%), medical expenses (21.9%), farming (23.6%), and home improvements (10.8 %). Most borrow from family or friends

**Sources of Borrowing**

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family/Friend</td>
<td>56.8</td>
</tr>
<tr>
<td>Shop/Ag. Coop./Tontine/Money Lender</td>
<td>28.2</td>
</tr>
<tr>
<td>Bank</td>
<td>9.7</td>
</tr>
<tr>
<td>Microfinance Institution</td>
<td>7.1</td>
</tr>
<tr>
<td>Employer</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Ninety-seven per cent of adults with bank accounts are with UBPR; the vast majority have a savings account, only a small number have a current account.
Brief description
The study identifies the key barriers to women’s economic empowerment and well-being.

Method

Summary of main findings
Table A2.1: Poverty and occupation of gender in %, 2006

<table>
<thead>
<tr>
<th>Type of Employment</th>
<th>Male</th>
<th>Female</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent farmer</td>
<td>59.2</td>
<td>40.8</td>
<td>57.0</td>
</tr>
<tr>
<td>Unpaid farm worker</td>
<td>22.1</td>
<td>77.9</td>
<td>61.7</td>
</tr>
<tr>
<td>Wage farm</td>
<td>55.9</td>
<td>44.1</td>
<td>72.4</td>
</tr>
<tr>
<td>Independent non-farm</td>
<td>58.8</td>
<td>41.2</td>
<td>36.0</td>
</tr>
<tr>
<td>Wage non farm</td>
<td>71.6</td>
<td>28.4</td>
<td>25.5</td>
</tr>
<tr>
<td>Unpaid non farm worker</td>
<td>24.5</td>
<td>75.5</td>
<td>30.6</td>
</tr>
<tr>
<td>Total</td>
<td>44.9</td>
<td>55.1</td>
<td>54.9</td>
</tr>
</tbody>
</table>


Women find it more difficult than men to move out of agricultural work. Between 2001 and 2006 only 6.1 per cent of female farmers managed to move out into other occupations, while men moved into non-agriculture jobs at a much higher rate (12.3%).

Table A2.2: Occupation by Gender 2001 – 2006

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000/1</td>
<td>2005/6</td>
<td>2000/1</td>
</tr>
<tr>
<td>Professionals</td>
<td>2.4</td>
<td>2.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Senior officials &amp; managers</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Office clerks</td>
<td>0.1</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Commercial and sales</td>
<td>3.3</td>
<td>6.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Skilled services</td>
<td>3.4</td>
<td>7.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Agriculture/fisheries</td>
<td>83.9</td>
<td>71.2</td>
<td>92.4</td>
</tr>
<tr>
<td>Unskilled elementary</td>
<td>7.2</td>
<td>12.3</td>
<td>92.4</td>
</tr>
</tbody>
</table>


Recommendations
The fact that women are moving at a slower pace than men suggests that there are barriers to women’s mobility into paid and independent non-farm work. The authors of the report recommend that targets be set for a share of the new non-farm employment to be reserved for women. They also recommend that further analysis be undertaken of the constraints women and young people face in accessing micro credit and that the capacity of the MFI institutions be examined with a view to improving service delivery.
**Authors:** International Labour Organisation

**Year of Publication:** 2004

**Title:** Statistics on Employment and the Labour Market in Rwanda

**Place of Publication:** Yaoundé, Cameroon

**Publisher:** International Labour Organisation

**Brief description**

The report seeks to make a start on finding a solution to the problem of the production and dissemination of statistics on the labour market in Rwanda. The document includes statistics on employment together with comments to see the interrelationship between the numbers for employment and socio-economic happenings. The document takes up, successively: the labour force participation rate, employment indicators; unemployment, underemployment and inactivity indicators. Then, it presents the data on educational indicators, poverty and income distribution indicators, child labour and the ratification of conventions.

**Methods**


**Summary of main findings**

The report points out that during the last decade the informal economy in Rwanda has become a refuge for marginal and excluded people from the formal economy. To escape poverty, and faced with the incapacity of the modern sector to create jobs, individuals find refuge in precarious jobs in the informal economy. Many unemployed youth are from poor homes and for financial reasons have not been able to gain the educational and professional qualifications to enable them to get employment in the formal economy. Underemployment especially in rural areas is very high where as many as 93 per cent of the adult population are underemployed compared to seven percent in urban areas. Education and qualifications, as well as the aptitude to acquire such information are the principal factors to increase the productivity of the labour force.

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**Author:** Napier, P.

**Year of Publication:** 2010

**Title:** Supply Side Study of the Inclusiveness of Rwanda’s Financial Sector.

**Place of Publication:** Johannesburg

**Publisher:** Genesis Analysis (Pty) Ltd.

**Brief Description**

This report analyses how inclusive financial services are in Rwanda. It concludes that the vast majority of the population are financially excluded. Banks generally only cater for the small minority of the population that have regular incomes and collateral although UOB and BPR do make provision for group loans. MFIs and cooperatives cater for the poor but the cap on loans is generally low, repayment periods short and interest rates very high compared to banks. However, they do enable people to save small amounts. Other barriers to financial inclusion are trust (both other people for group loans and cooperatives and financial institutions), debt aversion, fear of loss of land through default, affordability and lack of regular income, distance, lack of necessary documents, lack of awareness and voluntary self exclusion. Drawing on FinScope Rwanda (2008) Napier points out that there are around 128,648 people who could be enabled to have a UOB group loan (they meet the criteria) and 3,399,229 that do not meet the criteria for one or more reasons at present but provide the potential for developing the market. This compares with the 165,930 who had a group loan at the time of the survey.
**Method**
Desk research

**Summary of main findings**
The Government strongly supports and is pushing for greater financial inclusion, but financial institutions with the exception of BPR and UOB are not inclusive. There are eight commercial banks, three specialist banks (BHR, BRD, CDHR), one microfinance bank (UOB), 122 microfinance institutions, eight insurance companies and ten private pension funds in Rwanda. However, only 21 per cent of adults use the formal financial sector and only two banks serve other than the top end, BPR which serves the whole market and UOB which has a pro-poor mandate.

Only 25 per cent of the adult population borrow. Only 10 percent borrow from banks and over half the population say they are afraid to borrow from banks as they will lose their property if they default on repayments. Individual loans from banks generally require evidence of a regular salary and collateral. This limits bank borrowing to about nine per cent of the population.

MFIs serve poorer clients than the banks. There are 122 MFIs, divided into four categories (Figure 7) with about 360 branches serving 722,474 clients. However, Zigama (the state sponsored MFI for the police and military) accounts for 68,391 clients. Many of the MFI branches are in urban areas and rural areas are poorly served. The delinquency rates are high, especially for category 2 and 4 MFIs. The Rwanda Cooperative agency was established in the Ministry of Trade and Industry in 2008 for the promotion, training, registration and supervision of cooperative agencies but the author could not find any evidence that it was working. He suggests that it will be necessary for it to function if Umumwe SACCOs are to develop. MFIs provide group loans but the loan period is short, generally around 16 weeks, and interest rates very high.

An alternative potentially viable option for small businesses is leasing but the market is underdeveloped. Finabank’s leasing products start at FRW500,000 for a maximum loan period of five years. The client has to insure the equipment and pay rent.

**Figure A3.1: Categories of Microfinance Institutions**

- **Category 1** – informal mutual societies with up to 25 members and an annual turnover not exceeding RWF 25m. They can lend only up to amount deposit by members as savings. They have to submit official documents confirming membership and agendas to the Ministry of Trade and Industry. There is some protection for members in the event of theft under the general criminal code.
- **Category 2** – cooperative societies with up to 100 members. They cannot lend more than FRW 3M to one member and annual turnover cannot exceed RWF 20M. Must return quarterly reports to the Ministry of Trade and Industry.
- **Category 3** covers a broad range including MFIs that have a minimum capital of RWF 300m to Savings and Credit Cooperatives (SACCOs) which must have a minimum capital of RWF 5m. MFIs of which there are 11 are supervised by the NBR and SACCOs of which there are 67 are registered with the Ministry of Trade, and Industry, and formally supervised by the NBR.
- **Category 4** – are credit-only institutions and are licensed by the NBR. They must have a minimum capital of FRW 300m. There are two MFIs in this category, Blue...
Umurenge SACCOs will be treated in the same way as other MFIs under the law. They are being developed as a part of the National Savings Mobilization Strategy. They will be registered in the Ministry of Trade and Industry with the aim of making financial services accessible to all including those living in remote rural areas by establishing one in every sector (Umrenge). They can provide only a savings service until they build capacity but plans for them include a diversification of product offerings beyond savings and credit to transactional facilities at local banks and MFIs. The main threats he points to are market distortion through unfair competitive practices if people are forced to join and the potential for elite capture at sector level thereby undermining efforts to reach the poorest. The author also indicates there may be a difficult of regulation and supervision due to lack of capacity in the Ministry of Trade and Industry.

CARE Village and Savings and Loans Associations (VSLAs) have been set up by the NGO. Members of a VSLA are self-selected and are able to save and obtain loans from banks and MFIs through their association. The NGO provides members with 18 weeks year of training in business development and finance. The VSLAs are governed by their members and link to form federations that can then access financial services through BPR. At least 30 per cent of the first 75,000 members, 77 percent of whom are women, have been able to access formal financial services in this way. The cost per member of the project is US$38 per year which is paid by the charity, which the author of this report regards as high.

Author: National Institute of Statistics Rwanda
Year of Publication: 2006
Title: Inquiry into Informal Economic Activity in Rwanda – Micro and Small Enterprises in Rwanda. Final Report
Place of publication: Kigali
Publisher: Government of Rwanda

Brief description
This research was undertaken because of the lack of information about the informal sector in Rwanda. The report is based on an analysis of a survey of 897 informal enterprises in Rwanda carried out in June 2006. The survey sample was taken from a list of the 65,000 firms operating at different levels of informality in Rwanda. The number of enterprises in the sample provides a means of identifying trends and characteristics of informality that reflects this wider subset of the population of enterprises in Rwanda. The report analyzes the causes of informality and identifies possible approaches to encourage greater formalization.

Method
A nation-wide stratified probability sample of what attempted to be a complete enumeration of the informal sector, excluding enterprises that operated from home, outside designated commercial centres and from no fixed location. They stratified the sample by, among other things, number of employees – 1-2 the lowest category, 10+ the highest.

Employees by category: the owner – 22.3 per cent, manager 3.9 per cent, accountant 2.5 per cent; technical supervisor 6.1 per cent; qualified employees 46.2 per cent; unqualified 19.0 per cent. It is not clear what ‘qualified’ means, but it appears to mean having knowledge or experience sufficient for the job.

Summary of main findings
Based on its analysis of data collected under a survey of 897 enterprises, the study found that the informal sector is made up predominantly of MSMEs, with a few small enterprises. The informal sector covers almost all areas of production, manufacturing and service activities. Retail trade is the most common subsector for MSMEs in all provinces. The study indicates that almost 35 per cent of the MSMEs are identified in Kigali city; the provinces of Ruhengeri and Gisenyi account for 22 per cent and the remaining 45 per cent are in the other nine (old) provinces.

The study also identifies a wide variety of constraints to the development of enterprises. These include among others: difficulty accessing financing (working capital); limited markets; difficulty obtaining raw materials and other inputs at reasonable cost; limited resources to have own building space; lack of technical and management training for the owners; difficulty finding required equipment locally; lack of own transport facilities and appropriate packing; taxes; and many others among which are: lack of diversification, low profitability of enterprises, poverty of members, inadequate infrastructure, limited access to electricity.

The projected started by attempting to enumerate all informal enterprises operating in Rwanda. The authors point out that there is no agreed definition of micro and small enterprises (Table A.1). The sector is defined, broadly, as those concerns producing goods or services with the primary aim of creating employment or income for the people concerned. The general definition covered enterprises with below a certain number of employees, with the concern and the wages it pays not being registered and without accounts adequate to distinguish between what is the firm’s and what is the proprietor’s. However, most informal enterprises are registered somewhere and generally pay local taxes. The total number enumerated was 64,484, roughly equally split between Kigali and the provinces. With 117,275 people involved in them, they accounted for 27.1 per cent of non-farm employment in the country. The vast majority (91.5%) of the people who worked in them were permanent and 8.5 per cent temporary/occasional. Men constituted 71 per cent and women 29 per cent of employees.

The authors of the report found that the majority of non-farm enterprises were owned by an individual or a family (87.5%); 94.8 per cent of these are run by the head of household or spouse. The remaining 12.5 per cent were grouped into Cooperatives. They do not provide sufficient information to determine what proportion were HEs and they do not differentiate between paid employees and dependent family workers. However, from the description of the employees in the enterprises sampled it is clear that a majority had paid employees.

Nearly two-third (73%) operated 5-7 days a week, about 15 per cent operated less than 5 days a week, and 1 per cent operated ‘on demand’. Only a small proportion (18.3%) kept accounts.

Only a quarter of the enterprises were involved in associations, and of those who were involved only four fifths paid their subscriptions regularly. The advantage of associations was seen as giving access to finance.

Table A3.1 Definitions of MSEs in Rwanda

<table>
<thead>
<tr>
<th>No</th>
<th>Institution Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MINICOM</td>
<td>Small – less than ten employees</td>
</tr>
<tr>
<td>2</td>
<td>MINICOM /World Bank Study, March 1998</td>
<td>Micro-enterprises : capital not in excess of Frw 0.5 million, less than three employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small – capital between 5 and 15 millions , between 3 and 30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>employees</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>------------</td>
</tr>
</tbody>
</table>
**Small** – between 3 and 30 employees |
| 4 | MINICOM/UNIDO,1990 Report | Micro enterprises : less than three employees  
**Small** – between 3 and 30 employees |
| 5 | Project PPPMER –IFAD/MINICOM | Small subsistence units, capital less than Frw 15,000  
Emerging SMEs: capital between 15 and 150,000  
Developing SMEs: capital in excess of Frw 150,000 |
| 6 | Rwandan Development Bank (BRD) | Micro enterprises : less than 3 employees and/or  
net worth less than Frw 0.5 million  
**Small** – between 3 and 30 employees, net worth between Frw 0.5 million and 15 million. |
| 7 | Rwandan Revenue Authority | Small : 820 enterprises, annual business return less than a million  
Medium : 646 enterprises, annual business return between one and 15 million |
| 8 | Rural Support Sector Project MINAGRI | 1 Activities connected to agriculture  
2 Non-agricultural activities  
3. Innovatory activities |

The study estimated that the enterprises interviewed exploited only 51 per cent of their productive capacity. The major reasons were that they are working for a market of limited capacity (74%) - which means they build up large stocks - and lack of raw and manufactured materials (57.9%) which they were not good at maintaining in advance of need. The largest constraint was lack of capital (75%). Investment in the sector was low, due to lack of access to classic/commercial banks; finance came mainly from non-standard institutions and 57 per cent were financed form private savings. Other constraints were:

- **Finance** – costs of stock and transport, spoilage of stocks, insufficient operating funds – named by around 60 per cent in mining and industrial but over 80 per cent in the non-industrial sector. Most operators pay in cash, not by credit.
- **Market constraints** – lack of space, competition (about 48% of non-industrial in terms of product, and around 40 per cent of all in terms of competitiveness/poor behaviour by other enterprises), lack of buyers (over 70% of mining and non-industrial), poor quality of products (37% of non-industrial, 29% of mining)
- **Infrastructure factors**: electricity (in general, or cost, or interruption) 32 per cent; premises 24 per cent; telephone 26 per cent; water (in general, or cost, or interruption) 17 per cent.

A good number of enterprises expressed a preference for staying in the informal sector. Reasons given were:

- less bother with public authorities (73%);
- independence (45.3%);
- ability to work on low capital (49.5%);
- ability to get cheap personnel (38.8%);
- ease of finding buyers (31.5%);
- didn’t see any advantage in ‘going formal’ (37.5%);
- lack of information on how to ‘go formal’ (54.6%).
Reasons for Preferring to Stay in the Informal Sector

![Bar chart showing reasons for preferring to stay in the informal sector](chart.png)

(Source: 2007b)

**Recommendations**

The study recommends that in order to encourage formalization of informal and partially formal enterprises the government should undertake action in three key areas: information dissemination, revising social security systems and improving business support services including financing.

First, given that enterprises see taxes as the major obstacle to formalization and those enterprises who formalized their activities said that they realized tax is less of a burden than they had thought it would be; information on how to start a business, register a business and on tax policies and their consequences must be disseminated more effectively. Second, further effort must be made to enable and encourage smaller enterprises to provide social security for their employees. Third, a concerted effort is required to provide business support services for the micro- and small-enterprises.

**Author:** Private Sector Federation  
**Year of Publication:** 2008  
**Title of Publication:** Rwanda Business Operators Census Report 2008  
**Place of Publication:** Kigali  
**Publisher:** Private Sector Federation

**Description of Study**

This is a report on the first census of businesses operating from fixed locations and paying local and/or national taxes. The study excluded businesses with no fixed location, those operating from residential homes and those that only operated occasionally (once or twice a week). The aim of the study was to provide knowledge on the economic and demographic characteristics of business operators in Rwanda to enable better advocacy and representation.
Method
An enumeration of all visible formal business was carried out. A questionnaire was administered to all independent businesses and an enumeration form completed for businesses operating from fixed sites.

