

Special Initiative on Training and Job Creation

Local Competitiveness Facility in Rwanda

Growing local enterprises in the aftermath of Covid-19

Invest for Jobs supports the **Local Administrative Entities Development Agency** in providing matching grants and complementary trainings to innovative business partnerships in eight Rwandan districts. This enables companies to grow as well as to create and preserve jobs – especially for the country's poorer rural population.

Limited growth for rural enterprises in Rwanda

Small, hilly and landlocked, **Rwanda is home to about 12.5 million people**. The country aspires to become a middle-income country by 2035. Its economy grew 7.2 percent on average over the decade to 2019, and its gross domestic product (GDP) per capita grew 5 percent annually. Yet, this positive trend is fragile.

In 2020, GDP fell by 3.4 percent, marking Rwanda's first recession since 1994. Lockdowns and other public measures to control the Covid-19 pandemic have troubled Rwandan companies, which are predominantly informal micro and small enterprises. Such enterprises account for 91 percent of all companies in Rwanda.

Even though they commonly employ three employees or less, they are essential for the country's overall employment. Just under 8 percent of all Rwandans are employed in the 15,800 formally registered companies. **To create more and better jobs for Rwanda's growing population, micro and small enterprises need to grow** – be they formal or informal.

Kigali is Rwanda's capital and its economic epicenter. 45 percent of Rwanda's small, medium and large companies are based there, offering jobs for urban dwellers. Consequently, increasing numbers of rural migrants are seeking job opportunities in Kigali. To enhance access to jobs for Rwanda's rural population, which tends to be at a higher risk of poverty, companies in rural Rwanda require specific and targeted support.



Limited growth for rural enterprises in Rwanda

Many micro, small and medium-sized enterprises (MSMEs) in rural Rwanda lack the necessary savings and skills to further develop their business. Smaller companies often find themselves trapped at subsistence levels. For them to expand their business and thus create more and better jobs, Invest for Jobs supports the Local Competitiveness Facility (LCF) of the Local Administrative Entities Development Agency (LODA).

LODA, a government fund under supervision of the Ministry of Local Government (MINALOC), focuses on local economic development, social protection and capacity building of local administrative entities. The LCF combines matched grants with business development services to support private business partnerships for pro-poor local economic development.

For example, one business partnership involves a bee-keeping cooperative and a honey-processing company in remote Kirehe. The LCF supports the partnership's business development by matching their funds to acquire equipment and machinery to produce more and better honey. By encouraging the formation of such partnerships, the LCF leverages the advantages of business development along particular value chains.

Implemented by



The LCF application process is transparent and competitive. A call for proposals sparked the interest of private companies. To apply, they formed business partnerships with other companies along a specific value chain, usually combining formal and informal or micro and larger companies. Non-governmental organisations and technical and vocational education and training institutions can be additional partners.

After Covid-19 hit Rwandan MSMEs with little reserves, many companies were at risk of shutting down or reducing jobs. At this point, Invest for Jobs offered support to LODA to relaunch their Local Competitiveness Facility.

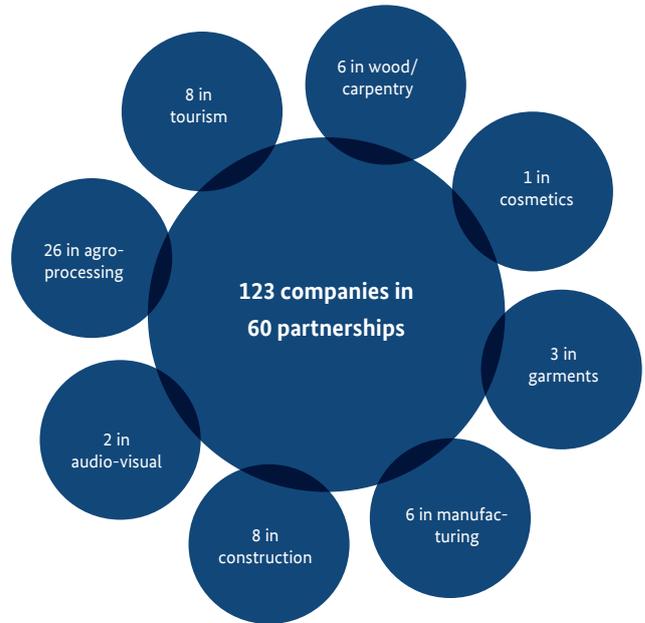
Shortly after, the third round of the Facility was initiated, offering matching grants that range between 4,000 and 30,000 Euro.

The selected partnerships thus far

In numbers, **60 supported business partnerships comprise 123 companies**. Invest for Jobs has made 1.6 million Euro available in matching grants. Funds are forwarded through the districts to each business partnership and matched by them with an equivalent of about 1.43 million Euro.

Another BMZ-funded project, Economic Inclusion of Refugees and Host Communities, supports the LCF to fund 18 additional partnerships with a focus on refugee-led companies.

Based on the company baseline study, the majority of supported partnerships operate in agro-processing, tourism and manufacturing. Notably, 34 percent of the companies supported never sold products outside of their own district, of which there are 30 in the small country Rwanda, and 89 percent never exported abroad. Only 29 percent of the supported companies have savings on a bank account and less than 13 percent own buildings or land.



Complementary to funding selected business partnership projects, demand-based trainings are conducted to enhance their business skills. **For example**, only 23 percent of the companies are reported to apply bookkeeping that adheres to professional standards. Consequently, financial management trainings were conducted for all partnership at the level of each district, thus also enabling companies to meet and exchange with their peer LCF beneficiaries. A mid-term evaluation is currently conducted to assess the LCF's impact on more and preserved jobs.

Under the Invest for Jobs brand, the German Federal Ministry for Economic Cooperation and Development (BMZ) has put together a package of measures to support German, European and African companies engaging in Africa. **The Special Initiative on Training and Job Creation** – the official title – offers comprehensive advice, contacts and financial support through its implementing organisations to overcome investment barriers.

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