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Creating Entrepreneurial Opportunities for Youth in Rwanda

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Article at a glance

- The future economic development of post-genocide Rwanda depends on its youth.
- Rwandan youth are hampered by a lack of skills and training, barriers to entrepreneurship, and the damaging legacy of the 1994 genocide.
- With educational reform, incentives for entrepreneurship, and youth involvement in policymaking, Rwanda can overcome horrors of the past and move forward.



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Rwanda's population of approximately 8.5 million makes it one of the most densely populated countries in the world. The country is still healing from the 1994 war and genocide that claimed the lives of close to one million people, most of whom were young and part of the productive labor force. Today, youth between the ages of 17 and 35, account for approximately 60 percent of the population. Rwanda's success as a country depends on the achievements of these young people, who must act as leaders in society, education, and especially business.

The Status Quo of Youth in Rwanda

Youth hold a favorable place in Rwandan society and society's expectations for them are high. It is not accidental; young people form a vital component of the productive workforce. Although the full potential of youth in Rwanda is yet to be realized, the government has put in place a foundation for supporting youth entrepreneurship and leadership development. Article 188 of the Rwandan Constitution provides for the National Youth Council (NYC) that represents youth organizations from the cell, sector, district, and province levels.¹ In addition to this constitutional provision, youth are represented by two members of parliament.

The government has also invested in three important areas that will help address the shortcomings in the status quo of youth entrepreneurship and leadership: infrastructure, human resources, and institutional capacity. The hope is that investment in these areas will have the overall effect of reducing the long-term costs and risks of doing business, thereby enhancing the growth of the private sector in Rwanda.

The attention to reducing business costs and risks stems from the Poverty Reduction Strategy Paper (PRSP).² In 2006, the Government of Rwanda

¹ Rwanda is divided into the Northern, Southern, Eastern, and Western provinces and Kigali city. Each of these five are further subdivided into districts, sectors, and cells

² PRSPs are prepared through joint efforts of domestic stakeholders and external development partners, such as the IMF and the World Bank. Updated every three years with annual progress reports, they describe macroeconomic, structural and social policies and programs that a country will pursue over several years

completed its initial PRSP and the next one, technically referred to as the Economic Development and Poverty Reduction Strategy, commenced effect in 2008. Since entrepreneurship and employment creation are intertwined, Rwanda's PRSP includes great emphasis on job creation strategies intended to facilitate private sector growth. To encourage creation of employment opportunities, the PRSP recommended the following measures: improving access to education and training, increasing access to credit and loans, investing in infrastructure, private sector development, agriculture and rural development, and institutional capacity building.

Another initiative in generating employment and building entrepreneurial capacity is the adoption of the labor-intensive public works program known as PDL-HIMO.³ Its goal is that "every sector of government seek opportunities for labor-intensive methods of carrying out their objectives." This has led to a multi-sectoral approach in several areas, such as road infrastructure, road and bridge maintenance, agriculture, environment (agro-forestry, reforestation, soil and water management), water supply, education, and health. More community infrastructure projects have been accomplished through this initiative than ever before and PDL-HIMO is a major income-generating source for communities.

Additionally, in 2002 Rwanda created the Human Resources and Institutional Capacity Building Development Agency (HIDA), which addressed the need to enhance institutional capacity. HIDA is supposed to coordinate capacity and institution building for both private and public sectors in Rwanda. The agency itself still suffers from human resource capacity problems.

Despite efforts to cultivate a conducive environment for entrepreneurial development and employment creation among youth, barriers continue to prevent young people from becoming a key entrepreneurial and leadership force of Rwandan society.

to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing. (see <http://www.imf.org/external/np/etr/facts/prsp.htm>)

³ Programme de Développement Locale - Haute Intensité de Main D'oeuvre

Barriers to Youth Entrepreneurship and Leadership

Lack of Skills and Training

The most critical barrier to entrepreneurship and leadership development among youth is a lack of skills and training. Experiences in other developing markets indicate that successful countries have an optimal number of professionals working in service and technical trades. These two fields already form the biggest percentage of labor demand in Rwanda; however, the educational system remains theory-based. Due to the mentality that university credentials alone are all that is needed to prepare young people for the job market, universities rarely produce graduates who are ready for professional or entrepreneurial life.

This situation has not been helped by the public service salary policy that rewards workers on the basis of academic qualification, which accounts for 40 percent of a civil servant's salary. For this reason, youth strive to attain academic certificates as an assurance of good job placement and high social status, which is no guarantee of productivity or value-added to society.

Furthermore, vocational training and technical education is still very weak, which is one reason the private sector accounts for only 30 percent of the Rwandan economy. The government has maintained only five technical schools for the last 20 years, notwithstanding the upsurge in population due to millions of Rwandans returning from neighboring countries. Most technical services are currently provided by immigrants from Uganda and Kenya and it is difficult to find service providers in basic technical trades like electrical installations, plumbing, or home and appliance repairs. In most developing markets, these trades form the basis for employment and entrepreneurship.