Summary of main findings
In total the census enumerated 72,994 business. Individually owned businesses comprised 96 per cent of those surveyed, with less than one per cent being formally registered limited liability business and 2.9 per cent being cooperatives. The vast majority were registered by the local authority, 97.7 per cent, but less than a quarter were registered nationally. Most business, 63 per cent operate from collective sites rather than individually owned premises. Ninety per cent employed less than four people and the majority of these (about over three quarters) were one person operations. The vast majority, 93 percent, of the businesses enumerated were in commerce and the service sector, with one or two per cent in the other sector - professional services, art and craft, industry, financial services and tourism. There was a high concentration of private sector businesses in Kigali (30%). Outside Kigali it was highest in Northern Province, 20 per cent, followed by Western Providence, 18 per cent, and Southern and Eastern Provinces, each with 16 per cent.

Discussion
This census only enumerating business operating from fixed sites outside of domestic premises but nevertheless shows the importance of HEs to the Rwandan economy. The authors point to the barriers of low levels of education and reluctance to do paperwork to the growth of the business sector. Many micro (and other) business operators are vulnerable because of the high concentration of operators in commerce and trade and especially retail trade. They are vulnerable both to market saturation and to competition from the larger stores and supermarkets that are opening up.

Authors: Strode, M. Wylde, E. Murangwa, Y. Date of Publication: 2007
Title: Labour Market and Economic Activity Trends in Rwanda
Place of Publication: Kigali Publisher: Government of Rwanda

Brief description
The report analyses data from EICV1 (2000/2001) and EICV2 (2005/2006) and describes the change in the labour and market labour trends.

Summary of main findings
The study points out that while the majority of new work opportunities are still on farms, almost a quarter of jobs created since the 2001 Survey are non-farm waged work and 19 per cent are in small enterprises. Specifically, the number of sales personnel, skilled service workers and unskilled labourers working outside of agriculture has significantly increased. These jobs include sales people, cooks, waiters, cleaners, security and personal care personnel. In the higher income quintiles, there are higher proportions employed in trade and the service industries.

The study indicates that the labour market for youth is segmented by gender. Young women stay at home on the family farm in greater numbers than young men. They also enter wage employment at a lower rate than their male counterparts, 58 per cent of young men aged between 15 and 20 years worked on the family farm compared to 73 per cent of young women. Another 25 per cent of young men took wage work, half in farming and half in other
industries; only 18 per cent of young women had wage employment. Older males started small businesses and women less so.

The report indicates that in 2005 there were 665,000 private non-agricultural businesses and of these 80 per cent were run as sole proprietor operations with no employees. Around 90 per cent of these HEs are in the informal sector, and 308,000 of these are the main jobs of the owners. Two thirds of these enterprises are in the trade sector, and only 11 per cent are in manufacturing.

Another main finding from the report is that the welfare status of the workforce is closely related to their employment status.

The least well-off workers are the paid farm workers, with over one third of paid farm workers in the lowest consumption quintile. Family farmers are the next most disadvantaged, while the most prosperous are paid non-farm workers, over half of whom are in the highest quintile. There is also a gender difference: the better paid waged non-farm employment is predominantly held by male workers. Unpaid work on farms or otherwise is largely undertaken by women.

Authors: Vinck, P., Brunelli, C., Takenoshita, K. and Chizelema, D. Date of Publication: 2009
Title of Publication: Rwanda Comprehensive Food Security and Vulnerability Analysis and Nutrition Survey
Place of Publication: Rome Publisher: World Food Programme.

Brief description
This study provides some interesting findings on how rural families combine agricultural activities with HEs in securing a livelihood. It does not directly consider household enterprises or provide detailed information on them.

Method
The survey was designed to provide statistically representative information on households at the sub-provincial level with at least one child less than five years outside of Kigali. The achieved sample was 5,400 households and 438 community key informants.

Summary of main findings
The authors of the report identify nine main livelihood groups, three of which are vulnerable (have a high probability of being poor or very poor); these dependent solely on subsistence agriculture, on paid farm work or marginal livelihoods. The groups are based on the strategies that households use to secure livelihood outcomes. The findings indicate that around two thirds of households have a portfolio of activities with 94 per cent of households having agriculture as one of their activities and 82 per cent identifying it as their main activity. Those households that have more than one form of income (in kind or money) are, on average, better off than those who have only one livelihood activity, most of whom are dependent on subsistence farming or paid farm work. Three of the livelihood strategies combine agricultural production with HEs and comprised 12 per cent of all households. These are:

- agro-artisans who combine artisanal work, from which on average they derive 55 per cent of their livelihood, with agriculture. They ‘earn’ on average 218,000 FRW compared with an average for the sample of 160,000 FRW. They comprised 4.4 per cent of households;
• agro-sellers who combine agricultural production with selling agricultural products. Roughly half their livelihood comes from each activity. They ‘earn’ on average 218,000 FRW a year and comprise 3.7% of households;
• agro-traders, businesses which generate just over half (56%) of their livelihood from petty/small trading with the rest coming mainly from agriculture. They comprise 3.9 per cent of households and ‘earn’ on average 270,000 FRW a year.

Discussion
The findings of this study demonstrate the important role that a HE can play in enabling rural households to secure a decent livelihood, especially where land holding is insufficient to provide a decent standard of living for the household. It shows that households that include a HE amongst their portfolio of activities are better off than subsistent agriculturalists, agro-labourers, agro-pastoralists or those dependent on marginal livelihoods. Their income is about the same as medium/high income agriculturalists (who derive most of their income from subsistence agriculture) and the only group whose income is, on average higher are those in paid employment.

Authors: World Wide Initiatives
Date of Publication: 2009
Title of Publication: Consultancy on a Targeted Needs Assessment for Women and Youth Entrepreneurs
Place of Publication: Kigali
Publisher: World Wide Initiatives

Description of Study
The consultancy on which this report was based was designed to assess the needs of a targeted group of women and youth entrepreneurs and to report on existing capacity and gaps. The recommendations encompass both counselling support and technical needs. Although insufficient details are given to be certain from the information in the report, including the description of the enterprises in the Appendix, few if any are likely to be HEs as defined in this project. Nevertheless, the findings of the consultancy are likely to be relevant to HEs at least in part, as are some of the recommendations.

Method
A hundred businesses were sampled, 20 in each of five districts (10 women and 10 youth19 in each province and Kigali). The selection took account of the PSF Sector Structures (EDPRS priorities for growth): Agriculture; Commerce and Services; Tourism; Craft, Artists and Artisans; Liberal Professions; Financial Institutions; and ICT. The businesses were selected from the PSF national database and in consultation with local stakeholders. The main research tool was a questionnaire that included closed and opened questions. The questionnaire covered six areas:
• Institutional level – business structure, institutional support, organisational structure;
• Human resource level;
• Business innovation and marketing;
• Financial management;
• Usage of ICT;
• Challenges and difficulties in the business.

19 Although the report does not define youth it is evident from Appendix 2 of the report that youth included men and women 35 years and under (age range 23 – 35 years). Appendix 1 lists the sample of women entrepreneurs, they ranged in age from 29 to 65 years.
Summary of main findings
The dominant challenges that faced the enterprises in all the districts were: access to finance; market access; poor infrastructure; insufficient and unskilled labour; the legal environment and unpredictable rules and regulations; and taxation. Capacity gaps were high in all key areas. Only 42 per cent of women and 34 per cent of youth had secondary education, and only a half the women and a third of the young people had technical or professional skills. Around a quarter of women used computers and the internet while about two-thirds of young people did so. However, virtually all used the telephone. Management systems, accounting systems and financial processes were poorly developed and access to market information and marketing skills was low. Two thirds of women and three quarters of young people did not have a bank account and only 14 per cent of women and no young people had microfinance. Few had any understanding of the legal framework, including taxation. None of the youth had an awareness of the taxation system and only 13 per cent of women entrepreneurs.

Recommendations
The recommendations for necessary capacity-building and support included: developing an entrepreneurial culture in women and youth; technology and infrastructure development; improving access to finance and credit; increasing market and information access; reducing the burden of taxation; providing support for institutional and human resource development; and addressing policy and legal issues.

Discussion
This research focused on more developed business than those targeted in this project. However, if the skills and knowledge of those operating more developed micro and small enterprises is so poor then it is almost certain that it will be even poorer for those operating HEs. The report highlights the clear need for building capacity in all areas of running a small business. A number of the recommended priorities for business support will also be relevant for HEs. These include: addressing issues relating to unpredictable rules and regulations; reducing bureaucratic procedures; entrepreneurship education integrated into the curriculum at all levels; training in entrepreneurship and other relevant skills for those already operating businesses and strengthening the BDCs; identifying business opportunities and sensitization; developing appropriate infrastructure such as roads, water, energy and ICT; improving access to microfinance and banks; improving access to market intelligence; and raising awareness of the taxation system.
Appendix 3: Rwanda Non-Farm Household Enterprises.

Melissa Gaal

Rwanda Non-Farm Household Enterprises

1. Introduction
The focus on pro-poor growth in Africa places the analysis of the informal sector in a prominent role, since most of the non-agricultural poor in Africa are engaged in the informal economy, largely through household-based activities.

In the informal sector, non-agricultural household-based activities stand out as a crucial path to poverty reduction and growth. As Steel and Sodgrass (2008) explain, while over 80 per cent of rural Africans list their primary employment as agricultural, household surveys indicate that rural families derive 40 per cent of their earnings from non-farm sources in the informal sector. In urban areas, as the creation of formal waged jobs lags behind, non-agricultural household-based activities have grown at a fast pace.

Therefore, the focus of this analysis is on non-agricultural HEs. We use the Rwanda dataset —Enquête Integrale sur les consitions de vie des ménages” (EICV) for 2000 and 2006 and we follow the methodology outlined in Steel and Snodgrass, (2008). The following are the definitions of the enterprises:

HEs (HE): are operated by self-employed/own-account workers, with the possible help of family workers. They operate outside agriculture and there are no paid employees in a HE. Own account workers were defined as those workers who answered they are “Indépendant Non Agricole” (own-account non-agriculture) on question 7 section 6D and went on to answer the Non-Farm Enterprise module in the questionnaire (module 7). In module 7 they have reported there are no paid outside workers in the enterprise. HE makes 93 per cent of the sample of enterprises.

Micro and Small Enterprises (MSE): are operated by a household member who is self-employed with at least one paid outside worker (non-family worker). As with HE, the self-employed workers were defined as those workers who answered they are “Indépendant Non Agricole” (own-account/self-employed non-agriculture) on question 7 section 6D and went on to answer the Non-Farm Enterprise module in the questionnaire (module 7), but in module 7, as opposed to HE, they reported having at least one paid employee. MSE make up 7 per cent of the sample of enterprises.

The following are the definitions in Steel and Snodgrass (2008): "Household enterprises” (HEs): informal own-account workers and contributing unpaid family workers;

-Micro and small enterprises” (MSEs): unincorporated enterprises with one or more paid workers (up to a nationally-specified upper bound).“

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Defining HE and MSE as stated above means that all who answered the Non-Farm Enterprise module will be included in the analysis, whether they participate in HE and MSE as either their primary or secondary activities.

This note seeks to understand the composition and economic role of the HEs, as well the trends in the HE sector between 2000 and 2006. Also, to the extent that the data allows, the note looks at the constraints faced by HEs, although the analysis is somewhat limited.

2. Size and composition of HE sector

Size of HEs
World Bank (2009) points out that non-agricultural work as primary employment in Rwanda more than doubled from 2000 to 2006, while employment in agricultural work declined by 13 percentage points, down to 76.7 per cent in 2006. This shift to non-agricultural employment is reflected in the number of HEs, which more than doubled since 2000. The significance of the HE sector is felt in both urban and rural areas. Table A3.1 shows the highest number of HEs in the rural area (a reflection of the high concentration of the population in rural areas), but the biggest positive percentage change in the absolute number of HE has been in urban areas outside the capital.

Although in absolute numbers HEs dominated the small enterprise sector, with the number of HEs in the country being 13 times bigger than MSEs, in urban areas MSEs gained importance. In Kigali, the growth of MSEs in number and in employment creation far outpaced the growth of HEs, indicating both a growth from a lower base and the spread of new opportunities in the enterprise sector.

The growth rate of employment in HEs followed closely the growth rate of the absolute number of HEs, suggesting that in most cases HEs are indeed composed of a single worker (table A3.1). But employment in HEs in 2006 was three times higher than employment in MSEs.

Table A3.1: Number of HE and MSE and Employed in HE and MSE, by Area 2000 2006

<table>
<thead>
<tr>
<th></th>
<th>Number of HE</th>
<th>Employment in HE (no age restriction)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2006</td>
</tr>
<tr>
<td>HE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kigali</td>
<td>41,618</td>
<td>61,311</td>
</tr>
<tr>
<td>Other urban</td>
<td>15,949</td>
<td>76,341</td>
</tr>
<tr>
<td>rural</td>
<td>176,906</td>
<td>477,455</td>
</tr>
<tr>
<td>Total</td>
<td>234,473</td>
<td>615,108</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Number of MSE</th>
<th>Employment in MSE (no age restriction)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2006</td>
</tr>
<tr>
<td>MSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kigali</td>
<td>1,694</td>
<td>8,476</td>
</tr>
</tbody>
</table>
Obs. Number of workers employed by enterprise was estimated using a modified weight that consists of multiplying the household weight by the number of employees in the enterprise.

In Rwanda, more households in rural areas have incorporated HEs to their activities, highlighting the growing importance of the non-farm sector in rural areas. As shown in Chart A3:1, in 2006, 27 per cent of households had a HE, compared to 14.5 per cent in 2000. Most of the growth in the number households with a HE was concentrated in rural areas, which observed a 13 percentage point increase in the number of HHs with HEs (chart A4.1). Even though incidence is higher in urban areas, the percentage of households with HEs has been stable since 2000. This growth of the HE sector has poverty reducing consequences, because, as it is discussed in World Bank (2009), the earnings in non-farm HEs tend to be significantly higher than those of agriculture waged and non-waged workers.

Chart A3.1: Incidence of HEs in Households by Area, 2000 and 2006

The majority of HEs (86.1%) are composed only of own-account workers who do not work with any other family member (Table 1A). When there are family members in the HE, it is usually not more than 1, occasionally 2. This structure has not changed significantly since 2000. MSEs on the other hand have shown a tendency to employ fewer workers over the years. In 2000 53 per cent of MSEs employed three or more workers. In 2006 this number decreased to 33 per cent.

**HE as primary versus secondary job**

Based on the numbers of hours worked in each activity, the 2006 data show that 55 per cent of the workers in a HE hold this employment as their primary activity. For those working in a MSE, this number is 62 per cent. These numbers show the complementarily characteristic of HEs, in the sense that about half of the workers in HEs use their activities in the HE sector to supplement the income from their primary activities. The majority (87%) of HE workers who have other activities as their primary activity are in agriculture. For workers in MSE with
other primary activities, agriculture is also the major category (73%), but other activities are also observed, such as sales workers (7.3%) and professional nurses (2.5%).

The prevalence of HEs as a primary job is very different in urban areas compared with rural. In Kigali and other urban areas as many as 82 per cent and 72 per cent (respectively) of HE managers work in their enterprise as their primary occupation, while in rural areas this proportion is only 49 per cent. This is probably a reflection of the high intensity of agricultural activities in rural areas. There are also disparities in the average number of hours worked for those in HEs as a primary activity, with HE managers in Kigali working an average of 54 hours per week, in other urban areas 45 and in rural areas 32 hours per week.

Another factor that stands out across areas of residence between HE managers who work in the HE as their primary activity is the number of jobs undertaken. For HE managers in urban areas the work at the HE tend to be the only job in which the manager is engaged, as 81 per cent of managers in Kigali and 53 per cent of managers in other urban areas only report one job. This is contrasted with rural areas, where only 18 per cent of managers with HE as primary activity report having only one job, with the majority (66%) reporting at least two jobs.

Industry distribution

In terms of the industry distribution of the enterprises, there are some similarities between HEs and MSEs, as both are dominated by commerce, which is composed of activities such as wholesale and retail trade, restaurants and drinking establishments. However, the industry distribution shows that there are a higher percentage of MSEs in manufacturing, construction and mining. In contrast, HEs lead the services sector, which includes maintenance and repair, domestic services and art and handicraft, by almost 6 percentage points (charts A3.2 and A4.3).

