



Institute of Policy Analysis
and Research - Rwanda

RWANDA COUNTRY STUDY

Raising Productivity and Reducing the Risk of Household Enterprises: Fieldwork Report



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

Fieldwork Report

Pamela Abbott

Institute of Policy Analysis and Research-Rwanda

This project/report has been supported by: (i) the Multi-donor Trust Fund *Labour Markets, Job Creation, and Economic Growth* through funding from the German, Norwegian, Austrian, and Korean governments, (ii) the donors of the TFESSD fund at the World Bank, and (iii) the Belgian Poverty Reduction Partnership Program. The project was commissioned by the World Bank.



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.

CC: IPAR-Rwanda

Researchers

Pamela Abbott, who is Acting Director of Research, IPAR-Rwanda and Professor of Sociology, University of Aberdeen, UK, directed the fieldwork and was responsible for writing this report.

Ivan Murenzi, who at the time of the fieldwork was a Research Fellow at IPAR-Rwanda and was deputy project director of the project for the fieldwork phase. In that capacity he directed the fieldwork for the pilot, supervised the forward and backward translation of the questionnaire from English to Kinyarwanda, supported the training of the researchers for the main fieldwork and supervised the data entry of the SIs. He was also a team leader for the main fieldwork phase.

Melissa Gaal, World Bank, Washington DC, wrote the analysis of the EICV 2 data which forms Appendix 3 of the *Diagnostic Report* and on which this report draws.

Faith Malka, who at the time of the fieldwork was a Research Fellow at IPAR-Rwanda, was a team leader for both the pilot and main fieldwork phases. She also coordinated the collation of the deliverables from the fieldwork and supervised the researchers in Charting the transcripts from the FGDs.

Serge Musana, Research Fellow IPAR-Rwanda, participated in the pilot study and was a team leader for the main fieldwork phase. He was team leader for the first phase of the research project.

John Rwirahira, Research Fellow IPAR-Rwanda participated in the pilot study and was a team leader for the main fieldwork phase. He also assisted with the quality control for the data entry of the SIs

Paul Kaira, Researcher IPAR-Rwanda participated in the pilot study and was a team leader for the main fieldwork phase.

Macklin Rucogoza, Intern at IPAR-Rwanda, was a researcher during the main study, assisted with the analysis of the qualitative data and followed-up on policies, laws and regulations during the fieldwork and analysis stages of the research.

The following were researchers during the main fieldwork phase and entered the data for the SIs and Charting of the FGDs:

Clotilde Ingabire, intern, IPAR-Rwanda
Adelite Mukinolangwe, IPAR-Rwanda
Mazun Thomas, Ministry of Finance and Economic Planning

Natmushobora Jeande Dieu, Mutsinzi Salomon, Hirwa Didier, Kagabo Bertin, Habaruema Saleh, Vuningoma Lisa Pacific, Ngoboka Godfrey, Rurangwa Sam, Nziza Lyne, Mark Bhamizo, Suzan Muhanu - work placement students from the National University of Rwanda and Kigali Free University

KEY MESSAGES

- ➡ Household enterprises are a large part of the private-sector in Rwanda, providing employment for over 700,000 people¹ compared with less than 200,000² in the whole of the rest of the sector. They are therefore crucial to the achievement of Government policies for employment and poverty reduction. However, their nature is not always clearly recognised and support for them is patchy.
- ➡ Most HEs are started by a single operator using his or her own resources, or the family's, and a main motivation for starting one is lack of a perceived alternative. Most operators work alone, sometimes aided part-time by another family member. They are smaller even than microenterprises (with 1-3 employees) and do not have employees at all. They have a very low turnover – 25% of them below Frw 20,000 a month and three quarters below Frw 80,000.
- ➡ HEs are themselves heterogeneous. Some have the potential to grow into larger enterprises. Some at least provide their operators with a decent living. Some do not provide a full living but are a very useful supplement to subsistence agriculture. Some, however, are part of an individual's or a household's desperate struggle to survive at all.
- ➡ Some are entrepreneurial, but most offer standard goods or services, often in areas where competition is already strong. More access to market intelligence – both for selling produce and in identifying undertakings that are likely to succeed– would be very beneficial. Employment options are limited by lack of educational credentials, though just over half had undergone some form of apprenticeship.
- ➡ Many HEs are vulnerable to risk – theft of or damage to stock or, even more, being unable to run the business because of illness. Fewer than 40 per cent had anyone they could trust to keep the business running if they were incapacitated.
- ➡ HEs are heavily concentrated in trade, and those that are successful tend to be located in Kigali, in other commercial centres or in areas that attract tourists. Demand is much lower in rural areas.
- ➡ One substantial benefit of running an HE, mentioned by many informants, was the ability to pay for their children's schooling. Thus the Government's educational policy as well as its economic policy hinges on the success of HEs, given the sheer size of the sector.
- ➡ Cooperatives provide support for HEs, helping them to grow and to build their capabilities and to market their products, and this is particularly important for those in arts and crafts.
- ➡ VUP is also having a positive impact on HEs. There is little evidence yet that the beneficiaries are starting HEs themselves, but the increased demand for goods and services by participants is increasing the productivity of HEs in locales where the programme is operating.
- ➡ Support for HEs is patchy. Local authority officials say they provide support, but our informants did not seem to have benefited from it. Most projects run by civil society organisations are targeted at particular vulnerable groups, and few of our informants met their criteria. However, those few who had benefited from the Government's Rural Small and Medium Enterprise Project were complimentary about it.

¹ Based on 2006 figures (World Bank 2020)

² PSF 2008

- ➡ There was a demand for training in business skills and in techniques for accessing finance. None of our informants had benefited from the services of a Business Development Centre.
- ➡ A major constraint on HEs was said to be lack of access to start-up finance and/or working and investment capital. Local officials and other key informants agreed. Those who had borrowed through cooperatives were generally satisfied, but lack of trust was a barrier to group savings and loans and lack of collateral limited access to microfinance or banks. A majority had heard of Umurenge SACCOs but very few belonged to one.
- ➡ Another constraint was taxes and other charges, perceived to be a burden on HEs both by the operators and by local officials, including the tax collectors.
- ➡ Some operators benefited from well structured, secure markets located where there was a strong customer base, but other markets had poor facilities and/or were located away from where customers usually passed. Outside the markets Government is trying to organise hawkers into associations and assign them a legal space in which to work, but some hawkers were concerned that relocation to less frequented areas would cut their income below survival levels.
- ➡ HEs were concerned that they had no voice in local authority decisions, that they were not consulted about actions which had a strong negative impact on their businesses. None mentioned Imihigo as a mechanism for influencing local decision-making.

Contents

EXECUTIVE SUMMARY	8
ACKNOWLEDGEMENT	12
INTRODUCTION, BACKGROUND AND POLICY CONTEXT.....	13
<i>Introduction</i>	13
<i>Background</i>	15
<i>The Policy Support and Regulatory Framework</i>	15
Policy Context.....	15
The Legal and Regulatory Framework	19
Support from Projects	21
Summarising the Policy, Regulatory and Support Framework.....	21
<i>Taking the Research Forward</i>	22
RESEARCH METHODOLOGY	26
<i>Approach and Stages</i>	26
Pilot Study.....	26
Field Work	26
<i>Data Analysis</i>	28
<i>Characteristics of the Achieved Sample</i>	28
FINDINGS FROM FIELDWORK.....	31
<i>Characteristics of HEs, Local Officials and Key Informants</i>	31
General Description	31
Gender Profile.....	32
Age Profile	33
Education and Training Profile	34
Sector Profile	36
Location Profile	39
Length of Time in Business	39
<i>Making a Living</i>	40
Livelihood Strategies	40
Making a Living.....	41
Patterns of Work	42
<i>Starting and Running HEs</i>	44
Motivation for Starting and Operating an HE.....	44
Running an HE.....	45
<i>Building and Operating Successful HEs</i>	46
Growth Dynamics	46

The Characteristics of Successful HEs	49
<i>Barriers to HE Development</i>	51
Constraints on Development	51
Finance.....	52
Demand for Goods and Services.....	55
Taxes and Other Chargers.....	56
Training and Capacity Building.....	56
Infrastructure, Utilities and ICT	57
Conflict between HEs and Authorities.....	58
<i>Risks Faced by HEs</i>	60
<i>Overcoming Risks and Barriers: Developing Successful HEs</i>	61
What is Necessary.....	61
How Does the National Framework Measure Up?	62
CONCLUSIONS.....	1
<i>Revisiting the Capability Framework</i>	1
<i>Going Beyond EIVC2</i>	1
<i>Conclusions</i>	2
REFERENCES	1
APPENDICES	3
<i>Appendix 1: Trading Licence Charges, Local Taxes and Fees</i>	3
<i>Appendix 2: Scales</i>	4
<i>Appendix 3: Sample of HEs</i>	5
<i>Appendix 4: Apprenticeships and Post School Training</i>	1
<i>Appendix 5: Training Providers</i>	2
<i>Appendix 5: VUP</i>	3

EXECUTIVE SUMMARY

This project was undertaken so that an understanding could be developed to enable policies, strategies programmes and projects to be developed for raising the productivity and reducing the risks of household enterprises. They form by far the largest segment of the private-sector both in terms of number of enterprises and number of people employed yet no research had been undertaken specifically on the sector and the Government had paid little attention to developing policy tailored to meet its specific needs. However, if the Government is to realise its vision of becoming a private-sector service-led economy, reduce poverty and provide employment for all, it is going to have to support the growth of HEs. Growing the HE sector is the only way in which the increasingly large pool of surplus labour can be absorbed into the labour market and poverty can be reduced.

This report provides an account of the findings from the fieldwork stage of a project. We carried out focus group discussions and structured interviews with a purposive sample of HE operators in 12 locations. We also interviewed local government officials and other key informants. The research used a rapid participatory appraisal approach. It built on findings from the first stage of the research which identified what is already known about HEs in Rwanda, the role they play in the economy, Government policies and programmes that have an impact on the sector and projects that are supporting HEs. It was designed to fill gaps in our knowledge, and understanding of the sector and the impact of Government policies and programmes, to enable the Government to target its support. The final report will bring findings from the diagnostic and fieldwork reports together to provide an understanding of how HEs can fit into Rwanda's development strategy and the impact of support on the sector, including Government policies and programmes and civil society projects, to see how the productivity of HEs can be improved and their risks reduced. This will enable the Government and other key stakeholders to consider how they can develop policies, strategies and programmes that take account of the needs of the sector.

Household enterprises (HEs) are 'concerns' which consist of one person, plus perhaps unpaid labour from other members of the family, which contribute to the family income. They are to be distinguished from even microenterprises, which employ a very small number of people, by their size, the fact that they are not necessarily the main income even of the person most involved in them, the fact that they do not have formal 'employees' and their relatively small turnover. In our research three quarters of the operators to whom we spoke had turnover of less than Frw 80,000 a month, and a quarter had a turnover of less than Frw 20,000. Nearly half said that they were poor and a similar proportion said they always had to go without essential food.

HEs are heavily concentrated in trade, and while HE operators are generally slightly better educated than the generally population, three quarters had only primary school or none at all, although just over half have had some on-the-job training. It is unclear if HEs are in trade because of demand or because an HE in this sector can be opened by those with little or no education or experience. However, a further attraction of trade is that it requires little or no initial capital to open an HE in and most HEs are started using their owners' own resources. We did find some HEs whose owners were using skills gained in technical school to run what they saw as successful enterprises. We found little evidence that HEs were being sensitised to opportunities to diversify but did find that in rural areas, outside of those with large numbers of tourists, demand for the goods and services of HEs other than those in trade was low and operators generally needed more than one source of income.

The challenge for Government is to recognise the importance of HEs and their specific needs if they are to thrive. HEs are different from other micro-enterprises and themselves heterogeneous, ranging from young people making a marginal living as hawkers or women running an enterprise to supplement household income

to a household running an enterprise that provides its main or only source of income. Some are providing their owners with a decent living, others are growing and have the potential to develop into larger businesses but others are offering their operators only bare survival. What they all have in common is that they provide employment for their operators and an income. Many see no alternative to running an HE even if it provides only bare survival.

Government is well aware that the growth of the non-farm labour market between 2000 and 2006 was driven by a growth in the informal and semi-formal sectors and that Household Enterprises were and are a large part of this sector. Trade Unions and the Private-sector Federation are charged with organising and supporting them. Government policies for micro-, small and medium enterprises include household enterprises among the microenterprises. However, policy discussion has not entirely come to terms with the sheer size of the household enterprise sector. The best estimate (2006) suggests that there are over six hundred thousand household enterprises in Rwanda, 'employing' over seven hundred thousand people. The PSF 2008 census gives 73 thousand other enterprises (over half of them microenterprises employing 1-3 people with less than 200,000 employees. Household enterprises are therefore the largest source of non-farm employment by a very large margin. Policy needs to be aimed directly at them, rather than their being confounded with other kinds of concerns which are unlike them in many ways, and their interests need to be prioritised.

A second important point is that they are not the same as the enterprises in the formal economy. They are small, they do not make a great deal of contribution to taxation, and they are not necessarily set up with the intention of becoming flourishing and growing commercial/industrial enterprises – and few of them, probably become so. We can identify four types of enterprises: survivalist where the operator is struggling to survive and making a marginal living; household enterprises that are part of a portfolio of family activities generally supplementing income from other sources; enterprises that provide a living for the operator with no ambitions to grow; and enterprises that are growing and where the owner has ambitions to grow his enterprise.

Government policies and procedure sometimes aim at household enterprises directly. However, more often they are classed as microenterprises and considered from the point of view of economic growth, with companies surviving and growing larger, making an increasing contribution to GDP – or else from the point of view of revenue, as some of the small companies that need to be brought into the taxation system in order to increase Rwanda's spendable revenue. In this sense they are not companies, and most of them will never make a substantial contribution to economic growth; their main role is as providers of employment and to alleviate abject poverty. They need to be thought of in a different way from the rest of the economy.

Success for an HE operator varies depending on motivation and vision amongst other factors. However, having an income adequate for livelihood is clearly one measure of success for HE operators. Location is central to an HE being successful. HEs operating in areas with high demand for the goods and service they offer are able to make a decent living. Those operating in vibrant urban centres and areas with high numbers of tourists tend to have successful business. It is much more difficult to run a successful HE in rural areas, or in urban areas when allocated a site where few customers pass. Relocation to an out-of-the-way site can kill a business. Some people envisage growth and would like to move 'up the chain', and access to finance can be important in enabling an operator to invest in the business and expand it. Conversely, lack of access to finance can be a barrier to starting a more productive HE and may mean that people cannot use their skills to make a living as, for example, the hawker to whom we spoke who can sew but cannot afford to purchase a sewing machine.

One thing we do know is that HEs count themselves as successful when they earn enough to send their children through school. This in itself is something that Government would wish to foster; even 'free' primary

schooling needs parental money to continue, and the costs of secondary education can be considerable, so the fact that the major sector of Rwandan employment is seeing its earnings as best directed to children's schooling and sufficient for it gives hope for the country's educational goals.

HE operators have a number of concerns and face barriers in operating their businesses. Taxes are a major concern, with many saying they are too heavy a burden. Local Government officials and key informant also think that taxes are a heavy burden on many HEs. The Government's drive to formalise all income-generating activities, including hawkers, is fair to those who are already paying taxes and fees but may make it difficult for hawkers to make a living. Other necessary controls such as the enforcement of health and safety legislation about food or about bicycle taxis, may nonetheless be problematic for operators. Although local government officials said that they sensitised HEs to the legal and regulatory requirements and more generally provided support, we found little evidence that this was happening.

Whilst those with little or no education are able to operate HEs especially in trade, and indeed this is one of the attractions of doing so, training in running a business and accessing finance is seen as something they need by a high proportion of our HEs. None of our informants had used the Business Development Service and they, the local government officials and the representatives of projects to whom we spoke said that support was generally targeted at vulnerable groups. The sheer size of the sector, and so the potential demand for capacity-building support means that the mechanisms by which such support can be given require careful consideration. Cooperatives seem to be one way in which support is working, for some HEs in some of the locations we sampled.

Lack of access to finance to invest in an HE was raised as a concern by virtually all our informants as well as by local government officials and key informants. Access was said to be problematic, interest rates too high, the amount that could be borrowed too small and repayment periods too short. Finance was said to be needed to invest in starting HEs, for working capital and to invest in their development. Those who had borrowed through a cooperative were generally satisfied, but general distrust meant many were not happy with the idea of group loans. The lack of collateral made raising money from microfinance institutions or commercial banks problematic. A few had benefited from loans supported by a government guarantee scheme and our informants suggested expanding such schemes to support HEs more generally. There was some evidence that lack of access to finance could stifle initiative, but not all HEs could service a loan and few had the capability to write a business development plan. Repaying loans, and the consequences of non-payment, was seen as a risk by participants in a number of our focus groups.

The majority of the HEs saved money regularly and did so with formal financial institutions; over 80 per cent said they had a bank account. However, the amounts they save are relatively modest, with a strong correlation between monthly turnover and amount saved. Few belonged to a SACCO, including Umurenge SACCOS. There may be potential to work with HE operators and financial institutions to ensure that financial products work for them. The DfID funded project based on the Making Money Work for the Poor Approach may provide important intelligence as to how HEs can be supported better.

Location was important in enabling HEs to make a living. Those in urban areas and with high tourist numbers were generally more successful than those in rural areas. However, even in urban areas being located where customers are to be found was important. Town Plans, the zoning of HEs and moves to regulate where they can operate can make it difficult for HEs to attract customers. We found examples of HEs whose place of operation had been moved, making it even more difficult for them to make a living.

Large numbers of young people are in hawking and other marginal activities such as bag carrying for customers in markets in urban areas. Many are operating legally and the Government is organising all hawkers in associations so that they can operate legally. Whilst these activities provide a marginal living it is unclear how young people are going to be able to secure more productive employment and sustain a family in the future. We found little evidence of support to enable them to develop the capacity to move on, although we were told stories about people who had started out with nothing and through sheer tenacity and determinism had moved on and built successful enterprises.

HEs face a number of risks including not being able to operate their HE due to illness or infirmity which was identified by operators as the main risk they face. Others included theft, lack of security, lack of insurance and damage to goods. Market managers pointed out that one of the benefits of working in a market was the security they offered to HEs working in them. Membership of the mutual health insurance was high but there was still concern about the ability to afford medical care and less than half of the HE operators had someone who could run their HE for them if they were sick. The main way the HEs insured for their old age was by investing in their children's education.

HE operators felt that they had no 'voice', that they were not consulted and that their complaints were not dealt with in a timely manner. They felt that they were often treated arbitrarily, and despite local government officials saying they did provide support for HEs and sensitise them we found little evidence of this. Key informants, including local representatives of the PSF and local government, supported the contention of the HE operators that they were inadequately consulted by Government.

The HE operators to whom we spoke worked long hours; both men and women on average worked in excess of 60 hours a week. The income from the HE was generally the main source of income for a household even when the operator engaged in other income-generating activities. The operators demonstrated determination and tenacity and continued to work to make a living for themselves and their families even when they experienced setbacks. Few saw any alternatives. Some did report really loving the work they were doing and wanting to develop their skills and grow their enterprise or even move on and start a more productive HE. However, it was evident that for a majority running an HE was not seen as the optimal way of making a living, most for example wanted their children to get an education and get white collar jobs. Local government officials and other key informants told us that educated youth expected to get employment in the formal private-sector or with Government and were not interested in starting an HE. There was also some evidence of a dependency culture and an expectation that Government would solve their problems for them.

The challenge for Government is how to create a framework of conditions favourable for HEs and entrepreneurial activity as well as harnessing the drive and enthusiasm and supporting people moving into areas where there are good businesses opportunities. There are a whole range of policies and conditions that impact on HEs, including micro-economic stability, local infrastructure, access to finance, tax and regulatory regimes, but three policy domains are fundamental – access to finance, facilitation of entry and exit, and government support for enterprise development. The Government should examine all policies and procedures from the point of view of HEs and consider how they can be taken into account in the drive to develop the private-sector and create employment. Consideration could, for example, be given to how HEs can be harnessed to contribute to the drive to increase trade, especially as two of the priority areas identified - tourism and handicrafts - are ones in which HEs are active and provide the potential for further expansion of HEs.

ACKNOWLEDGEMENT

We must first and foremost acknowledge a debt of gratitude to all the operators of HEs who participated in our focus group discussions and completed the SI schedule. Without their enthusiastic participation our research would not have been possible. We trust that we have done justice to the rich and detailed information they shared with us about their work as HE operators. We also hope that the findings from our research will enable the Government and other stakeholders to develop strategies and policies to enable them to improve their lives and achieve their dreams and aspirations for a better future for themselves and their children.

We also thank all the local authority officials who assisted us with our research and were especially helpful in enabling us to locate HE operators in their areas. They gave generously of their time and provided us with valuable information. The leaders of civil society projects providing support for HEs and other key informants also cooperated with us.

We acknowledge the support and guidance we have received from: the National Steering Committee and especially the chair. We are especially grateful for the helpful comments they made on an earlier version of this report.

Staff at the World Bank, including Louise Fox, Lead Economist, Poverty Reduction and Economic Management and Michaela Weber, Project Manager, Private-sector Development Specialist, World Bank, Washington DC, and Dickson Malunda, Poverty Economist, World Bank Rwanda, have given us invaluable guidance and support. We gratefully acknowledge their contribution.

We thank the participants at the First Stakeholders Workshop who provided us with invaluable guidance on policies and projects in Rwanda relevant to HEs and provided guidance on the sort of information we should collect during Stage 2 of the project.

We thank our colleagues at the Institute of Policy Analysis and Research-Rwanda who have provided us with administrative and technical support.

The photo on the front cover is courtesy of the *New Times* Rwanda.

We alone remain responsible for the content of the report

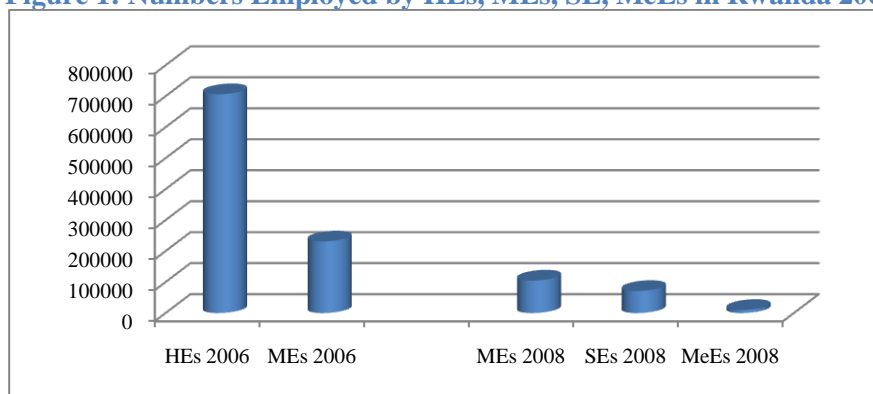
INTRODUCTION, BACKGROUND AND POLICY CONTEXT

Introduction

This report provides an account from the findings of fieldwork undertaken as part of a project designed to inform the Government and other key stakeholders about the HE enterprise sector and specifically to consider the ways in which the productivity of HEs could be raised and their risks reduced.

Non-farm Household Enterprises (HEs)³ form by far the largest segment of the private-sector in Rwanda both in terms of number of enterprises and employment. In 2006 there were an estimated 615,108 HEs in Rwanda employing 706,473 people compared to 46,653 micro-enterprises employing 231,250 people (Gaal 2010). This can be compared to the 2008 estimate by the Private-sector Federation (PSF 2008) of 73,000 private-sector enterprises employing around 198,160 people (6% in large enterprises, 5% in medium enterprises, 36% in small enterprises, 53% in micro enterprises) on which Government policy for developing the micro small and medium sized enterprise sector is based (Ministry of Trade and Industry 2010, P15) This suggests that Government policy is based on a gross underestimation of the size and shape of the private sector and the number of people employed in it (Figure 1). Furthermore it suggests that the policy may not be sufficiently engaged with the specific needs and the economic function of by far the largest segment of the private-sector and the one that has the most potential to grow to absorb surplus labour and pull people out of poverty.

Figure 1: Numbers Employed by HEs, MEs, SE, MeEs in Rwanda 2006 (EICV2) and 2008 (PSF)



(Source: author's calculations based on PSF 2008 and Gaal 2010)

The structural transformation process in the labour market that began between 2000 and 2006 was driven by a growth in the informal and semi-formal sectors and HEs were an important sector of growth (Cichello, and Sienaert 2009; Strode *et al* 2007; Gaal 2010). Government policy is aimed at accelerating this process and to have 50 percent of employees in non-farm employment by 2020 necessitating the creation of jobs to absorb the growing numbers of marginally employed workers and the anticipated roughly two million young people coming onto the labour market in the next 10 years. The Prime Minister addressing both Houses of Parliament in October 2010 said that the Government's Industrial Master Plan is aimed at keeping unemployment below five percent⁴. 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 (Abbott *et al* 2010). They provide opportunities for households to invest in non-farm enterprise as part of a strategy to improve their standard of living and utilise their labour capacity fully. HEs provide one potential source of employment for young people coming onto the labour market. They are especially important for women, providing opportunities for

³ For the purposes of this research we define a non-farm household enterprise as an owner-operated business that is normally in the informal sector and does not employ paid workers on a regular basis. In this report HE should be taken to mean a non-farm household enterprise unless specified otherwise.