Lack of Mentoring and Role Models

In developing markets in general, and Rwanda in particular, youth lack role models for entrepreneurship. Students are trained to complete their education and seek positions in the public

sector. In Rwanda, where the public sector accounts for a staggering 70 percent of the economy, the role models admired by young people are public servants who enjoy lavish lifestyles thanks to generous allowances the government provides its top servants. Therefore, the dream of most young men and women in Rwanda is to complete university, obtain a job in a public institution, and live "big." The private sector was for some time seen by many as a place for academic failures or people with no other professional alternatives. Although this mindset is on the decline, it is still common, given that there are few mentors and role models in the private sector to act as a source of motivation for youth.

Lack of Positive Work Habits and Attitudes

Due to the types of role models presented to them, many young people in Rwanda appear satisfied with only mediocre levels of entrepreneurial or leadership ambition. This attitude and others are unfortunate remnants of the colonial training that taught our youth to be fulfilled within existing structures, not to strive to work outside the system or to change it – and this mentality directly opposes entrepreneurial thinking. The typically desired lifestyle requires less effort, while entrepreneurship and leadership call for diligence, great discipline, and courage to learn from the mistakes that are bound to happen along the way.

Lack of Funding

Lack of financing is another major barrier to entrepreneurship among youth. Financial institutions in Rwanda do not provide funding based on the integrity of a business plan, but rather on the availability of collateral, either in assets or salary. This practice means that no matter how viable one's business idea may be, an aspiring entrepreneur cannot access funding without collateral. The lack of venture capital and investment funds aggravates the weakness of entrepreneurial and leadership development.

Weak Financial, Legal, and Regulatory Frameworks

Financial policy and legal and regulatory frameworks in Rwanda were not built to support

entrepreneurial development. The financial sector is weak due to the lack of a culture of saving and a cash-based payment system that does not provide credit for businesses. Even homes and cars are financed by cash, resulting in a very weak mortgage sector. All these cash transactions leave little money for savings, and without savings investments cannot be funded and businesses do not develop – creating a vicious cycle of latent development.

The legal framework does not make pooling resources for doing business a safe option. When banks fail to meet the demands for credit, a black market money-lending industry develops. The result is expensive money that not everyone can access. Though faster and with no requirement of hard collateral, this informal lending industry works in a syndicate-like manner, with people assisting their peers and friends. Therefore, lack of access to appropriate lending infrastructure, to venture/risk capital for innovation and start-ups initiatives, and to business development support continue to hamper young people's entrepreneurial capacity.

Societal Problems

Lastly, but perhaps most difficult, are the unique societal problems of Rwanda. Only Rwandans can fully realize and appreciate that restoring the social fabric of our post-conflict nation needs a lot of hard work. The end of war and genocide in 1994 resulted in a massive influx of Tutsi Rwandans that had been living as refugees in neighboring countries. This brought about congestion, resource competition, and cultural clashes.

The genocide also had traumatic effects on the children who are now supposed to be the productive youth of Rwanda. The emotional trauma that thousands of Rwandan youths are silently living with affects their ability to develop entrepreneurial and leadership qualities. They cannot look up to community leaders as role models: regularly held communal courts (known as “Gacaca”), in which genocide survivors testify against an ever-increasing number of community leaders, remind the country that the wounds of the past are still there. In 2006,

shocking statistics put the number of community leaders being accused in the capital Kigali and its suburbs alone at 80.

As a result of the genocide, hundreds of Rwandan orphans have no parental role models or guidance. Statistics from 2004 also revealed that 250,000 women and girls had reportedly been raped during the conflict; 47 percent of them now live with AIDS.⁴ As the National Week for Mourning comes and goes every April, the people of Rwanda have come to accept that healing is not going to come easily.

In order to alleviate ethnic conflict, which was at the root of the 1994 atrocities, the government has tried to enforce a policy of ethnic balancing in public sector jobs as a step towards reconciliation. The government strives to provide free education and some welfare for younger victims of genocide through encouraging support from non-governmental organizations (NGOs); but deep social scars remain and all the aforementioned factors contribute to the persistence of a debilitating mindset and mistrust of fellow Rwandans – a hurdle that must be overcome if Rwanda is to move forward.

The Next Steps: Removing the Barriers

Reforming the Educational System

The government must take bold steps toward educational policy reform in order to increase the entrepreneurial and leadership capacity of Rwandan youth. The educational system cannot be overhauled in a matter of a few years, but changes should be introduced over time, such as career guidance to help students make informed decisions about their education and professional choices early on.