Chart A3.2: Sector of Activity, HE (2006)

(Source: EICV 2006)
Informal sector pyramid

Steel and Snodgrass (2008) created a framework to help understand where HEs fit into the labour market in terms of level of formality, income, productivity and gender. The pyramid below illustrates this framework, in which HEs appear in the less formal, more vulnerable area:

Degrees of Formality Segmented by Type of: Enterprise, Work, Productivity, and Risk

In Rwanda the bottom of the pyramid is dominated by females, highlighting the higher vulnerability of female workers. This is true whether agriculture is at the bottom of the pyramid, representing 85.7 per cent of the female employment versus 67.9 per cent of male employment, or if agriculture is excluded and family workers are at the bottom of the pyramid, with female employment being 13.6 percentage points higher than that of males (charts A4.4 and A4.5). Family workers in a HE enterprise are overwhelmingly women (73.5%) and younger than 30 (65%). Only one fifth has attended apprentice courses and most of them have some level of primary education.
The concentration of females at the bottom of the pyramid might be an indication of the difficulty of entry in the more male dominated sectors. The majority of employers are in commerce, but while female employers are almost all in commerce (96%), male employers are able to make it to other sectors such as manufacturing (20%), services (11%) and transport (5.9%). For females who are wage workers without secure contract, almost 63 per cent are in services. For males, this portion is only 26 per cent, as waged work for males is also available in construction (32%) and transport (11.6%).

Even though males dominate the top of the pyramid, male workers are also concentrated in agriculture, indicating the vulnerability of the labour force as a whole. At the top of the pyramid, where it is estimated that earnings and productivity are higher, are the employers, who represent only one per cent of male employment. Therefore, besides the disparities between males and females, the narrow top of the pyramid reflect the agrarian and low paying nature of Rwanda’s labour market.

Chart A3.4: Rwanda Labour Pyramid, including agriculture ages 15 and higher, 2006

Chart A3.5: Rwanda Labour Pyramid, non-agriculture, ages 15 and higher, 2006
2. Demographic characteristics of HE managers and workers

Age profile
Managers of HEs tend to be younger than managers of MSEs, indicating perhaps the lower level of skills required for entry into a HE as compared to MSEs. While the share of HE manager within the age range of 15-20 was close to 11 per cent in 2006, for MSEs this proportion was about four per cent. Also, the percentage of managers who are 31 and older is more than 11 percentage points higher for MSEs than HE (table A3.2). The average age of enterprise managers has declined since 2000. The number of HE managers who were 15-30 years old jumped from 26 per cent in 2000 to almost 48 per cent in 2006. This change was even higher for MSE, whose managers between 15-30 years increased by more than 25 percentage points. This finding is interesting considering that World Bank (2009) found that the participation rate as a whole decline from 85.6 per cent in 2000 to 79.5 per cent in 2006 and the main reason for this decline was the increase in school enrolment for young workers (15-24 year olds). Therefore, the increase in the number of younger enterprise managers at the same time that participation rates for this group decreased show the importance of the HE sector.

Table A 3.2: Age of Enterprise Managers 2000 and 2006

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15-20</td>
<td>1.8</td>
<td>10.7</td>
<td>0.0</td>
<td>3.9</td>
</tr>
<tr>
<td>21-30</td>
<td>24.4</td>
<td>37.1</td>
<td>10.7</td>
<td>32.5</td>
</tr>
<tr>
<td>31-45</td>
<td>42.9</td>
<td>34.1</td>
<td>45.4</td>
<td>40.2</td>
</tr>
</tbody>
</table>

(Source: EICV 2006)
Gender profile

In urban areas, including Kigali, women make up more than half of the HE managers, while in rural areas men are the majority, reflecting the high concentration of women in agriculture in rural areas. In contrast, managers of MSEs are predominantly male in both urban and rural areas, representing as much as 76 per cent of MSEs managers in rural areas (table 2A).

The HE sector has become more feminized in 2006, with the share of female managers going from 23 per cent in 2000 to 45 per cent in 2006 (table 3A). However, female managers work on average fewer hours per week than their male counterparts (26 hours per week, compared to 32 for male managers). Part of this difference in number of hours worked could be explained by the fact that more male managers work at the HE as their primary activity than do female managers (60% for male vs. 48% for females). Men continue to dominate the MSE sector, although there was a six percentage-point decrease in the percentage of male managers, bringing the total of male MSE managers in 2006 down to 72.6 per cent.

Education and training

World Bank (2009) finds that overall the skill level of the labour force increased considerably between 2000 and 2006, with the number of labour market participants with no education declining by 13 per cent. However, even though there were improvements, the skill level remains low, as less than 10 per cent of labour force participants have post-primary education levels.

The skill levels of HE managers are close to those of the overall labour force, only slightly better. In 2006, about 23 per cent of labour force participants had no education, while for HE managers this proportion was closer to 18 per cent. The proportion of HE managers with higher levels of education is low, only 11.8 per cent have post-primary education (ChartA3:6).

Overall, compared to 2000, HE managers’ education levels have decreased. This is not surprising given that HE grew faster than the labour force. Those who had some primary education in 2006 had less years of education completed.

Managers of MSE tend to have a higher education level than HE manager, the proportion of MSE managers with post-primary education in 2006 was close to 23 per cent, almost double that of HE managers. The difference between education levels is felt especially for female managers; almost 15 per cent of female MSE managers have had some secondary education, compared to only 5.8 per cent for HE female managers (tableA4.4). In addition, the trend since 2000 has been opposite to that of HE managers, as the percentage of MSE managers with vocational or secondary school or higher showed an increase of nine percentage points since 2000 (chart A3.7).
Training levels are very similar between HE and MSE managers. In 2006, 25.6 per cent of HE managers reported having had apprentice training, compared to 26 per cent of MSE managers (Table A3.5). The length of the training was less than a month for 56.3 per cent of the HE managers and for 50 per cent of MSE managers. Regarding the vocational skill in which the manager was trained, “tailoring” is the most cited by HEs (27%) and the second most cited by MSE managers (16%). MSE managers showed a higher concentration of training in higher skill activities such as “drivers” (20.0% vs. 4.6%), while HE managers reported basketry 10 per cent of the time (and 0% for MSE managers). Both HE and MSE managers also cited masonry (8.2% and 6.6%) and carpentry (11% and 15.8%) as the skill learned (Table 6A). The majority of HE and MSE managers did not pay for the training (67% and 54% respectively).

The training pattern for HE managers is similar between urban and rural areas, with Kigali having the highest percentage of managers with apprentice training. MSE managers reported apprentice training more often in urban areas (50.7% versus 20.8% in rural areas).

Are HE owners/managers migrants?
More than half of HE managers, and two-thirds of MSE managers, have reported migrating to their current district of residence at some point in time, but only 12 per cent of HE managers (and 17% of MSE managers) have done so in the recent period (5 years or less). The majority of recent HE manager migrants (63%) came from rural areas. Rural to urban migration is the direction HE managers have taken in the past 5 years; as 62 per cent of HE managers who left a rural area went to an urban area, including Kigali.

For HE managers who have migrated in the last five years, economic factors such as lack of employment and lack of land are among the top three reasons for migration, alluding to a possible push factor into the HE sector (i.e. lack of opportunities in other types of employment). Social reasons are also a big factor for migration. HE managers leaving rural areas cite “assigned to post” (18.9%) as the main reason for migration, followed by “other family reasons” (16.7%) and “lack of land” (12.4%). “Other family reasons” (28.1%) and “lack of employment” (18.3%) come out top for HE managers leaving a capital city. As expected, 88 per cent of HE managers citing “lack of land” as a reason from migration came from rural areas. This is reversed for “lack of employment”, as almost 70 per cent of HE managers migrating because of lack of employment came from an urban area (table 7A).

But migrants are not over represented among HE managers. Comparing the primary job profile of recent migrants with those who either have not migrated or have done so longer than five years ago show that recent migrants are overrepresented in non-agricultural wage employment (31.1% vs. 9.8%), which is consistent with one of the mains reasons given for migration overall (“assigned to post”). In terms of HE, recent migrants have a similar percentage as total employment, with a slightly higher representation nationally (and in rural and other urban areas), while in Kigali recent migrants are 7.5 percentage points lower than total employment (Table 8A).

3. Poverty indicators and earnings

HE and MSE by HH consumption quintile

In 2006, households that had a HE were predominantly in the top two richest quintiles of household consumption per adult equivalent. For MSE, the representation in the richest quintiles is even higher, with almost 70 per cent of HH with MSE in the top two quintiles (table A3.3).

Since 2000 the national share of HH with HEs in the richest quintile has decreased slightly from 29 per cent to 27 per cent. The fact that there is more HHs with HEs in the poorer quintiles in 2006 is not surprising, given the high growth of the sector. Nationally, MSE differs from HEs, as the percentage in the richest quintile in 2006 is equivalent to 1.3 times that of 2000.

<table>
<thead>
<tr>
<th>Quintile</th>
<th>HE National</th>
<th>MSE National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>13.1</td>
<td>11.8</td>
</tr>
<tr>
<td>2</td>
<td>14.2</td>
<td>16.4</td>
</tr>
</tbody>
</table>

21 “Capital city” refers to Kigali as well as other capitals from different countries and provinces.
It is also interesting to compare the change in the number of HEs and MSEs to the change in total poverty headcount by region. The Eastern province observed the highest reduction in poverty headcount, together with the highest per cent change in the number of MSEs, and the highest number of HEs in 2006. Although we cannot establish causality between the decrease in poverty headcount and the increase in the numbers of HE and MSE, it is nonetheless worth of a note that most HE are located in the Eastern province, where the poverty headcount is the lowest (Table A3.4).

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of HE</th>
<th>% change</th>
<th>Number of MSE</th>
<th>% change</th>
<th>Poverty Headcount</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>60,051</td>
<td>146,803</td>
<td>144.5%</td>
<td>3,731</td>
<td>11,673</td>
<td>212.9%</td>
</tr>
<tr>
<td>Western</td>
<td>31,581</td>
<td>130,010</td>
<td>311.7%</td>
<td>4,424</td>
<td>6,195</td>
<td>40.0%</td>
</tr>
<tr>
<td>Northern</td>
<td>51,200</td>
<td>95,346</td>
<td>86.2%</td>
<td>4,079</td>
<td>6,970</td>
<td>70.9%</td>
</tr>
<tr>
<td>Eastern</td>
<td>52,673</td>
<td>181,637</td>
<td>244.8%</td>
<td>2,651</td>
<td>13,340</td>
<td>403.2%</td>
</tr>
<tr>
<td>Total</td>
<td>195,505</td>
<td>553,796</td>
<td>183.3%</td>
<td>14,885</td>
<td>38,178</td>
<td>156.5%</td>
</tr>
</tbody>
</table>

Source: number of HE and MSE - EICV 2000 and 2006; Poverty Headcount- National Institute Statistics of Rwanda 2007

Median net revenue

The median net revenue (revenue minus cost) for HEs and MSEs confirms the prediction that MSEs tend to earn more than HEs. This holds true across different breakdowns, such as by gender of the managers, area and manager’s training. The median net revenue for a MSE if the manager is male is 70 per cent higher than that of a HE (table 9A). For females, the difference is even higher, with female managers of MSE having median net revenues that are more than 3 times larger than those of female managers in HE.

Looking across areas, we find the most contrast between HEs and MSEs earnings in Kigali, where the median net revenue is 3 times larger for MSEs. In rural areas this difference is smaller, although still high, as MSE have a median net revenue that is about 90 per cent higher than HE. The biggest disparity between median net revenue for HEs and MSEs is related to manager’s training. MSE managers who attended apprentice courses earn almost 6 times more than HE who attended apprentice courses. Although we cannot state that this relationship is causal, it gives a portrait of earnings for MSEs and HEs.

Determinants earning of Household Enterprise manager’s

In order to understand the determinants of HE earnings better, we use multivariate regressions. The dependent variable is the log of hourly earnings of the HE manager. We estimated separate regressions for male and female managers, as well as one regression for both with a dummy for gender of the manager. To control for regional effects, we used

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Footnote: Hourly earnings was estimated by multiplying the HE profits that belongs to the household (revenue minus cost) by the share of hours worked by the manager (defined as hours worked by manager divided by total hours in household) to give the estimated total earnings of the manager. This number was then divided by hours worked by the manager to arrive at hourly earnings.
district fixed effects (Table 10A). We looked at the role of education, of other characteristics, and of sector of operation on earnings.

Education of the manager has increasing returns for both males and females. At lower levels of primary education (grades 1-5), the coefficient is not significant, possibly reflecting the fact that managers need to have a minimum level of education to see a positive impact on earnings. Returns at the secondary school level are positive and significant, showing HE managers at this level have an advantage over those whose schooling level is lower.

Apprentice training seems to have a negative impact on hourly earnings for females. This is consistent with findings from Ghana, where Monk, Sandefur and Teal (2008) describe that workers who have done an apprenticeship earn less than those who have not. The authors warn that this could be an indication of an endogenous selection into apprenticeship and they find that return to apprenticeship is related to education levels, with returns to training declining as education levels increase.

Overall, whether the manager is a migrant is negatively significant for females only. A possible reason is that females might have worse networks than males.

The characteristics of the enterprise have an impact on the earning levels of manager. If a HE is registered with the state authority or if the HE has an accounting system, the coefficient is positive and significant. However, this does not imply causation in the direction of being registered lead to higher earnings, as it could be that HE are registered or have an accounting system because they earn more.

The total number of employees has a significantly negative effect on the manager’s earnings. Since all employees in a HE are by definition household members, this result might imply that if the HE absorbs a high number of family members, earnings per worker decline.

Surprisingly, the type of capital used, the sector of activity and the area of residence are not significant. However, we need to be cautious, because the lack of significance of the sector of activity could be a reflection of the low number of HEs in sectors other than commerce.

4. Obstacles to formation and operation of an HE

Obstacles to formation
This section looks briefly at the obstacles HEs face, but unfortunately the data does not contain a wealth of information on this topic. One of the main questions regarding this in the questionnaire is about the major obstacles faced in creating the enterprise. Most HEs report that there was no difficulty. However, this might be a reflection of a biased sample for this type of question, as those who answered it were able to form a HE. Lack of capital and access to market appear to be the two major constrains for HE (Chart A3.8).

ChartA3. 8: Major Obstacle in Creating the Enterprise, HE vs. MSE, 2006
Since lack of capital is one of the biggest constraints for HE creation, it can be helpful to examine the primary source of capital of HEs in operation. By far, the majority of HEs, as well as MSEs, have household savings as their primary source of capital. Second to that is loan from parents (Table 12A). Taken together, more than 76 per cent of the HE capital comes from the household or family members. In fact, 85 per cent of HE managers did not even seek credit at a lending institution, and for MSE managers this number is almost as high (78.8%) (Table 13A). For those managers who did borrow capital, MSE managers borrowed on average more than four times as much money as HE managers (table 14A). MSE managers who are male are more likely to have obtained a loan from a bank, while MSE female manager rely more heavily on household savings and loans from parents.

5. Conclusion
The importance of the HE sector in Rwanda is illustrated by the rapid growth in the number of HEs, which almost doubled since 2001. This growth took place in both urban and rural areas, as more households have incorporated HEs to their activities. HEs are small, usually composed of a single own-account worker, with only about 14 per cent of HEs using the help of other family workers. The main sector of activity is commerce, which is largely made up by wholesale and retail trade.

As World Bank (2009) state, the evidence that the non-agricultural informal activity is growing fast is progress, because the earnings in non-farm HEs tend to be significantly higher than farm wage and non-wage workers, which has poverty-reducing consequences as more workers move out of agriculture, a trend that has been observed in Rwanda. According to a multivariate analysis on the determinants of hourly earnings for managers of HEs, earnings increase with education for both men and women, but only after Grade five of primary education. This highlights the importance of investing in post-secondary education. The analysis also shows that earnings tend to be higher for male managers than female managers.

Median earnings show that HE managers in general earn less on average than MSE managers, possibly a reflection of higher education levels of MSE managers. The fact that MSE managers are on average better off than HE managers, indicate that increasing the size of existing enterprises (moving up the continuum from household, micro, small, medium and large enterprises) could be a positive step for HEs.

Given the growing importance of HEs, it is necessary to continue to develop this sector and to understand the main barriers to their development. The 2006 survey report that the two main
limitations on HEs were lack of capital and access to markets. These barriers could potentially be minimized with the help of Government intervention.

This note has tried to shed light on the main characteristics of the enterprises at the bottom of the informal sector. Understanding the dynamics of HE can help improve productivity in the sector and increase earnings, two important steps towards the goal of shared growth.

