

A close-up portrait of a young man with a beard, smiling broadly, showing his teeth. The image is partially obscured by geometric shapes: a large orange triangle on the left and a blue triangle on the right. The text is overlaid on the lower part of the portrait.

YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITY ECOSYSTEM ANALYSIS

RWANDA COUNTRY REPORT

DECEMBER 2015



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DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

Youth are defined by the government of Rwanda as persons aged 14 to 35 years old. However, the UNCDF YouthStart Global (YSG) program uses the United Nations (UN) definition of youth: persons aged 15 to 24 years old. Wherever possible, the UN definition is used. In some cases, information or data were only available for youth aged 14 to 35, and thus the government's definition was used.

The term 'SME' (small and medium-sized enterprise), as defined by the Ministry of Trade and Policy in its "SME Development Policy,"¹ includes micro-enterprises, and represents firms that meet one of the following three conditions: 1) less than 75 million RWF (~103,000 USD) net capital investments, less than 50 million RWF (~70,000 USD) annual turnover, and less than 100 employees.

Under Ubudehe, households are categorized into one of six classifications: one, those in extreme poverty; two, the very poor; three, the poor; four, the resourceful poor; five, the food rich; six, the money rich.

Conversion from Rwandan Francs to USD is done at 730 RWF to 1 USD.

AERG	Association des Etudiants et Elèves Rescapés du Génocide
BDC	Business Development Centers
BDF	Business Development Fund
BDS	Business Development Services
BPC	Business Plan Competition
BPR	Banque Populaire Rwanda
CAS	Career Advisory Services
CIP	Crop Intensification Program
COATB	Coopérative des Associations de Travailleurs de Bâtiments
DOT	Digital Opportunity Trust
EDC	Education Development Center, Inc.
EDPRS	Economic Development and Poverty Strategy
EMIRGE	Enabling Market Integration for Rural Group Empowerment
ESC	Employment Service Centers
FSP	Financial service provider
GDP	Gross domestic product
ICT	Information and communications technology
ICT4D	ICT for Development
ILO	International Labor Organization
INATEK	Institute of Agriculture, Technology and Education of Kibungo
IPRC	Integrated Polytechnic Regional Center
KIST	Kigali Institute of Science and Technology (now renamed as the College of Science and Technology – University of Rwanda)

KO	Kiosk operator
LWH	Land Husbandry, Water Harvesting and Hillside Irrigation Project
MFI	Microfinance institution
MIFOTRA	Ministry of Public Services and Labor
MSME	Micro, small and medium-sized enterprise
MYICT	Ministry of Youth and ICT
NEP	National Employment Program
NFES	National Financial Education Strategy
NGO	Non-governmental organization
NYC	National Youth Council
PAJER	Parlement des Jeunes Rwandais
PPP	Public-private partnerships
PSF	Private Sector Federation
PSTR	Strategic Plans for the Transformation of Agriculture in Rwanda
RAB	Rwanda Agricultural Board
RCA	Rwanda Cooperatives Agency
RDB	Rwanda Development Board
RHPC4	Fourth Rwanda Housing and Population Census
RWF	Rwandan franc (local currency)
SACCO	Savings and credit cooperative organization
SCYI	Social Care Youth Initiative
SME	Small and medium-sized enterprise
STECOMA	Syndicat des Travailleurs des Entreprises de Construction, Menuiserie et Artisanat
STRYDE	Strengthening Rural Youth Development through Enterprise
TUP	Targeting the ultra-poor
TVET	Technical vocational education and training
UFC	Umutanguha Finance Company
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNICEF	United Nations Children Fund
UOB	Urwego Opportunity Bank
VUP	Vision 2020 Umurenge Program
WDA	Workforce Development Authority
WHO	World Health Organization
YEGO	Youth Employment for Global Opportunities
YEO	Youth Economic Opportunities
YOP	Youth Opportunities Program
YSG	YouthStart Global

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EXECUTIVE SUMMARY

Rwanda's economy has experienced fast and sustained growth at an average of 8% from 2000 to 2013; it is predicted to continue on this strong trajectory. Growth has been driven by strong government leadership through policies such as the Economic Development and Poverty Reduction Strategy (EDPRS-II 2013- 2018), which aims to further build on the Vision 2020 goal of transforming Rwanda into a middle-income country. There is significant emphasis on infrastructure development, particularly in power generation, rail and road connectivity and on productivity investments in agricultural value chains. As a result, **the services and agriculture sectors have been key growth drivers for Rwanda's economy.**

This economic growth has not translated into sufficient productive employment particularly for the growing youth cohort aged 14-35 years, which represents 39.3% of the population. Driven by 2.8% average annual population growth over 2010 – 2013, the size of the working-age population has continued to increase and outpace job creation. **Each year, 125,000 first-time job seekers enter the labor market which the economy is not able to absorb.** Indeed, with a total of 396,000 waged jobs in the formal economy today, only a handful of new labor market entrants will gain access to the formal sector. While only 4% of active youth are unemployed, 65% are underemployed and youth are disproportionately located in—and migrating to—urban areas where youth unemployment is three times that of rural areas.

To address this growing urban 'youth bulge,' the government of Rwanda is engineering a shift from a low-productivity agriculture-dependent economy to a service-based 'knowledge economy'. **'Productivity and youth employment' is thus central to the government's Economic Development and Poverty Strategy,** which targets the creation of at least 200,000 off-farm jobs annually.

Despite this progress there is a need for more interventions and rapid actions in order to limit the negative impact of disempowerment on the youth population, and the negative impact of youth unemployment on Rwandan society. Youth unemployment represents a sizeable economic loss stemming from unrealized human resources, foregone potential income tax revenues, and a loss of returns on government investment in education—all contributing to creating a heavy tax burden in future years. In addition, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability, and crime while increasing youth's vulnerability to poverty.