⁴ While unemployment was below five per cent in 2006 (Strode *et al* 2007) there were relatively high levels of underemployment. Concern has also been raised about growing numbers of marginally employed young people in urban areas (see Abbott *et al* 2010 for a summary).

young women entering the labour market and for women working as dependent agricultural workers to become economically independent.

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).

Given high population growth, growing pressure on land, a need to accelerate poverty reduction and concerns about under- and unemployment in Rwanda, there is an urgent need to create non-farm employment (Abbott *et al* 2020; Abbott and Rwirahira 2010). Furthermore, if the growing economic gap between Kigali and the rest of the country is to be halted and reversed there is an urgent need to create decent employment outside of Kigali. The Government has recognised the urgency of job creation in a number of its key strategies and policies including the *Economic Development and Poverty Reduction Strategy* (Ministry of Finance and Economic Planning 2007) and the *National Employment Policy* (Republic of Rwanda 2007). It has developed a number of policies and programmes to support job creation and the development of the private-sector. However, it has failed to recognise the important role that household enterprises can and do play in creating non-farm employment as a distinct sector of the labour market, and one that needs to have policies and programmes specifically tailored to meet its needs. Reducing the risk and increasing the productivity of HEs will be important not only in creating jobs and but also in reducing poverty (Abbott *et al* 2010; Abbott and Rwirahira 2010). There is a confused use of terminology in Government and other documents with the term ‘small and medium enterprise’ often being used when there is an intention to include HEs and micro-enterprises although the former are never recognised as distinct from even micro-enterprises (Abbott *et al* 2010; Gaal 2010). Many official documents refer to the importance of a partnership between the private-sector and the Government (e.g. Ministry of Finance and Economic Planning 2007; Republic of Rwanda 2007), yet the Private-sector Federation which represents the interests of private-sector does not seem to recognise the existence of most HEs (e.g. PSF 2008). The Trade Unions in Rwanda, which as in other sub-Saharan countries are charged with representing the interests of HEs, have made little effort to organise them and in any case have little ability to influence Government (interview data with TU official).

There is clearly a need for research to provide more information about the HE sector to inform Government policies and strategies to support job creation and poverty reduction. In this report we outline and discuss the findings from the fieldwork undertaken as part of the research into household enterprises in Rwanda (Phase 2). The research was concerned with understanding the risks faced by those operating HEs and the ways in which their potential could be exploited. Specifically the research was concerned to uncover what the experiences of those running household enterprises is, what supports them in running their enterprises, what they find problematic and what would help them grow their enterprises. It was interested in the impact of Government Policies and Programmes on HEs and the ways in which they are supported by civil society projects. Increasing non-farm employment is essential if Rwanda is to achieve her ambitious *2020 Vision* and HEs will play a central role in enable people to move from dependency on subsistence agriculture to other ways of making a livelihood. However, it is important to consider not just how the expansion of HEs can be supported but also how they can be supported to reduce the risks and increase their productivity. If poverty is to be reduced in Rwanda then operating an HE not only to become a major source of livelihood for an increasing number of people but also to provide decent employment (Abbott and Rwirahira 2010).

In Phase 1 of this project 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 (Abbott *et al* 2010). In this paper we report on mainly qualitative field work carried out to enable a richer and deeper understanding of the sector. An important element of the methodology was listening to the ‘voices’ of stakeholders (Government, NGOs, Development Partners), and beneficiaries (the operators of HEs). This recognises that in tackling an issue Governments have to start where the people are at, be prepared to be innovative and flexible and 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.

Background

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 non-farm enterprises (Abbott and Rwirahira 2010). Reducing poverty is dependent on growing non-farm employment and the main opportunity for this, at least in the short to medium term, are household enterprises. Household enterprises play an important role in poverty reduction, employment creation and economic growth (Abbott *et al* 2010). To reduce geographical inequalities, ensure that the benefits of economic growth benefit the poor who live mainly in rural areas and reduce the flow of internal migration to Kigali there is a need to grow urban centres outside of Kigali (Ronnas 2010).

Rwanda is facing the challenge of combining high economic growth and poverty reduction with reducing the large income gap and raising people out of poverty. The creation of new employment opportunities is a key challenge given high levels of underemployment (or hidden unemployment) and 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 are 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 in terms both of increasing agricultural productivity and of creating non-farm employment opportunities to absorb the growing pool of surplus labour (Abbott and Rwirahira 2010).

The Policy Support and Regulatory Framework

Policy Context

Our analysis of Government policies and programmes find that while there were a number that were potentially supportive of HEs they lacked coordination; they were not specifically targeted at HEs and lacked an awareness of the imperatives of HEs. (Abbott *et al* 2010). There was no reference to HEs, no awareness either of the shape and size of the HE sector nor of the importance differences between HEs and micro, small and medium enterprises. Opportunities seemed to be missed for considering how support to HEs might contribute to the achievement of key policy objectives; for example, the recently released draft *Trade Policy*

(Rwanda Development Board 2010) names two key areas where HEs could play an important role, tourism and craft, but no consideration is given to how they may be incorporated into the export effort, although it proposes a small exporters' development programme for SMEs. However, the *Rwanda Craft Sector Strategic Plan* (Ministry of Trade and Industry 2009) does point to the important role of artisans and the need to ensure support for them.

Government policy is driven by two fundamental imperatives: economic growth and poverty reduction. Fundamental to achieving these is creating a climate that supports private-sector growth and entrepreneurship. The overall intent of the Government is to encourage private-sector growth to increase employment, to reduce poverty and widen the tax base. The private-sector is seen as the engine that will drive economic growth, create non-farm employment and to reduce dependency on official development aid. The Government has put in place the *Economic Development and Poverty Reduction Strategy* as the mid-term framework for implementing its vision, with a range of policies, strategies and programmes to support implementation. In terms of the climate for economic growth it has achieved economic stability and created a favourable climate for investment and business development having moved up to 67th place on the *Doing Business Index* (Abbott and Rwirahira 2010), and places a strong emphasis on supporting entrepreneurship and private-sector growth. A further key element of Government policy is to support the growth of non-farm employment in rural areas to reduce urban migration, and this will also be important in reducing poverty and reducing inequalities as poverty is concentrated in rural areas.

However, there are no specific policies or strategies to support the development of HEs despite the important role they have already played and have the potential to play in poverty reduction, providing decent employment and contributing to economic growth (Abbott *et al* 2010). The key question is the extent to which policies and strategies in place to more generally support private-sector development and specifically that aimed at the small businesses sector will support the growth of the HE sector and increase the productivity and reduce the risk of HEs. During Phase 1 of this project the Government identified those policies and programmes that it considered as providing the framework for supporting the sector and we will evaluate their impact on HEs.

Rwanda's overall national development strategy is defined in the Government's policy documents, especially *Vision 2020* (Government of Rwanda 2000) and the *EDPRS* (Ministry of Finance and Economic Planning 2007). These two documents provide, respectively, the overarching development objectives of the country and the broad development policies, strategies and ambitions for moving the economy forward in the coming years. *Vision 2020* provides the general development objectives and policy goals with the strategic ambition of moving Rwanda towards agricultural development and industrialization. The main objectives are: in the short term, the promotion of macroeconomic stability and wealth creation to reduce aid dependency; in the medium term, the transformation from an agrarian to a knowledge-based economy; and in the long term, the creation of a productive middle class fostering entrepreneurship. The *EDPRS* acts as the operational document with strategic outcome indicators as well as outputs and activities to achieve the desired outputs.

Whilst these and other policy documents emphasise the importance of fostering private-sector growth and entrepreneurship, and in the case of *Vision 2020* supporting the informal sector, there is no specific recognition of HEs as a distinct type that requires policies and programmes tailored specifically to support them (Abbott *et al* 2010). Indeed there appears to be little understanding of the extent of HEs and the economic activities in which they engage that informs policy and strategy, yet given the size of the sector HEs are obviously fundamental to achieving the Government's *Vision* and the needs of the sector need to be taken into account in implementing strategy.

The first flagship of the *EDPRS* (Ministry of Finance and Economic Planning 2007) is *Sustainable Growth for Jobs and Export*. There is a strong emphasis on the importance of creating non-farm employment. The first order priorities for achieving this are identified as: fostering human capital; promoting business skill development; upgrading infrastructure (energy supplies, transport networks and ICT); and to promoting the private-sector's capacity to innovate and to adopt new technology. The need to promote the non-farm sector in rural areas is also recognised. The second flagship, *Vision 2020 Umurenge* is a social support programme targeted specifically at the very poorest but one that could potentially support HE growth in two ways: firstly by increasing the demand for the goods and services provided by HEs; and secondly by enabling beneficiaries to start up HEs themselves.

During Phase 1, supported by a specially convened workshop attended by representatives of Government and other stakeholders, we identified the policy framework that potentially supports the HE sector (Table 2)⁵. Two key policies that are of especial importance are employment policy given the important role HEs play in job creation and the policy for SMEs which is intended to encompass non-farm HEs and micro-enterprises.

The *National Employment Policy* (2007) provides a framework for employment creation and whilst it does not identify HEs as a specific sector it does recognise the need to grow the private-sector including supporting the growth of enterprises. It identified three priorities:

- improving access to financial services to meet the investment needs of small enterprises and encouraging saving;
- developing basic infrastructure, and promoting ICT;
- building capacity by providing advice and support to those starting and operating enterprises ;

The need to coordinate the efforts of Government and other key players engaged in the creation and promotion of enterprises is recognised, as is the importance of employment promotion for women, young people, retrenched service personal and people with disabilities.

The recently implemented *Small and Medium Enterprises (SMEs) Development Policy* (Ministry of Trade and Industry 2010) provides a more recent policy framework that takes forward key elements of the *Employment Policy*. However, it should be noted that no reference to HEs is made in the *Policy*, that to the extent the Government may have intended them to be included they are conflated with micro-enterprises, and that the section on the overview of the SME sector quotes a figure of 72,000 compared with the figure of 661,761 for HEs and 46,653 MEs based on an analysis of the data from the 2005-6 Integrated Household Survey (Gaal 2010). There are five key policy objectives together with strategies for implementation:

- **Promoting a culture of entrepreneurship** by providing entrepreneurship training for those both in education and out-of-school youth.
- **Facilitating SME access to development services** through the provision of a Business Development Service (BDS) to provide support and training for those running enterprises or wishing to set them up.
- **Putting in place mechanisms for SMEs to access appropriate business financing** through the: consolidation of all funds available to SMEs; the scaling up of government loan facilities; establishing an Enterprise Investment Scheme; and working with commercial banks so that they meet SMEs' financial need better.
- **Simplifying the fiscal and regulatory framework for SME growth** through the introduce a flat tax for all businesses in Rwanda combining VAT, employment and profit taxes, simplifying the procedures for SMEs of filing tax returns and sensitise SMEs about the regulations and provide training.

⁵ We have added new policies, strategies and programmes which we have become aware of since the *Diagnostic Report* was written.

- ***Developing an appropriate institutional framework for SME development*** through the provision of a clear institutional framework with responsibility being at agency level and the Ministry of Trade and Industry responsible for oversight of policy.

Access to financial services has been identified as a major constraint on the development of the private-sector generally and a barrier preventing poor people moving out of poverty (World Bank 2007) as well as the main constraint on the start-up and growth of HEs (Abbott *et al* 2010; Gaal 2010). The Government has a clear strategy for the development of the financial sector set out in the *Financial Sector Development Programme*. Key initiatives by the Government likely to impact on HEs are the guarantee funds for women, youth and discharged service person for the partly support of business start-up loans provided by commercial banks and the UMURENGE SACCO policy which plans to establish a savings and loans cooperative in every sector. The latter will support poor people saving and once established give access to loans. The *Access to Finance Rwanda Programme* funded by DfID based on the Make Money Work for Poor People approach that has proved successful in other countries, is aimed at improving the access to finance of 500,000 poor people (DfID 2010).

During Phase 1 of this research we identify what the Government sees as the main policies and strategies in place to date to support the growth of micro-enterprises (Table 1 provides an annotated index of those identified)⁶. It was evident, however, that little consideration had been given to HEs as a distinct segment of the private-sector and that its size and importance for achieving Government development priorities had not been recognised (Abbott *et al* 2010). We also highlighted the end for coordination and joined-up-thinking.

Table 1: Policies and Programmes the Government Sees As Supporting HEs

Policy/Strategy	Potential Support for HEs
<i>EDPRS</i> combined with the <i>Community Development Policy</i> and <i>Performance Contracts</i> . Local authorities have the responsibility for encouraging entrepreneurship, regulating where enterprises can operate and providing markets and other space for their operation.	The development of community contracts encourages individuals and communities to discuss entrepreneurship and Districts and Provinces to include targets for economic development and employment growth, together with actions for achieving them, in their performance contracts agreed annually with the Government and monitored through the <i>EDPRS</i> monitoring and evaluation framework.
<i>National Savings Mobilisation Strategy</i> combined with the <i>Umurenge SACCOS Strategy</i> .	Enable HEs to save with a financial intuition and get finance to invest in their enterprise. Mobilise the savings of local communities to enable them to be invested in enterprises.
<i>National Employment Policy</i> .	Provides a framework for developing strategies for employment creation including self-employment.
<i>National Industry Sector Promotion Policy</i>	Policy to support the growth of the manufacturing sector, especially SMEs. It identifies areas for Government intervention including, harmonising support, encouraging the development of enterprises in priority areas and providing capacity building. The policy explicitly recognises the importance of developing enterprises in rural areas and refers to the <i>Rural Small and Micro-enterprises Promotion Project</i> .
<i>Small and Medium Sized Enterprises Development Policy</i> and the <i>Business Development Service</i> .	Takes forward Government policy for private-sector growth and provides a strategy for supporting the growth of micro small and medium enterprises including the provision of support for small businesses in local Business Development Centres.

⁶ Our aim was not to identify every policy and programme that potentially impacted on HEs but those the Government identified as forming their framework for supporting HEs and /or those that are clearly intended to encompass HEs even if they are not explicitly recognised.

<i>Rwanda Craft Industry Sector Strategic Plan.</i>	Provides support, including training, work space, a raw materials supply system and marketing, for those producing crafts, as well as organising them into production centres. Support for artisans to become merchant producers.
<i>National Policy on the Promotion of Cooperatives and the Rwanda Cooperatives Agency.</i>	The promotion of and support for the establishment of cooperatives including worker cooperatives to improve the productivity of enterprises and SACCOS to mobilise savings and provide access to finance.
Land Tenure Reform.	Provides for people to have legal title to their land which will enable it to be used as collateral for loans for business development.
Reform of TVET and ensuring that students at all levels of education are taught entrepreneurship and that education focuses on the skills demanded by the labour market.	Will ensure that those graduating from educational institutions have the necessary business skills to start an enterprise and that education, including, TVET, produces graduates with the knowledge, competencies and skills demanded by the labour market.
<i>Vision 2020 Umurenge Programme and the Rural Development Strategy more broadly.</i>	A social protection programme for the poorest. Skills learnt through public works may equip people to start an HE. Farmers supported in improving their productivity may be able to save the capital necessary to start an HE. Increased spending power may increase demand for the goods and services sold by HEs.
The Guarantee Funds for, Women, Youth and Demobilised Members of the Armed Forces.	Guarantees by the NBR for a proportion of business development loans provided by a commercial bank or microfinance institution.
Rural Micro and Small Enterprise Promotion Project.	A project to promote the growth of micro and small enterprises in rural areas focusing to a large extent on crafts and targeting vulnerable groups including women and young people.

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 benefit the HE sector, but there is potentially an implementation gap.

The Legal and Regulatory Framework

There is also a legal and regulatory framework that impacts on HEs. This framework includes a number of policies, laws and regulations that impact or potentially impact on HEs. These include policies and regulations relating to town planning and the creation of town master plans, the authority of local authorities to regulate the use of space and collect taxes and charges, and environmental health regulations.

The Government is committed to widening the tax base and formalising all businesses. At a national level all enterprises (defined as engaging in any non-farm income-generating activity) likely to be liable to pay tax must register with the Rwanda Revenue Authority (RRA) within seven days of commencing business (Government of Rwanda 2005). The lower threshold for paying tax is a turnover of 1.4 million FRW a year. However, compliance is low and the RRA is actively working across the country to increase registration. Reasons for non-compliance include the comparatively high tax rate of four per cent paid under the presumptive (turnover regime) generally use by small tax payers and the complicated tax forms that have to be completed (FIAS 2006; Murenzi 2010). While most HEs are likely to have a turnover below 1.4 million FRW some will earn above this and the drive to increase compliance may have a negative impact especially if it is not accompanied by raising awareness of the importance of paying taxes.

All enterprises (including hawkers and those operating from their own homes) are expected to register as businesses with the Rwanda Development Board. Those with a turnover of 10,000 FRW a day or less register under a simplified procedure with a registration fee of 2,000 FRW (Ministry of Trade and Industry 2009). Fines are imposed on those who do not register and display their registration certificate. This registration requirement responds, in part, to concerns that the procedures for registration previously in place were too burdensome for small businesses and contributed to non-compliance. The Ministry of Trade and Industry and the PSF are conducting a campaign nationwide to make traders, including street hawkers, aware of the regulation (Ministry of Trade and Industry 2009b). It is not, however, clear what benefits most HEs will gain from registering, although hawkers who register will be permitted to work, (but they may be forced to sell in places where few potential customers pass). Also it is not clear if thought has been given to the position of HE operators under the age of 21 years, who cannot legally register a business in their own name.

The drive to formalisation appears to be driven by a concern that there are high economic and social costs to informality (FIAS 2005). However, the policies and regulations may not have taken sufficient account of the characteristics of HEs many of which do not generate a sufficient income to raise their operator's household above the poverty line; only just over half of household incorporating an HE were above the poverty line (in the top two quintiles) in 2006 (Gaal 2010).

At a local level HEs, the same as other businesses, are required to pay a range of decentralised taxes and charges to the local authorities (*Law N° 33/2003 of 06/9/2003 Modifying and Complementing Law N° 17/2002 of 10/05/2002 establishing the Sources of Revenue for District and Town Management* (Bumbakare 2009). HEs that operate in markets and trading centres generally pay these local taxes (FIAS 2006) but hawkers and those who operate from their homes are much less likely to do so unless they are organised into a cooperative through which they pay (Interview with Ministry of Trade and Industry).

The amount that local authorities can charge in taxes is set nationally but with considerable room for local variation (Law No 33/2003 of 06/9/2003). The taxes and charges payable are based on the type of business not on turnover so are easy to administer and do not require HEs to keep books (Table 2 and Appendix 1). However, a number of issues have been identified following the decentralisation of taxes Bumbakare 2009) some of which are likely to impact on HEs. These include: large increases in tax rates and lack of consistency in rates between Districts; poor collections skills resulting in collecting easy taxes like trading licences and fees and neglecting others; lack of a tax database, making collection haphazard; local taxes are regressive; poor monitoring which can lead to corruption and embezzlement. Some Districts have put up taxes to the extent that it is impacting negatively on small enterprises; and the burden of local taxes falls disproportionately on small enterprises. The amount that local authorities can charge for market fees and cleaning is set out in *Presidential Order N° 02/01 of 31/03/2008 Establishing the List of Fees Charged by Districts and Determining their Limits*.

Table 2: Local Taxes and Charges

Business Licence Fee (Pantene)	The business licence fee is paid annually to the local authority by any one undertaking income-generating activities. The amount that is paid is set out in Law but varies according to type of business and location. The minimum amount is set by the council each year but must not exceed 2,000FRW in rural areas and 4,000 FRW in Urban areas including Kigali (see Appendix 1).
Property Tax	Property tax is paid annually by the owner or occupier of a house or building. It is calculated on the value of the property. The rate is determined by the District based on the nature of the property, its location and its use.
Fees	Fees are charged for services provided for the population and may not exceed the value of the service rendered. HEs are charged market fees for the maintenance of the market. The fee is based on the size of their pitch, the type and value of the goods they are selling. All HEs that pay for a trading licence are charged public cleaning fees based on the size of their operation according to

the following scales:

- operating in the village – between 500 and 1,000 FRW a month;
- operating in the trading centre – between 2,000 and 10,000 a month;
- operating in Kigali City – between 3,000 and 10,000 a month.

Local authorities have to prepare Town Master Plans and are expected to zone space for markets and industrial development. HEs along with other businesses are expected to operate in designated space. Regulations restrict HEs operating outside of designated areas. Hawkers who are not licensed through a cooperative or with RDB may have their goods seized by the police. Generally in Rwanda local authorities try to restrict hawkers and move as many of them as possible into markets. The Government in May 2010 (letter from Ministry of Trade and Industry) wrote to district councils asking them to compile registers of all hawkers and sensitise them to the new regulations being introduced across the country. This includes requiring them to register with RDB as small businesses. HEs operating in trading centres and markets also have to comply with a range of health and safety legislation.

The overall Government stance can be characterised as a mixture of promotion and restriction – strategies to support the growth of entrepreneurship and small businesses while at the same time attempting to restrict the site of operation of traders and hawkers and widen the tax base.

Support from Projects

There are a large number of civil society organisations delivering projects to support the start-up of HEs. Few of these seemed to have been evaluated. There seems to be little co-ordination resulting in overlaps and gaps in provision. Most are targeted at supporting specific groups, poor women, widows, young people and people living with HIV/AIDs (Abbott *et al* 2010). Most provide training and access to finance and some provide continuing support to graduates, at least for a period, after they set up their HE.

Summarising the Policy, Regulatory and Support Framework

The Government's framework for HEs is derived from and embedded in the broad overall vision of economic growth, employment creation, poverty reduction and governance. The various policies, strategies and programmes cross-cut, interlink and incorporate other policies and programmes not specifically identified by the Government as being part of the framework. Projects run by civil society organisations can be incorporated in this framework and indeed need to be included to avoid duplication and ensure that gaps are identified. The framework can be set out under four clusters each targeting identified barriers in order to enable the sector to grow, HE operators to run more successful business and the sector as a whole to contribute to economic growth, employment creation and poverty reduction (Figure 2.)

Table 3: Policy Regulatory and Support Framework for HEs

Capacity: developing the educational curriculum to include entrepreneurship and reforming TVET; providing training for setting up an HE; training for those running HEs; providing business development support; and supporting the development of worker cooperatives.

Access to financial services: providing financial products that works for the poor (savings and loans); access to loans for vulnerable groups; and loan guarantee schemes for targeted groups.

Developing the infrastructure: improving the road and transport network; increasing the supply and decreasing the price of energy, water and improved sanitation; promoting access to computers, the web and telephones; providing appropriate workspace with basic facilities for those who need.

Regulatory and Financial Frameworks: formalisation of the informal sector; taxation and other charges; local regulations; and national regulations.

Governance: representation and consultation at local and national levels aimed at empowering citizens and building trust. Developing the ‘soft’ infrastructure to support private-sector development.

Taking the Research Forward

The conceptual framework for the project was provided by Steel and Snodgrass (2009). They point out that 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 HEs⁷.

Table 4: Capability Set

Individual	Infrastructure	Societal, legal and fiscal
Education/training/skills	Roads and transport	Rule of Law
Trust	Water and sanitation	Legal and regulatory frameworks
Health	Energy	Microfinance
Gender	Tools and other basic equipment	Regulated market
Age	ICT	Norms and values
Confidence	Land	Employment opportunities
Assets/savings	Security	Human Rights
Market intelligence	Site of operation	
Time		
Social support		

So 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?

⁷ This approach is informed by the work of Amarty Sen. See e.g. Naussabaum and Sen(eds.) (1993), Sen (1999)

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 households' 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 operator 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? Until the answers to these questions are understood, policies, programmes and effective support cannot be put in place. Key questions to explore include:

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

Our analysis of the literature on HEs in Rwanda enabled us to come to a number of tentative conclusions and also raised a number of issues that are explored in the fieldwork phase (Abbott *et al* 2010). 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 (Strode *et al* 2007). 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.

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 they work fewer hours (Abbott *et al* 2010). This suggests, as has been found in other countries, that running an HE may be being combined with domestic and other responsibilities by some women. There may also be cultural barriers and there is a need to explore further if this is the case.

There is little evidence to confirm or otherwise the role that HEs may play in economic growth as opposed to poverty reduction. 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 eventually become micr or even small enterprises. There is a need to explore the growth dynamics of HEs.

The HE sector is clearly heterogeneous and there is a need 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. It is 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:

- *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;
- *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;
- *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 or her 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 what 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 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 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, the cost and availability of electricity and/or the lack of access to ICT are barriers to moving into other sectors.

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 to be focused on encouraging/facilitating those with secondary, TVET and higher education to establish their own businesses. There is a need to explore what the potential opportunities for HEs are and 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 (Abbott *et al* 2010) are 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 microfinance 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 to for example, insurance against theft and fire. We do not know the potential demand for saving for old age.

Legal matters such as access to land and work sites and contract enforcement will also be examined. 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 register formally. Do they see any advantages to this? Are there disadvantages?