**References**


**Additional Tables**

<table>
<thead>
<tr>
<th>Table 1A: Number of workers the enterprise employs, 2000 and 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HE</strong></td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3-4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

| **MSE** | **2000** | **2006** |
| 1 | 27.4 | 34.0 |
| 2 | 19.7 | 33.0 |
| 3 | 24.2 | 12.8 |
| 4 | 5.4 | 4.1 |
| 5 to 10 | 14.4 | 8.9 |
| more than 10 | 8.9 | 7.3 |
| **Total** | 100.0 | 100.0 |

(Source: EICV 2000 and 2006)

<table>
<thead>
<tr>
<th>Table 2A: Gender of Enterprise Manager, by area, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HE</strong></td>
</tr>
<tr>
<td>male</td>
</tr>
<tr>
<td>female</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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</table>

(Source: EICV 2006)
### Table 3A: Gender of Enterprise Manager, 2000 and 2006

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
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<td>male</td>
<td>76.7</td>
<td>54.4</td>
<td>78.9</td>
<td>72.4</td>
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<td>female</td>
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<td>21.1</td>
<td>27.7</td>
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<td>100.0</td>
<td>100.0</td>
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</table>

(Source: EICV 2000 and 2006)

### Table 4A: Education level of managers by gender and type of enterprise, 2006

<table>
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<tr>
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<th>HE male</th>
<th>HE female</th>
<th>MSE male</th>
<th>MSE female</th>
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</thead>
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<td>never attended school</td>
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<td>23.8</td>
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<tr>
<td>primary 1-5</td>
<td>48.4</td>
<td>42.2</td>
<td>40.9</td>
<td>40.0</td>
</tr>
<tr>
<td>primary 6-7</td>
<td>27.3</td>
<td>21.1</td>
<td>26.3</td>
<td>17.5</td>
</tr>
<tr>
<td>vocational</td>
<td>4.6</td>
<td>7.1</td>
<td>10.2</td>
<td>9.4</td>
</tr>
<tr>
<td>secondary 1-3</td>
<td>3.3</td>
<td>4.1</td>
<td>7.4</td>
<td>6.3</td>
</tr>
<tr>
<td>secondary 4-6</td>
<td>2.6</td>
<td>1.7</td>
<td>3.9</td>
<td>8.6</td>
</tr>
<tr>
<td>university</td>
<td>0.6</td>
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<td>1.2</td>
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<td>100.0</td>
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</tr>
</tbody>
</table>

(Source: EICV 2006)

### Table 5A: Manager attended apprentice training, 2006

<table>
<thead>
<tr>
<th></th>
<th>HE National</th>
<th>Kigali</th>
<th>Urban</th>
<th>Rural</th>
<th>MSE National</th>
<th>Kigali</th>
<th>Urban</th>
<th>Rural</th>
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<tr>
<td>Yes</td>
<td>25.6</td>
<td>29.5</td>
<td>25.1</td>
<td>25.2</td>
<td>26.0</td>
<td>33.8</td>
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<td>No</td>
<td>74.4</td>
<td>70.5</td>
<td>74.9</td>
<td>74.8</td>
<td>74.0</td>
<td>66.2</td>
<td>49.3</td>
<td>79.2</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: EICV 2006)

### Table 6A: Vocational skill in which manager was trained, 2006

<table>
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<th></th>
<th></th>
<th>MSE</th>
<th></th>
<th></th>
</tr>
</thead>
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<tr>
<td>calligraphy</td>
<td>0.3</td>
<td>0.0</td>
<td>0.3</td>
<td></td>
<td></td>
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<tr>
<td>boiler (heater) works</td>
<td>0.2</td>
<td>1.9</td>
<td>0.3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>driver</td>
<td>4.6</td>
<td>20.4</td>
<td>5.8</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>hair stylist</td>
<td>4.0</td>
<td>5.7</td>
<td>4.2</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>tailor</td>
<td>27.9</td>
<td>16.0</td>
<td>27.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shoe repair (cobbler)</td>
<td>3.3</td>
<td>1.9</td>
<td>3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cabinet maker</td>
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<td>0.0</td>
<td>1.1</td>
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<td></td>
<td></td>
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<td>car electrical system</td>
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<td>0.0</td>
<td>0.2</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>electrician</td>
<td>0.3</td>
<td>1.9</td>
<td>0.5</td>
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<td></td>
<td></td>
</tr>
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<td>Occupation</td>
<td>Capital</td>
<td>Large City</td>
<td>City</td>
<td>Rural</td>
<td>Total</td>
<td></td>
</tr>
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<td>---------</td>
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<td>------</td>
<td>-------</td>
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<tr>
<td>electric repairs</td>
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<td>1.9</td>
<td>0.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>electronic repairs</td>
<td>2.3</td>
<td>1.9</td>
<td>2.3</td>
<td></td>
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<tr>
<td>steel worker (welder)</td>
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<td>0.0</td>
<td>0.2</td>
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<tr>
<td>refrigerator repair</td>
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<tr>
<td>blacksmith</td>
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<td>0.8</td>
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<td>watch repair</td>
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<td>0.0</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mason</td>
<td>8.2</td>
<td>6.6</td>
<td>8.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mechanic</td>
<td>2.0</td>
<td>1.9</td>
<td>2.0</td>
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<td></td>
<td></td>
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<td>carpenter</td>
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<td>15.8</td>
<td>11.3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>baker</td>
<td>1.0</td>
<td>0.0</td>
<td>0.9</td>
<td></td>
<td></td>
<td></td>
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<td>commercial painter</td>
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<td>0.0</td>
<td>0.2</td>
<td></td>
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<td></td>
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<tr>
<td>photography</td>
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<td>0.0</td>
<td>0.8</td>
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<td>plumber</td>
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<td>0.0</td>
<td>0.2</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>1.8</td>
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<tr>
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<td>1.9</td>
<td>0.6</td>
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<td>canvas work</td>
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<td>1.9</td>
<td>3.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>laundry (dry cleaning)</td>
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<td>0.0</td>
<td>0.3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>weaver</td>
<td>0.7</td>
<td>1.9</td>
<td>0.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>roofer</td>
<td>2.2</td>
<td>1.9</td>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>0.0</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>basketry</td>
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<td>0.0</td>
<td>9.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tire repair</td>
<td>0.3</td>
<td>0.0</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>9.5</td>
<td>15.1</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7A: Main reason for migration of HE managers who have migrated in the past 5 years, by region of origin (2006)
## Table 8A: Profile of primary job of recent migrants vs. total employed 2006

<table>
<thead>
<tr>
<th>Job Type</th>
<th>National Recent migrants</th>
<th>National Total Employed</th>
<th>Kigali Recent migrants</th>
<th>Kigali Total Employed</th>
<th>Other Urban Recent migrants</th>
<th>Other Urban Total Employed</th>
<th>Rural Recent migrants</th>
<th>Rural Total Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>9.2</td>
<td>7.6</td>
<td>12.5</td>
<td>20.0</td>
<td>14.7</td>
<td>14.3</td>
<td>6.9</td>
<td>6.3</td>
</tr>
<tr>
<td>MSE</td>
<td>1.0</td>
<td>0.6</td>
<td>2.0</td>
<td>3.2</td>
<td>0.8</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Wage non-ag</td>
<td>31.1</td>
<td>9.8</td>
<td>70.9</td>
<td>51.5</td>
<td>49.3</td>
<td>21.3</td>
<td>13.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Wage agr</td>
<td>10.9</td>
<td>9.3</td>
<td>1.6</td>
<td>3.4</td>
<td>8.8</td>
<td>8.9</td>
<td>14.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Self-emp agr</td>
<td>18.2</td>
<td>31.4</td>
<td>2.2</td>
<td>8.4</td>
<td>11.1</td>
<td>25.7</td>
<td>25.3</td>
<td>33.1</td>
</tr>
<tr>
<td>Family worker non-ag</td>
<td>3.4</td>
<td>1.5</td>
<td>8.6</td>
<td>6.3</td>
<td>3.3</td>
<td>5.6</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Family worker agr</td>
<td>26.3</td>
<td>39.8</td>
<td>2.1</td>
<td>7.1</td>
<td>12.1</td>
<td>23.2</td>
<td>37.8</td>
<td>43.0</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: EICV 2006

Note 1: Primary job classified according to hours worked.

Note 2: "Total employed" includes non-migrants and those who migrated more than 5 years ago.

Note 3: "Recent Migrants" refer to those who have migrated within the past 5 years.
Table 9A: Net Revenue per worker, by gender, area, training, HE vs. MSE (baseline HE), (2006)

<table>
<thead>
<tr>
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<th>Net Revenue Per HH Worker</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>HE</td>
</tr>
<tr>
<td>Manager Male</td>
<td>1.0</td>
</tr>
<tr>
<td>Manager Female</td>
<td>0.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Revenue Per HH Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HE</td>
</tr>
<tr>
<td>Kigali</td>
<td>1.0</td>
</tr>
<tr>
<td>Other urban</td>
<td>0.5</td>
</tr>
<tr>
<td>Rural</td>
<td>0.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Revenue Per HH Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HE</td>
</tr>
<tr>
<td>Manager attended apprentice courses</td>
<td>1.0</td>
</tr>
<tr>
<td>Manager didn’t attend apprentice courses</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Jobs. Median net revenue was used in the calculation
(Source: EICV 2006)

Table 10A: Household Enterprise manager’s hourly earnings estimation (District Fixed Effects), 2006

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>He Male Hourly rate manager</th>
<th>HE Female Hourly rate manager</th>
<th>HE Hourly rate manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of manager</td>
<td>0.027</td>
<td>0.069***</td>
<td>0.045***</td>
</tr>
<tr>
<td></td>
<td>(0.024)</td>
<td>(0.024)</td>
<td>(0.017)</td>
</tr>
<tr>
<td>Age Squared</td>
<td>-0.000</td>
<td>-0.001**</td>
<td>-0.000**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Manager married</td>
<td>0.345**</td>
<td>0.008</td>
<td>0.197*</td>
</tr>
<tr>
<td></td>
<td>(0.154)</td>
<td>(0.172)</td>
<td>(0.111)</td>
</tr>
<tr>
<td>Manager divorced/widowed</td>
<td>-0.122</td>
<td>-0.048</td>
<td>0.057</td>
</tr>
<tr>
<td></td>
<td>(0.424)</td>
<td>(0.209)</td>
<td>(0.160)</td>
</tr>
<tr>
<td>Manager migrant</td>
<td>-0.023</td>
<td>-0.391**</td>
<td>-0.227**</td>
</tr>
<tr>
<td></td>
<td>(0.143)</td>
<td>(0.172)</td>
<td>(0.109)</td>
</tr>
<tr>
<td>Vocational/apprentice training</td>
<td>-0.119</td>
<td>-0.255*</td>
<td>-0.195**</td>
</tr>
<tr>
<td></td>
<td>(0.128)</td>
<td>(0.141)</td>
<td>(0.092)</td>
</tr>
<tr>
<td>Primary 1-5</td>
<td>0.193</td>
<td>0.234</td>
<td>0.188*</td>
</tr>
<tr>
<td></td>
<td>(0.163)</td>
<td>(0.161)</td>
<td>(0.112)</td>
</tr>
<tr>
<td>Primary 6-7</td>
<td>0.289*</td>
<td>0.461**</td>
<td>0.370***</td>
</tr>
<tr>
<td></td>
<td>(0.174)</td>
<td>(0.181)</td>
<td>(0.122)</td>
</tr>
<tr>
<td>Vocational</td>
<td>0.545**</td>
<td>0.021</td>
<td>0.273</td>
</tr>
<tr>
<td></td>
<td>(0.264)</td>
<td>(0.249)</td>
<td>(0.176)</td>
</tr>
<tr>
<td>Secondary 1-3</td>
<td>0.610**</td>
<td>1.000**</td>
<td>0.807***</td>
</tr>
<tr>
<td></td>
<td>(0.300)</td>
<td>(0.270)</td>
<td>(0.196)</td>
</tr>
<tr>
<td>Secondary 4 and higher</td>
<td>0.903***</td>
<td>1.043***</td>
<td>0.997***</td>
</tr>
<tr>
<td></td>
<td>(0.299)</td>
<td>(0.385)</td>
<td>(0.231)</td>
</tr>
<tr>
<td>Registered with state authority</td>
<td>0.139</td>
<td>0.617***</td>
<td>0.307***</td>
</tr>
<tr>
<td></td>
<td>(0.116)</td>
<td>(0.171)</td>
<td>(0.095)</td>
</tr>
<tr>
<td>Has accounting system</td>
<td>0.379**</td>
<td>0.522**</td>
<td>0.426***</td>
</tr>
<tr>
<td></td>
<td>(0.162)</td>
<td>(0.244)</td>
<td>(0.134)</td>
</tr>
<tr>
<td>Total number of employees</td>
<td>-0.204*</td>
<td>-0.347***</td>
<td>-0.277***</td>
</tr>
<tr>
<td></td>
<td>(0.112)</td>
<td>(0.111)</td>
<td>(0.077)</td>
</tr>
<tr>
<td>Loan commercial bank</td>
<td>1.062*</td>
<td>-1.366*</td>
<td>0.026</td>
</tr>
<tr>
<td></td>
<td>(0.634)</td>
<td>(0.822)</td>
<td>(0.497)</td>
</tr>
<tr>
<td>Loan from parents</td>
<td>0.015</td>
<td>-0.059</td>
<td>-0.033</td>
</tr>
<tr>
<td></td>
<td>(0.177)</td>
<td>(0.191)</td>
<td>(0.129)</td>
</tr>
<tr>
<td>Loan from popular bank</td>
<td>0.305</td>
<td>-0.941</td>
<td>0.157</td>
</tr>
<tr>
<td></td>
<td>(0.372)</td>
<td>(0.838)</td>
<td>(0.338)</td>
</tr>
<tr>
<td>Coopec</td>
<td>-0.003</td>
<td>-0.823</td>
<td>-0.254</td>
</tr>
<tr>
<td></td>
<td>(0.446)</td>
<td>(0.576)</td>
<td>(0.345)</td>
</tr>
<tr>
<td>Other loans</td>
<td>-0.182</td>
<td>-0.280</td>
<td>-0.227</td>
</tr>
<tr>
<td></td>
<td>(0.316)</td>
<td>(0.241)</td>
<td>(0.188)</td>
</tr>
<tr>
<td>Tontine (community resources)</td>
<td>-0.396</td>
<td>-0.210</td>
<td>-0.260</td>
</tr>
<tr>
<td></td>
<td>(0.317)</td>
<td>(0.362)</td>
<td>(0.235)</td>
</tr>
<tr>
<td>Other</td>
<td>-0.249*</td>
<td>-0.154</td>
<td>-0.220**</td>
</tr>
</tbody>
</table>
### Table 11A: Means of Explanatory Variables

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Male</th>
<th>Female</th>
<th>HE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. age of manager</td>
<td>33.9</td>
<td>34.1</td>
<td>34.0</td>
</tr>
<tr>
<td>Manager single</td>
<td>27.8</td>
<td>26.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Manager married</td>
<td>70.1</td>
<td>47.0</td>
<td>59.8</td>
</tr>
<tr>
<td>Manager divorced/widowed</td>
<td>2.1</td>
<td>26.4</td>
<td>13.0</td>
</tr>
<tr>
<td>Manager migrant</td>
<td>13.3</td>
<td>11.5</td>
<td>12.5</td>
</tr>
<tr>
<td>Manager single</td>
<td>28.0</td>
<td>23.0</td>
<td>25.7</td>
</tr>
<tr>
<td>Never attended school</td>
<td>13.0</td>
<td>23.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Primary 1-5</td>
<td>47.7</td>
<td>42.3</td>
<td>45.3</td>
</tr>
<tr>
<td>Primary 6-7</td>
<td>27.1</td>
<td>20.8</td>
<td>24.3</td>
</tr>
<tr>
<td>Vocational</td>
<td>5.4</td>
<td>7.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Secondary 1-3</td>
<td>3.7</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Secondary 4-6</td>
<td>2.7</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>University</td>
<td>0.6</td>
<td>0.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Registered with state authority</td>
<td>27.3</td>
<td>11.9</td>
<td>22.4</td>
</tr>
<tr>
<td>Has accounting system</td>
<td>12.0</td>
<td>5.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Avg. number of employees</td>
<td>0.6</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Household savings</td>
<td>67.9</td>
<td>67.0</td>
<td>67.5</td>
</tr>
<tr>
<td>Loan from commercial bank</td>
<td>0.6</td>
<td>0.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Loan from parents</td>
<td>8.6</td>
<td>10.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Loan from popular bank</td>
<td>1.8</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Coopec</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Other loans</td>
<td>2.5</td>
<td>5.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Tontine (community resources)</td>
<td>2.2</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Other</td>
<td>15.2</td>
<td>13.2</td>
<td>14.3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1.7</td>
<td>0.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Mining</td>
<td>3.9</td>
<td>0.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.6</td>
<td>10.2</td>
<td>11.0</td>
</tr>
<tr>
<td>Construction</td>
<td>1.4</td>
<td></td>
<td>0.7</td>
</tr>
<tr>
<td>Commerce</td>
<td>61.0</td>
<td>80.4</td>
<td>69.7</td>
</tr>
<tr>
<td>Transport</td>
<td>6.8</td>
<td>0.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Financial Services</td>
<td>0.4</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Services</td>
<td>12.9</td>
<td>8.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Kigali</td>
<td>9.6</td>
<td>11.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Other urban</td>
<td>9.8</td>
<td>15.1</td>
<td>12.2</td>
</tr>
<tr>
<td>Rural</td>
<td>80.6</td>
<td>73.2</td>
<td>77.3</td>
</tr>
<tr>
<td>Manager male</td>
<td>55.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: EICV 2006)
### Table 12A: Primary Source of Capital, (2006)

<table>
<thead>
<tr>
<th>Source</th>
<th>HE Male</th>
<th>HE Female</th>
<th>MSE Male</th>
<th>MSE Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>household savings</td>
<td>67.6</td>
<td>67.4</td>
<td>67.6</td>
<td>69.4</td>
</tr>
<tr>
<td>loan from commercial bank</td>
<td>0.4</td>
<td>0.2</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>loan from parents</td>
<td>9.2</td>
<td>9.7</td>
<td>10.4</td>
<td>7.5</td>
</tr>
<tr>
<td>loan from popular bank</td>
<td>1.0</td>
<td>0.4</td>
<td>3.3</td>
<td>4.4</td>
</tr>
<tr>
<td>coopac</td>
<td>1.2</td>
<td>1.1</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>other loans</td>
<td>3.8</td>
<td>5.3</td>
<td>4.5</td>
<td>3.5</td>
</tr>
<tr>
<td>tontine (community resources)</td>
<td>2.3</td>
<td>2.4</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>other</td>
<td>14.7</td>
<td>13.5</td>
<td>9.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: EICV 2006)

### Table 13A: Enterprise sought credit at a lending institution, (2006)

<table>
<thead>
<tr>
<th>Sought</th>
<th>HE</th>
<th>MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes, successfully</td>
<td>10.7</td>
<td>17.2</td>
</tr>
<tr>
<td>yes, unsuccessfully</td>
<td>3.7</td>
<td>4.0</td>
</tr>
<tr>
<td>no</td>
<td>85.6</td>
<td>78.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: EICV 2006)

### Table 14A: Amount borrowed and repaid, (2006)

<table>
<thead>
<tr>
<th>Borrowed/Repaid</th>
<th>HE</th>
<th>MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average amount borrowed</td>
<td>225631</td>
<td>1003915</td>
</tr>
<tr>
<td>Average amount repaid</td>
<td>128172</td>
<td>559363</td>
</tr>
<tr>
<td>Average amount left to be paid</td>
<td>95712</td>
<td>444552</td>
</tr>
</tbody>
</table>

(Source: EICV 2006)
Appendix 4: Policy Impact Analysis

FINANCIAL POLICIES, LAWS AND PROGRAMMES

National Savings Mobilization Strategy, March 2009

The focus of the savings mobilization strategy is to raise the required resources to fund national investment, given the country’s target annual growth rate of eight per cent. Six Pillars have been identified as the foundation of the Rwanda National Savings Mobilization Strategy: 1) macroeconomic stability; 2) institutionalized savings; 3) expansion of the financial infrastructure and intermediation; 4) secure and diversified means of savings; 5) building capacity and efficiency of intermediation; and 6) increased awareness of tangible benefit of savings. These pillars are designed to strengthen the financial infrastructure, mobilize savings and help to create a culture of savings.

