



IPAR-Rwanda Supporting household enterprises in Rwanda

Using research to draw attention to growth and employment prospects in the informal economy, the *Institute of Policy Analysis and Research* (IPAR-Rwanda) is informing government policy in support of household enterprises in Rwanda.

SETTING THE SCENE —Rwanda has the highest population density in Africa. The majority of Rwandans, especially those living in rural areas make their livelihoods from small, fragmented plots in rapidly degrading conditions. While poverty rates are improving, inequality remains high. Amid growing concerns about population pressure and low farm productivity, non-farm employment has been identified as a viable means of reducing poverty and creating jobs. Household enterprises, part of the informal sector, are one such example. They are typically made up of self-employed traders such as street hawkers and their families and compose the largest part of the Rwandan private sector, employing over 700,000 people.

As part of Rwanda's long-term economic vision, the country aims to become a private sector led middle income country by 2020. While the government recognizes that there will have to be a significant increase in non-farm self-employment, its June 2010 *Small and Medium Enterprise Development Policy* does not recognize the importance of household enterprises. Similarly, it does not include strategies to support their establishment and growth. As evidence of this, in 2010, the Rwandan Senate lamented the fact that household enterprises are not a part of the policy agenda, calling

for more focus on the informal sector as a means of creating employment opportunities.

WHAT IPAR-RWANDA DID —The Institute of Policy Analysis and Research (IPAR-Rwanda) is an independent nonprofit policy research organization, working to promote prosperity, opportunity and inclusiveness in Rwanda. IPAR-Rwanda was commissioned by the World Bank to produce a study, released in 2012, entitled *Raising Productivity and Reducing the Risks of Household Enterprises in Rwanda*. This project sought to contribute to the development of a national strategy to increase productivity in the household enterprise sector.

For this study, IPAR-Rwanda used a *Household Living Conditions Survey*, designed to monitor poverty and living conditions, that covered a representative sample of 6900 households. In order to inform policy on the informal sector, IPAR-Rwanda set out to demonstrate the capacity of household enterprises as drivers of community-level growth and contributors to wider economic growth. The institute also sought to analyze constraints to the growth and productivity of these enterprises, and to identify policies that could contribute to their development. Using a collaborative process, IPAR-Rwanda engaged in field work and ongoing consultations.



The research concluded that household enterprises are a significant source of income for one third of Rwanda's population. It found that with access to markets, suitable work locations, finance and capacity, these household businesses could blossom as entrepreneurial hubs and contribute significantly to both employment and rural economic growth and development. Importantly, the research demonstrated that, while many in the sector still endure poverty, households with at least one self-employed trader are less likely to be poor than those without, making a strong case for the sector as a source of poverty alleviation.

IPAR-Rwanda anticipated that by providing a better understanding of household enterprises as a driver of rural economic development, policymakers would recognize the importance of this sector and incorporate it into Rwanda's private sector development agenda and its broader poverty reduction strategy.

THE OUTCOME —During the research process, IPAR-Rwanda presented preliminary findings on the *Raising Productivity and Reducing the Risks of Household Enterprises in Rwanda* study to a workshop of stakeholders including the Permanent Secretary in The Ministry of Finance and Economic Planning, the Central Bank's

Chief Economist, the Director General for the National Institute of Statistics of Rwanda, members of Parliament (Economic Commission), and officials from the Ministry of Labor and the Ministry of Commerce and Trade. This report was also presented to the Economic Commission of the Rwanda Senate and the World Bank's Kigali Office, and it was later sent to World Bank headquarters in Washington. IPAR-Rwanda also produced a documentary from the report that aired on Rwanda National Television.

Based on IPAR-Rwanda's findings and recommendations, the government rethought its definition of enterprises and recognized the need to explicitly incorporate household enterprises in its private sector development strategy. This took shape in the second *Economic Development and Poverty Reduction Strategy*, in which household enterprises were given priority under the thematic area "Productivity and Youth Employment". Household enterprises were included in the strategy through initiatives promoting productivity among youth and women, training on micro-enterprises, the provision of capital through Business Development Funds, and an Entrepreneurship competition in the Ministry of Commerce and Trade.

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