RESEARCH METHODOLOGY

Approach and Stages

The field research was designed to provide an understanding of the perspective of those who run HEs and of key informants at a local level. We used a participatory rapid appraisal approach to identifying informants and for data collection. Informants were viewed as knowledgeable about their lives and as being able to provide information not only on their present situation but also of what would help them improve their enterprises and their lives more generally. We used qualitative and quantitative methods and the research tools were designed to enable us to collect data that answered or at least provided tentative answers to the questions and issues that arose from the Stage 1 desk research. The methods used included focus groups and structured interviews (information sheets filled in by interviewers immediately following the focus groups) with operators of HEs and open ended interviews with key stakeholders (Abbott 2010). The agendas for the focus group discussions (FGDs) and the informants information sheets (SIs) were informed by we already knew about HEs and were designed to add to our understanding of the barriers to running an HE in Rwanda what would help operators develop their enterprises and what opportunities they see for HEs to grow and thrive. We were also interested in the support they get from the Government and other organisations as well as financial matters such as access to start-up capital and credit and taxation. The FGDs typically lasted between one and a half and two hours. Informants were encouraged to tell us about their experiences as HE operators and to expand on and explain answers. Given the open nature of the discussions, things that were not mentioned can be as informative as those which were.

Pilot Study

In preparation for the main field work we undertook a pilot study. One of the locations for the pilot was in Kigali and one in a rural area. Overall the pilot showed that the methodology and research tools worked well but indicated that we needed to refine the sampling for the main study, to make a few amendments to the SIs and to ensure that the training provided the research assistants with the necessary practical skills.

Field Work

The main fieldwork was carried out by five teams of researchers each lead by a team leader with three research assistants, one team in each province and one in Kigali. The team leaders visited the locations in advance of the main fieldwork phase to identify local officials and other key informants as well as locations where HEs may be found. They briefed local leaders about the project and asked them to provide assistance in identifying HEs to be invited to participate in focus groups as well as suggesting other local officials and key informants. They also identified where the FGDs could be held.

During the main fieldwork phase the research teams stayed in the location for several days. As well as conducting focus groups and talking to officials and other key informants they spend time in the area and observed/talked casually to those engaged in HEs.



Talking to a Local Official

Interviews and focus group discussions (FGD) with individual HEs, local officials and key informants were carried out. All informants and respondents were asked to give informed verbal consent to taking part in the research. Those participating in FGDs were given a modest payment to compensate them for their time.



Focus Group Discussion

In each location one focus group was conducted with men and one with women so that we could understand the different experiences of men and women and to empower women to express their views. Women are more likely to speak freely in groups on their own and this is especially important in a country like Rwanda which remains essentially a patriarchal society, particularly in rural areas, and where women might be culturally inhibited from contradicting men, or speaking at all in their presence, when being interviewed by educated strangers.

Interviews and focus groups were conducted in the language of preference of the informants, which in virtually all cases was Kinyarwanda. The agendas for the FGDs and the SIs were prepared in English and then translated into Kinyarwanda. The Kinyarwanda versions were then back translated into English for final checking.

Data Analysis

The FGDs were transcribed and translated into English in preparation for analysis. The notes from the local official and key informant interviews were translated into English and word processed. The data from the focus groups and interviews were analysed using Framework, a method for analysing qualitative data specifically developed for use in policy research (Ritchie and Spence 1993).

The quantitative data from the structured interviews were coded and entered into a prepared mask and analysed using SPSS.

Characteristics of the Achieved Sample

Sampling was theoretical to ensure that there was an adequate coverage of the types of HEs in Rwanda in terms of activity in which they engaged, geographical location (urban/rural), main economic activity of location, sole/main/supplementary and gender of heads of HEs. The number was sufficient, across the different groups, to be reasonably sure of a representative spread on key personal and household variables – to be reasonably sure that key types of person or household are not left out – though of course it not a representative sample in the sense that we can generalise from percentages in our purposive sample to percentages in the population.

We expected that the factors impacting on HEs would vary by the sector in which they are engaged, gender and age of the operator, location including their distance from Kigali, the main internal market for their goods and services, urban/rural location, and the character of the local economy.

We sampled one urban and one rural location in each Province and two districts in Kigali. In addition we carried out the pilot in one area in Kigali and one rural location. We therefore sampled 12 locations. In selecting our sample we took account of the possibility of the local economy influencing opportunities for HEs. The rural area in the Eastern Province was in an area where cattle farming is important, the rural area in Southern Province is in an area where commercial coffee growing is important and the urban area in the Northern Province was where commercial tea growing is important. The rural area in Northern Province is located in an area where tourism is important as were the areas in the Western Province. The urban areas in the Eastern and Western Provinces were located close to borders (Uganda and Congo) and we thought that this might provide opportunities for HEs. We also selected four areas where Vision 2020 Umurenge⁸ had been implemented in the first phase (Table 2). Key factors influencing the selection of informants (HE operators and local officials/key informants) included sectors that HEs were engaged in, gender, age and location.

In each location we held two focus groups, one with male HEs and one with female HEs. We held FGDs with men and women separately to ensure we gave voice to women as women are less likely to speak freely in mixed groups. We also had at least one group made up of traders in each location as, around 70 per cent of HEs in Rwanda are engaged in wholesale or retail commerce. We wanted to ensure that this type of HE was adequately represented in our sample but also to ensure that their views did not drown out those of other types of HEs. We were also concerned to ensure that we included a range of types of HEs, including less visible ones as well as those that operate in public space.

⁸ This is a social protection programme targeted at the most vulnerable. It has three main elements, public works, support for improved farming methods and cash payments for those households unable to support themselves.

Table 5: Description of Locations**Pilot Kigali**

A clearly identifiable residential suburb of Kigali with a mix of more affluent and poor residents. It has a busy commercial area with a variety of shops, banks and commercial premises and a market that sells fresh produce, groceries, handicrafts and clothes. Motor taxis, motorcycle taxis and bicycle taxis, some of which are HEs, are to be found in the area around the market. There are also hawkers working in the commercial area.

Pilot Rural

A rural area was some 40 minutes distant from Kigali by road. Landholdings are small and it is difficult for families to make a living from subsistence agriculture. However, residents from Kigali are starting to buy land in the area and this is providing opportunities for HEs.

Kigali

A remote rural area in Kigali Province about 30 minutes from Kigali centre by road. The main livelihood is agriculture though landholdings are small. A majority of HE's in the area sell agricultural products. Very few other opportunities exist given the low purchasing power and limited clientele. Its lifeline is the closest commercial area of Nyamirambo to which many travel by foot, given the limited transportation and financial costs of other means of transport.

Kigali

A busy commercial centre with a variety of banks, shops that are open almost 24 hours a day, a cinema and a small market that sells very few products. It is within close proximity to the city centre with a good transport network, and motor taxis, motorcycle taxis and bicycle taxis, some of which are HEs, are to be found along the roadside. Hawkers can be seen working in the commercial area. The area we focused on was a market that was poorly developed and had a small customer base.

Western Urban

A busy commercial centre position near the Rwanda-DRC boarder and close to the Kivu and to the Virunga National Parks with a very high potential for trade and tourism. Almost all the banks and microfinance institutions operating in Rwanda have branches in the sector. There are many visible income-generating activities some of which are HEs. These include retail trade in the main market, shops, groceries, handicrafts, carpentry, garages, etc. There a variety of means of transport including buses and motor taxis with bicycle taxis operating on roads in semi-rural areas.

Western Rural

This rural sector is made up of a mixture of residential houses and commercial premises and is currently trying to modernise (new houses and market under construction). It is located in one of Rwanda's tourist areas being close to Lake Kivu. The commercial centre seems not to be too busy and income-generating activities are dominated by retail trade, selling of agricultural produce and small fish. Motor and bicycles-taxis are the common means of inter-sectoral transport. The sector has no visible large scale agricultural plantations and very few banks and microfinance institutions have branches in the area.

Northern Urban

This location is one of the largest cities in Rwanda. It is located near the Virunga National Park (VNP) HEs are in diversified in their activities, but those related to basket weaving and arts and crafts are most extensive due to the national park which is a tourist attraction.

Northern Rural

This rural location is close to the Ugandan border and not far from Kigali City. Most of the HEs operate in a commercial centre. The opening of a higher education institution in the area has increased the demand for the goods and services provided by the HEs.

Eastern Urban

A town approximately 50km from Kigali, on the newly renovated road to Tanzania, it has a busy commercial area with a variety of shops, banks, schools, and a large market where lots of goods are sold including fresh food, handcraft and clothes. There are motor cycle taxis and hawkers in the town and around the market.

Eastern Rural

This location is one of the seven districts in the Eastern Province. The economy is mainly based on livestock and agriculture, with cattle farming dominating. The District plans to increase milk production by improved breeding. The District promotes entrepreneurship and is building a socio-economic infrastructure that will provide opportunities for job creation. It has low rain-fall and high temperatures.

Southern Urban

The town is a busy trading and commercial centre. There are banks, microfinance institutions and internet cafes. There is sand quarrying and agricultural production including vegetable crops and animal husbandry.

Southern Rural

The area combines subsistence agriculture with commercial coffee growing. The village is relatively isolated and the only means of transport are bicycles, although the buses from Kigali pass through the village. The trading centre is 5km from the village. There is electricity and there are public 'phones at the trading centre. There is a market at the trading centre and a couple in the village but they only operate a couple of evenings a week. Most HEs operate from their homes.

In total we talked to 169 HE operators, local officials and key informants. We also carried out structured observations at each location and generally observed what was going on. The report is based on an analysis of 24 FGDs and 136 SIs⁹ with HE operators and interviews with local officials and key informants. The HE operators are not a probability sample and therefore we cannot generalise from the findings from the SIs to HEs in general in Rwanda. However, the methods we have used enable a much more detailed and nuanced understanding than can be gained for surveys. The HEs were selected to help us understand what it is like operating an HE, what the risks are, what the constraints are, what the potential for development are and how the Government and other agencies supports HEs. We deliberately set out to ensure we included a range of types of HEs including the sectors in which they operate, male and female operators, HEs that operate in public space and those that are less visible, and HEs that are the operators' sole, main or supplementary source of livelihood.

Nonetheless it is worth comparing our achieved sample of HEs on key characteristics with that of the 2005-6 Household Survey (EIVC 2), as our findings can then be put in the broader context of the characteristics of HEs in Rwanda more generally (Table 6). We should note that we did not set out to sample in proportion to the population of HEs but to achieve our aim of providing a deeper and richer understanding of HEs to complement the knowledge we had from EIVC 2. Our sample seems to be better educated, under represent young people, over represent those for whom their enterprise is their primary for of employment, under represent trade and over represent service industries and probably is slightly better off on average than the EIVC 2 sample. This is partly due to how we structured our sampling framework and partly because of the difficulty in finding HEs not registered with the local authority to include in our sample.

Table 6: Comparison of Sample on Key Characteristics to EIVC 2

Key Variable	EIVC 2	Raising the Potential and Reducing the Risk of HEs
Gender	45% women/55% men	48.5% women/51.5% men
Age in Years	15 to 20 – 11%, 31 to 45 – 34.1%	16% <26, 57.8 % 36 <40, 26% > 40.
Education	21 to 30 – 24.4% 45+ 18.1%	
Education	18% none, 11,8% post primary	11% none 32.4% post-primary
Apprenticeship	25.6% (Tailor most cited)	55.1%
Kigali/Urban/Rural	10%/12%/78%	22%/38%/40%
Livelihood Strategy	55% primary (81% Kigali, 53% other urban, 49% rural). Only job – 81% Kigali, 72% other urban, 49% rural)	Sole/main 79% Sole/main job 67% Kigali, 90 other urban, 79% Rural.
Employment	81.6% no employees, those with employees usually one, occasionally two	68 % no employees, those with employees usually one or at most two.
Sector	Commerce 70%, services 11.4%, manufacturing 10.6%, transport 4%, mining 2.1%, agriculture 0.9%, construction 0.6%, financial services 0.2%	Commerce 51 %., Service 38%, Manufacturing 2.2 %, Transport 4.4% Mining 0. 5%, Recreation and Tourism 1.5%
Making a Living	11.8 in Quintile 1 16.4 in Quintile 2 20.6 in Quintile 3 24.3 in Quintile 4 27.0 in Quintile 5	No comparable data on poverty but about half defined themselves as poor Nearly 50% said they always had to do without essential food and a further 33% that they sometimes had to do without essential food.

⁹ The SIs from the pilot were not useable due to changes in the questions between the pilot and main study and one of the teams only managed to carry out 17 SIs during the main fieldwork stage.

Local officials were very helpful in helping us identify HEs to include in the FGDs and were willing to be interviewed. We generally located the informants for the first FGD in each location with the help of local officials and for the second by getting introductions from those in our first FGD and asking around, especially to try and locate less visible operators. In the FGDs the HE operators spoke freely and were keen to discuss the issues we raised. We managed to encourage shy members to contribute to the discussion and to encourage the more vocal to let others have their say. The FGDs lasted on average one and a half hours but some went on for as long as three hours.

Whilst we cannot generalise from a purposive sample to the total population of HEs we can provide a rich understanding of their perspective. We can provide a picture of what it is like to operate an HE in Rwanda from the perspective of the operators and those officials and other knowledgeable informants who interact with them on a regular basis. We combine the findings from the FGDs with those from the SIs. This enables us to gain a fuller understanding of the range of views of the informant HE operators and their characteristics and to ensure that the views of less vocal operators have not been drowned out in the FGDs. To the extent that we find commonalities that is, HE operators are providing comparable accounts, then we can have some confidence that our findings are more generally applicable to HEs. Confirmation of the validity of our findings will also come from the extent to which the perspectives of different types of informants (HE operators, local government officials and other key informants) support each other, although they may not agree entirely. Indeed we would expect HE operators, local government officials and other key informants to have different perspectives and for the experiences of HE operators to vary both within and between locations. However, we would also hope to be able to explain differences.

FINDINGS FROM FIELDWORK

Characteristics of HEs, Local Officials and Key Informants

General Description

The HEs were heterogeneous. They were engaged in a wide range of occupations (Appendix 2 and Figure 2), provided the main source of income for some households and supplementary income for others. They provided variously the sole, main or supplementary means of livelihood for their operators. Whilst some operators were clearly making a decent living from their HEs, others were struggling to survive, and whilst some were growing others were stagnating or not even doing as well as in the past. Most of the operators had primary school education or none although a few had had technical and vocational training. Others had had on-the-job training and this seemed to be an important way of gaining skills to run an HE. A number of our informants mentioned the importance of mutual self help and said they would be willing to show other people the ropes. Two thirds of the HEs pay Pantene which suggest our sample over-represents visible HEs but also means that we have managed to include some that are not even semi-formal. We looked to see if we could identify any differences between semi-formal HEs and those not paying local taxes. We found few differences, but those paying taxes were more likely to be operating an HE as their sole (77%) or main (68%) occupation than those for whom it was a supplementary occupation (44%). Fifty per cent of those engaged in other services and 25 per cent of those in trade did not pay local taxes whilst all those engaged in manufacturing and transport paid them. We discuss the characteristics of the HEs and the views of their operators in more detail in the rest of this report.

We interviewed a range of local officials and other key informants including 12 local authority officials, six tax collectors, six market managers and four police officers. We also interviewed four VUP coordinators and 19 other key informants, mainly running projects to support HEs (Appendix 3 provides a list of the projects we identified as having supported HE operators).

Gender Profile

Gender is important because nearly 60 per cent of women work as dependent family workers. Enabling more women to start HEs is important for enabling them to move into decent jobs and reduce their dependence on a male head of household. Understanding how the experiences of men and women running HEs differ will enable the Government to ensure that its policies promote gender equality and permit the achievement of the MDG Target of 50 per cent of those in non-farm employment being women and decent work for women as well as men .

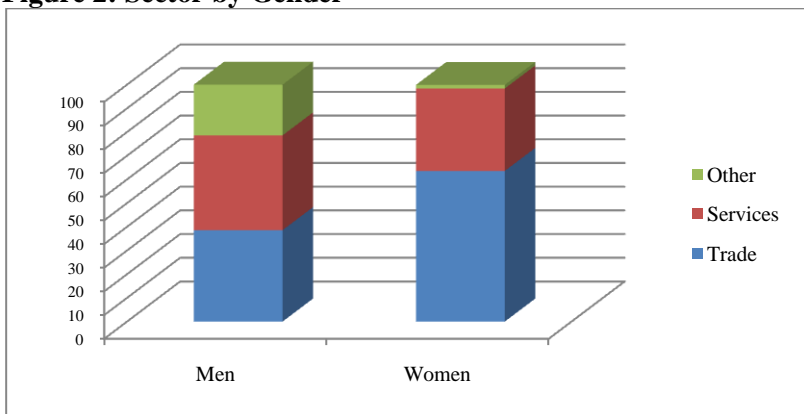
We had the same number of female as male focus groups (6 of each). Just over 50 percent of our sample was male (70 men as opposed to 66 women). This means that women HE operators were slightly over-sampled compared with their proportion in the total population which is about 45 per cent (Gaal 2010).

We looked for gender differences in our sample in terms of education, sector, indicators of running a successful/unsuccessful HE, livelihood strategy, need for support and awareness of key Government policies. We found few significant differences¹⁰.

There was no significant difference in education level or likelihood of having had post-school training. However, although the difference just failed to reach significance at the 5 per cent level, men did seem more likely than women to have served an apprenticeship 63 per cent of men compared with 47 per cent of women had served one.

There was, however, a difference in the sectors in which men and women operated. Women were much more likely to be in trade than men and much less likely to be in other sectors than men, though the difference for the service sector was not as large (Figure 3).

Figure 2: Sector by Gender



(Sig. $\chi^2 < 0.001$)

We found that women had a reported smaller turnover from their business than men with women much more likely than men to have a monthly turnover of less than 20, 000 FRW a month (11% of men compared to 41% of women) but women were as likely as men have a turnover of more than 80,000 FRW a month ($\chi^2 < 0.001$). The high proportion of women in the lowest income band is probably due to the number of women hawkers in our focus groups being significantly larger than for men. This gender imbalance in hawking was observed by us to be the case and confirmed by local officials and market managers, in the locations where we did our research. Women are by far the majority hawking fresh produce although young men predominate in

¹⁰ By significant we mean that any differences are likely to reflect differences in the population from which we drew our sample. Given the small sample size we used a 95 per cent significance level. However, even if the differences in our sample are significant it does not mean that these differences can be generalised to all HE operators because our sample is not representative of the total population of HEs.

hawking 'phone cars, newspapers and souvenirs. The type of hawking men engage in, from our observations, is much more readily tolerated in busy locations where there are plenty of customers than the selling of produce where even with the licensing of sellers they are often allocated space away from busy areas. Men were also more likely to have been successful in getting a loan, 26 per cent of men had successfully applied for a loan compared with 17 per cent of women, however, the difference was not significant. There were no obvious differences by gender in those who paid taxes (local and/or national), saved money regally, wanted to borrow money to invest in their business, thought their HE was doing better than in the past, knew about key Government programmes or in terms of support identified as needing.

There was no difference between men and women as to whether their HE was their sole, main or supplementary occupation, if other household members worked for the HE or in hours worked but women did spend more hours than men doing domestic labour. This differs from the findings from EICV 2 where women on, average, operated their HEs for fewer hours a week than men and is probably because our sample under represents HEs operated from home.

Age Profile

Age is important because HEs are on potential way of providing employment for the growing numbers of marginally employed young people and absorbing the appropriately additional two million workers coming onto the labour market over the next 10 years. It is therefore important to understand how the Government and civil society organisations can support young people in starting up enterprises and the extent to which the projects targeted at supporting youth are working. While the official definition of youth in Rwanda is under 35 years given the need to absorb surplus labour there is a need to consider how young people can be supported to start household enterprises and arguably there needs to be an understanding of the different needs and expectations of the younger age group. We should also note that the legal age of majority is 21 years and below that age a young person cannot register and run a business. The drive to formalisation with all their engaged in income-generating activities may have a negative impact on young people under 21 years who have operated HEs without registering. The impact may fall disproportionately on young men who earn a marginal living from hawking. The Government also needs to consider how graduates from school, who have been trained in entrepreneurship with the expectation that at least some will set up enterprises, and from TVET and other training programmes between when they graduate and when they reach the age of 21 years.

The age of the HE operators in our sample varied from 20 years to over 70 but the majority (57.8%) were aged between 26 and 40 years with 26 per cent being over 40 years and 16 per cent under 26 years¹¹. The analysis of EVIC data did however find that, on average the age of HE operators was higher than the average age of all those in employment.

We looked at a number of key factors related to starting and running a business focusing especially on comparing those under 25 years with those 25 years and over. We found few differences. Those under 25 years were on better educated than older age groups and were no more likely to have served an apprenticeship. This may be because better educated young people go in to white collar jobs if they can get one. This is certainly what local officials told us was the case and most of our informants seemed to want their children to get paid employment in the formal sector. Young people were also no more likely to say they needed training in running a business, to keep books or pay taxes than those in older age groups. Nor did the sectors in which they worked differ from those worked in by older age groups.

¹¹ Compared with the 2006 household survey our sample under represents the youngest operators especially as we have none under 20 years.

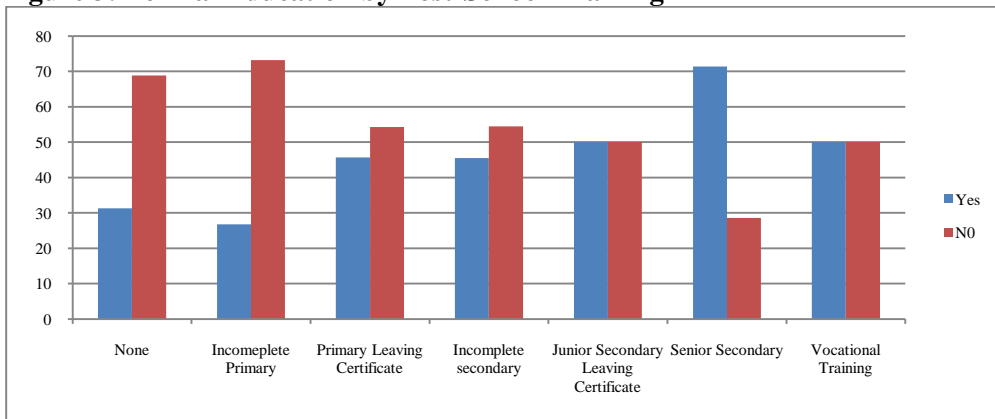
However, two important differences we did find. Young people were significantly less likely to get a loan from a formal financial institution than those over 25 years and were totally dependent on their own resources or their parents to start their enterprise.

Education and Training Profile

Understanding the education and training profile of those operating HEs is important as well as their needs for capacity building. HEs seem to provide one route into non-farm employment for those with limited education but does limited education restrict the sectors people can operate in and place limits on the growth of enterprises. Can we shed any light on the potential demand for business skill training or the extent to which Government reforms of TVET and the introduction of entrepreneurship will supporting the growth of the HE sector and improving the productivity of HE?

The majority of our respondents had primary schooling or less (67.6%) with 11 per cent having had no education and 42 per cent incomplete primary school education. Ten (5.2%) had had some technical and vocational education and training and one had had higher education. However, just over half had served an apprenticeship (on the job training) and similar proportion had had some post school training some of which seems directly relevant to running and HE (Figure 4; Appendix 2). There seems to be some relationship between formal education and post school training with those who have had secondary education being more likely to access training than those who have primary education or none but the difference between having had secondary education and only have primary or none does not reach significance at the five per cent level. The training had been provided by a range of providers including Government ministries, official development partners and civil society organisations. Interestingly there is no reference to local government although a number of local government officials told us that their authority provided training for HEs. There were no gender differences.

Figure 3: Formal Education by Post-School Training



There is a high perceived need for training in business development and for skills training (Figures 5 and 6). Those who have had post-primary education are more likely to have had some business training than those who only have primary or no education but the level of demand for training is not very different and the same is the case for skills training.