One of the key recommendations in this strategy is the need for government support for the development of SACCOs (savings and credit co-operatives) which are considered a means to mobilize savings for those with low-incomes.

The basic structure of the SACCOs and credit unions is what differentiates them from banks; they are user-owned financial intermediaries. Members typically have a “common bond” based on geographic area, employer, community, industry or other affiliation. Each member has equal voting rights regardless of their deposit amount or how many shares they own. Their principal products are savings and credit; however, some offer money transfers, payment services and insurance.

The idea of SACCOs is performance based, whereby households in a cell (Umudugudu) aim to make monthly savings on one agreed account, and after a given period the government makes a contribution to their savings based on what they were able to raise. The sensitization for participation is mainly being done through community works commonly known as “Umuganda”.

Potential Impact of the Policy on HE

Given that savings mobilization through SACCOs is performance-based, it will motivate and encourage households to save so as to benefit from the Government’s contributions. Specifically:

- the strategy encourages a culture of savings; the local community is mobilized to pool together their small contributions in Umurenge SACCO; the money is later recycled back to members in the form of loans. This greatly contributes to promoting HEs;
- the policy also gives the local population the opportunity of easy access to credit facilities without the restriction of having to have collateral; this attracts very many people with small incomes to apply for small loans which they invest in such businesses;
- the reach of SACCOs is local, as mentioned above. SACCOs reach members and areas (i.e. rural) that are unattractive to banks. They can provide access for members of the population who would not normally save in the formal sector, nor be able to physically access a traditional financial institution, especially a commercial one, because of locality and deposit restrictions. This also fosters HE;
the policy enables the local population to access loans with very low interest rates, because well-run SACCOs are known for having low overhead and low administrative costs, which enables them to make loans at interest rates that are lower than those charged by other micro-credit providers, hence an incentive for HEs.

However:

- there are potential governance weaknesses, whereby the decisions and management of SACCO lies in the hands of the board members, who have limited financial and risk management skills; this might lead to the collapse of these cooperatives, leading to HEs losing their money saved in them;
- there is a risk of one person getting loans from many different SACCOs; if it is done by many people, the shareholders, who are mostly HEs, are likely to lose their money. For example, one person may be living in Umurenge A, and then moves to Umurenge B, and then to Umurenge C, and gets loans from the SACCOs in each Umurenge. There is no tracking system to identify this kind of person. This is most likely in Kigali City.

Umurenge SACCOs Strategy, Ministry of Labour and Economic Planning

Recognising the low access to financial institutions this strategy sets out to ensure that all Rwandans have access to a SACCO by:

- establishing new SACCOs where there is no existing provision;
- raising awareness about the benefits of SACCOs and explaining the advantages of organising production and distribution activities through cooperatives in rural areas;
- wavers or reducing some local taxes, especially 'patente' for branches;
- funding their development over a three year period.

The SACCOs will be encouraged to form alliances with MFIs or banks to deposit their own money and to facilitate clients getting credit beyond their capacity. There will be a deposit guarantee fund.

They can play an important role in poverty reduction – banking services for the poor (UNCDF/FIPA Policy and strategy and UN Blue Book, Building Inclusive Financial Sectors for Development).

Law No 33/2003 of 06/9/2003 Modifying and Complementing the Law 10/05/2002 Establishing the Source of Revenue for Districts and Towns Management

The Law sets out charges that can be made by local authorities. The amount of tax to be charged is determined by the District Council. The charges relevant to HEs are:

- an annual property tax on a house or building used for profit-making activities to be set at a rate of between 0.1 and 0.2 per cent of the value of the property;
- an annual basic trading licence (Patente) the fee for which is set annually but should not exceed 2,000 FRW. However, there is a scale of charges depending on whether the business is located in an urban or rural area and the type of activities. Most HEs will be liable to the basic fee in rural areas and two times the basic fee in urban areas, including Kigali. Hawkers carrying out their activities in several locations are charged at the highest rate. The trading licence certificate must be displayed and failure to purchase or to display a licence are punishable by fines.

Law on Local Taxes 2008: Organic Law Number
The Law sets out the charges that may be made by local authorities and the maximum charge that can be made. Local authorities are permitted to charge fees for the following:

- an advertising billboard;
- a boat number plate;
- public cleaning services;
- communication facilitation towers;
- administrative charges on immovable property;
- market fees.

Market fees are:

- charged for the maintenance of the market;
- trading is only permitted in designated areas on market days;
- charged only to traders in the areas that have been designated for their merchandise;
- determined in every district on the basis of the size of the designated area, the type and value of goods.

**TRADE AND INDUSTRY**

**Ministerial Order No2/09 MINICOM of 08/05/2009 Relating to Business of Low Income**

This Order requires that all micro and small businesses with a daily turnover of less than 10,000 RWF must register and be on the Registry of Trade. The cost of registration is 2,000 FRW. Businesses must display the Certificate of Registration. Failure to register and/or display the Certificate is fined. This is part of a drive to register 900,000 MSEs. Business is described as any activity which involves purchase and sale, service delivery or any other professional activity undertaken on a regular basis.

**Impact on HEs**

This will require that HEs formally register as businesses. The process involved may prove difficult for many HE operators as they have to complete and sign a registration form. This will involve travel for those in rural areas and may be a barrier to those with poor literacy skills. However, being registered may open up more possibilities for HEs to get access to credit through microfinance institutions. Also the Government may be able to target support more easily to micro-enterprises including HEs, if it has a better understanding of where they are located and in which sectors of the economy they operate.

**Small and Medium Enterprises Development Policy, Ministry of Trade and Industry, 2010**

The Policy is designed to support the potential of enterprises to grow in order to provide more employment and contribute to the tax base. There is a clear expectation that enterprises will grow to provide more employment opportunities.

The Policy is intended to encompass all micro as well as small and medium enterprises in Rwanda, in the informal as well as the formal sector. However, while reference is made to micro enterprises (those employing up to four people) no specific reference is made to household enterprises. The Policy document points out that this policy and strategy is designed to coordinate and support a number of existing policies/strategies that aim to increase non-farm employment, develop business and technical
skills in the Rwandan workforce, support value-added sectors in the Rwandan economy, strengthen the financial sector, and facilitate investment finance to generate industrial growth. All these are supporting policies to the SME policy, the unifying factor being their impact on Rwanda’s competitiveness.

The rationale for this policy is specifically to address market constraints faced by the SMEs so as to create an enabling environment for the sector. The SME policy supports an enabling environment for SMEs from start-up to scale-up. Improving the regulatory and financial environment and creating special growth incentives will support SMEs to overcome the challenges they face and build their unique strengths to contribute to Rwandan economic growth.

The specific objectives of this policy are to:

- create an enabling environment for SMEs leading to increased competitiveness both domestically, regionally and internationally;
- increase the number of formal SMEs in order to drive economic growth, create jobs and increase tax revenue;
- increase the proportion of SMEs in value added sectors;
- improve capacity and viability of all SMEs.

The reasoning is that SMEs’ strength comes from the ability of smaller firms to react quickly and flexibly to adapt to market realities and to take advantage of opportunities that would not be an advantage to larger firms. Small enterprises grow to medium enterprises as they are increasingly able to develop the resources to expand out of their local economic ecosystem. Thousands of small companies operating at the micro level, taking advantage of local resources and opportunities, form the base of a healthy economy by providing local services and jobs and supplying or processing for larger firms and markets.

**Potential Impact of the Policy on HEs**

The focus of this policy is on SMEs and there is no specific mention of HEs. However, the policy may provide some support for HEs especially those that provide full-time employment for their operator and have clear potential to grow. The policy recommends the following:

- Introduce a component of entrepreneurship training into school and TVET curriculums, both focusing on risk and innovation and also business skills such as financial management and marketing. This would help to promote a culture of entrepreneurship among Rwandans.
- Establish operational Business Development Service (BDS) centres in every district, which would provide services such as access to finance training, mentoring service, networking service, market information, access to IT, business advisory clinics for weak businesses, bookkeeping services, advice for completing tax return, database of approved consultants.

However, these initiatives will mostly benefit SME or HE owners who have some level of education, but most HEs operators are not educated at all and may never get to know about such opportunities. Given that the community sensitization programmes in Rwanda are effective, it would be appropriate to channel most of the initiatives in this policy through community meeting and works.
National Policy on Promotion of Cooperatives 2007
This Policy highlights the importance of cooperatives, reviews their past and present, and scans through the constraints and opportunities they reflect in national development. The document lays out policy, strategies and action plan aimed at orienting and ensuring that cooperatives become a viable tool for social-economic development in Rwanda. The general objective of the National Policy is to facilitate all-round development of the cooperatives in the country in order to make a significant contribution to the national economy, particularly in areas which require people’s participation and community efforts. The Government sees cooperatives as important vehicle for creating employment and income generating activities as well as building social capital and improving individual well-being. Cooperative are viewed as a potential vehicle through which the members could create employment and expand access to income-generating activities, develop their business potential, including entrepreneurial and managerial capacities through education and training; increase savings and investment, and improve social well-being with special emphasis on gender equality, housing, education, health care and community development.

Potential Impact of the Policy on HEs
Cooperatives are relevant to HEs, in that they provide opportunities for learning, sharing information, and accessing services or goods to members. There is, however, a need to develop specific strategies on how to sensitize households to form cooperatives. The effectiveness of this policy depends on the effort put into sensitization. However, the RCA are concerned that the policy is not working well. The Agency has expressed concern that cooperatives are experiencing many problems including mismanagement, poor governance and low ownership. They are intending to carry out nationwide research in order to prepare an inventory of cooperatives and to determine the problems they are facing. They will then prepare an action plan and implementation strategy to remediate the situation.

Rwanda Cooperative Agency (RCA)
Established by Law No 16/2008 of 11/06/2008
Organisation description
Rwanda Cooperative Agency (RCA) is a Government body that oversees the operation of cooperatives. It is in charge of regulation, promoting, registering, monitoring and supervising the operation of cooperatives in order to ensure effectiveness. RCA was formed at the end of 2008. It works with cooperatives and uses the cooperatives policy to guide their work. The government gave a directive and enforced that all associations are made cooperatives and are regulated fully by this body. This is because there had been cases where members’ money had been misused and they have been swindled by unauthorized associations, MFI’s, meaning that the Government had to compensate those who lost their money. The 2008 cooperatives law has measures that punish cooperative leaders accused of mismanagement.
Generally RCA acts as an autonomous body that does the regulation, monitoring, registration, and supervision of the cooperatives in order to ensure effectiveness. Its Key objective is to promote, supervise and continuously monitor the activities of the cooperatives.

**Trade Policy 2006**
Trade policy is grounded on *EDPRS and Vision 2020*. This policy was formulated to support the Government’s vision for rapid economic growth and poverty alleviation by creating an environment conducive for the rapid growth of industrial and service sectors for sustainable development. Generally the trade policy aims to promote fair trade, promote export and reduce the deficit in the balance of payments and ensure Rwanda is integrated in regional and international bodies and foreign markets. It aims to attract foreign investors to Rwanda and promote Rwanda’s exports. This policy is aimed at promoting public-private partnership, reinforcing public institutions supporting the private sector, and promoting professional training in marketing, management, technology and quality. The policy also aims to promote Rwandan products using trade fairs and exhibitions at national and international levels among other.

**Impact of Policy on HEs**
The Trade Policy is mainly focused on attracting local private investment, foreign investment and Rwanda’s integration in international and regional trade partnership. For example, Rwanda is a member of the New Partnership for Africa Development (NEPAD) African Union, East African Community and many more. Although the policy does not highlight HEs, foreign investment in Rwanda could promote backward linkages which could ultimately influence the growth of HEs and reduce poverty. Also regional integration is critical to peace and security which create a favourable environment for HEs to operate.

**COMMUNITY DEVELOPMENT**

*Community Development Policy, April 2008, Ministry of Local Government*
The revised Community Development Policy aims to mobilize and empower the Rwandan community to exercise its powers in decision making in order to promote its development, commensurate with the progress of decentralization. The policy is formulated in response to the challenges communities still confronts: extreme poverty, illiteracy, a culture of deference to authority and the widespread use of traditional farming methods which constrain significant sustainable development. A major objective of the policy is to build trust and social capital.

In this policy, the government envisages a community that is organized, self motivated, hardworking, forward-looking, and has the ability to exploit local potential with innovations geared towards sustainable development. The Mission of the *Community Development Policy* is to: “ensure effective and sustainable participation of the community in their own development, in order to achieve poverty reduction and self-reliance based on the sustainable exploitation of available resources”.

Together with the Fiscal Decentralization Policy, adopted in March 2001, the Policy aims to reinforce the implementation of the national policy of decentralization, which was adopted in May 2000 and revised in 2005. The principal objective of the Community Development Policy is to foster public participation in policy and decision-making.
processes in a bid to turn round the centralistic development approach that had previously characterized the country.
The Policy’s objectives embrace the three interlinked spheres of development as set out in the *EDPRS* - economic development, social development and good governance (Figure 8).
Key community development activities and outputs of specific relevant to HEs include:
- individual and community promotion of commerce and income generation;
- building community /shared productive assets;
- non-farm co-operative income generation including access to finance;
- community access, maintenance and monitoring of health and education services;
However, many of the other activities, especially under good governance are about building trust and social capital which are essential for developing a productive private sector. This is underpinned by the Ubudehe process whereby every umudugudu has access to some funds to engage in collective action to solve one local problem of their own choosing. Umuganda (collective community action) takes place once a month to clean and maintain the community infrastructure and the environment. Following Umuganda the community meet to discuss local and national social and economic development.

Community Development Process
IMIHIGO – Community Based Performance Contracts

Each year communities agree their priority activities for the upcoming year. The community plans and priority activates are developed in line with EDPRS priorities and from part of the EDPRS monitoring and evaluation system. The performance contracts are signed each year by the President. Planning starts with the individual and is developed through the Umudugudu (village) committee, cell, sector and district council (Figure 9). Activities are defined under the three EDPRS Pillars and monitored and evaluated. Priorities relevant to HEs are defined through this process. In 2010-11, for example Kigali City Council priorities include the Agaseke promotion project supporting 4,500 women and youth. A number of other priorities are also relevant to HEs, improved roads and street lighting, additional health facilities, land registration and community activities.

Institutional Framework for Performance Contracts

![Institutional Framework Diagram]
**Impact of the Policy on HEs**

This policy is aimed at creating non-farm employment opportunities and the development of cooperatives at the smallest unit of governance, Umudugudu. It also provides an opportunity for local communities to participate in making decisions that affect their development. This policy is potentially relevant to HEs because it creates an opportunity for ideas coming from the local level to the central level. HEs, through cooperatives, can advocate their wishes to Government.

