



Social Enterprise Ecosystem Country Profile RWANDA

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Overview

In Sub-Saharan Africa, with 388 million people living on less than the poverty line of USD 1.90 per day and rapid population growth, the challenge for the public sector to deliver services will only grow in the coming years.¹ So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services, such as access to water, energy, sanitation, education, and health care.

In this context, social enterprises (SEs) have emerged as a new type of development actor with the potential to help solve the service delivery gap. During the last decade, SEs in Africa increasingly address service delivery gaps for the poor in novel ways, with Kenya and South Africa among the leading countries in the SE sector.

SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contract of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

Although positive examples abound, SEs have not yet fully realized their potential in Africa. With variations across sectors, many SEs struggle to scale-up and develop sustainable models. SEs face high barriers that are often aggravated by the difficult markets they serve. Common challenges include unconducive regulation and policy, lack of financing solutions, weak infrastructure and human capital, and a lack of information and networks. In addition, SEs are not organized as a sector and fall between traditionally recognized public and private organizations. The public sector often does not play a catalytic role.

The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions capture the enabling environment for SEs: policy and regulation, financing solutions, infrastructure and human capital, and information and networks. Where these dimensions are improved, SEs can significantly contribute to a service delivery challenge.

In developing countries and in particular in Africa, there is limited data collected and analyzed on existing supporting factors, challenges, and opportunities for the SE sector. This report profiles how SEs across seven African countries—Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia—address service delivery gaps for poor populations and assesses the status of their SE ecosystems. The report targets development practitioners involved in policy design and implementation who are interested in new ways to address service delivery challenges. These specific examples of challenges and opportunities for SEs in Africa can highlight ways to increase the sustainability and scale of current and future SE business models.

¹ Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/22575>.

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 1). These countries represent:

- Different levels of socio-economic development.
- Different stages of SE development and ecosystem support.
- Two regional clusters to test for regional patterns and potentially allow regional knowledge sharing and learning.

Service Sectors

The report covers four basic service areas: education, energy, health, and water and sanitation. These basic services lay the foundation for alleviating poverty, reducing income inequalities, and ultimately contributing to each country's socio-economic development.

Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the Base of the economic Pyramid (BoP), living on less than USD 1.90 per day in 2015 (the World Bank Group's poverty line at the time of starting the research).

Analytical Framework

In this report, the ecosystem framework consists of four parts: demand, supply, SE situation, and ecosystem dimensions. SEs are at the heart of the model (Figure 2).

SE opportunities for providing services depend on the *demand* by the BoP and the existing *supply situation*. The four ecosystem dimensions influence the ability of SEs to operate effectively and scale up. The ecosystem framework guides the analysis at all levels: country, service sector, and service sub-sector. Table 1 describes each element in more detail.

Figure 1. Focus countries in this report

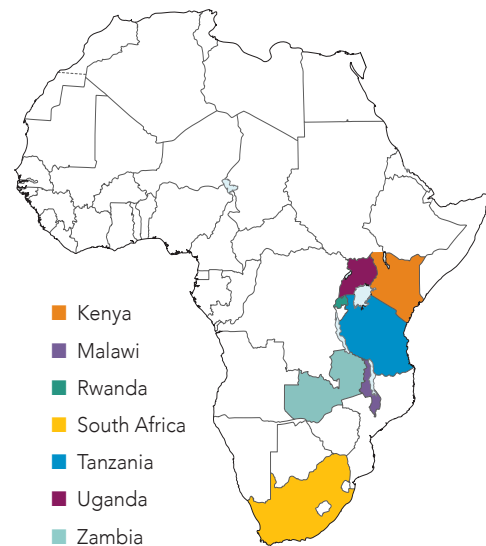


Figure 2. Ecosystem framework



Table 1. Four parts of the ecosystem framework

Demand	<ul style="list-style-type: none"> • BoP needs: What are the development challenges and unmet needs for the BoP? • BoP market: What are the volume and dynamics of the current BoP market? What are the main challenges related to the 4 A's: awareness, accessibility, affordability, and acceptance?
Supply	<ul style="list-style-type: none"> • Public supply: What is the structure and level of current public supply for the BoP? What are supply gaps and challenges? • Non-public supply: What is the structure and level of current non-public supply for the BoP? For example, from NGOs or the private sector. • Donors: What role do donors play in the sector?
SE situation	<ul style="list-style-type: none"> • SE understanding and presence: How many SEs are there? How are they perceived? • Type: How big are they? How are they organized? What is their level of maturity? • Value chain: What are typical activities in the value chain? In which service sectors and service sub-sectors are SEs active?
Ecosystem dimensions	<p>Ecosystem dimensions capture the enabling environment for SEs. This includes dimensions that are specific to SEs and dimensions that determine the viability of market-based approaches more broadly.</p> <ul style="list-style-type: none"> • Policy and regulation: What are the main policy drivers or barriers for SEs? Including policy strategy, regulation, and level of public-private collaboration. • Financing solutions: What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance, and grant funding. • Infrastructure and human capital: What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent? • Information and networks: What organizations, incubators, networks, training, etc. are available to build awareness, knowledge, and capacity among SEs, or advocate for SEs?

Data Collection

Endeva and BoP learning labs conducted desk and field research to map the SEs and ecosystem dimensions. They based the SE mapping on publicly available resources and desk research, which was supplemented with semi-structured interviews with SEs and local stakeholders representing different parts of the ecosystem. Accordingly, the sample size for each country varies in the report.

The information is based on:

- 59 interviews with SEs
- 140 interviews with stakeholders
- Interviews with BoP service users
- A database with 271 SE examples



Social Enterprise Ecosystem Country Profile

RWANDA

Rwanda has strong pro-private sector government policies, which SEs can take advantage of. Currently, Rwanda has few SEs, however the potential for future development is high. The energy sector has the biggest share and representation of SEs.