Figure 4: Self Defined Need for Business Training

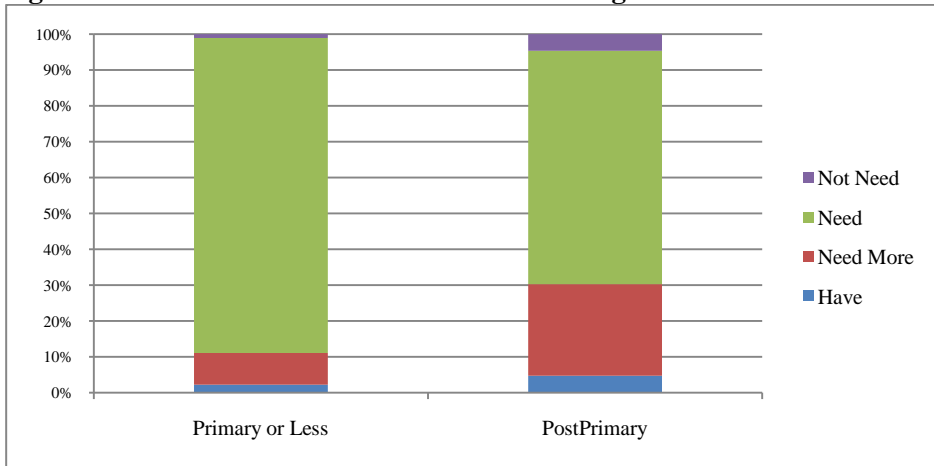
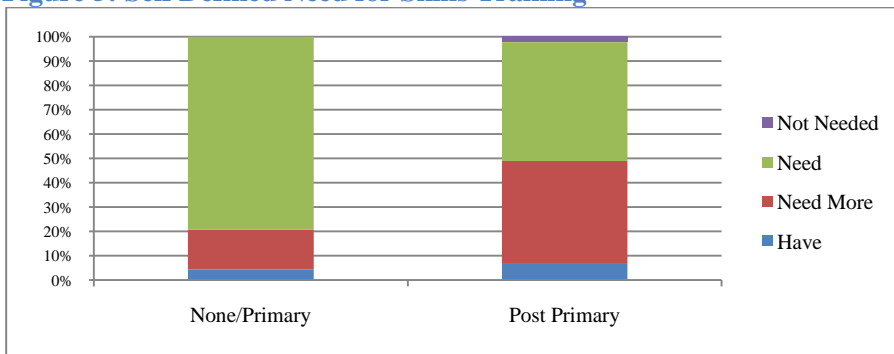
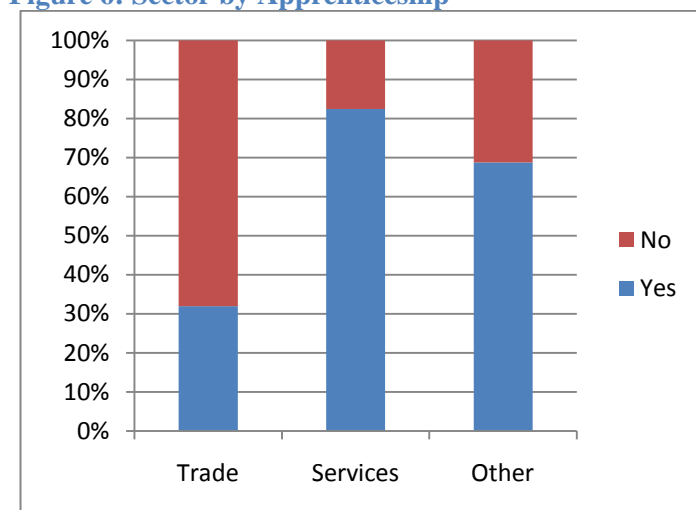


Figure 5: Self Defined Need for Skills Training



While the differences are not significant there is some indication that those in sectors other than services or trade are better educated. However, those in trade are significantly less likely to have served an apprenticeship and those in services more likely to have served one (Figure 4). This is not surprising given that trade requires few skills. Those who say they served an apprenticeship in trade are more appropriately talking about having been 'shown the ropes' by an established trader. However, as Appendix shows a number of our informants were working in semi skilled or skilled occupations where training is necessary to acquire the relevant skills. A number of our informants told us how they had acquired the skills necessary to operate their HEs. Some had been to vocation school, for example a painter and decorator had learnt his skills at technical school. Others had learnt from friends and relatives, a hairdresser for example had been taught by a friend and a basket weaver had been taught by her grandmother. A cobbler said he had learnt his trade by watching others. Our informants stressed the support they had had from established HE operators in learning the skills needed to run their enterprise and said they were keen to help others.

Figure 6: Sector by Apprenticeship



($\chi^2 < 0.001$)

The analysis of the EICV2 data (Gaal 2010) found that the main factor explaining income was education with those having post-primary education earning significantly more than those who had had less education. There was a weak but significant relationship between having had post-primary education and turnover (0.24 $P < 0.05$). More subjective measures provide some indication that those with post-primary education may be doing better than those with less education. Although the difference does not reach significance those with post primary education are more likely to say their business is doing better than in the past, 68 per cent compared to 50 per cent of those with primary school education or none. Also the means for being satisfied with the way they make their living, the way their HE is developing and the money they make from their business are all higher for those with post primary education compared to those with primary education or less, although the differences are not large and levels of satisfaction are not high.

We found no difference between those with secondary education and those without in keeping books, source of capital to start-up an HE or likelihood of having borrowed money to invest in their enterprise.

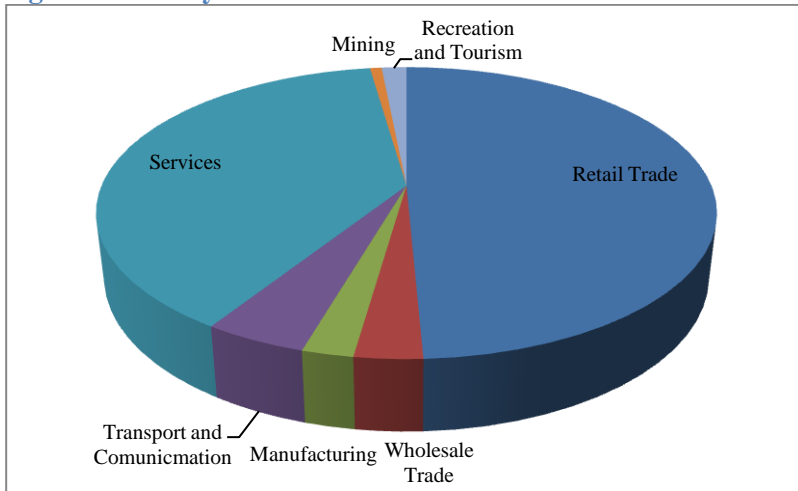
Sector Profile

Sector is important to consider. The concentration of HEs in trade may be a reflection of the opportunities trade provides for setting up and running an HE. Alternatively it may be because of lack of training /skills to start an HE in other sectors, it may be because of lack of awareness of the potential for starting HEs in sectors other than trade or it may be because of the low initial capital investment needed to start an HE in trade compared to alternative.

Just over half our sample of HEs were in trade (47.8% retail, 2.9% wholesale)¹². The other large category was other services. (37.5%) (Figure 3). However, our sample clearly includes the full range of HEs (Appendix 2 lists the occupations of all the HEs). It should be noted that in some cases what the HE does can vary even when the title of the job is the same. For example tailors in urban areas were mainly engaged in making new cloths (manufacturing) while those in rural areas mainly repaired cloths (service). Traders could have relatively large businesses and sell a variety of goods or could be selling just a few goods or even one item. They could be hawkers, have a market stall or have a shop.

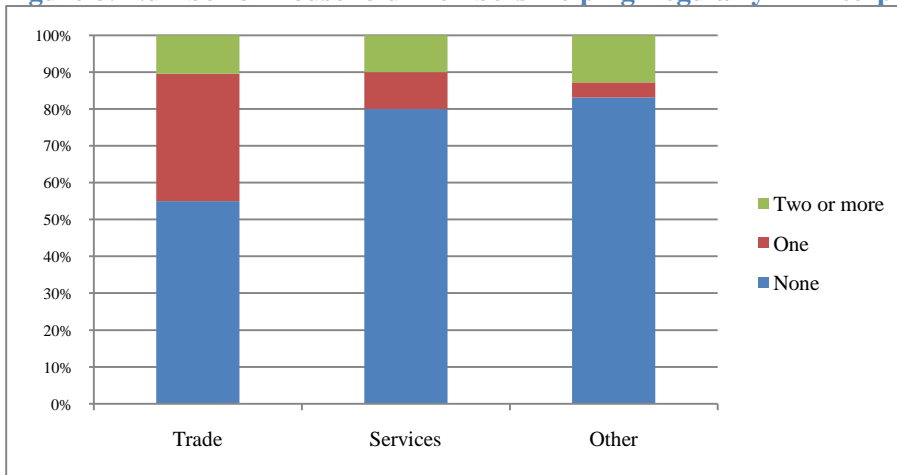
¹² This compares with 70 per cent of HEs being in commerce according to the 2006 household survey (Gaal 2010), 11 per cent in services, 11 per cent in manufacturing and four per cent in transport. Thus our sample under represents trade and over represents services. However, given that around half of our FGDs only included HEs engaged in commerce their voice comes through in our analysis. Although we tried to ensure we included 'less visible' HEs i.e. those not operating in trading centres and/or paying Pantene our sample still over represented 'visible' HEs.

Figure 7: HEs by Sector



We have already discussed sector differences in education and gender above. We found some interesting differences by sector especially in terms of access to and demand for utilities and services and payment of taxes. We found no significant differences in pattern of working in terms of hours a week worked, number of days a week or months a year operating. However, those working in trade were significantly more likely to have one or member of their household working regularly in their enterprise (Figure 6). Only three enterprises had more than two ‘employees’.

Figure 8: Number of Household Members Helping Regularly in Enterprise



($\chi^2 < 0.05$)

We found that those in sectors other than trade or services were more likely to be in a cooperative, 68.8 per cent compared to 36.2 per cent of those in trade and 29.4 per cent of those in the service sector ($\chi^2 < 0.01$). This is probably due to the organisation of bicycle and motorcycle taxis and a number of trades into cooperatives and restrictions on those not in cooperatives operating. We discuss this further below.

Well over three quarters of those in trade and services (83.1%, 88.2%) had started their enterprises with their own resources compared with just over half (54.5%) of those in other sectors ($\chi^2 < 0.01$). Those in other sectors in our sample included, for example, motorcycle taxis and manufacturing where significant investment is required to start an enterprise. The costs of starting an enterprise in trade or the service sector are generally significantly less. However, there was no significant difference between sector in likelihood of having been given a loan following an application for one to a financial institution.

Those in trade were more likely to be registered with the local authority and pay local charges than those in the service sector around three quarters compared to about 50 per cent ($\chi^2 < 0.05$), whilst those in other sectors were more likely to be registered with the Rwanda Revenue authority (31.3%) than traders (13.4%) or those in the service sector (6.1%) ($\chi^2 < 0.05$). The high proportion of traders with trading licences and paying local taxes is because of their visibility working in markets or trading centres. While some of those in the service sector work in markets and trading centres, other work from home and are less likely to be charged for a trading licence by the local authority. The higher proportion of those in other sectors paying income tax is because a number of the occupations are likely to bring in relatively high incomes and potentially take them above the tax threshold¹³.

Figure 9: Examples of Household Enterprises



Household Goods



Electrical Repairs



Hawker



Cobbler



Small Shop



Miller

¹³ We should note that a relatively large proportion of small taxpayers registered with RRA did not file tax returns (See for e.g. Murenzi 2010).

Those operating in other than the trade or service sector were significantly more likely to say their enterprise was doing better than in the past and traders the least likely to think their business was doing better than in the past – 75 per cent other, 43.5 per cent traders and 66.7 per cent services. Nearly half of the traders (49.3%) thought their enterprise was doing less well than in the past as did a third of those in the service sector and a quarter in other sectors. From the FGDs there seem to be two factors accounting for traders saying they are doing less well. One was increased competition, and the other was being moved to work in locations where customers were less likely to pass.

Location Profile

Location is important because of concerns about migration to urban areas and the potential for large numbers of disaffected marginally employed young people to become concentrated in the main urban centres. Our *Diagnostic Report* summarises the findings from research that suggests that this is already happening in Kigali and Butare and some local government officials told us that young people leave their areas to migrate to towns to seek employment. Some of our informants also told us that they would be able to make a better living if they were able to work in an urban area. However, none of our informants had migrated to set up their HE and the only ones reporting moving to the area in which they were living were those who had returned from Uganda. Poverty and underemployment are heavily concentrated in rural areas, and to tackle this Government policy is support the growth of non-farm employment in rural areas and discourage urban drift. To reduce inequalities and poverty it will be necessary to ensure the growth of the private-sector, including HEs, outside Kigali. This requires supporting the development of urban centres outside of Kigali as well as private-sector development if geographical inequalities are not to widen further (Ronnas *et al* 2010).

However, we found little difference between locations in our structured interview data probably because we sampled locations so that we had poor and non-poor locations in rural as well as urban areas and in Kigali we included an extremely poor rural location and that the city centre location we sampled had experienced a decline due to issues with the market. The rural locations in both the Western and Northern location provided good opportunities for HEs because of the high numbers of tourists.

However, in the FGDs we did identify a number of important differences. Demand in rural areas outside of tourist locations was lower, travel and transport were more problematic and access to services was also poor. We were told this by informants in the FGDs, the local authority officials and key informants and observed it through our community profiling. The information in the structured interviews tended to confirm this to be the case although the differences were not always statistically significant..

Although the majority of our informants, in all locations run their HE as their main source of livelihood the numbers running an enterprise as supplementary was somewhat larger in rural areas. HEs most frequently supplemented subsistence farming or being a dependent family worker. There were no gender differences.

Length of Time in Business

The HE operators who took part in our FGDs had been operating between 6 months and 30 years. Around a quarter had been running for 2 years or less, another quarter for five years or less, a quarter for over five and less than 10 years and a quarter for more than 10 years. Age of operator tended to correlate, perhaps not surprisingly, with the length of time in business. In order to understand fully the growth dynamics of HEs and what enables some to thrive and grow and others stagnate and die requires longitudinal data which was not available to us¹⁴. We have to rely on the HE operators subjective views about whether or not things are getting better for them. Similarly we have no reliable information on turnover but were told that some people start out running an HE but then cease to operate because of lack of capacity and/or low demand. Whilst some

¹⁴ The authors of the employment report analysing EICV2 (Strode *et al* 2007) also comment on the impossibility of commenting on turnover. Comparison between cross-sectional surveys only enables comparison of the absolute number of HEs.

of our informants thought the numbers of HEs in their areas were growing, others did not think that this was the case but rather thought there was turnover. Growth was generally associated with increased demand for the goods and services that HEs supply. Increased demand came from, for example, an increase in tourism, Kigali residents purchasing land in the area, the opening of a higher education institution, increased opportunities for cross border trade and the increased buying power of local residents in pilot VUP communities,

Making a Living

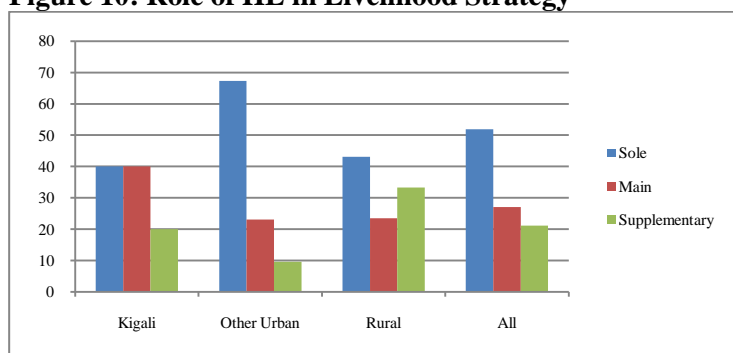
Livelihood Strategies

Operating an HE was part of a livelihood strategy for the operators we interviewed. Most regarded it as a way of making a living – although the level of income varied greatly from those who struggled to survive to those who were making a decent living. It was generally seen as providing a better living than being dependent on agriculture and for a few it was clearly a vocation. We can contrast the attitude of a cobbler who said he will never change what he does because he loves his enterprise with that of a bicycle taxi operator who says he does it to make a living. Many of the operators we spoke to saw few alternatives to what they were doing although some had aspirations for the future. A group of women in the poor rural areas in Kigali told us:

We do not like our business. We sell fruit and vegetables because we don't have any other things to do. We would change our business at any time if there were an alternative (FGD, Kigali).

Satisfaction with life in general and satisfaction with employment and with specific aspects of it have been shown to be important drivers of increased productivity (Abbott and Battoni 2010; Halpern 2010). High levels of satisfaction amongst HE operators would be an indicator that they will be dynamic and productive. However, there are relatively low levels of satisfaction with life in general and with the way in which they make a living according to the answers to the questions on the SIs. On a 10-point scale measuring general satisfaction with life the mean was 5.9¹⁵, and for satisfaction with the way they make their living it was 5.3. They were even less satisfied with their financial situation mean satisfaction for the money they are making from their HE was 4.5, and with household finance ,4.59. Differences by gender and location (Kigali, urban, rural) were not significant.

Figure 10: Role of HE in Livelihood Strategy



The vast majority of our respondents said that their HE was the main source of income for their household. Other sources of income that contributed to the household included salaries from paid employ (50.8%), subsistence farming (41.2%) agricultural sales (27.4%), farm labouring (14.3%) and remittances (1.6%). From

¹⁵ The mean for general satisfaction in the 2008 World Values Survey in Rwanda was 0.5 (author's own calculation). We would expect our sample to have a higher mean level of satisfaction than the Rwandan average given that they are, on average, better off than a majority of the population. The mean in the same wave of the World Values Survey for was

the FGDs it is evident that for most it is their only source of cash income. Subsistence farming mainly provides food for the household.

Making a Living

When we divided the HEs into quartiles the bottom one had a turnover of 20,000 FRW or less a month, the next to bottom 35,000 FRW or less, the third 80,000 or less and the top over 80,000 a month. Women were more likely than men to have turnover in the bottom quartile and less likely to have turnover in the 2nd and third quartile but equally as likely to have turnover that placed them in the top quartile. The difference was significant at the 99.9 percent level meaning that it is extremely unlikely to be due to chance ($\chi^2 < 0.001$). However, we need to interpret these income figures with extreme caution. The majority of our informants did not separate the income or expenditure for their HE from their daily living and few had any clear idea of how much they brought in or what they spent on running their enterprise. Nevertheless, as we show later in the report, there was a strong correlation between turnover and monthly savings.

Whilst turnover is an indicator of the relative productivity of the HE individuals live in households and it is important to understand the economic situation of the household. We can consider both subjective and objective measures of poverty as both are important in people's general feeling of well being, while the latter is important in understanding the extent to which HEs are enabling people to have decent employment, to bring them out of poverty. We could not measure poverty levels using the Rwanda poverty measure because of the technical requirements for doing and because the poverty line has not been updated since 2005.

We asked our respondents to classify themselves in terms of the subjective poverty categories used in the participatory poverty appraisal. Subjective poverty is people's own evaluation of their level of poverty, and people generally compare themselves with others in their community. Just over half (51.5%) said that they were non-poor, 48.5 per cent that they were poor and just over two percent that they were vulnerable¹⁶. However, just under half said that they always had to do without basic food and a further third that they sometimes had to do without it (Figure 11). The inability to afford to basic food is a good indicator of poverty but it is not a precise measure of poverty¹⁷. Clearly some of our informants, especially in poorer locations and rural areas were struggling to survive:

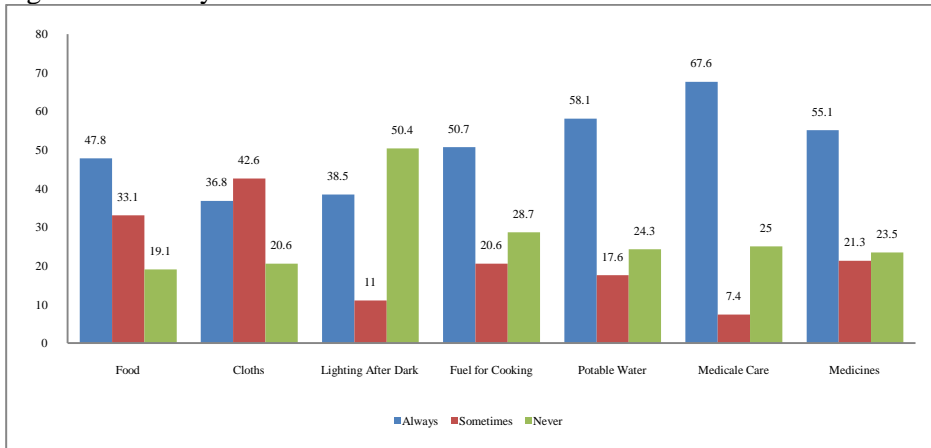
I'm not satisfied with what I earn from my business. We do not have enough clients and the taxes are so high. So I struggle every day in order to make enough money to pay taxes and survive (FGD, KR).

In general our observations at each location would suggest that in rural areas HE operators, especially those combining their HE with subsistence agriculture are better off than other local residents whilst in urban areas the range of income of HE operators is much greater with some being relatively successful and other struggling to make a living. This is not to suggest that all those living in rural areas were not poor but that on the whole they were better off than their neighbours who relied on subsistence agriculture alone and some were making a decent living.

¹⁶ This would seem to suggest that our sample of HEs are generally better off than those dependent on subsistence agriculture. In 2006 50 per cent of HEs were in the top two income quintiles (Gaal 2010). Given that nearly 60 per cent of the population were in poverty it suggests that 50 per cent of HE operators were non poor in 2006.

¹⁷ In Rwanda the poverty line is based on the ability to purchase a basket of food and other essential goods and extreme poverty on the ability to afford the basic basket of food. It is calculated by reference to consumption. The poverty line cash conversion has not been updated since 2005.

Figure 11: Ability to Afford Essential Goods and Services



We constructed a deprivation scale from responses-in the structured interviews about the ability to afford essential food, basic clothes, fuel for cooking, potable water, medical care and medicines (Appendix 2). A scale provides greater stability than a single item and evens out random variation. The CA for the scale was 0.94 which is entirely acceptable for a six-item scale. The scale ranged from 1 constantly have to do without all of the items to 13 never having to go without any. The mean value was 5.3 with a SD of 4.2. On a normalised deprivation scale the range was 2.9, from -1.0 to + 1.9. This suggests that a majority of our sample were relatively deprived but that the difference between the poorest and the average was relatively small. Differences by gender and location (Kigali, urban and rural) were slight but the mean for the urban and rural locations in Western Province (11.8, 12.2) were much higher than in the other, locations and the mean was marginally higher in Kigali (4.0) and Southern rural (3.9). For all the other locations the mean was around 2.5. This suggests that the HEs we interviewed in Western Province in both urban and rural areas represent the better off amongst those that run HEs. This suggests that HEs can provide a decent standard of living but the majority do not.

Patterns of Work

Just over half of our sample said that their HE was their sole occupation, for just over a quarter it was their main occupation and for just over a fifth it was supplementary to their main livelihood activity. In addition to running their HE 34 per cent of respondents were subsistence farmers, eight per cent worked as farm labourers, 13 per cent as dependent family farm workers and five per cent had non-farm employment. There were no gender differences in the role that an HE played in an individual's livelihood strategy but there were differences between locations. In 'other urban' areas an HE was much more likely to be an individual's sole occupation than in the other locations, and an HE was more likely to be supplementary in rural areas (Figure 5). In rural areas many of our informants in the FGDs said it was not possible to make a living from running an HE on its own and that they did farming to supplement their income. Farming provided food for their households. Conversely lack of land meant that many could not make a living from subsistence agriculture alone.

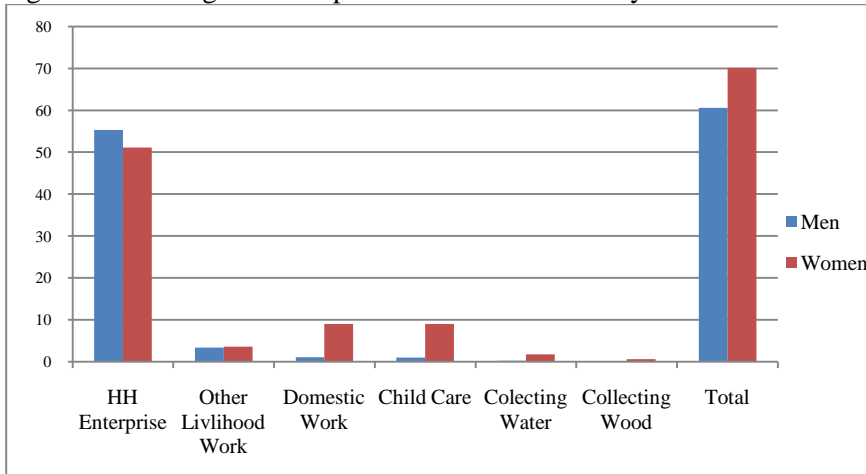
One cannot run an HE alone. Farming supplements especially for food.-----There is hardly any land for agriculture. No one can have farming as a sole means to earn a living (FGD Pilot R).

Others said they had to run to more than one enterprise in order to make a living; a tailor, for example, told us that he also makes and sells traditional beer. Demand also fluctuated by the season with people being better off after the harvest for. Another tailor told us that she makes tablecloths when there is little demand and then

sells them when she knows there will be customers to purchase them. A focus group in the urban location in the Eastern Province explained the seasonal fluctuations in demand they experience:

Demand for the goods we sell depends on the season. For example people selling porridge get customers in the dry season while those selling cloths and shoes get customers during the harvest season when farmers have sold their produce.

Figure 12: Average Hours Spend a Week in Labour by Gender



The majority of the HEs were run by the operator alone, 67.7 per cent and of those that had other family members working for them on a regular basis it was generally one (21.5%) or two (8.5%). We have already referred to the difference by sector; there was also a difference by location, with those in Kigali being least likely to have other family members working for them and those in rural areas most likely.