**VUP – Vision 2020 Umurenge Programme (VUP)**

VUP is the flagship programme for social development under the EDPRS. Poor communities will be selected to participate in the programme. It is designed to support the poorest households to move out of poverty. There are three elements to the programme:

- **public works** – able bodied adults who are from landless households or households with inadequate land will be employed on public works for which they will be paid a wage. The public works projects will be chosen by the community and will give those employed an opportunity to develop skills that they can subsequently use to gain paid employment or to start-up and HE;

- **farm improvement** - those with agricultural land will be trained in improved methods of farming and given access to credit to purchase improved seeds and agricultural inputs. Improved productivity may enable a household to set up a non-farm enterprise as agro sellers or even agro processing, for example;

- **social protection** – those living in households that do not have land and where on one is fit to engage in public works will be provided with an income.

By raising rural incomes the programme will create additional demand and this will enable some HEs to become more productive and may provide opportunities for new HEs to start up.

**Health and Safety**

*Health Sector Policy, February 2005, Health Sector Strategic Plan July 2009-June 2012*

The Health Sector Policy elaborates the Government of Rwanda’s overall vision of development in the health sector, as set out in Vision 2020 and the Poverty Reduction Strategy Paper, building on lessons learned from the implementation of the health sector policy adopted in 1996. Furthermore, the Health Sector Policy takes account of changes in the financial accessibility of health services in the institutional environment resulting from the implementation of the national decentralization policy.

It is the basis of national health planning and the first point of reference for all actors working in the health sector. It sets the health policy objectives, identifies the priority health interventions for meeting these objectives, outlines the role of each level in the health system, and provides guidelines for improved planning and evaluation of activities in the health sector. A companion health sector strategic plan elaborates the strategic directions...
defined in the Health Sector Policy in order to support the implementation of the policy.

This policy identifies seven priority programs to increase access to health services particularly for the poorest and most vulnerable groups in society. The Government will increase the level of funding of health services from public sources and promote community financing mechanisms that strengthen solidarity and risk sharing such as mutuelles, systems of pre-payment, and health insurance.

**Impact of the Policy on HEs**

This policy has a positive impact on HEs owners in the whole country. It provides for health insurance commonly referred to as „Mutuelles” for those in the informal sector. Hence HEs can access medical care at a subsidized cost, which makes it affordable. Since this policy has been operational for the past 4 years, it would be worth to assessing how effective it has been this policy has been in terms of supporting very poor households.

**INFRASTRUCTURE**

**Transport Sector Policy Dec 2008**

This policy defines the vision of the Government for the sector as well as its strategic orientations, which will guide its actions during the next five years. It is aimed to enable the establishment of a viable transport sector, which will be capable of addressing its current and future shortcomings and should contribute to significant growth and economic development of Rwanda in order to achieve the development objectives that are set out in the EDPRS and Vision 2020 for the benefit of the Rwandan people.

The policy addresses HEs through specific objectives such as:

(a) assuring the quality and durability of the rural, urban and international transport network.
(b) improving safety for goods and passengers on the principle modes of transport.
(c) increasing mobility of the population in order to improve access to essential services, education, and employment.

How they plan to go about this, is through the following actions:

- establishing an urban public transportation system in Kigali City to reduce congestion, pollution, and costs and increase mobility for both the urban and rural populations;
- developing and creating intermediate means of transportation, especially in the rural environment.

**Potential Impact of the Policy on HEs:** The development of road networks, especially in the rural areas would facilitate movement of goods and persons for trade purposes. The construction of these roads would also in itself be a source of employment in the rural areas.

**Law Determining the Use and Management of Land: Organic Law Number 14/07/2005**

The Law determines the use and management of land in Rwanda. It:

- recognises customary ownership as well as ownership of land acquired by purchase or gift;
- recognises the equal rights of legally married couples;
• requires that all privately owned land is registered with the competent authorities;
• provides for the Government to claim ownership of vacant land and other land of which no-one claims ownership.

From the perspective of HEs the legal requirement to register land will potentially provide more with the collateral to get loans from microfinance institutions. The provision for the state to take over vacant land may lead to some HEs being evicted for the sites from which they have habitually operated.

**Strategic Road Map for Land Tenure Reform, 2008, Ministry of Land, Environment, Forestry, Water and Mines**
The Strategic Road Map for Land Tenure Reform sets out the framework for implementing the Law Determining the Use and Management of Land. The Road Map lays out plans for all land to be registered through the Land Registration Programme by the end of 2011. A scale of fees is being used for first registration with the charge depending on the size of the parcel of land.

**National Urban Housing Policy for Rwanda**
The Policy takes into account all public interventions within the framework of the urbanization process of Rwanda to constitute the urban structures at national and provincial level, to improve urban management and control development, and the spatial expansion of cities, particularly urban centres, using effective planning tools.
An Urban Development Board is to be established to manage the development of urban areas and urban housing in particular. This body will regulate issues concerned with allocation of land, its development, standards associated with housing and construction, private and public estate development among other function.

The policy comprises the establishment of procedures and tools for urban planning zoning and re-zoning, and the upgrading of unplanned settlements with the provision of adequate social infrastructure facilities.

**Policy Principles and Key Implications for HEs**
• Controlled development and the sustainability of human settlement: the policy recognizes rights of women, disabled, the poor and other disadvantaged people—recognizing rights may enhance the development and independence of HEs.
• Providing housing for people of all income groups: It will enable HEs to grow because this will minimize issues of resettlement/relocation which affect HEs.
• Planned settlements lead to relocations or resettlements and they affect the poor mostly—who are largely engaged in HEs.
• Urbanization generally encourages people to engage in non-farm enterprises.

The Policy recognizes that there are a small number of registered landowners - meaning HEs lack collateral to access loans to expand their enterprises. One of the policy actions is to decentralize the registration of land titles.
Policy Programmes’ Influence on HEs

- Urban Basic Database: statistical data on HEs helps government and development partners to make relevant and evidence-based interventions to support growth of HEs.
- Grouped Settlements: create organised and sustainable market/demand for HEs’ products and services.
- Upgrading Informal Settlements: results in people having to relocate which disrupt the operation of HEs.

Potential Impact of the Policy on HEs

The Policy focuses on urban housing development and mainly involves relocating people to implement the master plans of provinces, and resettling people into groups. HEs operating now will be affected in the short run, but in the long run such organised settlements are potential markets for HEs. Also, currently most HEs operate in agglomerated sites, especially in the countryside. Urban development may not spare those sites or the makeshifts or small stalls in which they now mostly operate from. The Policy however provides for the development of municipal markets (one market per district) but this might not be sufficient for large numbers of HEs.

EDUCATION AND TRAINING

Technical and Vocational Education and Training (TVET) Policy in Rwanda, 2008, Ministry of Education

TVET in Rwanda has been delivered by a range of providers at a number of qualification levels. Initial vocational training is offered to primary school leavers in Initial Vocational Training Schools (VTS). There are 54 VTS. At upper secondary level industrial technical education and professional and technical education is provided. However, the quality of the education is poor, the teachers are not trained in modern methods of teaching /training, the curriculum is too theoretical and there is a mismatch between the skills developed and those demanded on the labour market. TVET is concerned with the acquisition of knowledge and skills for the world of work. It is any education, training and learning activity leading to the acquisition of knowledge, understanding and skills which are relevant for employment or self-employment. TVET serves here as an overarching term to describe all kinds of formal, non-formal and informal training and learning provided by or in all different institutions, providers and learning locations.

The vision of the TVET policy is to develop human resource and prepare individuals for employment and entrepreneurship. The specific objectives of the TVET policy are to:

- assure guidance and counselling, planning, coordination, monitoring and evaluation of TVET activities;
- provide theoretical and practical training in all sectors matching the needs of enterprises and international standards;
- satisfy quantitative and qualitative needs of priority sectors by training the required personnel for the relevant qualification areas;
- provide the graduates with skills required for work - i.e. ensure their employability and develop their ability to learn with autonomy during their professional life without any forms of discrimination and prepare them to self-employment; and
- develop the work values and attitudes of individuals towards professionalism
expressed in quality, efficiency, creativity, adaptability, commitment, responsibility, and accountability, the spirit of service and genuine love of work well done.

The target groups for formal initial TVET are primary, lower and upper secondary school leavers. Children leaving primary school before completion of primary 6 educations will have access to catch-up skills training. Another opportunity for skills training will be given through functional literacy classes. With the successful introduction of 9-year basic education the necessity of catch-up provision should end. Continuing TVET should target people who need competences, to benefit from labour market opportunities, and those who are exposed to technological progress and changes in the economic structure.

**Potential Impact of the Policy on HEs**

This policy outlines opportunities for training and empowerment for potential HEs operators - i.e. those who would graduate from the vocational training. It does not, however, target the already existing HEs.

**LABOUR**

*National Employment Policy, 2007, Ministry of Labour*

The policy considers the constraints on employment generation and proposes solutions. The main constraints identified are:

- low levels of investment;
- limited employment opportunities;
- high un- and under-employment, especially amongst young people;
- the high illiteracy rate;
- under-representation of women in wage-earning jobs;
- inadequate intelligence about the labour market.

The priority areas for employment promotion are:

- rural development;
- support for private-sector and entrepreneurship development;
- promotion of employment for young people;
- promotion of employment for women;
- promotion of employment for vulnerable groups;
- strengthening the *Labour Intensive Publics Work Strategy*;
- human resource development and training for employability;
- promotion of tripartism and social dialogue;
- development of social security.

The Policy highlights the importance of the HE (informal) sector and indicates that it contributes to poverty reduction and does not require high levels of education and skills. It points out that the development of policies and strategies to support this sector is a way of promoting employment in urban as well as rural areas. The Policy highlights the importance of self employment and entrepreneurship and the need to establish a support programme for the informal sector, and provide entrepreneurship training. For the rural area it emphasises the need for assistance and support for the development of food processing and the marketing of economic activities. It points to the
need to develop the rural infrastructure including roads, ICT, energy and water and to provide infrastructure for the storage and marketing of produce.

The provision of vocational training for young people and women is seen as important, as is encouraging them to create enterprises in the informal as well as the formal economy. The Policy indicates that a National Employment Agency will be established and that amongst its responsibilities will be supporting entrepreneurship and self employment.

*National Labour Intensive Public Works (HIMO/LIPW) Strategy, April 2008*

Labour-based technology describes ‘a technology that applies a labour/equipment mix that gives priority to labour, supplementing it with appropriate equipment where necessary for reasons of quality or cost.’ Labour-based technology is used in construction works, production, transformation, and maintenance of works, which optimizes the use and management of local resources. Manpower (labour) is considered as the main resource in labour-based technology. Other resources are utilized only as needed to produce competitive and sustainable products, and to ensure quality at the technical level and economic profitability, especially in the reduction of the operational and maintenance costs of the investments.

The optimal mix (the percentage of labour in relation to other resources or to the total construction costs) varies according to the type of work and is very much dependent on the level of salaries and the materials available locally. It varies from country to country as well as from region to region. The use of labour based methods also implies the increased use of associated local resources. That is, the non-qualified, less qualified and the qualified manpower, the unemployed or the underemployed, local materials, land, local know-how, equipment adapted to suit the local situation, the initiative and organisational capabilities of the people and enterprises to be mobilized locally. This aims to foster national investment, particularly at the local level, while reducing the dependence on costly imports of equipment and stimulating the local economy.

*Potential Impact of the policy on HEs*

- The policy provides for employment opportunities to the local population (non-farm employment), which would help to reduce unemployment. It would also add to their incomes that will later be geared towards small businesses.
- Through this policy, the necessary infrastructure for such businesses will be available through cheap and viable means, due to the fact that the policy allows the beneficiaries to take part using cheap materials, and this also enhances their ownership and maintenance of a facility. Examples are feeder roads in rural areas which were constructed through the HIMO Approach hence creating the opportunity for small businesses.
- Savings is also another opportunity associated with this policy: much as the workers are entitled to a daily payment, but a certain percentage of their wage is put on each individual’s bank account as saving; this has greatly contributed to the emergence of many small businesses at the household level, especially in rural areas.
- The policy also increases the purchasing power of the local population through the daily wages paid, and hence encourages small businesses to arise as many people will have buying capacity (high demand).
• Through this policy, there are training opportunities for workers, such as technical know-how in road maintenance, management of income-generating activities. At the end of the day, people will be able to start and manage their own small businesses.

• The policy further promotes exploitation of local natural resources; for example, in the construction of a feeder road in a certain rural area, they will use stones (hard core and concrete) from that particular area, which in itself will be cheap in terms of cost and transport, this will therefore result into other roadside businesses - stone quarrying, sand digging, to mention but a few - hence adding to the number of household businesses.

• The policy also complements other government initiatives. The approach provides a platform for sensitizing the beneficiaries on crosscutting issues - HIV/AIDS, mutual health schemes, environmental protection, gender, the role of savings, unity and reconciliation, etc. - which in one way or the other impact on household businesses.

YOUTH

National Youth Policy 2005
In 2003, the Ministry of Youth, Culture and Sports, in collaboration with the GTZ/youth training support project, conducted a survey in order to take into account views, priorities, problems, issues and wishes of young people. The conclusion of the survey made it possible to identify a number of wishes by young people which can serve as reference in setting priorities for a national youth policy. The priorities that were identified were: education and ICT; national unity and reconciliation; civic education and social reform; employment and poverty; the environment; youth health and social protection; culture, sports and leisure; gender; cooperation; and globalization

The National Youth Policy became a necessity for young people who constitute an age group which is special and is currently facing many challenges in different fields such as education, management of direct or indirect consequences of genocide, national unity and reconciliation, employment, fighting against AIDS, hunger and poverty and environmental deterioration; gender and health promotion, promotion of culture, sports, leisure and new information and communication technology.

Thus the policy addresses young people’s main concerns. It provides legitimacy and orientation to programs and services that are centred on youth and proposes strategies and guidelines for their planning and implementation. It also contains appropriate measures for directing young people’s energy and talents toward sustainable development.

Impact of the Policy on HEs
This policy addresses HEs through one of its objectives, to ensure education at all levels, where it talks about providing for those who never went to school, through catch-up centres at the district level. Past censuses show that 38 per cent of the population are illiterate. And not only is this a gap in education for all but also constitutes an obstacle to poverty reduction.

Additionally it will have an impact through employment, since land is an issue. The government would like to push for the promotion of youth employment, by targeting non-agricultural activities both in rural and urban areas such as sewing, leather work, cycle
repairing, construction, carpentry, electricity, bricks production, sports equipment production, cyber cafés, electronic workshops and activities that require a greater labour force. The objective is to provide a programme for those who never went to school but have practical know-how.

Agriculture

*Strategic Plan for the Transformation of Agriculture in Rwanda (PSTA II)*

Ministry of Agriculture and Animal Resources, 2009

This plan shows a synergy between agricultural transformation and the creation and growth in non-farm employment. The success of the transformation will depend on creating an environment in rural areas conducive to business and entrepreneurial development. A major objective of the transformation is to produce high-quality products for the market and to develop agro processing. The latter will provide opportunities for HEs. The successful transformation of the agricultural sector will also require investment in improving the road network in rural areas, electrification and strengthening rural financial systems including access to financial services. These developments will also be of benefit to non-farm HEs. Business development and business support services will also need to be provided that are accessible to those living in rural areas. The need to develop a system for the control of sanitary, phytosanitary and food safety standards will enable HEs in agro processing to assure the safety of the products they produce, although initially it may involve them in extra costs.
## Appendix 5: Directory of Projects and Programmes to Support HEs in Rwanda

<table>
<thead>
<tr>
<th>Name/Title</th>
<th>Type/Designation</th>
<th>Target Beneficiaries</th>
<th>Key objective</th>
<th>Problem Addressed</th>
<th>Type of Intervention</th>
<th>Participating Institutions</th>
<th>Expected Outcomes for Beneficiaries</th>
<th>Financing Sources</th>
<th>Challenges</th>
<th>Contact details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The UMURENGE SACCOs (COOPECS) project</td>
<td>Government program</td>
<td>General</td>
<td>To increase access to financial services to local citizens in each sector.</td>
<td>Citizens in rural/remote areas not getting access to services, as banks and other MFIs are mostly concentrated in towns/urban areas not rural/remote areas.</td>
<td>Provision of loans/credit and savings services</td>
<td>Minakoc, BNR, RCA</td>
<td>a) Increased access to financial services (loans, savings) in rural areas b) Accessible village banking c) Savings mobilization, promotion of investment, economic growth and poverty alleviation</td>
<td>Voluntary savings</td>
<td>Low participation of some citizens especially those that are already part of other MFIs</td>
<td>Vincent RUTAREMARA Director of Planning and Cooperatives Capacity Building Rwanda Cooperatives Agency Tel. +250 783353597</td>
</tr>
<tr>
<td>2 AGASEKE Promotion Project</td>
<td>Local Government Programme</td>
<td>Vulnerable landless women</td>
<td>Employment and sustainable livelihood for vulnerable women.</td>
<td>Unemployment.</td>
<td>Training in handicrafts and organisation into cooperatives</td>
<td>Kigali City Council and Imbuto Foundation</td>
<td>Sustainable livelihoods.</td>
<td>KCC and Imbuto Foundation</td>
<td></td>
<td>Kigali City Council</td>
</tr>
</tbody>
</table>
| 4 Private Sector Federation (PSF) | Government drives initiative professional/advocacy/umbrella organisation | SME’s, local and international business entrepreneurs | To defend and represent the interests of the private sector both locally and internationally and provide a platform for consensus building among members on issues of government policy. | To forward improvement needed to make Rwanda an independent economy (private sector led economy). | Mainly advocacy (dialogues with government, donors, unions, NGOs) and business development (network of development centres). | WDA, GTZ, Government | Conducive business environment, private enterprise owners issues addressed or solutions facilitated for the business constraints they face. | Government | Despite the restructuring of PSF, business challenges persist a) Lack of a business mindset | http://www.psdor.org │
| 5 Rwanda Cooperative Agency (RCA) | Independent agency | Cooperatives | To oversee the operations of cooperatives through regulation, promoting, registering, monitoring and supervising operations of the different cooperatives to ensure effectiveness. | Unauthorized associations, cases of cooperative leaders vindicting and misusing members’ money/ contributions/savings. | Regulation, promoting, registering, monitoring and supervising operations of cooperatives | BNR, District offices | Cooperatives working in favor of their members, clear and transparent leadership, members able to improve and start enterprises. | Government | Weakness in organizational levels of cooperatives and internal problems in cooperatives | Vincent RUTAREMARA Director of Planning and Cooperatives Capacity Building Rwanda Cooperatives Agency P. O. BOX 6249 Tel. +250 783353597 |
Workforce Development Authority (Mineduc)

Government agency

Youth, institutions

To empower Rwandans with the right skills for successful implementation of national development programmes

Skills development challenge across all Rwandan sectors

Skills development through vocational training, business incubation, labour market information systems, setting industry standards, regulation and accreditation.