Policy and Regulation

- Strong policy focus on private sector involvement.
- SE-specific regulations do not exist, but other private sector regulations also apply for SEs.
- No specific law on public-private partnerships. PPPs are arranged on a contract-by-contract basis, but several laws and policies are related to PPPs.

Infrastructure and Human Capital

- Import and distribution is expensive due to landlocked geography and mountainous landscape. Mobile infrastructure is well-developed.
- Human capital is significant barrier. Shift from French to English creates extra language barrier.

BoP need and demand for services

- Development situation of BoP has improved in recent years. Issues of access and quality of services however remain.
- Small total BoP market size compared to other countries.

SE Situation

- SEs are most dominant in non-public sectors.
- SEs take the form of companies, NGOs or cooperatives.
- SEs are most visible in the energy sector, especially in rural service provision.

Supply to the BoP

- Challenges in public service delivery across all sectors despite social progress.
- NGOs and the private sector play an important role in BoP service provision.
- Donor support and financing plays a significant role in Rwanda's development.

Financing

- Locally based and international grants are available for SEs.
- Access to commercial funding remains difficult, but SME and guarantee funds invest actively in Rwanda.
- Consumer financing options are limited.

Information and Networks

- Various capacity building programs are available for SEs
- Data about BoP segments is limited, but improving.
- SEs can leverage several coordination networks, both on a country and sector level.

Study background

This profile is part of the *SE ecosystem mapping*. SEs are defined as non-public providers of services to low-income populations, based on a sustainable revenue model and a social mission. The profile maps the *ecosystem* for SEs in Rwanda based on a guiding framework that identifies key elements of the SE ecosystem. The profile supplements service profiles *and* a *report* with cross-cutting analysis. The service area is:

- Energy

The profile is based on desk research and interviews with local experts and SEs conducted in summer 2015. Unless otherwise noted, information provided in the profile is based on research and interviews. The list of interviewees is provided in the annex.

Country facts²

- **Population:** 11.8 Million (2013)
- **BoP < USD 1,25 per day:** 7 Million (2011)
- **GDP per capita PPP:** USUSD 1474 (2013)
- **Average GDP growth, 2009-2013:** 7.0 percent

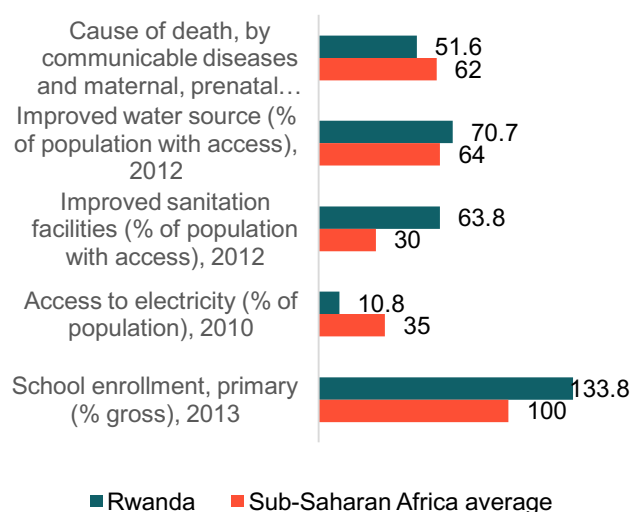
NEED AND DEMAND FOR SERVICES

BoP needs

Substantial improvements have been achieved in all sectors

While still striving to rebuild the economy, Rwanda has made significant economic progress in the period following the ethnic strife in the 1990's. Growth has been relatively pro-poor. From a low starting point, there have been improvements in access to education, health as well as water and sanitation for the poor, while electrification has mostly benefited wealthier groups.³ Only around 11 percent of the country's population have access to electricity. In rural areas as few as 4 percent have access to electricity. Despite this social progress, challenges persist across the sectors. The adult

Figure 3. Key indicators of access to basic services in Rwanda (Source: World Bank data)



literacy rate, at 66 percent (2010), remains relatively low and is below rates in neighbouring countries like for example, Tanzania (68 percent) and Uganda (73 percent).⁴ The education sector is characterized by high primary enrolment rates, and relatively low primary school completion rates (59 percent in 2013) as well as low secondary school enrolment (33 percent in 2013).⁵ The BoP has low accessibility of healthcare, especially in rural and low-income areas, which for example is reflected in the lack of staff (0.1 physicians and 0.7 nurses per 1000 people in 2010).⁶ Health progress has however been made for example within women and children's health. (see service delivery chapter). 29

² World Bank, World Development Indicators Database. <http://data.worldbank.org/data-catalog/world-development-indicators>.

³ World Bank. 2014. Republic of Rwanda country partnership strategy, FY2014-2018. <http://documents.worldbank.org/curated/en/2014/05/19515271/rwanda-country-partnership-strategy-period-fy2014-2018>.

⁴ World Bank Education Statistics Database. <http://datatopics.worldbank.org/education/>.

⁵ World Bank Education Statistics Database. <http://datatopics.worldbank.org/education/>.

⁶ World Bank Health Nutrition and Population Statistics. <http://data.worldbank.org/data-catalog/health-nutrition-and-population-statistics>.

percent do not have access to improved water source and 36 percent - to improved sanitation facilities. This level is better than the sub-Saharan average.

