Background
Despite strong economic growth, poverty remains high in Rwanda, with about 57 percent of the population living in poverty and 55 percent of workers earning a poverty wage. Economic growth has not benefitted the majority of the population and there has been a growth in inequalities with Rwanda becoming one of the most unequal countries in the world.

There is a decent job deficit with a majority of women working as unpaid family workers. Eighty percent of the population derive their livelihood mainly or solely from agriculture and a majority of these live in poverty. Around three quarters of those in non-farm work earn a living wage of 27.8 percent of men but only 11.6 percent of women being engaged in such employment. There is a high level of underemployment especially in rural areas and growing numbers of marginally employed young men in urban areas. With population growth running at 2.9 percent and pressure on land, with many farms being too small to support a family, there is an urgent need to create non-farm employment. The main source of absorption of surplus labour will be non-farm household enterprises. Household enterprises can and do play a major role in poverty reduction and employment creation.

Main Occupations of Men and Women

Findings
HEs are an important and growing type of employment in Rwanda and form the largest part of the private sector. Ninety-three percent of all micro-enterprises are HEs and they provide employment for 75 percent of those employed in the sector. In 2006 there were 615, 108 HEs providing employment for 7, 06,473 people. They provide the largest form of non-farm employment for women and the second for men.

The vast majority of HEs engage in trade and are run by those with little or no education. Sectors HEs Work In (%)

HEs play an important role in poverty reduction as well as employment creation especially. Earnings from non-farm income generating activities tend to be higher than from agricultural employment. Just over a half of HEs (55%) are the main job of the operator - 82 percent in Kigali. 72 percent in other urban and 49 percent in rural areas. Households that incorporate an HE in their portfolio of livelihood activities are, on average, better off than those who rely on agriculture.

Average Household Income by Livelihood Group (excluding Kigali)

The main constraint to setting up an HE has been identified as access to capital. However few HEs are started with capital loaned from a formal financial institution.

Primary Source of Capital for HEs

Government policies and programmes have failed to recognise the distinct nature of HEs or the vital role that they do and can play in poverty reduction and creating decent employment. A number of policies may have a positive impact on HEs but as yet no evaluation has been carried out and most are in the early stages of implementation.

There are a number of projects set up by Government and civil society organisations to support the start -up of HEs. Few have been evaluated and the quality of the service they provide is variable. Successful projects combine training, support in access to finance and setting up an HE as well as on-going support. The challenge will be scaling up relatively small-scale projects to a national coverage.

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

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