Just as the English and French languages were made part of the curriculum of every primary, secondary, and tertiary institution after 1994, technical subjects like carpentry and other artisan disciplines can be introduced. Additionally, since the government owns large firms requiring these

⁴ Statistics sourced from the 2005 report by the Director of Communal Courts investigating the genocide cases.

skills, apprenticeship and industrial training internships can easily be incorporated into the educational curriculum. Even for illiterate youth, skill development activities can be integrated into the local government plans. Community development programs can provide hands-on experience with small income-generating activities like crafts, wood carving, or animal husbandry.

One sign of progress is the training that microfinance institutions have brought to rural Rwanda. Successful micro-loans have shown that with appropriate instruction and guidance, rural youth can move from barely surviving to working for and owning thriving businesses.

Adjusting Private Sector Development Priorities

The Rwanda Private Sector Federation (RPSF) is an agency created in order to strengthen the private sector. It is largely sustained by the government in terms of capacity building and equipment provision. For the past 7 years, RPSF has organized trade fairs and exhibitions promoting local investors and producers. A shift is needed, however, from promoting existing small investors to more emphasis on investment in skills and career development for the youth as potential entrepreneurs.

Another area the RPSF can concentrate on is the information component, which requires improving access to information and statistics that are vital for business development. A starting point is to organize and invite youth to seminars and workshops where local business leaders could share their success stories. Most of these businesspeople start small and can encourage youth with their experiences. The next step can then be taken to enrich the RPSF archives and website with relevant information and hands-on, practical training. All of these elements should be combined to create a conducive environment for young entrepreneurs.

Building Institutional Capacity

Building entrepreneurial capacity and employment-generating opportunities does not

solely depend on adequate policies in education and human resource development. It also largely depends on the existence of strong institutions capable of managing change with regard to entrepreneurship and employment issues.

Institutional capacity is a worthwhile investment, since stronger institutions significantly reduce the risks of doing business. The combination of infrastructure and institutional capacity building is crucial to creating a conducive environment for entrepreneurship. To complement building institutions, strategies for minimizing administrative barriers and red tape, particularly in the registration of businesses, are also instrumental in encouraging entrepreneurs.

Reforming the Financial Sector

The regulatory environment within Rwanda's financial sector needs to be improved in order to benefit entrepreneurship and business development. Tax incentives are necessary to encourage investment startups that create jobs. Regulations concerning commercial banks and microfinance should be streamlined to encourage innovation through venture/risk capital provision. With an efficient legal regime and incentives, even the black market financing networks can be turned into large, legitimate sources of funding for businesses. An independent judiciary system, including commercial courts, is necessary to ensure that such alternative sources of business funds operate in a secure and legal manner to complement the existing traditional sources of funding.

Strengthening NGOs

NGOs play an important role in handling the aftermath of conflict in Rwanda. Among them the most notable is FARG, an agency funding the education of orphaned genocide survivors, and SURF (Survivors Fund), which works with a number of NGOs to provide shelter, education, counseling, and health services. Beyond strengthening the capacity of these and other NGOs, youth counseling has to be facilitated so that young survivors can be empowered to pick up the pieces of their lives and move on.

The government will never have the resources to economically restore all the people pushed to the margins of society by war. It must instead help them to tap inner resources and strength in order to build their own futures. Investing in training professional counselors from among the survivors themselves would not only help achieve this objective but also provide worthwhile employment to those survivors.

Involving Youth in Policymaking

In theory, the policymaking process in Rwanda is such that top government officials formulate initiatives that, in their opinion, are necessary, and then undergo a process of validation and consultation with the people who are affected by these initiatives. In actuality, however, it is the top local leaders that attend these validation workshops and make decisions with little or no awareness of how the populace is affected. Therefore, policies in Rwanda are not demand driven. But this can change. Youth, as future leaders, can become agents of community improvement by becoming involved in identifying community needs and opportunities. Youth can become an effective task force if their activities are well organized and coordinated. A new wealth of ideas and information generated by youth would then result in relevant and demand-driven policies, especially on entrepreneurship and leadership.

Youth are Hope for the Future

Rwanda has made massive strides in restoring the economy since 1994. With the youth accounting for more than half of our population, the country's potential remains phenomenal, yet much more remains to be done. Through appropriate education and skills training, a streamlined financial sector, stronger infrastructure and institutions, empowered private sector, and repaired social fabric, the entrepreneurial capacity of the youth can be unleashed and Rwanda can achieve its true potential.

CIPE's 2007 International Youth Essay Competition asked young people aged 18-30 to share their ideas about citizenship, democratic and market-oriented reform, and youth leadership. This essay by Umutoni Rosie from Rwanda, which won the 3rd place in the 'Entrepreneurship and Leadership' category, was written in response to the question: What needs to be done in your country to provide youth with the opportunity to become entrepreneurs and/or leaders in their communities? The author is 30 years old and enjoys reading, traveling, working with children and youth, and volunteering. To learn more about the essay competition, visit <http://www.cipe.org/essay>.

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