BoP markets

Small total BoP market size compared to other countries

The BoP and the country's population is young and predominantly live in rural areas (73 percent)⁷, with a population density among the highest in Africa. Rwanda is relatively small and densely populated, but many areas are mountainous and hard to reach, which challenges distribution of products and services. The majority of the country's population is poor. Approximately 7 million people were living on less than USD 1, 25 per day in 2011 and more than 9 million – on less than USD 2. Of the focus services, most household resources are spent on energy. In the energy sector (see energy sector profile), the most developed BoP market is for larger systems for productive and domestic use (>20W). The market for small lighting solutions is still small, but has the potential to grow. Improved cookstoves are not widespread, but different initiatives in the sector are starting to emerge.⁸

SUPPLY OF SERVICES

Public supply

Challenges exist in public service delivery across all sectors despite progress

Public supply of services has improved, but as shown by the development indicators large service gaps for the BoP still exist, especially in rural areas. Compared to other countries studied the private sector is more actively integrated in public supply in several sectors, for example water. In urban areas, the Water and Sanitation Authority (WASAC) is responsible for water and sanitation supply, but is also coordinating work with the private sectors (see non-public supply). The rural water supply system belongs to the district authorities, which delegate operation and maintenance plus service delivery to private water operators (PWOs), who are often small entrepreneurs. Private operators are rewarded contracts and pay a part of their revenue to the district, which is used for larger investments. Often local water sellers are selected by the community at each public tap. Different government or civil society programs have been developed to support the private operators and the District Water Boards with for example managerial skills.

Health services in Rwanda are financed by state funds, patient contributions covered by insurance or through personal funds. 91 percent of the population is insured by the Community-Based Health Insurance Scheme, which covers most of the expenses at public facilities.⁹ The health sector has made significant progress in some areas. Rwanda is, for example, highlighted for its results improving women and children's health. This includes reaching the SDG target for under-five mortality (5.2 percent percentage annual reduction from 1990-2015).¹⁰ Success factors have among other things been strong government led coordination, innovative financing and community involvement.¹¹ Challenges in service delivery however still remain key challenges are shortage of health personnel, limited health infrastructure and the urban-rural divide, where rural and hard-to-reach areas lag behind urban centers with regard to key health outcomes.¹²

⁷ World Bank Health Nutrition and Population Statistics. <http://data.worldbank.org/data-catalog/health-nutrition-and-population-statistics>.

⁸ Education, health and water and sanitation are not studied independently in this project.

⁹ Republic of Rwanda Health System. http://www.gov.rw/services/health_system/.

¹⁰ UNICEF. 2015. Levels and Trends in Child Mortality.

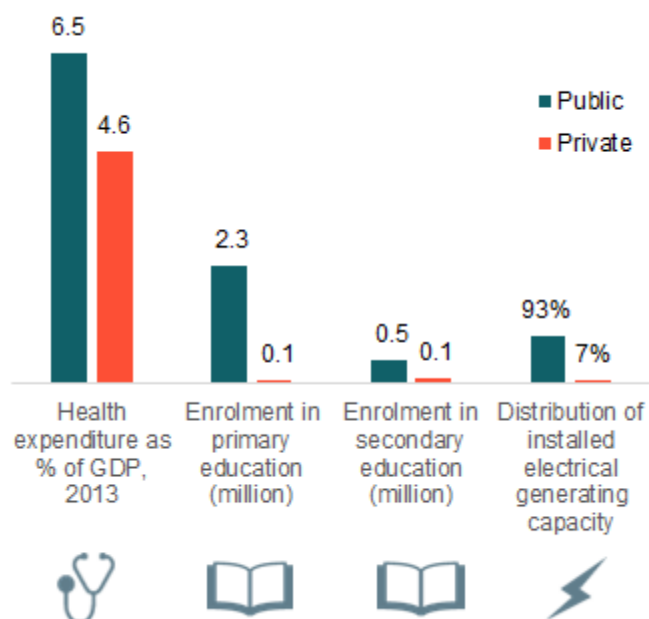
http://www.childmortality.org/files_v20/download/IGME%20Report%202015_9_3%20LR%20Web.pdf.

¹¹ Ministry of Health, Rwanda. 2015. Success Factors for Women's and Children's Health.

http://www.who.int/pmnch/knowledge/publications/rwanda_country_report.pdf.

¹² Ministry of Health. 2012. Third health sector strategic plan.

Figure 4. Public and private sector indicators¹³



The public sector provides grid energy with relatively low access rates, while private companies operate in the off-grid market.

The public energy supply has experienced major restructuring in 2014. The Energy, Water and Sanitation Authority (EWSA) was split into two independent entities, Rwanda Energy Group Limited (REG) and Water and Sanitation Authority (WASAC). The government owns 20 percent of REG, with the remaining 80 percent being owned by private investors. As a result of restructuring the sector is faced by challenges related organizational structures and responsibilities, which leads to low service levels and supply disruptions.

Education is a high priority in the public sector and service levels have improved impressively during the 2000s, especially in terms of access. Key remaining supply challenges relate to the quality of teaching, materials and infrastructure. The shift from French to English in the school system challenges teachers as well as students.

Non-public supply

NGOs and the private sector play an important role in BoP service provision

The private sector is actively integrated in service provision in many areas. In the water and sanitation sector, the government's focus has been on promoting the participation of private providers (through PPPs) in rural areas.¹⁴ This focus is expanding to urban areas as well. In March 2015, the government signed an agreement with Kigali Water Limited, a private company, who will provide water to citizens in urban areas.¹⁵

Private providers have been actively involved in many major public health initiatives, including for HIV, tuberculosis (TB), family planning, and human resources for health.¹⁶ Health financing is another area with close collaboration. Private healthcare providers can apply for accreditation to participate in the public health insurance scheme. Health facilities operated by various religious groups (faith-based organizations) and NGOs also play an important role in BoP health access, and are actively integrated in the public health system. Traditional medicine is widely used in Rwanda by the BoP and should be taken into consideration when introducing new health services.

¹³ World Bank, World Development Indicators Database. <http://data.worldbank.org/data-catalog/world-development-indicators>.

¹⁴ Water and Sanitation Program. 2011. Water supply and sanitation in Rwanda: Turning finances into services for 2015 and beyond. <https://wsp.org/sites/wsp.org/files/publications/CSO-rwanda.pdf>.

¹⁵ Water and Sanitation Project. <http://www.wasac.rw/index.php/media-centre/news/146-kigali-bulk-water-supply-project-will-add-40-000m3-d-of-potable-water>.