MINEDUC, Vocational/technical centres workshops

a) Quality and competent staff-employers
b) skills development c) access to facilities for business incubation and innovation purposes d) Availability of technical personnel in the country

Government

Labour related challenges like the gap between the demands of the labour market and what is taught in the curriculum

http://www.wda.gov.rw

Civil Society Projects Supporting HE’s

<table>
<thead>
<tr>
<th>Name/title</th>
<th>Type/Designation</th>
<th>Target beneficiaries</th>
<th>Key objective</th>
<th>Problem addressed</th>
<th>Type of intervention</th>
<th>Participating Institutions</th>
<th>Expected outcomes for beneficiaries</th>
<th>Financing sources</th>
<th>Challenges</th>
<th>Contact details /Contact person</th>
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<tbody>
<tr>
<td>General</td>
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<td>ASSIST Rwanda</td>
<td>NGO operating since 1999</td>
<td>OVCs/child heads of households/ youth</td>
<td>To give OVCs an equal opportunity, restore their confidence and building skills leading to social and functional integration</td>
<td>youth unemployment</td>
<td>a) Provides training opportunities b) negotiates jobs in cleaning companies for OVCs for 2years and then financial support to set up a small business (can be an HE) c) through its cottage industry (candles, soap) employs OVCs (girls mainly), d) Has a bee-keeping project, goat-keeping e) Weekly training in HIV/AIDS.</td>
<td>BYAID. co ltd, COOJAD(youth cooperative), UBAKA MFI</td>
<td>a) skills development and entrepreneurship for the OVCs and youth, community. b) OVCs form cooperatives and solidarity groups to access credit and receive starter kit from PPMER to work independently.</td>
<td>British Embassy (funding for cottage industry)</td>
<td>Shortage of staff and lack of support to pay for operational costs.</td>
<td><a href="http://www.assist-rwanda.org">www.assist-rwanda.org</a></td>
</tr>
<tr>
<td>2</td>
<td>Catholic Relief Services</td>
<td>NGO</td>
<td>OVC’s</td>
<td>Support OVCs and street kids in vocational training in financial services</td>
<td>Orphans, vulnerable children with no support in terms of education and wellbeing (physical and mental)</td>
<td>Vocational training - 6 months to 1 year, participants receive health insurance, introduction to a savings vocational training, business skills, psycho/social support, HIV prevention training. Upon graduating each participant receives about $150 worth of tools e.g. sewing machines</td>
<td>CARITAS, CHAMP</td>
<td>Through the savings program can get start-up capital for a small business</td>
<td>Volunteer donations</td>
<td>Limited funds to reach emergency areas with humanitarian aid in a timely and efficient manner</td>
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<tr>
<td>3</td>
<td>Concern Worldwide</td>
<td>NGO working in 3 districts (Nyaruguru, Gakenke, Huye)</td>
<td>Vulnerable people</td>
<td>To improve the livelihoods aiming at long term development of people and responding to emergencies in poor countries</td>
<td>Problems of poverty, vulnerability and emergencies</td>
<td>Has a social protection programme. Offers support for agricultural increase in production. Teaps vulnerable households in income generating activities and cooperative management. Seats on the joint action development forums to evaluate their work and avoid replication of services</td>
<td>International organizations, governments</td>
<td>Increased engagement in income generating activities, improvement in livelihood</td>
<td>Community-based collectives; socially responsible business donations or fundraising; sponsored events, support from the European Union, the UN, the British government and from a distinguished list of other government agencies, private donors, and major trusts.</td>
<td>Contact person: Joanne Smyth - <a href="mailto:joanne.smyth@concern.net">joanne.smyth@concern.net</a>/ <a href="http://www.concern.net">www.concern.net</a></td>
</tr>
<tr>
<td>4</td>
<td>Destination Nyungwe</td>
<td>Project funded by USAID through the Small Grants project - SGP</td>
<td>Community members of Nyungwe</td>
<td>To widen options for the alternative livelihoods for the Nyungwe population</td>
<td>To develop community tourism products, to conserve the forest and improve livelihoods.</td>
<td>Small grants are given for skills training and facilitation of business proposals submitted by associations of Nyungwe community members</td>
<td>Nyungwe-based associations, USAID</td>
<td>Skills development from training in effective communication for tourism purposes, embroidery, modern farming methods, bio-diversity conservation, honey extraction, pottery, weaving, mushroom growing, energy saving cook stoves, soap production etc.</td>
<td>USAID, PEPFAR</td>
<td>Poor road network due to geographical location which hinders access and the linkage to markets. Cost of production is too high. The lack of mutual understanding or commitment of community members on the benefits of their business products</td>
</tr>
<tr>
<td>5</td>
<td>Association des Eglises Pentecôtes du Rwanda (ADEPR)</td>
<td>Association</td>
<td>Community members</td>
<td>To provide literacy centres offering both formal and informal community education and promote Christian values</td>
<td>Illiteracy among the Rwandan population</td>
<td>Runs extensive nation-wide literacy (6 months) and vocational training program for women</td>
<td>MINEDUC - education materials, CARE, GAHAYA Links</td>
<td>Development of skills from vocational training even to engage in trade, and literate members of society who can make informed choices.</td>
<td>MINEDUC, Rwanda De-mobilization Committee, CARE, CHAMP, Global Fund and Canadian, Swedish agencies</td>
<td>Sustainability issues and ownership from the women even without funding</td>
</tr>
<tr>
<td></td>
<td>Rwanda Integrated Rural Project and Mini Functional Adult Literacy project</td>
<td>Illiterate Community members in Nyagatare and Karongi</td>
<td>To enhance the capacity of community members to alleviate poverty</td>
<td>The high adult illiteracy rates and the poverty levels</td>
<td>RIREP is founded on functional adult literacy and has a learning methodology combining teaching in literacy with numeracy and issues on sanitation, nutrition, food security, handicrafts, business management, savings and cooperatives</td>
<td>MINEDUC, Karongi / Nyagatare District offices</td>
<td>Enhanced knowledge and skills of 72 FAL teacher instructors, 2,400 FAL learners passing exams after class 3. Households with improved health, savings potential and improved social status</td>
<td>DANIDA, USAID, CIDA, Government development agencies</td>
<td>Approaches are donor-driven but have had positive impact to a certain extent</td>
<td>ADRAA contact person 0788 300451</td>
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<tr>
<td>7</td>
<td>MTN Mobile Money project operating since 2010</td>
<td>General populace (MTN mobile users/businesses/people/employees)</td>
<td>To facilitate how cash is transferred, to reduce costs</td>
<td>The cost of doing business and security of money in transaction</td>
<td>Using mobile money agents engaged in business who get mobile money users and register on a commission basis.</td>
<td>Business entrepreneurs (agents)</td>
<td>Outlets evident in all districts, 250 in total so far, and 130,000 registered active users, Frw 1.8 billion exchanged in transaction</td>
<td>MTN</td>
<td>Mobile money: Being a new money business. Some people find it hard to entrust their money others don't even understand how it can work. The issue of cash availability to match the demand in business areas.</td>
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<tr>
<td></td>
<td>MTN Village phone with GRAMEEN FOUNDATION since 2006</td>
<td>Rural areas still facing limitations in access to phone services.</td>
<td>Offers public access solutions selling mobile phone airtime through SMS’s and selling direct calls.</td>
<td>MFIs (Urwego Opportunity Bank, Vision Finance), MTN dealers and distributors,</td>
<td>-Public access phones generating employment -MTN village phone kiosks running successful. -4,700 pay phones were provided and operational -increasing number of mobile phone applications being developed for health, agriculture.</td>
<td>GRAMEEN FOUNDATION (Village phone)</td>
<td>6700 pay phones were provided and operational -increasing number of mobile phone applications being developed for health, agriculture.</td>
<td>MTN</td>
<td>Village phone: the operator had to make money and adopt the business model of MTN. Focus has mainly been in rural areas and yet there is a growing need for public ICT access in urban areas.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women for Women International NGO Women</td>
<td>Creating peaceful and stable societies through women led community change</td>
<td>The lack of empowerment of many women victims of war circumstances</td>
<td>a) Direct financial assistance from women sponsors worldwide. b) Rights education c) Vocational skills training d) Income generating opportunities</td>
<td>Galahya Links for training purposes and District offices</td>
<td>Empowered women in terms of their rights, mentally and physically well, decision makers, women who can sustain incomes and who have networks and safety nets.</td>
<td>Women sponsors in UK, USA, NZ</td>
<td>Competition from middlemen who sell at higher prices - the reason W4W is trying to move away from handicrafts</td>
<td><a href="http://www.womenforwomen.org">www.womenforwomen.org</a></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Organization</td>
<td>Type</td>
<td>Focus Area</td>
<td>Objectives</td>
<td>Challenges</td>
<td>Supporters</td>
<td>Additional Notes</td>
<td></td>
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<tr>
<td>9</td>
<td>Goldman Sachs</td>
<td>For profit</td>
<td>Education/women</td>
<td>End their involvement in prostitution and plight of job searching</td>
<td>Difficulty in accessing financial services</td>
<td>Goldman Sachs, William Davidson Institute</td>
<td>- 120 women have graduated and attained certificates. - Job creation - Women more resilient and businesses positioned for growth</td>
<td></td>
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</tr>
<tr>
<td>10</td>
<td>Gahaya Links</td>
<td>For profit company</td>
<td>Women, the marginalized segments of the populace not reached by MFIs</td>
<td>To weave lasting peace by providing skills with economic opportunities for the women and few men for economic development.</td>
<td>Need to support women and young girls as a result of genocide, poverty.</td>
<td>Government, Fairvinds, Trading Inc, Macy’s, Starbucks, USADF, RDB, UNIFEM among others</td>
<td>Increased traditional technical weaving skills among women through access to market and improvement in socio-economic development.</td>
<td></td>
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</tbody>
</table>
| 11  | CARE International | NGO | Women - genocide survivors, widows, women with HIV/AIDS, physically disabled women, women living on less than $2 per day, under-educated women and survivors of sexual assault | Focuses on informal education, economic security (VSLAs) and HIV/AIDS/health services | A) Providing access to clean water  
B) Protecting women from domestic violence and asserting property rights through training, idea exchange and debate  
C) Providing still efficient machinery to speed up the weaving process  
D) Training in literacy and improvement of women’s wellbeing and capacity to create change | USADF, MINICOM | Cultural barriers that hinder empowerment of women. Accountability issues and building trust among group members. |
<p>| 12  | Global grassroots for social change for women | Non profit organization | Women - genocide survivors, widows, women with HIV/AIDS, physically disabled women, women living on less than $2 per day, under-educated women and survivors of sexual assault | The core is to cause conscious social change among marginalized women in post-conflict countries, delivering skills and improving the wellbeing of women, in terms of the number of successful ventures launched and their positive social impact. | The plight of underprivileged and marginalized women, female-headed households who have no income and support | Banque Populaire | Fund availability or sustainability not obvious. |
| 13  | Goldman Sachs Entrepreneurship certificate program | Charity run as program by SFB operating since 2008 | Women entrepreneurs | Seeks to give 10,000 women all over the world including Rwanda a business and management education. | The numbers of underprivileged women and yet with demonstrable financial need and academic readiness. | Goldman Sachs, William Davidson Institute | Financial constraints which limit sponsored women. |
| 14 | Agaseke Promotion project | Women economic empowerment project operating since 2007 | Women (prostitutes, hawkers) | To empower women economically and improve their livelihood and that of their families. | There are many widows due to the genocide and female-headed households which are also landless. These engage in activities that barely sustain their livelihood. | Offer training in weaving (peace baskets), cat-rings, wall hangings. Make production centres available for women. | Kigali City Council, UNIFEM, MINICOM. | Promoting Rwanda’s products as well as women gaining expertise in handicraft making. Women being able to get income and running household enterprises/businesses. Women’s confidence built. | UNIFEM | Sustainability in case there are no funds available. - The lack of money handouts thus no motivation like at inception of project. - The lack of skill in cooperative management and leadership yet these women work in cooperatives the reasons that led most beneficiaries to leave or lose commitment. (Beneficiaries have reduced from 1,326 to 500). | Kigali City Council |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>Name</th>
<th>Type</th>
<th>Gender</th>
<th>Description</th>
<th>Interventions</th>
<th>Education Development Centre</th>
<th>Partner Funding</th>
<th>Contact Information</th>
<th>Description</th>
</tr>
</thead>
</table>
| 15 | PROFEMME techwe hamwe                         | Non-profit organization operating since 1992          | Women  | To combine efforts for change so as to eradicate all forms of discrimination and violence towards women and to facilitate exchanges between the 50 member organizations | Institutional and organizational capacity building, advocacy for the improvement of women’s health and socio-economic status, expanding partnership to new stakeholders and promoting a culture of peace | -Public and private partners  
-Regional and International Organisations  
-Bilateral cooperation  
-United Nations Agencies  
-Relevant Civil Society Organisations | Gender mainstreaming in all policies and programs, Improvement of women’s health and socio-economic status.  
UNIFEM, Global Fund, PSI, USAID, UNDP | [http://www.profemmes.org](http://www.profemmes.org) | Slow change in mentality towards gender promotion, limited resources, widespread poverty, high maternal and infant mortality. |
| 17 | YES Rwanda (Youth Employment Systems)         | NGO Youth     | Youth  | To develop the capacity of young people to create sustainable livelihoods and establish an entrepreneurial culture of self-employment. 30 young people (child heads of household) were trained for the labour market | The growing unemployment in Rwanda  
Intervenes through four program areas; policy research and advocacy, communication and outreach, business and entrepreneurship development and youth livelihood.  
Runs a business incubator to support emerging businesses | Education Development Centre | Youth expertise built in employability, skills attainment, basic and vocational education, job placement, small business development and advocacy. Businesses established and profitable. | [http://www.yesrwanda.org](http://www.yesrwanda.org) | Private sector ability to absorb youth |
| 18 | AIPRODBO (Youth Association for Human Rights Promotion and Development) | Registered as an NGO since 1997 at NUR Youth | Youth  | To help youth develop entrepreneurial skills to do income generating activities which may grow from micro to medium enterprises  
Lack of viable and relevant opportunities for youth for earning a living | An entrepreneurship programme for young people and helps in obtaining credit.  
Capacity building, career counselling, job placement services, training of trainers on 8 modules of work readiness curriculum | World Bank, Legal Aid Forum | Youth socio-economic development  
a) in and out of school activities  
b) training in how to start micro enterprises  
c) how to obtain credit  
d) how to engage the civil society  
e) developing a spirit of entrepreneurship spirit among young people | [http://www.yesrwanda.org](http://www.yesrwanda.org) | Lack of access to capital; lack of enough capacity-building training |
| 18 | Akazi Kanoze                                 | Project funded by USAID since 2006 Youth (14-24yrs) | Youth  | To develop a thriving youth livelihood support system to increase the prosperity of public/private institutions.  
To support youth to develop soft skills to enable employability  
High youth unemployment | Utcruzwa, Esters Aid, COATB, Search for Common Ground, EDC, Never Again Rw, WDA AVSI, CRS, MIFUTRA | Youth finding employment. | USAID | The capacity of the private sector to absorb the youth, needs a strong private sector  
Youth want fast results, with less procedure and requirements, which is sometimes not the case | USAID contact person; FINA |
| 19 | FYFO (Fight Illiteracy Youth Organization)    | Project operating since 2003 Youth                     | Youth  | To promote literacy education through its 45 literacy centers in 2 districts and support a secondary school in Bugesera.  
Seeks to address illiteracy whose rate is still high | Offers literacy courses for 8 months in 45 centres in Kigali and eastern province, trains volunteer teachers | KIE (Literacy teachers) | Beneficiaries able to read and write and engage in income-generating activities for livelihood.  
WB, EU through the rural sector support | [http://www.yesrwanda.org](http://www.yesrwanda.org) | Due to lack of funds FYFO has closed 15 centers |
Appendix 6: Examples of Microfinance
There are 122 microfinance institutions in Rwanda as well as BPR and UOB that serve poor clients (see Napier 2010- Appendix 3).