Most HEs operated for six or seven days a week (70 %) and for 12 months a year (77%). The most likely day (not surprisingly) for HEs not to operate was Sunday, when only 46 percent did so. Given the small numbers it was not possible to identify patterns of HEs operated for less than 12 months a year or for less than six days a week. However, from our interview data it is clear that HEs that operate for less than 12 months a year and/or for less than a full week generally do so because of seasonal fluctuations in demand and low demand for their goods and services. In a couple of locations limited market opening hours placed restrictions on when HEs could operate but it is not clear that there was sufficient customer demand to make it worthwhile for them to operate more days a week and/or hours a day.

It was also difficult to determine any patterns for HEs that employed spouses and other family members. The HE informants we interviewed whose HE were operated as supplementary employment were more likely to employ other household members than those for whom it was a sole or main occupation, 46 per cent compared to 71 per cent. On average employed household members worked shorter hours and for fewer days a week than the enterprise was operating. This suggests that HEs are generally not sufficiently productive to support more than one person even when, as is the case in our sample they are operating for long hours. The employment of other family members in rural areas may be an aspect of the household livelihood strategy with household members working on the farm as well as in the HE. Interestingly the analysis of the EICV data showed that number of employees correlated negatively with income which like our analysis suggests that an HE rarely brings in sufficient income to support more than one family member and provide a decent standard of living.

Starting and Running HEs

Motivation for Starting and Operating an HE

Many of our informants saw operating an HE as way of making a living. It was not a positive choice but the only option available to them. However, most of these did see advantages to running an HE, the one most frequently mentioned was being able to keep their children in school. However, for others running an HE was a positive choice and they pointed to the advantages of working on your own and being your own boss.

Motivation for starting an HE varied but push factors seemed to dominate over pull factors. A very small number started an HE on graduating from TVET, on returning from Uganda or after training by a project. However, the majority had been engaged in other occupations before starting an HE, mainly subsistence agriculture. The main push factor was poverty including insufficient land to sustain a living. We were told by many that it was hard starting an HE but they had no other option, it was a question of survival.

We were living miserably and it was hard for us to get food, the school fees for my children were difficult to find and everything was getting more expensive. So I decided to do something. I went to see a friend and he lent me some money so I could start this business (FGD, KC).

For others it was because they were unable to make a living from subsistence agriculture.

When we were farming survival was very difficult but now in business it is a little better because you make some money every day, so we have some cash. This enables us to meet our immediate needs (FGD, SU).

Most people start an HE around here because they don't earn enough from agricultural activities. Running a non-farm HE is more profitable than other ways of making a livelihood. In fact HEs make more profit than agricultural activities (FGD, R, SP)

Most of those we spoke to had little education so their options were very limited. Becoming a trader was something they could do without being educated and it required little training. A number of them said that they had been motivated to start an HE because a friend or relative had been prepared to show them what to do and in some cases teach them a skill. A small number had had technical training at school and started an HE on graduation related to the skills they had gained.

The main pull factor was the perception that they could have a better life if they operated an HE. For many this meant they could pay school fees to keep their children in school.

We do these small activities for our kids to study and do professional jobs.

For me the first thing I wish to do is to get my children an education so they will manage to keep themselves. That is why I struggle to make a living. I think a child with no education is dead.

The main motivation was to ensure a better future for their children¹⁸. Most wanted their children to get an education and have paid employment. For many it was also a form of insurance for old age as they expected to be looked after by their children when they got too old to work. So investing in their children's education was a form of insurance for their own future.

¹⁸ The Government provides a capitation fee to state schools delivering basic education and is anticipating introducing this for upper secondary school in the next year. However, state schools also sets an additional fee (the PTA fee) that parents are required to pay and in addition parents have to meet the costs of school uniform, books and supplies. Brossard and Foko (2008) estimate that following the abolition of fees for primary education in 2002 parents still contributed 20 per cent of the cost of their children attending school. Many children in rural areas have to go to boarding schools when they transfer to lower secondary and higher secondary. Parents then have to meet transport costs and boarding fees.

While some were clearly doing what they wanted to do and enjoyed their work for many they saw no other option. In the FGDs the majority said they wanted their children to get an education and get paid employment in the formal sector and preferably in a white collar job. Some, however did say that they hoped that their children would start their own HEs

Running an HE

Running an HE is hard work; our respondents did not think it was an easy option.

Starting an HE requires financial capacity, skills and determination (FGD. WP, U).

The majority of the HEs were apparently run by the operators without any help, even from family members. Only a third had any regular help, 22 per cent from one other person, nine per cent from two and two percent from more than two people. However, in the FGDs it was evident that most HE operators do depended on casual help from members of their families. A number pointed out that their children help out after school and in the holidays and that it would be difficult to manage without this help. However, they all said that their businesses did not do well enough to contemplate employing anyone, although some hoped it might be possible in the future. Most however, did not think their HE would provide employment for their children when they left school and indeed most did not want them to do this. One HE operator said that he now runs his HE and paid someone else to do look after his farm and this worked very well.

As we have indicated above, the HE operators worked long hours and about 85 percent of them operated their HEs for five (16.2%), six (39.7%) or seven (28.7%) days of the week. In the FGDs we were told that it was necessary to work long hours in order to make a living. In some cases more competition meant it was necessary to work longer hours in order to attract sufficient customers/clients. This adds further weight to our speculation that it is not amount of employment that an HE can generate which accounts for the relatively small proportion having regular help, but the income it provides. Other household members need to engage in other income-generating activities in order to support the household.

Over three quarters (78%) do not keep books and only 17 per cent pay taxes to the Rwanda Revenue Authority. However, over two thirds (67.5 %) pay taxes to the local authority, generally those working in trading centres. Four per cent are registered for VAT and seven per cent are registered as companies.

Most do not separate the income from their HE from daily living. The money they earn is spent on the essentials of daily living, although most manage to save at least a small amount.

The working conditions of HEs vary by location. Those working in urban areas generally had better access to services and physical conditions of work than those living in rural areas. In urban areas they generally worked in markets or trading centres whilst in rural areas they often worked from home and some operated as hawkers. In rural areas markets typically only opened a couple of days a week. In terms of basic utilities just under 30 per cent (28.7%) use electricity, 10 per cent wood and 15 per cent charcoal in their businesses. Only three per cent do not use a 'phone but only three per cent use a computer and less than two per cent use the internet.

From what we observed electricity and public 'phones were generally easily available in urban areas but much less likely to be found in rural areas. Clean water was also readily available in urban areas but often had to be carried some distance in rural areas. Transport and roads were generally adequate in urban areas but problematic in at least some rural areas. In urban and some rural areas the markets generally had public toilets that were acceptable in terms of cleanliness. The HEs paid for the cleaning of markets but the standard of cleanliness varied by location. Markets were generally located where customers were likely to pass but one was poorly located from this perspective. Markets in urban areas generally opened for the full day most days

of the week but in rural areas the opening times were more restricted. In one case the market opened at 3 p.m. daily and in other cases the market opened for only a couple of days a week. Some rural HE operators whose HE was their sole means of livelihood reported working in the market when it was open and on the streets when it was not, even though they are aware they should not be selling goods at the roadside. This clearly restricted the opportunities for HEs to sell their goods and services but we were told that at least in some locations, by local officials and HE operators themselves, that the opening times were related to demand and that longer opening hours would not increase custom. In the rural area in the Southern Province and the one in Kigali the informants in the FGDs told us that they would be able to make a better living if they could travel to the urban areas where there would be more demand. However, they cannot get to the markets because of the time taken to travel on foot and the non-availability of affordable transport.

Cooperatives are also supporting HEs to make a better living. Forty-one of our informants were members of a workers cooperative. We found that there were no differences by gender, age, having served an apprenticeship or paying taxes. Those in cooperatives tended to earn more than those who did not to be more positive about the way their enterprise was developing and to be more positive about local government officials. The latter is of interest because workers cooperatives are organised at the district level.

In our sample four of those in cooperatives lived in Kigali, 22 in other urban areas and 15 in rural areas. There was a heavy concentration of cooperative membership in Western Province, 17 of our informants, compared to four in Kigali, four in Northern Province, seven in Southern Province and seven in Eastern Province.

We were told in the urban area in the Northern Province that they are organising all the HEs into cooperatives and that when they are organised into cooperatives their livelihood improves. Once they are members of cooperatives their work is monitored and they are offered training in running a business, saving and how they can invest in and grow their businesses. In the rural area a cooperative had been formed of HE operatives who used to carry out activities that damaged the environment ,for example poaching, cutting down trees for building and charcoal-burning.

Hawkers are being organised, licensed to sell their goods and allocated space where they can ply their goods. The Ministry of Trade and Industry is promoting this strategy in 2009 –2010 and is sensitising hawkers and supporting them. Helping HEs to form cooperatives more generally is also part of Government policy and strategy, although the extent to which local support is available is variable. The informants in our focus groups who were members of cooperatives spoke favourable of them and seemed to benefit from their membership.

The head of a cooperative in the Southern Region for people doing arts and crafts also thought that cooperatives are beneficial because they are able to support members and provide them with help. She pointed to members being able to market their goods through the cooperative, and arts and craft HEs are now the most successful. She also pointed out that the Government has not yet visited all cooperatives and assessed them and recommended changes. She felt that there was an urgent need for this to be done so that managers and others working for cooperatives had the necessary skills.

Building and Operating Successful HEs

Growth Dynamics

The growth of HEs is important for individual operators and for the local and the national economies. A number of local officials pointed out the importance of productive HEs as they improve the local economy and many pay taxes enabling local services to be developed. One local official pointed out that:

Some of them are paying taxes thus contributing to the country's development.

While another said:

HEs are very important because they have brought development to the area and improved the livelihoods locally at both the household and district level.

A number of local officials and other key informants told us about the growth potential for HEs in their areas and gave examples of people who had built their enterprises into very successful operations. One market manager in Kigali, for example, told us about a young man who had started out as a carrier (casual worker in the market who is paid by shoppers for carrying their bags) and through hard work and determination now owned a shop. However, other key informants expressed concern about the fact that many of the HEs were selling an identical range of goods or providing the same services and wondered how they could all make a living. The opportunities for HEs seemed to vary by location, according to local officials, with most suggesting that the main opportunities were in trade. However, in tourist areas there was high demand for craft products and food and a few pointed to the need for more carpenters and electricians in their area, although generally in rural areas informants told us there was low demand for such services and it was difficult to make a living.

These differences highlight not only different opportunities in different locations but also the importance of entrepreneurship. Some people are able to seize opportunities and through determinism and imagination build productive businesses whilst others working in the same areas seem not to be able to take advantage of opportunities in the same way. As we discuss in the section on barriers to HE development below some operators seem to be able to overcome the barriers more easily than others.

The HE operators reported different experiences in terms of growth dynamics, with some having seen their businesses grow while others reported them as stagnating or even declining. Growth and growth potential was strongly related to location and occupation. In the FGDs the general impression was that those operating in the urban areas outside of Kigali had generally seen their businesses grow and saw strong potential for future growth while those in some rural areas had seen less growth and saw greater barriers to future growth. In the two areas of Kigali we sampled for the main study there was concern that the HEs were not doing as well as in the past. The HEs in the area where we did the pilot (the data for which are not included in our analysis of SIs) the picture was more mixed, with some going better but others not as well as in the past. Those in trade in rural areas were generally doing better than those in manufacturing and service industries, who reported low demand as a major constraint, as did those in handicrafts outside of tourist areas. Tourist areas, rural as well as urban, seemed to provide good opportunities for HEs. One FG in a rural area reported increased demand for their goods and services since a higher education institution had opened close by. In the SIs just over half (56%) said that their business was going better than in the past with forty per cent saying it was not doing as well as in the past. There were no differences by gender but those rural areas were more likely to say their business was doing better than in the past just over two thirds, and those in Kigali least likely just over a quarter. About 60 per cent of those in urban areas outside Kigali said that their businesses were doing better than in the past ($\chi^2 > 0.01$).

A watch repairer in the poor rural area of Kigali explained how his business had decline:

These days business is much worse than when I first started due to a number of factors. Most of my customers have moved away and the mobile 'phones have watches built in them. No one buys watches any more.

Two thirds had stated their business without any capital investment and for those that had some household savings were the main source; other sources were SACCOs, micro-finance institutions and other relatives. Just over 40 percent (41.9%) said that they had used household savings to get their enterprise up and running and

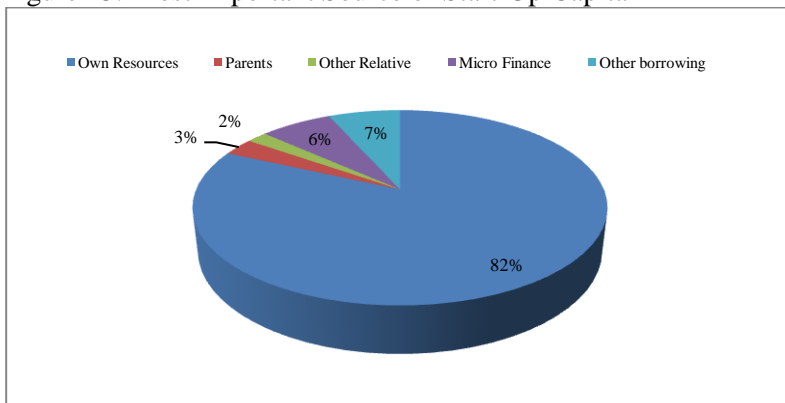
12 per cent said that parents had helped them out. Differences between men and women and between location were slight and generally not significant. However, men were nearly twice as likely to have used savings to start their HEs as women ($\chi^2 < 0.01$). In the FGDs we were told by women that they found it very difficult to get the money together to start an enterprise. They are less likely to have access to household savings than men. In the FGDs it also became evident that it is necessary to have some money to start an enterprise, if only to live off while the enterprise is getting going. This was often difficult to raise. One woman, for example, told us that she persuaded a friend to let her have some of his fish to sell and then paid him when she had sold them.

In total a third of the HEs had tried to borrow money from a financial institution in the past, half of these within the last six months. The vast majority of these had got a loan, suggesting that HEs are self selecting in terms of making applications for finance. In the FGDs HE operators explained to us how difficult it had been getting started when it was necessary to raise capital.

I began my HE by going to the bank and getting a loan to buy a sewing machine but it was very difficult because the interest rate charged was very high and it was difficult for me to make the repayments (tailor).

Some had saved from money earned in employment while others had borrowed from relatives and friends. In one case a friend had taken out the loan for our informant, who repaid it through his friend. Loans were often small and interest rates high. Those who had borrowed through cooperative schemes seemed most satisfied with the way they had managed to raise the money necessary to start their business. It was also evident that difficulty of raising capital to invest in an HE limited the types of enterprises they were able to start and the running of their enterprises. We were also told about people who had not been able to start HEs due to lack of capital or who had had to stop operating because of lack of financial investment.

Figure 13: Most Important Source of Start-Up Capital



In the FGDs the informants complained about the difficulty of getting loans, the small amounts that can be borrowed and the high interest rates. Some had borrowed through mutual loans (cooperatives) but many did not trust other people sufficiently to this. This was confirmed by local officials and other key informants, who indicated that lack of trust was a barrier to HEs forming cooperatives for getting loans. However, we were give examples of some successful schemes that had worked with HEs or those wishing to start HEs to build trust so that they were willing to takeout group loans.



The majority of HE operators would like to borrow money (84% of our sample) and think it would enable them to develop their HE better. Indeed in the FGDs many of our informants pointed out that the inability to raise loans was a major constraint on them expanding their businesses or starting more profitable ones. One hawker in Kigali told us:

I know how to use a sewing machine but now I am a hawker because I don't have capital to buy a sewing machine, but if someone could give me the financial support I think I could change my business because I could buy a sewing machine (FCD, K, R).

There were clear differences between our locations in how well the HEs were doing and the potential for growth. Being in a tourist area and/or near a border clearly increased the opportunities for HEs to flourish and grow. Commercial centres also provided greater opportunities than less developed locations. A number in rural areas said that they could grow their businesses if they had better access to urban areas.

The HE operators also had views about the future development of their HEs. Some saw little prospect of change, some thought that things would get worse; some hoped that their businesses would grow to provide a decent living, and some had ambitious plans for the future.

In five years' time I would like to have my own shop as well as continuing to work as a tailor (FGD, SP, U).

while a cobbler told us:

With training the future will be better. Instead of simply resoling shoes I would like to start manufacturing them.

The Characteristics of Successful HEs

A successful HE may be one that is internally driven to contribute to sustainable development to the maximum amount possible or it may support sustainable development in a way appropriate to the context in which it operates – including social and economic development. Thus a successful HE is not necessarily one that has the potential to grow in to a larger enterprise but one that provides decent employment or even

improves a households standard of living. A representative of the Private-sector Federation, for example, told us about what he saw as the success of HEs in the poor area of Kigali that is his responsibility:

HEs have helped people, they look clean, they can buy soap to bathe and do laundry and are able to afford basic food.

What is and what makes an HE successful is not necessarily the same for all stakeholders, including HE operators themselves. If we look at success from the perspective of the HE operator it will depend on their objectives and motivation. Success for a woman combining running an HE with a family, or a man supplementing his income from subsistence farming with running an HE, may be very different than that for a woman or man with secondary education running an HE as their sole means of livelihood. From the Governments perspective a successful HE may be one that provides sufficient income to keep a household out of poverty, one that earns sufficient to pay local and national taxes, one that provides commodities for export or one with the potential to grow into a micro- or small enterprise.

Two questions can be raised: what HE operators see as a successful enterprise, and what the characteristics of successful enterprises and their operators as judged by more objective measures such as income or paying taxes. Analysis of the EIVC data using income as the dependent variable indicated that education was the main explanatory factor. Paying taxes also contributed to the variance explained but this is unlikely to be a cause of a higher income but a consequence of having one.

The HE operators in the Western Region told us their recipe for success: *The driving factor for our HEs growing is self determination and endurance.* However, what do operators of HEs mean by success?

Levels of satisfaction with the way their HE was developing were relatively low with a mean of 0.5 (SD 2.3) on a ten point scale with a just slightly higher mean (0.53, SD 2.4) for satisfaction with the way they make their living. Satisfaction with household financial situation ($r = 0.57$ $p < 0.01$) and satisfaction with the money they make from their HE ($r = 0.64$ $p < 0.01$) correlated significantly and relatively strongly with being satisfied with the way their HE is developing suggesting that for our informants a successful HE is one that enables them to make what they see as a decent living. Monthly turnover also correlated significantly with being satisfied with the way their HE was developing but the correlation was much weaker $r = (0.2$ $p < 0.05)$. As we shall discuss below our analysis of the FGDs suggests that this probably relates as much to the barriers to growth that they perceive and low satisfaction with their overall financial situation.

If we use turnover¹⁹ as a more objective indicator of a successful HE there is a weak but positive correlation between having had some post primary school education and turnover ($r = 0.24$ $p < 0.05$), other household members working in the enterprise ($r = 0.23$ $p < 0.05$), getting a loan the last time one was applied for ($r = 0.24$ $P > 0.05$). An alternative objective measure is having been successful in getting a loan from a financial institution which as we have already seen correlates with monthly turnover. Getting a loan involves external evaluation of the viability of the enterprise. Other factors that correlate with having been successful in getting a loan are having a bank account ($r = 0.3$ $p < .01$), the household enterprise being the sole/main employment of the operator ($r = -.21$ $p < .05$) and both the hours the operator work a week in the enterprise and the hours the enterprise operates ($r = 0.25$ $p < 0.01$, 0.25 $p < 0.01$). The hours the operator works in the business may be indicative of demand, as may the HE being the sole/main employment of the operator. However, as we have already indicated, employing family members does not seem to indicate that an HE is successful and working long hours may be necessary to make a living at all.

¹⁹ We did not use paying taxes as an indicator because the main taxes and fees paid by our informants are local ones. The payment of these taxes tends not to be based on ability to pay but if the HE operates in a trading centre or market..

While we have to be careful about drawing conclusions from such a sample we can suggest that a successful HE using more objective criteria, is one that has a relatively high turnover, operates long hours, is the main/sole occupation of its owner, is able to support more than one household member and where the operator has post-primary education.

Some of the operators were able to make a decent living from their HE and many contrasted running an HE favourably with the other options available to them. Views of what constituted success varied by location and expectations for example one hairdresser in the rural area in the Sothern Province told us she was happy if she had four or five clients a week. Others in the urban commercial centres saw success as making a decent living and being able to afford to build a house. Generally success was seen as being able to make a decent living, having capital to invest in improving their business, getting support from local authorities and having a decent place to work from which to work. Being able to save for old age, to invest in a farm, to buy animals, to build a house, to feed the family and to send their children to school were all also seen as indicators of success. What constituted success clearly varies with the expectations of the operators and what the alternatives are but is clearly related to the standard of living they are able to enjoy. One operator for example told us about the way his business had become less successful:

I did well before the local authority moved the market, now I have difficulty feeding my family and cannot afford to send my children to school.

In looking at the different experiences of our informants we can identify a number of factors that make for success. The most obvious one is demand for the goods and services on offer. Demand varied by location; those operating in commercial centres and in tourist areas experienced a strong demand whilst those in rural areas had a smaller and poorer customer base. Often in rural areas there was insufficient demand for those offering a service to make an adequate living and outside of tourist areas the same held for those making craft products. A number of our informants pointed to the importance of skill; they were successful they argued, because they were good at what they were doing. This was especially important where competition for customers was high; having a reputation for being good attracted new customers and ensured existing ones were retained.

Success, then, is dependent on the characteristics of the HE operator and is clearly related to income and growth, although for many it is earning enough to have decent life rather than to grow their HE into a larger business. The analysis of the EVIC2 data found that the main driver of income was education – those with secondary education earned significantly more than those with only primary or no education. Total number of employees had a negative effect. Paying taxes and keeping books had a positive effect but it is most likely that HEs are registered and/or keep books because they earn more. The numbers in our sample do not make it feasible to do regression analysis but it is possible to look at a number of possible indicators of success and consider the characteristics of operators and HEs against these indicators as we have done above

Barriers to HE Development

Constraints on Development

Barriers can be perceptual, institutional, policy and regulatory or due to lack of skills, knowledge, information and training. As we pointed out in the *Diagnostic Report* (Abbott *et al* 2010) there is a need to both build the capability of individuals and ensure that a framework is in place to enable individuals to convert their capabilities into running productive HEs. During the fieldwork stage we identified a number of constraints/barriers facing HE operators in doing this. The most critical of these are individual capability, perceptual attitudes, finance, regulatory, space, lack of consultation, utilities and infrastructure. We found few differences in the constraints faced by our HE informants although those in rural areas were more challenged

by poor provision of utilities and a lack of demand for the goods and services they offered. Not unexpectedly those with higher turnover have easier access to financial services and find taxes and fees less of a burden. We cannot, from our data, calculate the proportion of our HEs on which these factors impinge or how much of a constraint on growth they are, but we would suggest that they impact more negatively on HEs than the EVIC2 findings, which suggested that access to finance was a barrier for only 21 per cent of HEs, access to markets for 15 per cent of HEs, location for eight per cent of HEs and administrative regulations for five per cent (Gaal 2010).

A large number of constraints on HEs were identified by the HEs themselves, local officials and other key informants including a skills and education deficit, poor infrastructure, lack of capital/access to finance, difficulty in accessing market intelligence, space in which to operate, and weak home demand for good and service. As one local official explained:

The main problems faced by HEs are lack of capital, lack of creativity, lack of basic infrastructure and lack of skills (Regional Tax Advisor, Western Province).

whilst another in Kigali rural said:

The people really need to be educated, sensitized and given financial assistance if they are to be successful. More projects working with people running HEs are needed, along with a market so that HEs can operate successfully.

The informants in the focus groups perceived the same constraints. In total nearly 90 per cent would like better access to finance, 70 per cent to improved transport and the same percentage would like better access to 'phones. Around fifty per cent said they would benefit from better access to electricity and water.

Finance

From the perspective of HE operators themselves finance is seen as the most important constraint. This was raised in all the FGDs and there was generally agreement amongst them that they needed finance to be able to run their businesses more successfully and grow. In the structured interviews just under 90 per cent said they needed access to finance or more finance. Four per cent indicated that they had adequate finance and 16 per cent said they had some finance but needed more. Only seven per cent said they did not have and did not need access to finance.

Lack of trust in other people was also seen as a barrier, especially in regard to forming cooperatives to get loans. This was mentioned in FGDs and by officials and key informants. This was a significant constraint as many informants told us that the preferable way to raise capital to invest in an HE was through a cooperative as most did not have collateral to secure a loan although we should note that those who borrowed through a cooperative were those most satisfied with the way in which they had raised finance. A further constraint was lack of help from government. One local official said all the support went into developing worker cooperatives and organising HEs into them.

In the FGD the main constraint on starting and growing their HEs was seen as lack of access to capital. Three types of capital are needed start-up capital for initial investment, working-capital to enable the stocking of sufficient raw materials or spare parts, and investment capital to upgrade equipment and tools or even for expansion. Many said they had started their business with some savings but that this was not really adequate and they desperately needed to be able to raise loans to invest in their businesses as they were under-capitalised:

Money was needed to start an HE. I got it from the small amount I had saved from my wages. It was difficult to raise the capital to start the business as it was impossible to borrow and it is still difficult to borrow money. If there were organisations or people to lend money with a lower interest rate and requiring no security then people would be able to borrow to expand their HEs (FGD, pilot, Rrual).