¹⁶ IFC World Bank. 2011. Healthy Partnerships: How Governments Can Engage the Private Sector to Improve Health in Africa. http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/health+and+education/news/features_health_healthypartnerships.

In 2005 all the energy supply was public, while in 2015 more than 60 percent of energy generation was private. Private companies, NGOs and SEs are especially active in the off-grid energy sector, where the public sector engagement is limited and uncoordinated.

The role of the private sector in the education system differs across education levels. The private sector plays a significant role in secondary education, higher education, technical vocational education and training (TVET) and in pre-school provision, but a smaller role in primary education, where increased public service delivery through education reforms has reduced private enrolment and closed a number of private actors, especially in rural areas.¹⁷ This development is interesting compared to Kenya, where public universal access has not reduced the role of the private sector.

Donors

Donor support plays a significant role in Rwanda's development

In the early 2000s, bilateral aid to Rwanda from international donors started to grow substantially reflecting donor support for the strong reform pace and an efficient government with low corruption rates. As a result, almost a half of the government's budget came from international aid in this period. In 2012, however, the aid flows fell after Rwanda was accused by the UN of supporting rebels in the Democratic Republic of the Congo.

In 2013, Rwanda received a total of USD 1.4 billion of Official Development Assistance (ODA) commitments. In 2013, by far the largest donor in the country was WB/International Development Association (IDA), which committed USD 308 million. Other large donors were the Global Fund to Fight AIDS, Tuberculosis and Malaria (committed USD 171 million), the US government (USD 153 million), the EU (USD 109 million), and the Netherlands (USD 106 million).¹⁸ In terms of sector distribution, the energy sector received USD 212 million in ODA commitments, the health sector USD 154 million, the education sector USD 116 million and water supply and sanitation—USD 13 million.

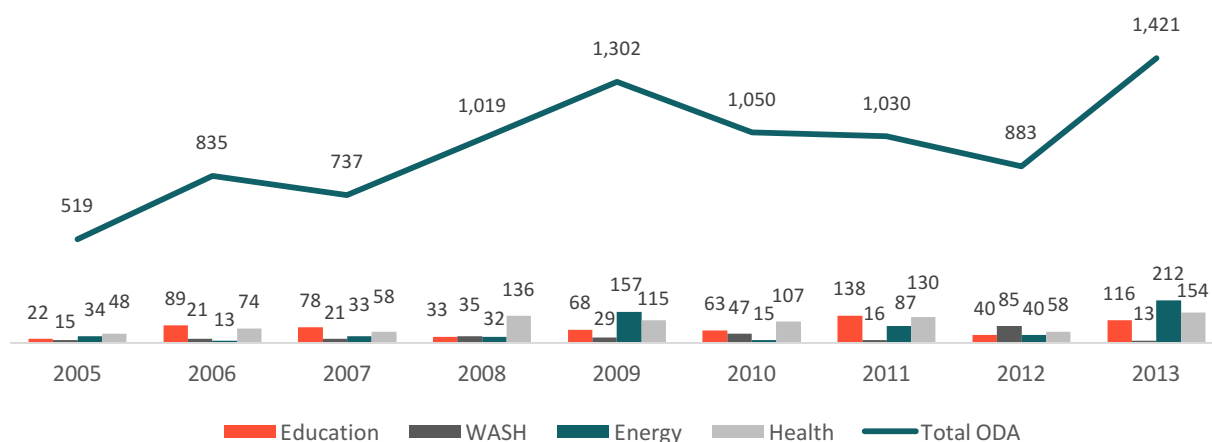
Donor support plays a significant role in financing Rwanda's health care sector. However, contributions from the population and government through mutual health schemes are increasing.¹⁹ Donor support is also important in the energy sector. For example, the World Bank, the African Development Bank, and the Japan International Cooperation Agency have invested substantially into expanding the country's grid infrastructure.

¹⁷ Institute of Policy Analysis and Research. 2012. The Rwandan Education and Skills.

¹⁸ OECD Statistics: Creditor Reporting System. <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>.

¹⁹ WHO. 2009. Country cooperation strategy, 2009-2013 Rwanda.

Figure 5. Rwanda ODA commitments, million USD²⁰



SE SITUATION

SE understanding and presence

SEs are most dominant in non-public sectors

Rwanda has a young workforce among which entrepreneurship is valued and job creation in itself is regarded as a social achievement. There are a few local SEs, but in general the terminology is not widely used among local stakeholders or companies. Rwanda has strong links to different international communities, and hosts a number of foreign (primarily USA) SEs. Many of these SEs focus on non-public service sectors such as agriculture, tourism and ICT, which are beyond the scope of this study. One of the bigger organizations with SE elements is One Acre Fund, which provides smallholder farmers with financing for farm inputs, trainings and market facilitation and has reached more than 100.000 farmers.²¹

The ICT sector in Rwanda is also a high priority²² and includes several companies with SE traits that are developing enabling technology for service delivery. Two examples are HeHe Limited and M-Ahwiii, which are both software companies developing mobile applications and systems, for example, for education and healthcare.^{23,24} Both companies have ambitions to drive social progress through their services, but are also working as traditional developers.

Type

SEs take the form of companies, NGOs or cooperatives

SEs are both registered as private companies and NGOs in Rwanda. While there is strong governmental support for companies entering the Rwandan market, NGOs face a more challenging situation (see policy and regulation section). In Rwanda, cooperatives are promoted by the government (for example, through the National Policy on Promotion of Cooperatives).²⁵ In tourism and agriculture, SEs sometimes take this form, but less so in the focus sectors studied. Cooperatives are, however, distribution partners or financing partners (SACCOs) for SEs in the energy sector.

²⁰ OECD Statistics. <http://stats.oecd.org/>.