There are three Government guarantee funds administered by the NBR that can help poor entrepreneurs’ access credit. The entrepreneur has to make an application and submit a business plan to a bank/microfinance institution. After the financial institution has processed it passes the application to the NBR for approval. The three are:

- **Woman Guarantee Fund** – aimed at boosting women who have no collateral or credit record in accessing finance for income generating activities. Women have to submit a viable business proposal. The fund guarantees 50 per cent of the loan for individuals and 75 per cent for group loans. The maximum loan is 5 million FRW for individual loans and 10 million for group loans with a three year repayment period. Financial institutions are expected to have a focal point to support applicants and access to loans for women living in rural areas is seen as a priority;
- **AVEGA Guarantee Fund** – enables genocide widows whose business plan is approved to have a loan with an interest rate set at 12 per cent;
- **Retrenched Public Servants Guarantee Fund** – guarantees 50 per cent of the loan and an interest rate of 10 per cent for applicants whose business plans are approved. The ceiling for individual loans is 5 million FRW and 10 million FRW for group loans.

<table>
<thead>
<tr>
<th>Examples of Micro Finance Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name/title</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>COOPEDU – Kigali</td>
</tr>
<tr>
<td>UMwalimu SACCO</td>
</tr>
<tr>
<td>Organisation</td>
</tr>
<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>Urwego Opportunity Bank of Rwanda 4 (UOMB)</td>
</tr>
<tr>
<td>COOJAD - Cooperative de la Jeunesse pour l'Auto-emploi et Developement</td>
</tr>
</tbody>
</table>
Appendix 7: Report - Stakeholder Workshops

Introduction
This document provides an account of the first workshop, held on the 25th June 2010, for the HEs research project, *Raising Productivity and Reducing the Risk of Household Enterprises*, being carried out by IPAR-Rwanda for the World Bank. The research is designed to provide a better understanding of the roles and functions of HEs in Rwanda. More specifically it is intended to provide evidence informed policy recommendations to the Government, development partners and NGOs to help raise the productivity and reduce the risk of HEs.

Purpose of the Workshop
*The main aims of Workshop 1 were to:*
1. brief the National Steering committee and other stakeholders about what is already known about HEs in Rwanda;
2. gain further information on research relevant to understanding the HE sector in Rwanda;
3. be apprised of Government policies and programmes that impact on the sector (positive and negative) not considered in the diagnostic report;
4. provide additional information on projects and organisations that provide support for HEs;
5. indicate any information on the sector stakeholders would like to be ascertained during Phase 2.

*The intended out-comes from the Workshop were:*
1. guidance on research, Government policies and programmes and projects and organisations that should be included in the diagnostic report;
2. an indication of information that should be sought during Phase 2.

Preparation for the Workshop
The Workshop was prepared in consultation with the National Steering Committee (NSC) and the World Bank. Both gave guidance on the format of the Workshop, the organisations and individuals to be invited to attend, the Agenda and the questions for the breakout groups. At the request of the NSC a brief paper was prepared outlining the purpose of the Workshop, a concept note for the project and a summary of the key findings from Stage 1 (These together with a letter of invitation were send, in hard copy, to all those on the agreed list of invitees.)

All those invited to attend the workshop were also send a soft copy of the diagnostic report via email prior to the Workshop.

The Workshop
The Workshop was held at the Serenea Hotel, Kigali and lasted from 9 a.m. to 1 p.m. and was followed by an informal lunch. It was chaired by André Habimana, Director of Planning at the Ministry of Finance and Economic Planning, and facilitated by IPAR-Rwanda staff. Forty-one representatives of the Government, Development Partners, NGOs and higher education institutions attended the Workshop.

The opening session was followed by participants moving into three working groups:
1. access to banking and other services;
2. legal and regulatory frameworks;
3. capacity building/training/business development support.
The groups were asked to consider what the team should research further and include in the diagnostic report before commencing fieldwork, and what they would like to know about HEs that could be found out during the fieldwork stage. Each group was provided with a list of questions to help guide the discussion. They were asked to spend roughly half the time on each part and to agree six issues on which they would like information to be collected during the fieldwork stage to report to the plenary session. Notes of the discussion in each group were taken by members of IPAR-Rwanda staff.

The Workshop concluded with a plenary session at which each group reported the six issues they wanted followed up during the fieldwork stage of the research. The chair formally closed the Workshop pointing out again how important HEs are in reducing poverty and providing employment. He thanked the participants for attending and for the important contributions they had made.

**Follow-up Work from the Workshop**

After the workshop the notes from the opening plenary session and the break-out groups were transcribed and subsequently analysed for issues to be followed-up and for topics to be explored during the fieldwork stage.

Table 1 provides a list of the suggestions made for follow-up by the participants at the workshop together with the action to be taken. These are now being followed up by the team working on the project. The findings will be incorporated in the revised diagnostic report due to be submitted on the 25th July.

Table 2 provides a list of the suggestions by the participants on information to be found out during the fieldwork stage together with how we intend to collect the requested information. The research instruments have been revised to take account of the issues identified.

### Table 1: Additional Information to Incorporate into the Diagnostic Report

<table>
<thead>
<tr>
<th>Issue Raised</th>
<th>Action to be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framework of Government support for HEs at national and local levels</td>
<td>Government support for HEs to be further investigated and mapped out in the diagnostic report. Ministries of Finance and Economic Planning, Commerce and Trade and Local Government to be visited.</td>
</tr>
<tr>
<td>PSF support for HEs and BDCs</td>
<td>Support provided for HEs by PSF and BDCs to be further explored and further material to be incorporated into the diagnostic report.</td>
</tr>
<tr>
<td>Network coverage and access to telephones in rural areas</td>
<td>Find out about coverage of phone networks and find out more about the village telephone project. Also Mobile Money. (MTN)</td>
</tr>
<tr>
<td>Access to finance</td>
<td>Find out more about the availability of finance for HEs, policies of banks and micro finance institutions. Cooperatives.</td>
</tr>
<tr>
<td>SACCO Umurenge</td>
<td>Get details.</td>
</tr>
<tr>
<td>Local taxes and charges</td>
<td>Find out who sets local taxes and charges. If set nationally what the fees are etc.</td>
</tr>
<tr>
<td>Public Health Laws, standards on packaging for sale of beverages</td>
<td>Find out about any health and safety laws that might impact on HEs</td>
</tr>
<tr>
<td>'Green Rwanda'</td>
<td>Laws on brick burning and use of wood etc</td>
</tr>
</tbody>
</table>
Mapping of support for HEs.

Collect as much information as possible on support for HEs by Government and NGOs. Map and then add to map after fieldwork.

Co-operatives

Look in more detail at Cooperative Policy.

Government projects regulation of cross-border trade

Follow-up on regulations.

Specific projects: ADRAA, SFB training programme, PPMER, MINIYOUTH, CRS_WORK, UNIFEM, CARE INT, World Vision, ASOPERWA, PROFEME TWES HAMWE.

Follow-up where not already covered. Get more information from all projects on funding, coverage (geographical, age, gender etc), numbers and any evaluation that has been carried out.

MINICOM implementation plan for supporting HEs, craft centres.

Follow-up with Ministry.

RDB – tourism/gorilla conservation.

Follow-up with RDB.

VUP Umurenge Programme.

Follow up with Ministry of Local Government, but the tender for the first evaluation has not yet been finalised.

Planning regulations and setting up of markets.

Investigate national and local regulations on planning and zoning.

DFID „Access to Finance Programme‘.

Follow up with DFID.

Table 2: Information to Find Out During the Fieldwork Phase

<table>
<thead>
<tr>
<th>Information</th>
<th>Action to be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do people deal with shocks, especially paying instalments on loans. Causes of shocks</td>
<td>Covered in focus group topics.</td>
</tr>
<tr>
<td>What are the various alternatives for financing? How are cooperatives working?</td>
<td>Covered in focus group topics.</td>
</tr>
<tr>
<td>What is the demand for financial and other services?</td>
<td>Covered in focus groups and SIs but a more informative estimate would be better gained through a probability sample.</td>
</tr>
<tr>
<td>What is the coverage of mobile service in rural areas?</td>
<td>Covered in focus groups and SIs. Also follow-up with providers (see above).</td>
</tr>
<tr>
<td>Use of mobile phones to access financial services.</td>
<td>Covered in focus groups and SIs. Also follow-up with providers (see above).</td>
</tr>
<tr>
<td>What are the different stakeholders doing in terms of improving access to finance and how can they support the Government in implementation of SACCOS.</td>
<td>Covered in focus groups and SIs. Also follow-up with providers (see above).</td>
</tr>
<tr>
<td>Voice of HEs/representation.</td>
<td>Covered in focus group agendas.</td>
</tr>
<tr>
<td>Impact of „Green Rwanda‘ on HEs (wood burning, brick making).</td>
<td>Covered in focus group agendas.</td>
</tr>
<tr>
<td>Road restrictions.</td>
<td>Key informant interviews – local officials and police.</td>
</tr>
<tr>
<td>Local taxes and fees</td>
<td>Covered in focus groups and SIs.</td>
</tr>
<tr>
<td>Public health restriction on food and drink</td>
<td>Key informant interviews and follow up on regulations and law (see above).</td>
</tr>
<tr>
<td>Definition of household enterprise, differentiate from micro. Survival/employment to be clarified.</td>
<td>Definition is clear and clearly differentiates from micro-enterprises. Sampling and focus group responses will enable clearer definitions and understandings of characteristics.</td>
</tr>
<tr>
<td>Levels of support for different types of HEs,</td>
<td>This will be explored through the focus</td>
</tr>
<tr>
<td>operators with different support needs.</td>
<td>groups. Also mapping of support of different types, aimed at different HEs will be developed (see above).</td>
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<tr>
<td>Improve information on opportunities for HEs and labour market intelligence</td>
<td>Some information HE operators get will be gained through the focus groups. Also some understanding on how information can be disseminated may be gained. This seems, however, to be more of a recommendation than an issue for research.</td>
</tr>
<tr>
<td>Additional information on how youth are being supported.</td>
<td>Sampling for fieldwork will include young people. Following up and getting more information on projects to support young people in starting/operating HEs is also underway (see above). Need also to differentiate youth as it covers up to age 35 years.</td>
</tr>
<tr>
<td>Coordination of interventions.</td>
<td>This is more a recommendation than an issue for the fieldwork but we will look at the extent to which support is experienced as fragmented and disjointed, during the fieldwork stage.</td>
</tr>
<tr>
<td>Ownership of land and land registration.</td>
<td>To be explored through focus groups and SIs. More on land registration scheme to be added to diagnostic report.</td>
</tr>
<tr>
<td>Policies on space for municipal markets.</td>
<td>To be explored with local officials.</td>
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<td>NO.</td>
<td>NAME</td>
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</tr>
<tr>
<td>1</td>
<td>Maniraguha Michael</td>
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<tr>
<td>2</td>
<td>Tessa Macarthur</td>
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<td>3</td>
<td>Rutagengwa Francine</td>
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<td>4</td>
<td>Rajeev Aggarwal</td>
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<td>5</td>
<td>Norman Musengimana</td>
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<td>6</td>
<td>Rugumire Liliane</td>
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<td>7</td>
<td>Nandine Niyibizi</td>
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<td>8</td>
<td>Diane Ofwona</td>
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<td>9</td>
<td>Verena Ruzibuka</td>
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<td>Moses K. Kibirge</td>
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<td>11</td>
<td>Peace Aimee Niyibizi</td>
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<td>12</td>
<td>Gakwanda Titus</td>
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<td>13</td>
<td>Mugaba Cares</td>
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<td>14</td>
<td>Rutagengwa Alphose</td>
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<td>15</td>
<td>Prof. Rama B. Rao</td>
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<tr>
<td>16</td>
<td>Cyrique Harelimana</td>
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<tr>
<td>17</td>
<td>Ananthalie Mukankusi</td>
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<td>18</td>
<td>Lindsay Wallace</td>
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<td>19</td>
<td>Roger Sapsford</td>
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<td>Gatara Celestin</td>
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<td>21</td>
<td>Rutazigwa Martin</td>
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<td>22</td>
<td>Godfrey Kabera</td>
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<td>23</td>
<td>John Mutamba</td>
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<td>24</td>
<td>Judith Aguga</td>
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<td>25</td>
<td>Butera Edison</td>
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<td>26</td>
<td>Joanne Smith</td>
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<td>27</td>
<td>Hakizabera Pipien</td>
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<td>28</td>
<td>Dickson Malunda</td>
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<td>29</td>
<td>Gasigwa Benoit</td>
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<td>30</td>
<td>Mimani Faustin</td>
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<td>31</td>
<td>Mugisha Roger</td>
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<td>32</td>
<td>Dr. Bideri I.N</td>
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<tr>
<td>33</td>
<td>Professor Philip Breirley</td>
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<tr>
<td>34</td>
<td>Dr. Musobo Ibrahim</td>
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<td>35</td>
<td>Dr. Siringi Elijah</td>
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<tr>
<td>36</td>
<td>Kayisanobo Fina</td>
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<tr>
<td>37</td>
<td>Kamwesigye Justus</td>
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<td>38</td>
<td>Murebyayire Denise</td>
</tr>
<tr>
<td>39</td>
<td>Bangwaneza Theopiste</td>
</tr>
<tr>
<td>40</td>
<td>Sebagabo Barnaba</td>
</tr>
<tr>
<td>41</td>
<td>Joseph Kirubi</td>
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</tbody>
</table>
## Appendix 8: Investment Climate Constraints

<table>
<thead>
<tr>
<th>Product Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of customers/demand</td>
</tr>
<tr>
<td>Competitive market situation/market saturation</td>
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<table>
<thead>
<tr>
<th>Access to Land, Equipment, Inputs</th>
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<tbody>
<tr>
<td>Access to land</td>
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<tr>
<td>Access to equipment and machinery</td>
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<tr>
<td>Access to spare parts</td>
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<tr>
<td>Access to raw materials/goods</td>
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<table>
<thead>
<tr>
<th>Workers</th>
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<tbody>
<tr>
<td>Access to qualified workers</td>
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<tr>
<td>Salary and wage levels</td>
</tr>
<tr>
<td>Access to training (accounting, production, marketing)</td>
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<thead>
<tr>
<th>Infrastructure/Utilities</th>
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<tbody>
<tr>
<td>Access to energy</td>
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<tr>
<td>Cost of energy</td>
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<tr>
<td>Reliability of energy supply</td>
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<tr>
<td>Access to transport infrastructure</td>
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<tr>
<td>Condition of transport infrastructure</td>
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<tr>
<td>Costs of transport</td>
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<tr>
<td>Access to ICT</td>
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<tr>
<td>Cost of ICT</td>
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<tr>
<td>Access to storage facilities</td>
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<tr>
<td>Rents of premises by owners</td>
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<thead>
<tr>
<th>Finance</th>
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<tbody>
<tr>
<td>Access to credit</td>
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<tr>
<td>Cost of credit</td>
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<tr>
<td>Bad debt</td>
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<thead>
<tr>
<th>Legal, Regulatory, Business Environment</th>
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<tbody>
<tr>
<td>Bribe, other unofficial payments</td>
</tr>
<tr>
<td>Crime, theft and fraud</td>
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<tr>
<td>Tax rates</td>
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<tr>
<td>Tax administration</td>
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<tr>
<td>Business licensing and regulation</td>
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<tr>
<td>Legal system e.g. enforcement of contracts</td>
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<th>Policies</th>
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<tbody>
<tr>
<td>Trade policy</td>
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(Source: based on Steel and Snodgrass, 2009)
References


**Laws**

Law Local Charges Law

Law Tax Law

Law No 13/2009 of 27/05/2009 *Law Regulating Labour in Rwanda*. 


This report demonstrates that we do know quite a bit about HEs from survey and economic statistics—their location and distribution, and their size. We can begin to see that their main role in Rwanda is in lifting families out of abject poverty and food insecurity—and to some extent lifting families out of poverty altogether, in the non-farm sector—but that few are likely to grow large enough in the near future to make a significant impact on the shape of the economy as a whole. The review also demonstrates what we do not know: how they get started, what initial support they need and receive, what keeps them running and, above all, just how important they are in the lives and the household economies of rural and urban families. We do not know whether the experience of running a household enterprise is the same or different in rural and urban areas, the extent to which farm-based enterprises can be compared at all with non-farm ones and whether there are important gender (and perhaps age) differences in the impact of the HE on life and survival. We also understand little about the aspirations and ambitions of those who found and run HEs. It is these questions which the proposed research sets out to answer.