In some businesses it is necessary to have working capital to run the business on a daily basis and this can present barriers preventing businesses continuing to operate. A fruit and vegetable retailer in Kigali explained to us how he had had to stop doing carpentry:

I used to do carpentry but raising the money to make the goods was almost impossible because they are so expensive. So I changed to this business because I can run it with less difficulty

The inability to raise capital was seen as a barrier to growth and innovation growth. A photographer in a tourist area told us he could make a much better living if he only he could raise the money to invest in a new camera and a canteen operator said:

The lack of access to capital is a big problem. You may have innovative ideas but there is nothing you can do if you can't afford to get a loan from the bank. It is difficult getting a loan from the bank as you have to have security. It's hard.

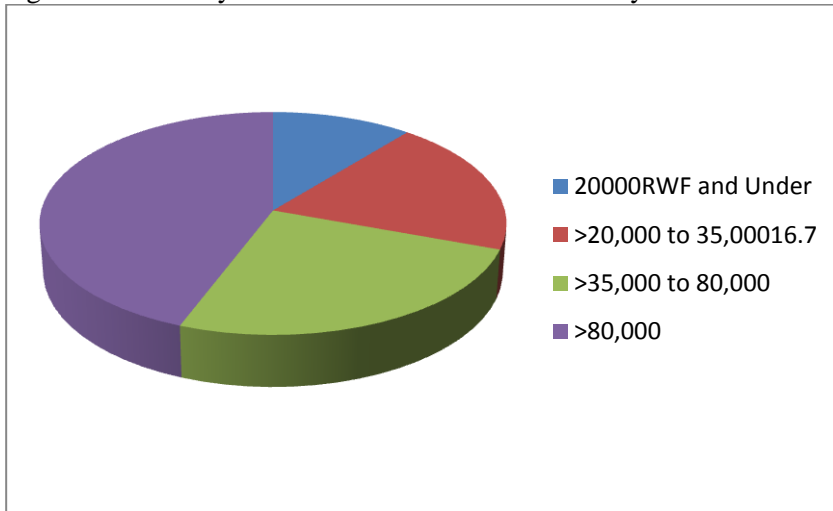
In the structured interviews only four per cent said they had adequate access to finance with a further 13 per cent saying they had some access but could do with more. In total 89 percent said they would like better access to finance with only seven per cent saying they did not need it and four per cent that the access they had was adequate. Those in other sectors were more likely to say they had access to finance than those in trade or the service sector, but even of those with access a majority would like better access.

However, while access to finance has been developed as a key strategy for reducing poverty and providing the poor with opportunities to start and grow enterprises not all HE operators are ready for or need micro-finance. It is evident from their comments in the FGDs that many are not credit worthy and would have difficulty in repaying loans or might even default were they to be given finance. There was a strong correlation in the structured interview data between turnover and having got a loan (Figure 14), those who got loans tended to have higher monthly turnover. Not all have the capacity to write businesses plans or manage a loan. One focus group participant in the Northern Province who had had a loan from BPR and was clearly of the view that people did not get loans because they did not know how to go about applying for one was very certain what is needed to get a loan:

The advice I give people is: make a business plan; have collateral; have the materials to start your business; and ask for a loan appropriate for your project.

On the other hand there were those with the potential to develop their businesses if they could gain access to appropriate finance. Differentiating between who have the potential, tenacity, flexibility and creativity but are held back by lack of access to credit and those who do not have the basic energy and competency or whose enterprises will not be sufficiently productive to support repaying a loan is important. Lack of finance is not always a barrier to success even if the HE operators think it is, and lack of access to finance is not always a barrier to starting successful HEs. We were given examples of people who had started out running an HE that did not require capital investment and through hard work; creativity and tenacity had managed to save enough money to invest in building a successful HEs.

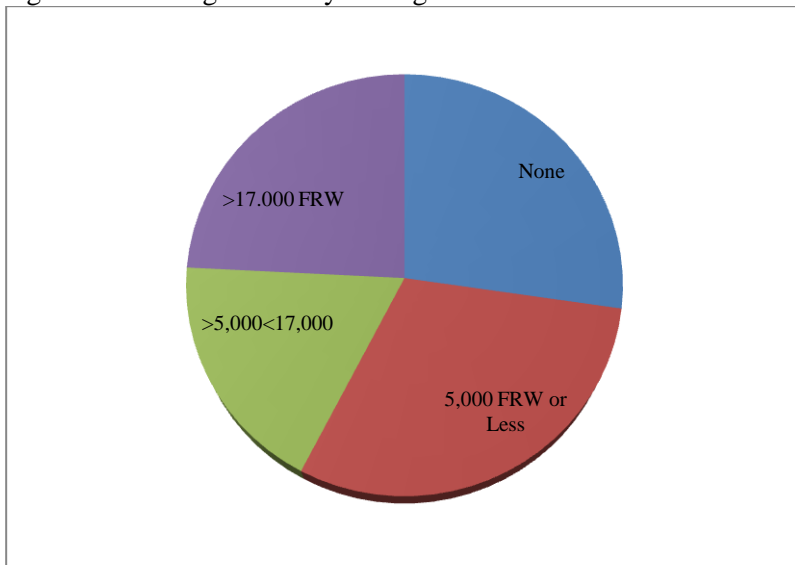
Figure 14: Monthly Turnover of those Given Loans by Financial Institutions



($\chi^2 < 0.001$)

However, the financial products HEs need are not just access to appropriate financial products for capital to invest in their enterprises and credit to help them run them, but also appropriately tailored savings products. As we have already indicated, a majority of our informants started their enterprises using their own household savings or were helped by relatives and friends and just under 70 per cent save some money. Saving is a prerequisite for getting finance to invest in building their business and the amount people are able to save gives us some indication of those who are going well enough to be able to repay a loan. Just over 27 percent save nothing on average a month, 30 percent save 5,000 FRW or less a month, 18 per cent more than 5,000 and less than 17,000 and 24 percent more than 17,000.(Figure 16) . Put another way of the 57 per cent of those who save, save 5,000 FRW a month or less.

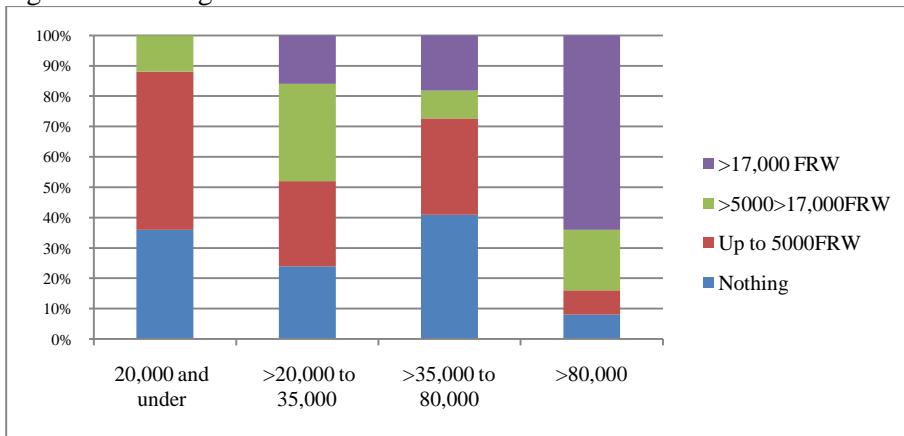
Figure 15: Average Monthly Savings in FRW



Those with a higher monthly turnover were significantly more likely to save than those with a lower turnover; as turnover increased so did the amount saved. Those who save are also more likely to get loans, especially those who save more. Only 22 per cent of those who do not save got a loan last time they applied or one to a financial institution compared with 73 per cent of those who save more than 17,000 FRW a month. There was

a weak negative correlation between savings and gender ($r = -0.22$ $p < 0.05$) suggesting that women are more likely to save than men even though on average they have a lower turnover than men.

Figure 16: Savings and Turnover



($\chi^2 < 0.001$)

Just over 82 per cent of our informants said they had a bank account but with a non-commercial bank, generally with a microfinance institution or a SACCO or other provider. There is some evidence that the major financial institutions are not meeting the needs of HE operators. Levels of satisfaction with banks and microfinance institutions are low (M 4.3, SD3.3 on a ten point scale) and there are relatively low levels of trust in banks (M 5.5, SD 3.1) and microfinance institutions (M 4.8, SD 3.0). Whilst financial institutions have to comply with financial regulations and commercial banks have to make a profit in a market where there are high transaction costs, it may be that there is also a lack of innovative financial products to meet the needs of HEs. There is also likely to be a lack of capacity on the part of HEs to comply with the requirements for applying for a loan including writing a business plan. One HE operator in a FGD who had successfully applied for a loan pointed to the importance of writing a good business plan as well as having collateral. There was recognition by many of the HE operators in our FGDs that they needed training in applying for finance as well as running a business.

Demand for Goods and Services

One official pointed out that in poor areas such as the one in which he worked the customer base was small so it was difficult for HEs to make a living especially as most potential customers depended on small-scale subsistence farming for their livelihood. The informants in the FGD in the same location confirmed that it was very difficult to make a living because of low demand. In other locations demand for the goods sold by a number of traders was good but there was little demand for arts and crafts and poor communications made it difficult to get these goods to markets where there is a higher demand.

Many of the HEs provided the same goods or services and some of the key informants raised concerns about market saturation. However, in the FGDs HE operators said that competition helped them improve their services and did not seem concerned about the numbers offering the same goods or services. In some rural areas the demand for goods and services fluctuated with the seasons, with demand being high just after the harvest. Often the customer base was low and the potential purchasers/clients poor. This severely limited the growth potential of businesses.

Taxes and Other Chargers

In the FGDs the operators pointed out constraints on getting started, relating to taxes and charges. These had to be paid from the outset but many HEs did not make a profit when they first started²⁰. So in addition to capital to buy goods and supplies and/or equipment it was necessary to have money to pay taxes and other charges and something to live on while the HE was getting established

Taxes and market fees were seen as a major burden by the HEs. The main taxes and charges facing HEs are Pantene, cleaning charges and charges for security. The amounts are set by the local authority and therefore vary by location and also by the type of operation (see Appendix 1 for details of the legal framework and the details of the charges imposed by some of the local authorities where we did fieldwork). Local authorities are motivated to collect the revenue because it is an important source of income for them and although they are supposed to also support HEs we found little evidence that they did so. The taxes charged in Kigali are higher than in the other locations and this may makes them an especial burden for HEs that are doing less well and those in the poorer areas of the City. As one focus group in the Eastern Province pointed out:

The taxes we pay are so high compared to the kind of activities we do and it is unfair because we do not pay taxes according to how well we do.

The burden of taxation on HEs was recognised by some of the tax collectors and other local officials as well as representatives of NGOs who all suggested that they needed to be reduced.

Tax collectors and local authorities more generally were seen as only interested in collecting taxes from the HEs. In the rural area in the Western Province the HEs complained about the amount of time they were expected to give to public works. They were required to work on public works projects twice a week and there were also half-day public meetings they had to attend (the local PSF representative also commented on the number of days a week the HEs were expected to perform public works on).. They pointed out that not only did they lose money because they were unable to operate their HEs but they were also still expected to pay taxes and other charges. Concern was also expressed about the basis for charging taxes which they said were flat rate and not based on ability to pay.

However, there was no evidence of corruption by officials. There was generally agreement amongst the HE operators and the local officials as to what the taxes and other charges were.

Training and Capacity Building

There was clearly an unmet need for training and capacity building; 94 per cent said they would benefit from business training, and a similar proportion said they would benefit from skills training to help the in running their enterprise (see Figures 5 and 6 above). Forty five per cent said they would benefit from basic literacy and numeracy training. Those who had had post primary schooling were more likely to say that they already had some business and /or skills training but the differences in demand for more training were slight. Demand for training in numeracy and literacy skills was more likely to be identified by those who had had primary or no education but some of those who had had some secondary education also said they needed basic education. Lack of capability clearly has a negative impact on the development of HEs. None of our informants had benefited from the Business Development Service and none mentioned being able to access the training they felt they needed. Although some local government officials said that they provided sensitisations and training for HEs none of our informants seemed to have benefited from this. Key informants confirmed a lack of opportunity for HEs to access training in skills and/or businesses development. The projects we identified were all concerned with working with vulnerable groups, and local government officials were unable to

²⁰ The tax collector in one location we visited told us that newly established HEs pay a fee in place of Pantene on a daily basis when they first start.

identify projects in their area that provided more general support to HEs. We noticed a Business Development Centre in one of our research locations but it did not open during the four days we were in the area.

Infrastructure, Utilities and ICT

Nearly three quarters said that better access to 'phones would benefit their business with 41 per cent having no access at present. Improved access to electricity was also seen as a way of supporting business development by just over half the respondents. There were few differences by location but those in rural areas were less likely to have adequate access to electricity than in urban areas and those in Kigali were more likely to have adequate access to the 'phone than those outside. In one rural area that had recently been connected to the grid the informants said that it really helped them with their businesses. Therefore the numbers who could benefit from greater access to electricity may be greater than those who think it would help. Those in rural areas often had difficulty accessing markets because of poor roads and transport which also created difficulties in getting materials to run their businesses. Access to clean water could also be an issue in rural areas. In the rural area in the Southern Province, for example we observed that people have to walk between 45 minutes and two hours to get clean water and that it takes 45 minutes to walk from the village to the trading centre where there is electricity.

Analysis of the quantitative data also suggests that there is little difference by sector in demand for increased access to utilities and infrastructure but that improved access to electricity is seen as more important by those operating in the service and other sectors than by traders ($\chi^2 > 0.05$). Traders are also more likely to say that they have adequate access, probably because a high proportion of them operate from markets with a supply of electricity or because they do not need it. Although they already have access to 'phones those in other sectors are more likely than those traders or those in the service sector to say that improved access would help them ($\chi^2 > 0.001$) and they are also the ones who are most likely to say that improved access to transport would help them ($\chi^2 > 0.001$). The need for improved access to transport was raised crafts people, especially in rural areas outside of the main tourist locations.

Space was also a constraint for some HEs but access to adequate space located where customers are is essential for HEs to make a living. In some FGDs we were told about the good facilities the local authority provide for HEs, covered markets located in areas where customers can be found. Others, however told us about poorly located markets away from where customers were to be found, and yet others told us about poorly maintained markets. One focus group told us how the authorities kept moving them making it difficult for them now to make a living:

We have been forced to move where we work and it is hard getting customers, it is not a market any more. It is just an open space, rain damages our goods and the funny thing is they continue to tax me.

The market managers in a couple of locations told us that getting space was difficult for those starting HEs as all the space in their markets was already allocated. Space is also an issue for hawkers as we have already discussed.



Conflict between HEs and Authorities

There is clearly a need for relationship building between the government (local and central) and HEs. While there were high levels of trust in both central government (M 8.28, SD 2.5) and district authorities (M7.0, SD 2.6 on a ten point scale), levels of satisfaction with support from central government and local authorities were much lower. The mean for levels of satisfaction with support from central government was 3.3 (SD3.2) and support from local authorities 3.2 (SD 2.8). Satisfaction with the way they are treated by the authorities is slightly higher but still relatively low, with a mean of 5.27. Levels of satisfaction were lower in Kigali than in other urban areas and rural areas. Our general impression from talking to local officials is that they have little understanding of the needs of HEs or how they can support them. as they do not seem to be high on the list of priorities although there is a general recognition that that they have a role to play in the local economy. A representative of the Private Sector Federation told us:

There is no tangible support from the local authorities for HEs

and

The district administration takes decisions without consulting with businesses operators. The Government should work more closely with the people.

The Government wishes to have HEs working in markets and to move hawkers and others selling on the streets into the markets and /or to regulate them. In urban areas may hawkers selling telephone cards, news papers etc have been organised into cooperatives and licence to operate on the streets. The Ministry of Trade and Industry and the PSF as part of the drive to ensure that all those engaged in income-generating activities are registered under the new regulations (Ministry of Trade and Industry 2009) are sensitising hawkers, including those selling fruit and vegetables as well as other goods, so that they can pay for a licence and operate legally in space allocated by local authorities. Our informants generally regarded unlicensed hawkers selling outside the markets as providing unfair competition to those who operate in the markets as they do not have to pay taxes and are more easily able to attract customers. Whilst some operators would like to be able to operator outside and resent being forced to operate in the markets others felt that the authorities should force all into the markets. This seemed to relate to the extent to which markets were in locations where potential customers could easily be attracted or not. However, it is uncertain that those operating outside the markets

would be able to afford the taxes and fees although they should in any case pay Pantene, town cleaning fees and, under the new regulations, the fee to register as a small business with RDB. Many of those working as hawkers told us in the FGDs that they were struggling to make a living. In some cases, especially for those in poor rural areas it was the only way they could make a living. Examples were reported to us of the police and other officials enforcing local bye-laws prohibiting unofficial hawkers and others selling on the streets and in some cases taking their goods from them thus depriving them of their livelihood. The tenacity of those to whom it happens has to be admired, rather than giving up they struggled to get more goods to sell and continued to try and make a living to support themselves and their household. However, in at least one rural location hawkers and street traders seemed to be tolerated by officials and HE operators and this was welcomed especially as the market did not open every day. We felt that local officials were often more concerned about the appearance of the town than enabling HEs to make a livelihood and that there could be more dialogue and more attempts made to resolve the situation.

There was a general feeling by the HE operators that their concerns were not listened to by the local authorities and that they did not have any representation. One group pointed out that when they complain at the sector level the complaint was referred to the district level and then the district referred it back to the sector so nothing gets done. Another group suggested that local officials harass them and make it difficult for them to run their business. They felt that there was no one able to help them resolve issues with the authorities and said that at times it felt as if the government did not want them to grow and be successful. Where the facilities were poor it was difficult to get the authorities to take action. As one focus in a rural area in the Eastern Province pointed out:

The market is poorly built, when it rains we encounter a big problem and yet we pay taxes. We wish and pray hard that we can be assisted and they build for us a market which has a roof at least, so our clients can be comfortable (FGD, EP, R).

However, a couple of groups said that the Private-sector Federation had helped them in dealing with the authorities. This was dependent on there being a PSF branch in the area to take up concerns with the authorities and this was not generally the case. We were told by one PSF official that the DPSF has been charged with representing the interests of HEs. No reference was made to the Trade Unions although they are charged with organising HEs in Rwanda as in other sub-Saharan countries.

The local authority officials suggested that conflict arose because the HEs were concerned with making a living and did not always understand about the importance of regulations. One official pointed out:

There are many regulations that we have to enforce and sometimes there is conflict between HE operators and the authorities. While the authorities like to get things organised the HEs are only interested in making money without caring about instructions from the authorities (such a safety and public health regulations). The only solution is to continue sensitizing them about new laws and regulations and monitor their implementation.

This lack of communication came out clearly in one FGD when the participants complained that new regulations concerning health and safety had had a negative impact on the milk traders and retail traders.

One focus group in the Western Province did point out the support that HEs do get from local government in terms of the provision of work space, encouragement, training, security and mobilisation to join savings and loans cooperatives but this was an exception. Most of our informants did not think that the local authority was interested in them or in helping them

Risks Faced by HEs

Running an HE is precarious; it is a risky way of making a living. For those for whom it is their only or main source of income have nothing on which to fall back if they experience hard times. Not only does illness force the closure of the HE but it may jeopardise its future operation. Making provision for old age is difficult when you are not even or only just making enough to have a decent standard of living.

Establishing an HE presents the manager with a number of risks and these vary with circumstances. The main risks an HE is likely to face are illness, property loss, disability, insufficient demand and loss of access to markets and lack of information. Failure is clearly a risk, as is the HE providing an adequate income. Fluctuations in demand and purchasing power (or lack of it) of local residents also present risks, especially in rural areas. Increase in competition, changes in demand and the inability to replace worn-out or out-dated equipment pose risks. Other potential risks including getting into unsustainable debt, loss of savings or not getting a place in a market.

The main risks identified by our respondents were illness and poor health, theft, lack of insurance, lack of security and damage to goods during the rainy season. Repaying financial loans was seen as high risk.

I have never tried to ask for a loan from a bank but according to what I hear from my colleagues who have done so it is very risky. I feel afraid of the possible consequences; it would jeopardize my family's situation. Actual the majority think it is too risky to get loans from the bank; they prefer to borrow money from their friends instead (FGD, Kigali, R, charcoal seller).

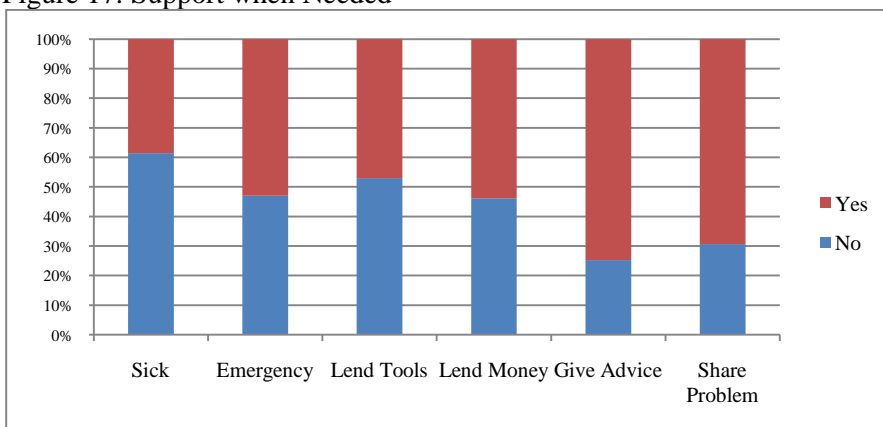
The HE operators often found it difficult to protect against risks. Most for example said their business would not operate if they were too sick to work. The vast majority were members of the mutual health scheme (94.8%). This provides very limited health cover, however and 68 percent said they always had difficulty in paying for medical care and 55 per cent for medicines. The majority tried to save from their income and some said that they saved in the good times to enable them to survive in the bad times. Some also saved in order to be able to invest in their businesses in the future, although many did not make sufficient from their HE to be able to do this or even to save to replace worn out equipment. None had insurance against theft or fire and they said they would have to start over again if they lost their equipment or goods.

One way of dealing with risk was for the HE to form only part of an individual's or a household's livelihood strategy. A number of our informants talked about the HE supporting them and their household when the crops failed or there was a poor harvest. Conversely they also referred to being able to fall back on to the income from subsistence agriculture if the HE goes through bad times.

We have already mentioned investing in children's education as a form of insurance for old age. This can also be seen as a strategy to avoid the risk of poverty in old age. Saving can also be seen as a way of mitigating against risk and to be able to meet unexpected emergencies such as illness well as being able to replace worn out equipment and/or invest in improvements. As we have already indicated a high proportion of HE operators save regularly and most save with a formal financial institution. Only just over 10 per cent of those who save regularly do not save with a financial institution and instead keep their money in a safe place. Twenty seven percent of those who save have an account with an Umurenge SACCO, 22 per cent with another SACCO, 22 percent saved with a microfinance institution and 54 per cent with another financial institution (numbers add up to more than 100% as informants could save with more than one institution). Those who saved more than 5,000 FRW a month tended to save with a financial institution other than a SACCO or microfinance institution, those who save 5,000 FRW or less a month tend to save with a SACCO. Those who keep at least some of their savings in a safe place tend to save 5,000 FRW or less a month.

Social capital having networks of relatives and friends to provide support in times of need is also an investment in risk aversion. Levels of social support and people to rely on in times of need, however, were not high. Three quarters said they had someone they could turn to for advice and just over two thirds said they had someone with whom they could share a problem. However only around half had someone they could borrow money from in an emergency, knew someone who would lend them tools or knew someone who would help them in an emergency. Only forty per cent had someone who they could trust to look after their business if they were sick (Figure 18). This means that over 60 per cent of our informants would have to close their business if they were too ill to work, and fifty per cent if an emergency prevented them working. Being unable to borrow tools and money in an emergency, which was also the case for about half of our informants, could also have a negative impact on running their HEs. More had social support but even then 30 per cent have no one they can share a problem with and 25 per cent have no one they can turn to for advice. There were no differences by gender or education but there was a tendency for older people to have more access to support than younger ones. There is also a tendency for people who can call on support in one area to be able to call on it in others – for some people to be support-rich and others support-poor.

Figure 17: Support when Needed



Overcoming Risks and Barriers: Developing Successful HEs

What is Necessary

We first need to distinguish between *needs* and *wants*. *Needs* may be thought of as what is necessary to enable HEs to overcome barriers and militate against risks and *wants* are what HE operator would like to have. Understanding what is needed requires interpreting what HEs operators tell us in the light of other knowledge and evidence. From the information we gained from our HE informants, local government officials, key informants, our own observations and our analysis of the quantitative data we would suggest that the HE

operators have a fairly realistic view of what is necessary for them to improve their businesses and make a better life for themselves and their families. One group in the Northern Province had a very clear idea of what they thought was necessary to start an HE which reflects the views of many of the HE operators to whom we spoke :

You need good ideas, the ability to run a business, capital, advocacy, and support from the local authority. Starting an HE in this sector requires the following: awareness raising, training, access to finance, a decrease in taxes, cooperatives, marketing, entrepreneurship (so we do not expect a job) , a guarantee fund and reduced interest rates (FGD, NP, U).