²¹ <http://www.oneacrefund.org/our-approach/program-model/>

²² Rwanda Development Board. www.rdb.rw/rdb/ict.html

²³ <http://mahwii.weebly.com/awards.html>

²⁴ <http://hehelabs.com/>

²⁵ National Policy on Promotion of Cooperatives.





http://www.rca.gov.rw/IMG/pdf/POLICY_DOCUMENT__FINAL__March_2006.pdf.

Service delivery chain

SEs are most visible in the energy sector, especially in rural service provision

There are examples of SEs in the four focus sectors. As in the other countries studied, there are many faith-based organizations in the health sector, of which many have SEs traits, but are often not recognized as SEs. In energy, SEs play a visible role for especially rural service delivery. In education, there are a number of NGOs and private providers, some with SE traits, but much fewer than in countries like Kenya and Uganda, where low cost primary schools play an important role. In rural water supply, there are many small private entrepreneurs, but few of these can clearly be defined as SEs.

Table 2. SE activity level and examples in Rwanda across the sectors

	Health	Water and sanitation	Energy	Education
SE Activity Level				
SE Example	<p>Business Area One Family Health opens health clinics in rural areas of Rwanda, bringing medicine and health services to poor communities. Its medical workers focus on disease prevention and health promotion. Trained nurses operate and own OneFamilyHealth's clinics through franchises.</p> <p>Type OneFamilyHealth is a for-profit enterprise, designed to reach financial sustainability once 500 clinics are opened.</p>	<p>Business Area Water Access Rwanda provides clean water solutions in Rwanda by drilling shallow boreholes, selling water filters, maintaining and repairing existing boreholes, performing geological surveys as well as educating communities on water and sanitation hygiene.</p> <p>Type Water Access Rwanda is a for-profit SE operating on a hybrid model.</p>	<p>Business Area Great Lakes Energy provides several energy services and products. It provides a suite of hardware and software solutions to clinics in off- and on-grid areas to ensure reliable energy supply. The company also installs solar power systems in schools, orphanages, homes, etc. Finally, it sells solar lamps to households in rural areas.</p> <p>Type Great Lakes Energy is a for-profit SE founded in 2005.</p>	<p>Business Area Indego Africa is involved in education and economic empowerment of women in Rwanda. It sells handcrafted products of female artisans online and in shops worldwide and uses the generated profits to provide training programs focusing on job skills, management, entrepreneurship, etc.</p> <p>Type Indego Africa is a not-for-profit SE operating on a hybrid model.</p>

Social Enterprise Ecosystem

POLICY AND REGULATION

Policy strategy

Strong policy focus on private sector involvement

After the genocide in 1994 Rwanda's economy was largely destroyed and many skilled people had fled the country or been killed. Strengthening and involving the private sector was seen as an important step towards rebuilding the nation by the political leadership. This approach has infused political decision in the last decades with President Kagame as an anchor. In additions institutions have been put in place that focus specifically on private sector conditions. The Rwanda Development Board (RDB) for example plays an active role promoting investment and improving business conditions, regulations, privatization policies, etc. It is highly influential and reports directly to the President of Rwanda.²⁶

As a result of this thinking private sector development has been integrated in many sectors of the economy and is now an important part of the socio-economic development policy. Specifically, the Government of Rwanda strives to become a private sector-led economy by 2020 (Vision 2020). EDPRS II (The Second Economic Development and Poverty Reduction Strategy (covering fiscal years 2013/14–17/18)²⁷ aims to implement the 2020 Vision including a target of becoming a middle-income country by 2020, reducing poverty to below 30 percent, and restructuring the economy towards services and industry. The private sector is seen as paramount to achieve these goals. As a result the strategy among other things has a focus on investment in infrastructure and skills that can drive private sector development.

Accountability in relation to service delivery is also a part of EDPRS II and includes a focus on the public as well as private sector: *“Service delivery is a priority that cuts across the public as well as the private sector (...). A culture of efficient and effective service delivery in both public and private sectors will accelerate Rwanda’s progress towards the development targets set out in the revised vision 2020.* Besides mentioning the private sector alongside the public, the strategy illustrates the ambition to integrate private sector thinking in service delivery, for example treating the population as “customers”: The goal is to develop a *“customer-centered service delivery culture”* and implement *“policies, processes and culture of customer service”*.

At a sector level, the private sector is mentioned across many policies and strategies, for example within health. In *Healthy Partnerships*,²⁸ a cross country analysis of government engagement with the private sector, Rwanda for example is one of the developing countries that fares relatively well across the dimensions studied.²⁹ According to the study *“All Rwandan health policy and strategy documents over the last several years include the private health sector”* and different initiatives are taken to implement the policies (for example private involvement in public HIV, TB, family planning initiatives and collaboration on health financing).

In the energy sector policies are also increasingly conducive for private sector involvement, including an explicit focus on off-grid energy provision in the abovementioned EDPRS II. The Rwanda Development Board's (RDB) strategy in the energy sector targets a better energy mix including reducing the reliance on fossil fuels, and increasing the number of private Independent Power

²⁶ Rwanda Development Board. <http://www.rdb.rw/about-rdb/history.html>.

²⁷ Economic Development and Poverty Reduction Strategy. <http://www.edprs.rw>.

²⁸ World Bank. 2011. *Healthy Partnerships: How Governments Can Engage the Private Sector to Improve Health in Africa*.

²⁹ Dimensions are: Policy and Dialogue, Information Exchange, Regulation, Financing, Public Provision of Services.

Producers (IPPs) and Public Private Partnerships.³⁰ The Government is currently developing an off-grid strategy for parliamentary approval. Stakeholders interviewed are generally positive about government actions, but several also mentioned that they are worried about the current focus on large-scale solutions that not necessarily suit energy challenges at the BoP (see Energy profile for more details).

Regulation

SE-specific regulations do not exist, but other regulations also apply for SEs

As in the other countries studied, there is no specific legal category for SEs in Rwanda. There are, however, indications that the specific nature of SEs has been discussed. The Rwanda Governance Board (a public entity managing the civil society) has reviewed the legal framework and when interviewed, the deputy director of RGB emphasized the importance of SEs. As of now, they find the NGO Law (No 04/2012) sufficient for NGO-structured SEs, referencing *Article 4: Freedom of dealing in commercial activities*. Here it is stated that an NGO “*may conduct commercial activities only when it is authorized to do so and the profit from such is meant to be used in activities related to its objectives.*” For private SEs, the RGB advises SEs to register as a *Company by Limited Guarantee*.

The general framework conditions for doing business are good in Rwanda. For many private SEs operating in Rwanda or looking at Rwanda, the regulatory framework for starting up and doing business compensates for the relatively small market size and makes Rwanda attractive.

The new Investment Law (2015 Law on Investment Promotion and Facilitation) is a policy backbone to encourage private sector engagement in key sectors.³¹ While some focus sectors have indirect links to BoP service delivery, the main focus is on large-scale investments driving the economy, which few SEs find relevant for their operations.

Incentives to improve investments and private sector conditions in specific areas are naturally relevant for corporate structured SEs, but not NGOs. In general, compared to companies, especially international NGOs in Rwanda face more barriers. They are covered by a separate law (Law Number 05/2012 of 17/02/2012 Governing the Organization and Functioning of International Non-Governmental Organizations) and face more requirements than local NGOs, including requirements on funding spent on administration (20 percent cap) and level of documentation.³²

Public-private collaboration

A number of PPPs have been completed in the energy and telecommunications sectors

There is no specific law on public-private partnerships in Rwanda and PPPs are arranged on a contract-by-contract basis, but several laws and policies are related to PPPs. The 2009 National Public Investment Policy provides guidelines for PPP implementation; the 2012 Decentralization Implementation Policy views PPPs as an effective way of promoting development in rural areas and main sectors of the economy; and the Public Procurement law describes PPPs as one type of public procurement. Furthermore, the government has developed a draft PPP law. The Rwanda Development Board is viewed as the leading body in terms of PPP promotion in the country.³³

³⁰ <http://www.rdb.rw/rdb/energy.html>

³¹ The investment focus is on priority sectors (export, industrial manufacturing, energy, transport, ICT and financial services), the investment law leaves room for the Ministry of Economic Planning and Finance to establish other priority sectors, if deemed necessary.

³² <http://www.icnl.org/research/monitor/rwanda.html>

³³ The Economist Intelligence Unit. 2015. Evaluating the environment for public-private partnerships in Africa: The 2015 Infrascopes.

The World Bank PPP database lists 10 larger PPP projects that have been completed since 1990, 6 of them in the electricity sector and 4 in telecommunications.³⁴ Besides the more formal PPPs, Rwanda also has a number of dialogue mechanisms at national and sector levels for public-private collaboration. The Rwanda Public Private Dialogue is an initiative by the Private Sector Federation and Rwanda Development Board: it is a platform that has been set to allow both the private and public sectors to discuss and solve key business/private sector constraints. Though it is only a few years old, this initiative has seen business reforms initiated by the business community.

Box 5. Health posts

The government aims to improve rural access to health by opening 1548 new Health Posts across the country under the Vision 2020 goals. The Health Posts follow a PPP model and operate as a franchise, with each Health Post being owned, operated and managed by a nurse as a small business. Start-up loans are provided at affordable rates, and the MoH supports infrastructure and training for the Health Post.³⁵

FINANCING

Grant funding

Locally based and international grants are available for SEs

Many regional and international grants are also promoted in Rwanda and are available for SEs. Several international SE in Rwanda have received grants, while fewer local SEs manage to apply for these. The following are examples of grants SEs have highlighted.

Table 3. Examples of grant funding for SEs

Examples of grants	
Tigo Digital Changemaker Program	A local telecommunications company, Tigo, and Reach for Change Rwanda run the Tigo Digital Changemaker Program targeted at SEs that use digital tools. The program provides 2 winners with 14 million Rwandan francs each in financial support, as well as coaching and mentoring support. ³⁶
Spark Microgrants	Spark Microgrants provides funding for Community-Based Organizations in rural areas of Rwanda. Micro-grants reach up to USD 10,000 for each project with a social impact. So far, funding has been provided to projects in agriculture, farming, water supply, education and health sectors. ³⁷
Africa Enterprise Challenge Fund	The Africa Enterprise Challenge Fund, run by the UK government, provides grants to innovative companies in the agriculture, energy, finance and ICT sectors. Grants range from USD 250,000 to USD 1.5 million. ³⁸

Commercial funding

Access to commercial funding remains difficult, but SME and guarantee funds invest actively in Rwanda

As in other countries studied, high interest rates and the lack of collateral are key issues in Rwanda. The rates across the financial sector in Rwanda vary from 18 percent in commercial banks to as high as 26 percent in MFIs, while the value of collateral requested by the financial institutions often must be at least three times the value of the loan in question. Enterprises have difficulties in accessing

³⁴ <http://ppi.worldbank.org/snapshots/country/rwanda>

³⁵ <http://www.hanshep.org/our-programmes/increasing-access-to-primary-care-services-through-health-posts-in-rwanda>

³⁶ <http://rwanda.apply.reachforchange.org/en/cms/faq>

³⁷ <http://www.sparkmicrogrants.org/>

³⁸ <http://www.gov.uk/international-development-funding/africa-enterprise-challenge-fund>

commercial credit, except for companies participating in special programs such as infrastructure development or agriculture. According to several experts interviewed banks are often not interested in providing SME loans unless they loan insurance or guarantees, from a bank perspective local SEs often fall into this category.³⁹