We need training and skills development to teach us some practical skills because in the future we may not be able to keep doing this job, it may not enable us to earn a living (labourer, Kigali R.).

The needs that were most frequently identified were training in skills and running a business, access to finance and a reduction in the burden of taxation. Lack of demand and a saturated market were also raised as problems, especially for those making craft products or offering services in rural areas outside of tourist locations. In rural areas poor transport, lack of sufficient access to utilities, ICT and telephones were seen as constraints. Space (sites from which to operate) was also a barrier in some locations, with markets being poorly constructed, limited in their opening times and not being located where the potential customers are to be found. Lack of consultation and representation of HEs at a local level was seen as problematic by HE operators and a number of key informants including PSF officials. There also seems to be a genuine valuing of entrepreneurship. The majority of our informants run HEs because they had little option; the ones who were genuinely enthusiastic about running their businesses were the exception.

How Does the National Framework Measure Up?

In Chapter 1 we outlined the Government’s Framework for supporting HEs identified during Phase 1 of this project. We can now consider the extent to which it is meeting or can potentially meet the needs of HE operators and enable them to reduce their risks (or, put another way, to become more sustainable) and increase their productivity. We would point out, however, that our sample of HE operators is not representative of the HE sector in Rwanda generally in the sense that it is not possible to generalise from our sample to the total population of HE operators. However, given that there was strong agreement amongst our informants, HE operators, local government officials and other key informants, we can be fairly confident that we have identified a set of general problems and are able to identify the impact that Government policy is having. Also the number we interviewed was very small, so any one benefiting from a programme or project is probably indicative of that policy or programme having an impact on HEs more generally.

Knowledge of what support is available is clearly important. If knowledge of support is not available then HEs are not going to benefit from it. We asked the HE operators about a number of initiatives that the Government have in place to support HEs amongst others. A high proportion of respondents had heard of Umurenge SACCOs (a saving cooperative) and Imihigo (planning involving local communities), three quarters had heard of Vision 2020 Umurenge, and nearly two thirds had heard of the Women’s Guarantee Fund (Central Bank guaranteeing up to half of a bank/microfinance loan approved for women). However, less than half had heard of the Business Development Service or the Register of Trade. There was no difference between men and women but those living in Kigali or other urban areas were more likely to have heard of Vision 2020 Umurenge and Imihigo than those living in rural areas ($\chi^2 < 0.05$; Table 6).

Table 7: Government Initiatives

Project	Percent HEs Heard Of
---------	----------------------

Imihigo	85.2% However, none of them mentioned it as a means for them getting support for their HEs or as a way that they could get their concerns listened to.
Register of Trade	44.9 % However, none of our informants were aware of the new regulations requiring all of them to register with RDB.
Business Development Service	44.1% However, none of them mentioned having used the service.
Women's Guarantee Fund	64.0 % However, none of them had benefitted from it although a number of informants suggested that guarantee funds would help with access to finance. One informant said he had benefitted from the guarantee fund for discharged service personnel.
Umurenge SACCO	89.6% However, our informants pointed out that the Umurenge SACCOs were not yet in a position to lend money, although lending through cooperatives was seen by those who had experience of doing so as effective.
Vision 2020 Umurenge	76.5%

A second important factor is eligibility; who is able to benefit from Government programmes and from projects run by civil society organizations? Are they universal or are they restricted to some groups of HE operators? There are five main Government programmes in place that potentially provide support for those wanting to start HEs and for those operating them: the Business Development Service (BDS); the Rural Micro- and Small Enterprise Project; guarantee funds; Umurenge SACCOs and the Cooperatives Policy. The Government also identified VUP as part of its framework of support for HEs. Civil Society organisations mainly support HEs through specific projects, mainly providing training and access to finance, although some provide on-going support to 'graduates' and/or more general adult education. The BDS, Umurenge SACCOs and supporting the development of worker cooperatives (associations) are universal, they are broadly targets. However, the Rural Micro and Small Enterprise Project and guarantee funds are targeted at specific groups; the former mainly at women and youth in rural areas and the latter at women, youth and discharged service personal. Most of the projects run by civil society organisations identified during Phase 1 of this project targeted specific vulnerable groups, generally women, widows, orphans, people living with HIV/Aids and young people, mainly school drop-outs. VUP Vision 2020 is not targeted at entrepreneurial development but is a social protection programme target to the extremely poor. The first twenty areas for pilot projects were identified through a participatory process with the aim of identifying the poorest communities in each Province. The programme aims to give recipients skills for employment through a public works programme, training and financial support to improve agricultural production and financial assistance to households in

extreme poverty where no one is able to work. Four of the locations included in our sample were amongst those in the first pilot phase of the project²¹.

We found that some of our informants had benefitted from most of these programmes and projects. However, none of our informants had benefited from the BDS, although there was a Business Development Centre in one of the locations where we carried out our research. Umurenge SACCOs had been established in some of the areas we visited and about a fifth of our informants were a member of one. Forty one of our informants (just under a third) were members of worker cooperative. We also interviewed a very small number of people who had benefited from the Micro and Small Enterprise Project. One of our informants had benefitted from a guarantee fund. Forty per cent of our informants had had some post-school training, mainly provided by civil society organisations and development partners much of which seems relevant to running an HE (Appendix 3). None of our informants had benefitted directly from VUP but key informants involved with the programme were able to identify a couple of beneficiaries who had started HEs. Although the Governments TVET programme is only just being implemented we did identify some HEs who had benefitted from technical education.

The third key question is, are the programmes and projects in which our HEs participated meeting their needs, are they working from the perspective of the HE operators themselves? Worker cooperatives seem to be working. Our informants thought they benefitted from membership and key informants said that workers organised into cooperatives were able to grow their enterprises. Umurenge SACCOS are a new programme but membership is relatively low and concern was expressed that they were not, as yet, able to loan money. Those of our respondents who had been involved with the Rural Micro- and Small Enterprise Project clearly thought they had benefitted from it. The informants who had had vocational education were able to use the skills they gained to set up an enterprise and some of these were amongst the more successful. Although the number of beneficiaries of projects was high our respondents were generally negative about them although a couple mentioned being helped to get started by a project. The general view of our informants was that they were narrowly focused (in terms of supporting the start-up of HEs) on vulnerable groups. A number of the local projects pointed out that they have very limited funds available and this restricted what they could do. VUP has benefitted HEs indirectly by increasing demand in the areas where there are pilot projects for the goods and services provided by HEs (see Appendix 5 for a brief evaluation of VUP based on our interviews with co-ordinators.)

The framework that we identified in Stage 1 of this project contained a mix of policies (broad statements of what the Government plans to do) strategies (how the Government plans to implement policies) and programmes and projects that are implementing policies. We also noted that projects being run by civil society organisations were in line with Government policy in terms of supporting people into employment through training and material support; they also supported Government policy in terms of giving priority to working with vulnerable groups, young people and women. We can therefore ask three questions about the Government framework: does it have policies that are likely to support the growth of a sustainable and productive HE sector; are the strategies for implementation designed to achieve Government policy; and are Government policies being implemented and meeting the needs of HE operators? As we also pointed out there is no policy or strategy in place that explicitly targets the HE sector and the HE sector is rarely explicitly identified. Rather policies and strategies refer to SMEs and sometimes micro-enterprises or the informal sector and /or the need to engender entrepreneurship. HEs are also likely to benefit from Government programmes targeted more broadly but again we can ask if these take account of the needs of and are working for HEs²².

²¹ The first pilot projects started in 2008. There has been no formal evaluation of the programme, as yet.

²² Here we only refer to these policies etc if we have identified them as being part of the Government's framework for HEs. Other policies could be of relevance to HEs but may well not benefit them if their needs have not been incorporated in implementation strategies and

Table 8 sets out the key needs identified in our fieldwork, what Government policies, strategies and programmes are in place to meet them and the extent to which they are supporting HEs. We do so under what we have identified as five main underlying elements of the Government's framework.

programmes. An example is the recently developed trade policy which identifies priority areas for building exports, including two in which HEs are very active , tourism and handicrafts, but does not seem to recognise the needs of HEs if they are to be incorporated .

Table 8: Government Framework for Supporting HEs, Constraints/Needs Identified by HE Operators and Impact

Government Framework	Policies, Government for Supporting HEs ²³	Other Developments of Relevance	Constraints/Needs	Impact/ Potential Impact analysis Based on Findings from Research
Capacity Building	Entrepreneurship education in schools. TVET SME Policy and Business Development Service Cooperatives. Rural Micro and Small Enterprise Development Project. Cooperatives Policy	Projects (mainly run by civil society organisations). Local authorities sensitisation and training of HEs	Skills training. Training in running a business. Negative attitudes to HEs as source of employment. Market intelligence and accessing markets. Awareness rising about opportunities for HEs.	Education in entrepreneurship could encourage a more positive attitude to HEs as source of employment. Technical education could provide graduates with skills for setting up an HE. Worker cooperatives seem to be providing support for HEs and enabling them to become more productive. BDS probably not thought through to meet the needs of HEs but restructured service not yet operational. Training programmes and projects for starting HE targeted at vulnerable groups leaving large population without specific support. .Provision inadequate to meet need or potential demand. Little training available for established HEs and most do not seem to be benefiting from capacity building local authorities say they are providing.
Access to Financial Services	Umurenge SACCOs Land Reform Guarantee funds	Mobile Money (MTN) DfID Care International Microfinance	Lack of access to financial services to provide loans for investing in HEs. Lack of collateral. Lack of trust. Some HEs see loans from SACCO as too small	The initiatives taken to date do not seem to be enabling HEs with the capacity to gain access to financial services that meet their needs. Land reform does not seem to be providing HEs with legal title to land they can use as collateral. About three-quarters of HE operators save regularly and save with an institution but the amount they save is relatively small and only 10 save with a SACCO
Infrastructure roads and transport, utilities, ICT, work space		Identified in a number of Government policies including the employment policy and the Industry policy as necessary for supporting private-sector development.	Improved roads and transport in rural areas. Improved access to electricity in rural areas. More adequate workspace especially in rural areas and for Hawkers.	Improvements in infrastructure and in access to utilities have enabled HEs in some areas to increase their productivity. Those in rural areas are constrained by lack of transport and poor roads in exploiting more lucrative markets. Some HEs have adequate workspace in locations where there are customers for their goods and services but others are provided with poorly constructed market space and/or in markets away from where potential purchasers are. Hawkers face especially difficulties and it is too soon to know if the policy of licensing them and allocated them pitches will work.
Regulatory Framework	Local taxes and charges Business Registration	Regulations on town zoning etc, health and safety.		Taxes seen as too heavy a burden. Need for regulations not well understood and seen as making it difficult to earn a living for e.g. bicycle-taxis
Governance	Imihigo	Private-sector Federation. Trade Unions.	Lack of consultation by authorities. Complaints and grievances not dealt with.	Imihigo does not seem to be giving HE operators a 'voice'. Not yet possible to determine if PSF representation will help.

²³ Although not directly identified by Government we are including here projects run by civil society organisations targeted to supporting HEs. coordination in support is essential.

CONCLUSIONS

Revisiting the Capability Framework

In the introduction we raised three main questions relating to the potential for HEs to grow and flourish. These can be summarised as: do HE operators (and potential operators) have the capabilities necessary to operate successful businesses and is there the social, economic and legal framework in place to enable them to convert their capabilities and to function as successful HE operators? In the *Diagnostic Report* (Abbott *et al* 2010) we indicated that quite a lot of information on HEs was already available but that to enable the Government to develop its policy framework, strategy and programmes for supporting HEs further, more information was needed on key issues. This report set out to provide more nuanced and detailed information to answer these questions. Most importantly of all, we set out to consider the impact that Government policies, strategies and programmes are having on HEs. In the *Diagnostic Report* we provided a table setting out a capability set for HEs and the barriers and potential for overcoming constraints for building capabilities and supporting their conversion so HE operators were able to improve their productivity and reduce their risks. We reproduce a modified version of this table in this report (Table 9) to incorporate the findings from the field work which we have discussed above.

Our findings confirm those we came to in the diagnostic report. Most of those running HEs lack basic capabilities and the infrastructure and societal legal and fiscal framework is inadequate to support the conversion of capabilities into functionings. In other words, those operating HEs do not, on the whole, have the necessary skills and competences to run successful businesses and the support mechanisms that they are able to access are inadequate. However the Government has identified most of the constraints and has policies and programmes in place to remedy the deficits. In most cases it is too early to determine if they will work, but one serious constraint to them doing so is the failure of the Government to recognise the sheer size of the sector and the important ways in which HEs differ from other enterprises. Equally important is the failure to recognise that HEs are heterogeneous. While some, almost certainly a minority, are comparable to other small businesses and will benefit from mechanisms to support the growth of the private-sector generally others are livelihood activities undertaken to make a living and in some cases literally to survive. Support needs to be targeted to meet the needs of different segments within the HE sector.

Going Beyond EIVC2

What do the findings from our research tell us about HEs that we did not know before? What answers can we give to the questions we said needed to be answered to enable us to understand better the sector and provide information for government to target support to the sector better?

➤ **Why do people start up an HE?**

Most of our informants set up an HE because they needed to make a living and saw few if any alternatives. They generally lacked marketable skills for the types of employment they thought preferable and in rural areas had insufficient land to meet the subsistence needs of their families. For some it was to supplement other 'employment' but for others it was literally the only way they could see to survive. For a few it was because they had gained skills through technical education and starting an HE was a way of using these to make a living. Others saw it as an opportunity to make a better living. For a minority it was a positive choice. They wanted to become self employed.

➤ **Why they set up the type of HE they do?**

Limited skills and education combined with lack of capital meant that most set up an enterprise as a trader. In rural areas demand for the products and services of HEs other than those in trade were

low. Those with technical skills or who were able to learn skills (generally from relatives or friends) used them to start an HE if they had the necessary capital to invest.

➔ **The barrier/problems they encountered in setting up an HE. What do they mean when they say capital, finance, and credit are problems?**

Access to finance and credit is difficult due to lack of capacity to write business plans and lack of collateral. This often limited the type of HE they could start. Some HEs were clearly undercapitalised and might benefit from an injection of capital and some might more easily be able to run their HE if they had access to working capital. However, not all HEs have the capacity to handle credit and lack of access to capital did not preclude the setting up of an HE and growing it in to a sustainable if not successful enterprise.

➔ **What opportunities do they see for other types of HEs and why did they did not operate that type of HE?**

Our informants did not have many clear ideas of what opportunities there were for specific types of HEs. Those in commercial centres and tourist areas said there were lots of opportunities for HEs to be started. Those in rural areas generally thought that there were few opportunities and especially for those other than in trade. They did, however, suggest that better transport and roads would enable greater access to markets and enable a better living to be made.

➔ **How does the HE fits in with their/their household livelihood strategy?**

The majority of HEs provide employment for one household member and only a small minority 'employ' another member of the household, most usually a spouse.

➔ **What are their ambitions, do they want to grow their HE?**

There was little evidence that more than a very few wanted to grow their HE as a business. Conversely few were satisfied with the income they were getting from their HE and would like to earn more from it.

➔ **What support do they get from projects and organisations, where can/do they get help and advice?**

Sources of support and advice seemed to be sparse. A few mentioned the support from their cooperative and a couple mentioned the Rural Micro and Small Enterprise Project. Mutual self help was mentioned by some especially in regards to skills development and learning how to run an HE.

➔ **What helps them to run their HE?**

The main things that help them to run a successful HE are: adequate investment; appropriate space to operate ; demand for the goods and services they are offering; access to markets and customers; the necessary infrastructure; and appropriate support.

➔ **What hinders them in running their HE?**

The main things hindering them running their HEs are: adequate access to finance; poor/inadequate work space; lack of demand; lack of the necessary knowledge of how to run an enterprise; lack of skills

➔ **What policies, programmes and projects would enable them to run more effective and efficient HEs?**

There is a clear need for training in running a business, but this needs to be tailored to the needs of HEs and indeed the different types of HEs. There is also a need for skills training to enable HEs to move into areas where they could make a better living. Sensitisation about the opportunities there are for HEs would also be of benefit. Worker cooperatives also seem to be providing support for some HEs. Ways to support HEs gain access to finance is important. Scaling-up projects that provide support to those starting an HE would also seem to be critical.

Conclusions

Clearly there are successful HE operators who are making a good living and have plans to expand their operation in the future. They generally have the necessary skills to run their business and have strong demand for the goods or services they are offering. At the opposite end of the spectrum are operators who are barely making a living, who are struggling to survive and who see no possibility of things improving. However, the vast majority of our informants were trying to make a living and hoping that things would improve in the

future. They wanted to be able to provide a decent living for themselves and their families but often faced barriers they found difficult to overcome.

For most of our informants running an HE was not the preferred way of making a living. It was the option open to them. They saw many positive aspects to running an HE mainly related to the income it provided for them and their household. For some it provided a decent living, for others it supplement income from other sources and for yet others it literally enabled them to survive. For the majority the HE provided the main source of income, even for those who said the HE was supplementary to other employment. For some it enabled them to spread risk providing an income if other sources failed. However, the risks of running an HE are high without any of the protection provided by regular paid employment in the formal sector. This is probably why a majority see investing in their children's education to enable them to get white collar as important and why young people with an education want to gain such employment.

In highlighting the difficulties and the deficits we want to stress that some are succeeding despite the problems and that paying attention to success as well as failure enables us to highlight how more can be supported to become successful – how we can reduce the risks and increase the profitability of HEs. We also want to stress that even the most successful of the HEs were concerned about lack of access to finance, the high rates of interest, the short repayment periods and the amount it was possible to borrow and majority of those who paid taxes though they were too high although they accepted the need to pay them. Concern about the inability of HEs to make their needs and concerns known to the local authorities and the lack of anyone to represent them was also the view of virtually all the HE operators to whom we spoke. There was a generally lack of trust of other people in and this militated against cooperative loan schemes, although local authorities and civil society organisations had worked with groups successfully and some of our informants wanted the authorities to help them form a loan cooperative. Most of our informants did not have strong social support and were concerned about how their business could operate if they were ill. However, mutual support was also one of the things that was helping people to start HEs and keep them running.

The level of education of the majority of our operators was generally poor and few had had training for running an HE. Some had TVET but most had learnt their skills through on-the-job training at best. There was a high level of demand for skills training with most identifying a need for training in running a business and some indicating that they needed skills training to start an HE in a gap they had spotted in the market. Whilst most claimed that they could not get loans because they did not have adequate security there was some evidence that lack of skills in writing a business proposal might also have been a factor. However, none identified Business Development Centres as a potential place to get training even though around half had heard of the service and centres existed in some of the locations where we carried out our research. Nor did our sample identify any civil society organisations that were helping HE operators develop skills and competencies in running their businesses.

Although a majority of our informants said that they tried to save some money it was evident that for the majority this was not sufficient to provide funds for future investment or even, in some, cases replace worn out or outdated equipment. Virtually all our informants had a mobile 'phone and some used in their business, for example clients 'phoning to make appointments. However, few had heard of mobile money and none had used it. Only a few used computers and only a couple the internet. Those in urban areas had access to internet cafes but did not know how to use a computer or how it might help them in their businesses. However, a small number could see potential for using computers and the internet if they were trained.

Access to infrastructure was generally adequate in urban areas but more problematic in rural ones. In rural areas our informants told us that poor roads and lack of transport both increased their costs and limited their markets. Access to clean water and electricity was also more difficult in rural areas. The main issue with

water was the time taken to collect it. Only a small number of HEs said that lack of electricity was a problem. Places to work were generally adequate in urban areas with security and cleanliness overseen by the market authorities. However, in some rural locations concern was expressed about the opening times of markets and about cleanliness. Hawkers were generally harassed by the police although they were tolerated in some rural areas. Concern was expressed in one urban area that the market did not attract customers but they could not operate where the customers were because the authorities did not permit it.

Generally the law was enforced; HE operators felt that they and their property were protected, with the exception of hawkers who reported that the police confiscated their goods. There were legal regulations and frameworks in place and as far as we could tell taxes were collected in accordance with the rates set by local authorities. Legal regulations were sometimes a cause of conflict between HE operators and local authorities mainly because the HEs did not understand the need for them. Those operating bicycle taxis did not understand why they were not permitted to operate on the tarmac roads where they could easily attract customers. Local authority officials, however, pointed out that it was dangerous for the taxi operators, their customers and other road users if they operated on busy roads. There were similar issues around health and safety regulations relating to the sale of food.

To conclude: the HE operators to whom we spoke, the local authority officials and other key informants we interviewed all agreed that HE operators were working hard to make a living for themselves and their households. Some were doing better than others, a few had ambitious plans for the future and wanted to expand their businesses, others saw themselves as continuing to make a reasonable living and yet others saw no possibility of moving from a situation where life is a constant struggle for survival. Many felt frustrated because they saw opportunities to grow their business and improve their income but could not get access to the necessary capital to invest and others felt some resentment that they were working hard to make a living but having to pay what to them seemed unreasonably high levels of taxes. They all agreed that the three main things that would enable them to reduce risk and make their businesses more productive were easier access to finance, a reduction in taxes and access to skills development and business training.

Table 9: Capability Set and Overcoming Constraints

Capability Set	Situation as Identified in <i>Diagnostic Report</i>	Government Policies and Programmes	Projects , Programmes and Organisations etc	Findings from Fieldwork
Individual				
Education/training/ skills	Low level of education, lack of marketable skills and of entrepreneurial skills.	Two programmes AGASEKE Promotion Project (KCC) and the Rural MSE Promotion Project (MINICOM) provide support for existing enterprises including HE ²⁴ s. 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. Local authorities are responsible for providing adult education. TVET	Most of the projects to support HEs include basic education, employment skills training and entrepreneurship. (Few have been evaluated and numbers served are small compared to need.	<p>Low levels of education and high demand for training in business skills and access to finance.</p> <p>Some of our informants from the Northern Province had benefitted from the Rural SME Promotion Project.</p> <p>None of our informants had used the BDS although 44 per cent had heard of the service</p> <p>The VUP Programme was operating in four locations. Beneficiaries were not generally setting up HEs but HEs were experiencing increased demand.</p> <p>Some Informants had benefited from Civil Society programmes but they mainly supported the start-up of HEs by women, youth and people living with HIV/AIDS</p> <p>None of our informants reported having accessed adult education provided by local authorities.</p> <p>Some of our informants had attended TVET and were operating HEs using the skills they had gained. There is clearly a need for more technical education and some HE operators would benefit from more training in technical skills.</p> <p>On-the-job training (apprenticeship had also enabled a number of our informants to gain the skills to start an HE.</p>
Trust	Trust in other people low.	Community Development Policy aims at building trust and social capital.		There was very low general trust in other people although marginally higher amongst our informants than in the World Value Survey for Rwanda. Lack of trust is a barrier to forming SACCOs.
Health	Poor health	Mutual health insurance		There was high membership of the Mutual Health Insurance amongst our informants. However, they saw illness as a major risk.
Gender	Cultural attitudes to women are poor especially in rural areas. Women are disadvantaged in the labour market.	Strong support for gender equity. Women's Guarantee Fund for credit. Women specifically targeted in	A number of the projects offered by NGOs etc specifically target women.	We find little evidence of cultural values impacting negatively on women, although the majority of the hawkers who reported being harassed by police were

²⁴ 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 Abbott *et al* 2010 for more detailed information.