An attractive source of financing for SMEs is the Rwanda SME Fund, run by Business Partners International, IFC, Stichting DOEN and Rwanda Enterprise Investment Company.⁴⁰ The fund provides financing of up to USD 1 million through secured loans, unsecured cash flows and minority equity financing. Furthermore, to make it easier for the population and the SME community to acquire loans from commercial banks and MFIs, the Government of Rwanda and the Development Bank of Rwanda have set up a guarantee fund called “Business Development Fund (BDF)” which functions as an independent company. BDF mainly works with cooperatives and associations who come up with viable business projects, especially in rural areas, and for which it provides the guarantee to obtain a loan from a commercial financial institution. It also provides lines of credit, grants, quasi-equity as well as consulting and training services.⁴¹

Apart from this, the Development Bank of Rwanda offers different guarantee funds for individuals and organizations running sustainable development projects. The guarantee funds are Agriculture Guarantee Fund (AGF), Small and Medium Enterprises (SME) Guarantee Fund, Business Plan Competition (BPC) and Hang’umurimo, and Guarantee Funds for the Youth and Women. The guarantees cover loans from 5 million to 500 million Rwandan francs.⁴² These schemes are quite progressive in a regional perspective, but also show that access to finance is not the only barrier for growth. Interview respondents note that a number of SMEs accessing the funds do not have the institutional capacity to absorb large amounts of financial support. In recognition of this recurring bottleneck different initiatives are put in place to build capacity among SMEs along with financial support.⁴³

The impact investing market in Rwanda is considerably smaller than in other East African countries. Impact investment only accounted for 3 percent of total investment in East Africa.⁴⁴ Furthermore, the majority of impact investing capital received by Rwanda is committed to the whole region, while less than USD 1 million is committed specifically to the country. Nevertheless, it is an attractive market and many investors in the region view Rwanda as a target country, even though its population is small and the financial markets are still developing. The amounts of impact investment more than doubled since 2005, and more than USD 44 million have been disbursed so far. Agriculture and financial services are the largest impact investing sectors in Rwanda. Investment into other sectors is practically non-existent, apart from health, which attracted less than USD 5 million of commitments.⁴⁵ As of now impact investors are hence not playing a significant role in service sectors.

Consumer finance

Consumer financing options are limited

In general, access to finance remains a challenge in Rwanda, even though the financial sector is developing rapidly. The informal sector, consisting of village savings and loans associations, as well as friends and family, remains an important part of the financial sector. In 2011, 38.5 percent of the

³⁹ For example, Bitege Angel, Loan manager in Equity Bank Rwanda, July 2015.

⁴⁰ <http://www.businesspartners.co.za/our-funds-investors/rwanda-sme-fund/>

⁴¹ <http://bdf.sms.rw/>

⁴² <http://www.brd.rw/?Guarantee-Funds>

⁴³ The SE Educat is, for example, working with several SMEs who have received financing.

⁴⁴ Global Impact Investing Network. 2015. The Landscape for Impact Investing in East Africa.

⁴⁵ Global Impact Investing Network. 2015. The Landscape for Impact Investing in East Africa.

population had taken a loan in the past year in general, but only 8.4 percent took loans from financial institutions.⁴⁶

In the energy sector, there are limited consumer financing options. The majority of BoP customers have to rely on saving and credit cooperatives (Umurenge SACCOs) and community saving groups as they cannot pay upfront for the products. Access to microfinance institutions is also a challenge: MFIs often require donors to cover part of the risk and refuse to lend to the BoP without donor support.

INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure

Distribution is complicated, but mobile infrastructure is well-developed

A key challenge faced by SEs is distribution and cost of transportation. Besides being land-locked, the largest share of the population lives in rural areas, where the road network is undeveloped due to a hilly landscape and regular heavy rainfalls. Unstable energy and water supply also makes the business environment in Rwanda less favourable. Mobile infrastructure is strong in Rwanda. Some SEs have come up with payment systems that encourage even the lowest BoP population to acquire their products through instalment payments. Mobile money systems are provided by several companies in Rwanda (e.g., MTN Mobile Money, Tigo Cash, Airtel Money) and are very popular because the mobile networks cover the majority of the country with only a few gaps.

Skilled staff

Language barriers add complexity to skill requirements

Many Rwandans perceive SEs as charity, not-for-profit organizations, and prefer to work in for-profit enterprises instead. According to several SEs this challenges recruitment of staff. Feedback on skill levels differed between SEs interviewed. Some NGOs are able to attract the required labour, but note that the general quality of education is quite low.⁴⁷ As a result, these SEs often rely on in-house training. Others mentioned that the technical skills of employees was considered to be adequate.

In terms of management positions, graduates from post-secondary institutions are easily available, though the majority of them lack the necessary experience necessary for SEs. Employees usually have high salary expectations since they consider NGOs and SEs as being international organizations.⁴⁸ Therefore, there is still a gap between skilled and available persons to fill the management positions in SEs. Many of these positions are occupied by Kenyan or Ugandan professionals instead.

An education issue voiced by SEs is the government's initiative to implement English as the main education language instead of French, which has led to many graduates lacking French skills to communicate with mostly French rural areas, but also lacking good English skills to communicate with foreign partners.

INFORMATION AND NETWORKS

Capacity building

Various capacity building programs are available for SEs

Relative to its size, Rwanda has quite a number of capacity building programs and incubation centres. Most capacity building institutions in Rwanda work directly with SMEs (SEs included), but are often not designed to respond directly to the needs of SEs. Basic management and technical skills are

⁴⁶ World Bank. 2013. Diagnostic Review of Consumer Protection and Financial Literacy.

⁴⁷ For example, interview with Copain Fabrice, PH clinical at CPHD (Center of Public Health and Development), July 2015.

⁴⁸ Interview with Sameer Hajee, Founder of Nuru Energy, July 2015.

provided through the capacity building platforms which are designed for different sectors, sizes and levels of management.

Table 4. Examples of capacity-building initiatives for Rwanda

Organization	Description
Workforce Development Authority (WDA)	An institution set up to provide a strategic response to the skills development challenges that Rwanda faces across all sectors of the economy.
Capacity Building Fund (managed by the National Capacity Building Secretariat)	The fund was established in 2013 under the Prime Minister's Order to facilitate and address capacity building needs in the public sector, in the private sector and in civil society.
FEPEAR (Forum of Private Operators of Water and Sanitation Systems in Rwanda)	The forum was set up by private operators to promote the common interests of its members and to bring the profession to a higher level.
Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance (RICEM)	RICEM provides practice-oriented vocational trainings for board members, managers and staff of SMEs, SEs, non-financial cooperatives, micro finance institutions and Sacco's.
Africa Institute of Management (AIM)	AIM primarily trains both public and private sectors on management issues.
Private consultants	A few consultants in Rwanda have an explicit impact focus. One example is Karisimbi Partners, which have supported different SE-type projects. ⁴⁹

Box 6. Impact Hub Kigali

Impact Hub Kigali was launched in 2015 as a part of the international network of innovation hubs. The hub aims to connect SEs in Kigali with more than 10 thousand innovators that are part of the Impact Hub network across the world. Impact Hub Kigali provides its members with co-working space, meeting space, space for organizing events, office infrastructure, as well as gives access to incubation programs, innovation labs and different educational events.

Research and Data

Information about the BoP and SEs is limited, but improving

There is limited research on SE presence in Rwanda. For SEs looking for data on the BoP, the most reliable data is the community-led categorization, commonly known as Ubudehe social categorization, which is conducted by the Ministry of Local Government through grassroots organizations. Since 2005, the National Institute of Statistics of Rwanda has been performing household surveys, demographic surveys, food security and other surveys, which provide some types of information about the BoP. Most of this data can be accessed in the National Data Archive or on the institute's electronic portal.⁵⁰

Coordination and advocacy

SEs can use several coordination networks, both on a country and sector level

SEs participate in civil society networks, but there are few specific networks of SEs identified. The new impact hub (see above) has SE happy hours and might become a focal point for SE knowledge sharing. The following are other examples of SE-relevant networks and platforms mentioned by experts

⁴⁹ <http://www.karisimbipartners.com>

⁵⁰ <http://statistics.gov.rw/>

interviewed. In the education sector, the Rwanda Education NGO Coordination Platform (RENCP) serves as a body for NGO representation, information sharing and coordination. In the energy sector, Energy Private Developer's Association (EPD) unites all energy developers and energy connected services professionals in Rwanda and focuses on advocacy of its members, encouraging good collaboration and partnership among members and attracting foreign companies and investors to work with local companies. On the country level, GIZ has hosted different SME initiatives and is currently planning to create an SME Forum, which would act as a platform for dialogue with other stakeholders and promote SME policies.

CONCLUSIONS AND RECOMMENDATIONS

Rwanda has been on a remarkable reform path in recent years and has made progress on public service delivery performance. In each sector studied there are however still structural challenges and large service gaps for especially rural poor, which make up a large percentage of the country. For SEs the openness towards the private sector creates different levels of opportunities across sectors. In water private companies are actively integrated in rural provision and increasingly also urban. Many of these enterprises are small and per default target the BoP. Studying whether SE skill sets could strengthen their business and service delivery would be interesting. Tourism and agribusiness are home to various SEs, while public service sectors host fewer SE. Off-grid energy is a growing SE sector. In off-grid energy the ambition is also to involve the private sector, but PPPs have developed more slowly. Several SEs call for translating PPP models from e.g. water to off-grid energy service provision (see energy profile). In education public strengthening of service levels have challenged the business model of many private providers, including SEs. Whether these are able to reposition and create value the BoP will pay for remains to be seen. A different option would be to leverage SE as public partners/suppliers.

Compared to other countries researched, Rwanda has some of the most pro-active policies on private sector involvement in service delivery, for example in the energy sector. The focus has mainly so far been on grid-based services, but more attention is being directed towards off-grid services as well. According to experts interviewed the emphasis on private sector development and inclusion in public services has a positive effect on the opportunities for SEs, since socially minded companies and SEs are seen as a good match for public partnerships. The political context in Rwanda however also means the political boundaries for collaboration and control are higher than in other countries.

In general Rwanda has a good private sector ecosystem, but much less specific support focus on SE models than for example in Kenya, where many non-public support frameworks actively promote SE approaches. A number of recent initiatives indicate that this is slowly changing with a more conscious SE scene developing. As of now SE terminology plays a small role in the political debate. However, the ambitious public goals targeting service delivery for the poor and general reform capacity makes it an interesting country to test proactive government approaches to SEs.

The following areas have been assessed as short- and medium-term areas for intervention in the SE ecosystem:

- **Local SE:** As of now much grant funding and donor support is directed towards a few international driven SEs. To leverage and integrate local companies better in BoP service provision efforts need to be made to support these with financing and SE skill development. As noted the ability of local SEs (and SMEs) to absorb funding is however often low. Financing and capacity building hence need to be closely linked. Some intermediaries exist in Rwanda, but it is also relevant to look toward e.g., Kenya for examples of support formats that can mature local organizations and ideas.
- **Skill development:** Ideally skill development however happens before in the education system. Several interview respondents mentioned that Rwanda through concerted efforts has been able

to improve technical skill levels. The same type of efforts is called for with regards to managerial and financial skills.

- **Research on models:** Kenya and Rwanda encourage engagement of the private sector. In contrast to the hands-off approach in Kenya, the Rwandan government has many measures to promote and incentivize private sector engagement in BoP service delivery. While Kenya has a strong non-public SE ecosystem with many support mechanisms this is weaker in Rwanda, but is partly compensated by the close public-private engagement. The two countries present an interesting continuum for different types of ecosystems which could be worth studying more closely.

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Additional sector interviews in energy have been completed and feed into the country profile.