		Government programmes.		women. A number of the projects we identified were targeted at women. 64 percent of our informants had heard of the Women's Guarantee Fund but none had benefitted from it.
Age	High levels of 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 ²⁵ .	Youth Policy but no specific programmes to support youth in setting up businesses.	A number of the projects run by NGOs to support the start-up of HEs target young people.	Many of our informants had started HEs due to no alternative employment being available and others had started an HE as part of a livelihood strategy to improve their standard of living and spread risk.
Confidence	Low levels of confidence especially amongst women. Low levels of willingness to take risks.		NGO projects aim to build confidence.	We found no evidence of lack of confidence amongst the female HE informants. We found little evidence of an unwillingness to take risks.
Assets/savings	Low levels of savings and lack of assets. Risk averse and poor access to microfinance etc.	Land Registration Programme Umurenge SACCOS	NGOs running projects provide support in getting access to microfinance.	Most of our informants saved but the amounts were very low and inadequate to use to invest in expanding their enterprises. Most had a bank account (commercial bank, microfinance, cooperative).
Market intelligence	Poor access to market intelligence.	Cooperative Policy encourages marketing coops but Policy not working well. <i>The Rwanda Craft Industry Sector Strategic Plan</i> will support artisans with marketing BDS but not really aimed at HEs and only just re-launched	A number of projects, including the two Government programmes, organise selling cooperatives.	Our informants did not generally report market intelligence as a problem. However, in rural areas outside of tourist locations HEs reported poor demand for their products and support in marketing them would be of benefit. The high concentration of HEs in trade suggests that awareness raising of opportunities for starting HEs in other sectors would be useful. Raising awareness is a key element of Government Policy.
Time	High levels of underemployment especially in rural areas suggests that time is not a problem although women have less 'spare' time than men.			Our informants all worked long hours with women on average working 10 hours a week more than men when domestic and child care responsibilities were taken into account. The majority of our informants run their HE as their sole or main form of livelihood and did not provide employment for other family members.
Social support	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		There was evidence of strong family support and some community support, however general trust in others is low. Cooperatives both for saving and organising HEs are proving to play an important role and some local authorities have made significant progress in organising workers into trade cooperatives.
Infrastructure				
Roads and transport	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 of investment needed is high and improvements will take time.	Buses are not designed for those who may wish to travel carrying goods for marketing.	Our informants in rural areas raised concerns about the state of the roads and the availability of transport. This was said to limit their ability to take advantage of higher levels of demand for their goods and services in urban areas.
Water and sanitation	Water and sanitation needs significant upgrading especially in rural areas where women often	The Government has targets for improving access to improved sanitation and safe		Few of our HEs used water in their enterprises but in rural areas people often had to walk long distances to

²⁵ 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.

	have to spend a significant amount of time collecting water.	water but as with roads the investment required means that it will take time for all rural areas to be adequately served.		collect water. Public toilets of an acceptable standard were available in most of the trading centres and markets we visited.
Energy	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 scaleup electricity access from 9% to 16% over the next five years. This may help HEs in urban areas outside Kigali.		In urban areas electricity was available but not generally in rural areas. A few of the HEs mentioned that lack of electricity was a constraint , for example, not being able to use an electric sewing machine.
Tools and other basic equipment	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.		Most of our informants did not run enterprises that used tools and equipment. A number did mention, however, that buying tools and equipment to start up their enterprise had been a challenge and that they were not certain how they would replace them when they wore out.
ICT	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.		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.	About 60 per cent of our respondents had mobile 'phones and the network was operational in all the locations we visited. Others claimed not to have access but our community profiling suggests that virtually all the HEs had access to public 'phones. However, we found little evidence that 'phones were used in operating their enterprises. A few said they used them to keep in touch with customers and a small number had used mobile money. However, access to using mobile money is restricted to those in urban areas. Use of computers was very limited and use of the internet even more so. A couple did say that access to computers could help them with running their enterprise. More than one focus group laughed when they were asked about using computers and the internet.
Land	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 may have been operating on land of which the Government takes over ownership of and lose their sites of operation.		None of our informants mentioned that being able to register their land would give them collateral to raise loans, although a majority mentioned lack of collateral as a barrier to getting finance.
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.	None of our informants raised real concerns about the security of their property. However, none of them mentioned having insurance for their property although fire and theft were identified as risks. Market managers pointed out that security was a risk and that markets provided a safe and secure place for HE operatives to work in. So HEs reduce their risk by working the market but they have to pay for security.

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. Hawkers are being sensitised of the need to register with RDB in order to be able to operate. Hawkers are also being organised into cooperatives and licensed to operate on the streets.		Hawkers amongst our informants operating in urban areas who were not in a licensed cooperative were frequently stopped by the police and had their goods confiscated. In rural areas hawkers seemed to be more generally tolerated. In urban areas some hawkers (phone card sellers, souvenir sellers, news paper sellers) are able to operate on the streets where potential customers pass by but those selling fruit and vegetables are generally restricted as to where they can work. The space allocated is frequently not where potential customers are to be found. We found no evidence of space being a problem but the location of markets, the maintenance of the market and facilities offered and cleanliness were all raised as a problem in some of the focus groups.
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.		We found no evidence of corruption by officials collecting taxes and fees. None of the informants in our focus groups raised this as a concern although many said that they found paying fees and taxes difficult.
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. The Laws on local taxes and charges are in place.		None of our informants were aware of the requirement to register with RDB. Our informants who worked outside of markets and trading centres did not pay Pantene or cleaning charges although legally they should. As far as we could tell the local authority had not attempted to collect taxes etc from them and our informants seemed to be unaware that they should register and pay them. Our informants complained, however, about how high taxes and charges were and local officials and tax collectors agreed that many HE had difficulty in meeting these charges. Pantene was generally only collected from those operating in markets and trade centres yet the law requires that all those engaged in non-farm enterprises pay it. One of our informants, a craftsperson working in stone complained about the lack of ability to enforce copyright. Other concerns raised were lack of consultation and local authorities arbitrarily moving HEs as they developed their town master plan. .
Finance/ Microfinance	Access to financial services is low especially in rural areas. Demand also seems to be low by HEs	The Government has put in place the Umurenge SACCO Strategy so that every	A number of projects support clients in getting access to	The main source of financing to start an HE was household savings followed by borrowing from friends

	but those who are able to get access through projects seem to take it up. Interest rates are very high and repayment periods short.	village has access to financial services. It is too early to tell if the scheme will work. Government Guarantee Funds to support women, youth and ex-service personal	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.	and relatives. Access to finance for starting up and running an enterprise was reported as a major constraint. Most wanted to have access to finance and local officials agreed that it was difficult for HEs to get access to the finance they needed. However it was clear that many of them did not earn sufficient to support borrowing. However, some of our informants had had loans from financial institutions and understood what was required in order to make a successful application for a loan. Concerns about high interest rates, the amount it was possible to borrow and the repayment period were raised by some of those who had had loans. . One informant had benefitted from the guarantee fund for discharged service personal. Those who had borrowed through cooperatives seemed generally satisfied but concerns were raised by others about group borrowing. There was little understanding or knowledge of 'Mobile Money' although a few of our informants had used it. Guarantee funds were seen by the HE operators we interviewed as a way the Government could support them in gaining access to credit.
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 policies to tackle crime and theft. Local authorities have the responsibility of regulating the use of public space and they and the police enforce the regulations.		HEs were generally restricted to operating in markets and trading centres in urban areas although restrictions were generally less strictly enforced in rural areas. In urban areas licensed hawkers are permitted to operate in public space but may be restricted as to where they can 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 entrepreneurship.		We found no evidence of risk aversion and/ or of negative attitudes to women running HEs. We were struck by the determinism to make a living and provide a better future for their children shown by many of our female informants in rural as well as urban areas. However, it was evident in the FGDs that running an HE is seen as a poor alternative to having a white collar job. Informants wanted their children to have a better future (which they generally saw coming from getting an education and paid employment).

<p>Employment opportunities</p>	<p>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.</p>	<p>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 startup enterprises. It is unclear what support is being put in place to support this.</p> <p>The SME Policy identifies 10 value added areas and a number offer opportunities for HEs including tourism, agro-processing, handicrafts, cut flowers and textiles.</p>	<p>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.</p>	<p>There was said to be opportunities for developing HEs but little was said about what the opportunities were and there was no evidence that there had been any sensitisation about what the potential opportunities are. Some informants suggested that difficulty in raising capital made it impossible to start an HE requiring capital investment.</p> <p>In rural areas those trying to run HEs in sectors other than trade found it very difficult to make a living due to low demand for their services and products. The one exception to this was rural areas visited by tourists where HEs making craft goods reported that they were doing well. In one of these rural areas informants reported having been helped by the Government's Rural Micro and Small Enterprise Promotion Project. They generally reported that they were doing well.</p> <p>In general HEs in urban areas were more successful than those in rural areas although some reported that increased competition meant they were not doing as well as in the past.</p> <p>Hawkers generally struggled to make a living especially those operating without a licence.</p>
<p>Human Rights</p>	<p>We have found no evidence that human rights violation impede people setting up HEs. The Private-sector Federation represents the interests of the private-sector but seems not to have recognised the HEs. The Trade Unions are mandated with representing HEs in sub-Saharan Africa but we found no evidence that they were organising HEs in Rwanda</p>	<p>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.</p>	<p>A number of the projects are specifically targeted at women and concerned to empower them.</p>	<p>We found no evidence of human right violations. The HEs generally thought they had little voice and that local authorities did not consultant them and did little to resolve problems and complaints when they raised them. In one location where we did research the informants told us that the representative from the PSF had helped them in dealing with the authorities. No mention was made of the trade unions. We met PSF officials who told us they are now responsible for representing HEs and they agreed with the HEs that they were not adequately consulted. Conflict over space, especially in urban areas infringes on the rights of men, women and children to be free for poverty and hunger. Depriving poor people of the goods with which they are trying to make a living , while legal, does them and their household vulnerable to extreme hardship.</p>

REFERENCES

- Abbott, P. (2010). *Fieldwork Manuel for Household Enterprise Project*. Kigali: IPAR: Rwanda.
- Abbott, P and Battoni, F. (2010). *Assessing Drivers of Employee Satisfaction in the Private and Public Sectors in Rwanda* Kigali: IPAR-Rwanda.
- Abbott, P. and Rwirahira, J. (2010). *Millennium Development Goals Rwanda Country Report 2010*. Kigali: UNDP.
- Abbott, P. with Musana. S., Murenzi, I. and Mutesi, L. (2010). *Rwanda Country Study: Raising Productivity and Reducing Risk of Household Enterprises. Final Diagnostic Report*. Kigali: IPAR-Rwanda.
- Bumbakare, P. C. (2009) *Local Taxes as Impediment for SME Formalisation: What is being done*. Kigali: Rwanda Revenue Authority.
- Brossard, B. and Foko, B. (2008). *The Cost of Financing Higher Education in Francophone Africa*. Washington DC: World Bank.
- Department for International Development (2010). *Access to Finance Rwanda Programme Document*. London: DfID.
- Foreign Investment Advisory Service (FIAS) (2005). *Rwanda: Mini-Diagnostic Analysis of the Investment Climate*. Washington: International Finance Corporation and the World Bank.
- Foreign Investment Advisory Service (FIAS) (2006). *Sources of Informal Economic Activity in Rwanda*. Kigali: National Institute of Statistics of Rwanda.
- FinMark Trust (2008) *SCOPE Rwanda 2008*. Marshaltown, SA: FinMark Trust.
- Halpern, D. (2009). *The Hidden Wealth of Nations*. Cambridge: Polity.
- Gaal, M. (2010). Rwanda Non-Farm Household Enterprises, Appendix 3, in Abbott *et al* 2010 op cit.
- Ministry of Health (2008). *Environmental Health Policy*. Kigali: Government of Rwanda.
- Ministry of Trade and Industry (2006a). *National Policy on Promotion of Cooperatives*. Kigali: Government of Rwanda.
- Ministry of Trade and Industry (2006). *National Industrial Sector Promotion Policy*. Kigali: Government of Rwanda.
- Ministry of Trade and Industry (2009a). *Ministerial Order N° 2/09/MINICOM of 8/05/2009*. Kigali: Government of Rwanda.
- Ministry of Trade and Industry (2009b). *MINICOM Action Plan 2009 -2010*. Kigali: Ministry of Trade and Industry.
- Ministry of Trade and Industry (2009c) *Rwanda Craft Industry Strategic Plan*. Kigali: Government of Rwanda.
- Ministry of Trade and Industry (2010). *Small and Medimum Enterprises (SMEs) Policy*. Kigali: Government of Rwanda.

- National Institute of Statistics of Rwanda (2007). *Enquete Sur Le Secteur Informel 2006 - Micro Et Petite Enterprises Au Rwanda: Rapport Final*. Kigali: Government of Rwanda.
- Nussbaum, M. and Sen, A. (eds) (1993). *The Quality of Life*. Oxford: Clarendon Press.
- Private-sector Federation (2008). *Rwanda Business Operators Census Report*. Kigali: Private-sector Federation.
- Republic of Rwanda (2007). *National Employment Policy*. Kigali: Republic of Rwanda.
- Ritchie, J. And Spence, L. (1993) Qualitative Data Analysis for Applied Research, in, Bryman, A. and Burgess, R. (eds) *Analysing Qualitative Data*, London, Routledge.
- Ronnas, P., Backeus, K. and Scheja, E. (2010). *Rwanda Forging Ahead: The Challenge of Getting Everyone on Board*. Geneva: International Labour Office.
- Rwanda Development Board (2010). *Trade Policy* (draft). Kigali: Government of Rwanda.
- Sen, A. (1999). *Development as Freedom*. Oxford: Oxford University Press.
- Steel, W. and Snodgrass, D. (2009). *Raising Productivity and Reducing Risks of Household Enterprises: Diagnostic Methodology Framework*. Washington DC: World Bank.
- Strode, M, Wylde, E. and Murangwa, Y. (2007). *Labour Market and Economic Activity Trends in Rwanda*. Kigali: National Institute of Statistics of Rwanda.
- World Bank (2007) *Country Economic Memorandum*, Vol. 2. Washington: The World Bank.
- World Bank (2010). *Rwanda Non-Farm Household Enterprises* ,in Abbott *et al op cit*.

APPENDICES

Appendix 1: Trading Licence Charges, Local Taxes and Fees

Legal Framework for Pantene (Trading Licence)

Type of Activity	Base P ¹	Rural Areas	Towns	City of Kigali
Vendors without shops, small scale technicians who do not use machines, transporters of people and property motorcycles.	PA	1PA	2PA	2PA
Traders and technicians who use machines.	PB	5PB	10PB	20PB
Any transportation not mentioned under A.	PC	10 PC ²	10PC ²	10PC ²
Self employed hotel businesses	PD	5PD	30PD	100PD
Professional taxpayer services rendered to others and the like.	PE	10PE	20PE	20PE
Industries.	PF	80PF	100PF	120PF
Imports and Exports.	PG	120PG	120PG	120PG
Insurance, banking and the like.	PH	100PH	100PH	100PH

¹Source: Law No 33/2003 of 06/92003 Modifying and Complementing Law N° 17/2002 Of 10/05/2002 Establishing the Source of Revenue for Districts and Towns and its Management, P6; ¹ Set annually by local authority with maximum of 2,000FRW for PA a year ; ² for each vehicle.

Data on Pantene and Taxes and Charges Provided by Market Managers and other Local Officials

Location	Pantene Annual ¹	Market Fees ²	Cleaning and Security	Electricity and Water
Western Rural	4,000 FRW ³	200 FRW a day	200 FRW for market staff and 1,000FRW for security	No water or electricity provided . those that have water pay directly to RWASCICO
Western Urban	4,000 FRW for stalls 20,000 FRW for shop	35,000 FRW rent including cleaning fees 200 and 100 FRW a day for stall in open including security and cleaning.	1,000, 400 or 200 FRW for security depending on size occupied.	No water or power provided.
Kigali Rural	Market Stall – 4,000 FRW Kiosks – 20,000 FRW	Market stall 1,000 a month Kiosks , 2,000 a month	100 FRW a day	
Kigali Urban	2000 FRW	3,000 FRW a month	2,000 a month	
Kigali Pilot	4,000 FRW	4, 000 FRW a month ⁴	3,000 FRW - 10,000 FRW a month depending on size of HE for cleaning 600 FRW – 1,500 FRW for security	900 FRW a month
Northern Urban	4000 FRW pitch in open 10,000 FRW stall 20,000 FRW small shop	4,000 FRW selling goods on ground 6,000 FRW market stall – in open 10,000FRW stall under cover 20,000 FRW kiosks including security and cleaning		Purchase power and water from a private company 20 FRW charge for everyone for using the public conveniences
Northern Rural	2,000FRW -stall 10,00FRW – small shop	2,000 FRW a month	Security: 1,000 FRW small shops. 200 FRW stalls. Cleaning: 1,000 FRW and 500FRW.	
Eastern Urban	5,000 FRW food 8,000 FRW clothes 20,000 FRW small shop	5,000 FRW a month including security and cleaning	Security and cleaning fees included in market fees.	20 FRW a month for power, no water
Eastern Rural	20,000 FRW for shop 4,000 – 2,000 FRW, depending on size.	5,000 FRW a month for small shop 1,000 FRW for stall	1, 000FRW and 500 FRW for security 500 FRW for cleaning	Power and water paid for by those who use it

¹ Only one official said that Pantene was collected from HEs working outside of markets and trading centres and others indicated that it was only payable by those operating in trading centres and markets. ² Some local officials referred to these as taxes and one said that they also collected 'taxes of 1,000 FRW a month from HEs operating outside of markets. ³ Those just starting pay 100-300 FRW a day until they are able to pay the full amount. ⁴The young men working as shopping carriers are exempt from Pantene and other charges to enable them to save and move –up.

Appendix 2: Scales

Deprivation Scale

Essential Food
Basic Clothing
Fuel for Cooking
Potable Water
Medical Care
Medicines

CA = 0.94

Appendix 3: Sample of HEs

Pilot

Occupation	Location	Gender	Age	Education	Sole	Only/Main/supplementary
Sells air time	Kigali	Male	22	Incomplete primary	Yes	Sole
Retail Trade	Kigali	Male	35	Complete Primary	One HH member	Only
Retail Trade (new cloths)	Kigali	Female	44	Complete Primary	Yes	Only
	Kigali	Male	31	Incomplete secondary	Yes	Only
Technician	Kigali	Male	30	Senior Secondary	Yes	Only
Helper with shopping	Kigali	Male	25	Incomplete primary	Yes	Only
Sells Tomatoes	Kigali	Female	28	Incomplete Primary	Yes	Only
Seller of fish (whole sale)	Kigali	Female	41	Incomplete secondary	Yes	Only
Cycle carrier/taxi	Kigali	Male	29	Complete Primary	One HH member	Only
Other Services	Kigali	Female	refused	Incomplete secondary	Yes	Only
Hair dresser	Kigali	Female	refused	Incomplete secondary	Yes	Only
Other Services	Rural	Female	34	Complete primary	Yes	Only
Sewing	Rural	Female	48	Incomplete secondary	One HH member	Supplementary
Shoe repair	Rural	Male	41	Complete Primary	Yes	Main
Construction	Rural	Male	47	Incomplete Secondary	Yes	Main
Arts and craft	Rural	Female	51	Incomplete Primary	Yes	Supplementary
Manufacturing paint	Rural	Male	39	Complete primary	Yes	Main
Carpenter	Rural	Female	62	Incomplete primary	Yes	Main

Main Study – Answered SI

Kigali	EP	WP	NP	SP
Retail trader	Boutique	Seller	Sorghum seller	Hairdressing
Bean seller	Food retailer	Sambaza ²⁶ seller	Basket weaving	Welding
Vegetables seller	Ground nuts and flour seller	Mini-motorcyclist	Welding	Selling beans
Household utensils retailer	Trading clothes and tailoring	Airtime seller	Builder	Bicycle taxi
Porter/manual labourer	Tailor	Sambaza trader	Motorcyclist	Artist (designer)
Potato Seller	Charcoal and firewood seller	Motorcycle taxi	Tailor	Hair dresser
MTN card seller	Charcoal seller	Artist (makes postal cards)	Handcraft	Shoes repairer
Local brew	Charcoal seller	Hair dresser	Charcoal seller	Vegetables seller
Radio repair and weight & scales	Beans and sorghum trader	Tailor	Painter (construction)	Carpentry
Seller of various vegetables	Handcraft	Bicycle taxi	Taxi	Tailor
Retail trader shoes	Traditional drink seller	Motorcycle taxi	Saloon (hairdresser)	Tailor
Tomatoes seller	Cassava flour seller	Photographer	Basket weaving	Tailor
Retail trader Charcoal	Cassava flour seller	Milk seller	Basket weaving	Trader
Charges phone	Tailor	Silk screen printer	Cobbler	Weaving

²⁶ A small fish.

batteries				
Cobbler	Charcoal seller	Mechanic	Sells clothes at home	Hair dresser
Hawker	Traditional beer seller	Seller in market	Small business shop	Tailor
Retail - fruit and vegetables	Cloths retailer	Artist (Sculptor)	Saloon	Trader
Retail trader –second-hand clothes	Kitchen utensils retailer	Beans seller	Stationary	Cobbler
Watch repairer	Food products retailer	Tube seller	Grinding	Cobbler
Manufactures and sells fabrics	Second hand clothes seller	Seller in market	Carpet Weaving	Tailor
Tailor	Knitting	Paint and soap maker	Charcoal burner	Bicycle repairing
Canteen operator	Charcoal seller	Business Consultant	Builder (construction)	Selling mixed stuff in market
Retail Trader - Vegetables	Onions and peanuts seller	Beans and sorghum seller	Milk trader	Tailor
Shop keeper	Retail trader	Vegetable retailer	Carpentry (construction)	Sand quarrying
Shop keeper	Traditional beer seller	Fruits seller	Painter, carpentry and welding	Carpentry
Retail trader (clothes)	Second-hand clothes seller	Hawker	Soundtrack, computer repair and montage	Motorcyclist
Food seller	Traditional beer seller	Knitting	Trade in market	Selling clothes
Retail trader	Knitting	Seller spare parts	Electrician	Selling charcoal
Cobbler		Ssambaza seller		Selling cassava flour
Tailor		Hairdresser		Tailor in the market
		Sambaza seller		Tomato seller
		Fishing sambaza		

Appendix 4: Apprenticeships and Post School Training

Apprenticeships

- Weaving 4
- Hair dressing 4
- Carpentry 4
- Welder 3
- Painter 2
- Photographer 2
- Dj 1
- Motorcyclist 2
- Electricity repair 1
- Hand crafts 4
- Tailoring 13
- Artist 1
- Construction 3
- Soap making & cloth colouring 1
- driving 2
- Mechanics 2
- Cooking and organising parties 1
- Trader 6
- Cobbler (shoes repairing) 3
- Bicycle mechanics 4
- Making butter 1
- How to make fertilisers 1

Post School Training

- Local administration 2
- Entrepreneurship 10
- Human right 2
- Conflict management 2
- Computer sciences 2
- Montage developing 1
- Electricity
- Hand crafting 3
- Project management 2
- Improvement of quality hand crafts 1
- Elections 1
- Tailoring 6
- Cobbler (shoes repairing) 1
- Bicycle mechanics 2
- Hair dressing 1
- Building 1
- Charcoal burning 1
- Cleaving streets 2
- Health education 1
- Financial management 2
- Traffic laws 1
- Unity and reconciliation 4
- Designers 1
- Trade 4
- Repairing radios and scales 1
- Helping traumatised people 2
- Civic education 2
- Planning 1
- Helping people infected with HIV 1
- Syndicalism 1
- Negotiation 1
- English 1
- Job creation 1
- Insurance 1
- Working with banks 1
- Book keeping 1
- Gender based violence 2
- Nutrition 1

Appendix 5: Training Providers

- Duterimere 3
- Human right commission 2
- Profemme
- EPR 2
- Kigali media production
- DSS
- Seraye 4
- Prison 2
- Private person 7
- PSG
- Government 4
- PEJE LAC 2
- COVEPU 1
- RDB 1
- PAGI 3
- MINISANTE 1
- FNUAP 1
- COTRAF 1
- Solidarité mondiale 1
- Syndicate 1
- Ihumure 1
- CFG 3
- CONEERN 2
- Brother catholic cent 2
- CDC 1
- Banque Populaire Maraba 1
- ADEPR 1
- Compassion 1
- Technical School of Bujumbura 1
- Japanese in Kigali 1
- FDC 1
- Ihorere munyarwanda 1
- CDF 1
- LALGA 1
- AFRICARE
- USAID: United Nations Agency for International Development
- MIGEPROF: Ministry of Gender and Family Promotion
- PROFEMME: A non-profit making organization aiming at women promotion and gender related violence
- PPMER: Rural Small and Micro-enterprises Promotion Project
- MINICOM: Ministry of Trade and Industry
- CARE International: works alongside communities to enable them overcome underlying causes of poverty
- CORAR: Insurance Company
- PSF: Private-sector Federation
- COFTA: Was established by African producers in 2004. It aims to be the continental voice in lobbying for greater Market access and fair trade advocacy for African producers, thus striving to empower the marginalized and disadvantaged to become organized, active and self reliant African entrepreneurs.
- RIM: Research in Motion for phones
- AEE: African Evangelistic Enterprise.(Evangelism, Reconciliation & literacy program
- CNLS: Commission Nationale de lute contre le Sida (National Aids Commission)
- “Barakabaho”: Corporative
- UNICEF: United Nations International Children Fund
- MINEDUC: Ministry of Education
- PSI: PSI-Rwanda works closely with local organizations implementing programmatic activities to create a sustainable system of health impact among at risk populations
- MINISANTE: Ministry of Health
- COTRAF: congre’ du Travail et
- RDB: Rwanda Development Board
- EPR
- DSS
- Seraye
- Prisons
- PSG
- Solidalite’ Mondiale
- Syndicate

Appendix 5: VUP

Four of the locations where we did research had a sector that was a pilot for VUP. We interviewed the coordinator in each sector and in one we also talked to some beneficiaries.. The general view was that VUP recipients were still very poor and not yet at a stage to start HEs and those that had invested money borrowed through the programme were improving their farms. However, one example was given of an HE started by a VUP beneficiary:

We have witnessed only one VUP beneficiary who created an HE. He works as a tailor and he now has five sewing machines. He is teaching about 25 young girls and he has a small shop where he sells the items he makes (VUP coordinator, Western Province).

However, the project had generally increase people's purchasing power thereby increasing demand for goods and services more generally. The focus group in the rural area in Southern Province pointed out that VUP had resulted in improved infrastructure.

VUP has increased people's purchasing power and has stimulated the creation of different activities in the sector (tailors, small shops, saloon bars, small restaurants). The majority of these activities , however, are not run by VUP beneficiaries' but others who think they can benefit from the increase in purchasing power (VUP Coordinator).