KEY FINDINGS

Finding 1: Rwanda's labor market is severely demand-constrained. There is broad consensus that self-employment and enterprise development will be the mechanisms by which to create more opportunities for youth:


- More than half of youth were employed in non-wage jobs, and among those engaged in wage work, a large majority were employed in the private informal sector (i.e., individuals who earn an income from piecework rather than through formal employment).
- Youth underemployment is a particular feature of the agriculture sector, which employs 70% of youth.
- Small and medium-sized enterprises' capacity to absorb job-seekers is limited and entrepreneurship is a challenge.

Finding 2: Access to capital is a major and consistent challenge limiting youth's ability to successfully start a business:

- Financial exclusion is significantly higher among youth aged 18 to 20 years, among females, and in rural areas.
- A lack of individual awareness and lack of understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play to boost access to finance.
- On the supply side, proximity and eligibility do not seem to be binding constraints, but increased product innovation is needed to better meet clients' needs.

Finding 3: Four sectors have emerged as offering the most promising economic opportunities for youth

- The **construction sector** offers a number of potential opportunities for employment, particularly for artisans and technicians, as well as entrepreneurship opportunities for youth willing to form cooperatives.
- The **ICT sector** is booming in Rwanda and creating opportunities for youth including the retail of ICT products and services, IT support, or ICT platforms and application development.
- **Tourism** is also growing fast and offers high-potential opportunities for employment in hospitality and food services.
- **Agriculture** is the backbone of the Rwandan economy and high-potential economic opportunities for youth include raising livestock, horticulture, and vegetable and fruit production and processing.



Finding 4: Existing programs are not fully addressing the different elements required for youth to access high potential opportunities within the most promising economic sectors. Key gaps across most programs are skills trainings, start-up capital, and business support coaching. In addition, organizations generally struggle to address gender gaps in their programs.

Overall more demand sided programs, particularly in support of youth and **entrepreneurship, need to be implemented and existing ones must be scaled up to reach a larger number of youth. In addition, more interventions in rural areas supporting youth in agriculture are needed,** particularly in provinces with low program coverage. Indeed, 81% of youth live in rural areas, yet only about half of youth employment initiatives target rural youth. Similarly, 70% of youth are engaged in agriculture but only a handful of programs focus on creating livelihoods for youth in agricultural value chains.

INTRODUCTION AND CONTEXT

The United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations system and a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least-developed countries. **In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart Program**, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

For the past five years, the YouthStart program has worked with ten financial services providers in eight countries, including Rwanda, to provide access to savings for over 514,000 youth, access to loans to 71,735 young entrepreneurs, and financial literacy and other complementary non-financial services to 502,600 youth. UNCDF has learned from these different approaches that financial inclusion can help address the youth employment challenge through its regional pilot; however, UNCDF has also found that, in order to have a greater and long-lasting impact on youth, the YouthStart program must seek to establish a more concrete link between financial inclusion and the creation of economic opportunities for youth. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships, and other relevant non-financial services that can support their transition from school to work at the right time, and allow them secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF aims to leverage the lessons learned and best practices from the regional pilot for its new program, YouthStart Global (YSG). YSG will be implemented in three phases: 1) an inception phase that entails an analysis of youth economic opportunities in 10 to 15 countries (the first of which will be Rwanda, Benin, Mozambique, and Zambia); 2) a first phase that consists of selecting the right partners to work with in each country; and 3) a second phase that involves supporting selected partners in developing, testing, and scaling up relevant, accessible, and affordable services to youth.

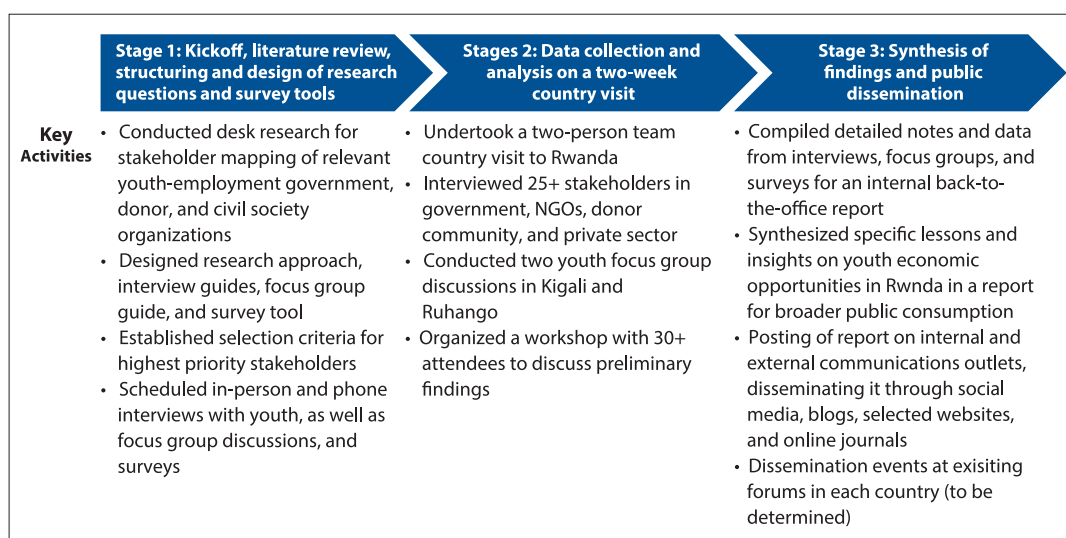
This report is the key output of an assessment implemented over nine weeks in four target countries, including Rwanda, as part of YSG's inception phase. The assessment was conducted in three stages, as outlined in the Methodology section below: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Rwanda, and 3) final synthesis of findings for the present report.

The report aims to capture a complete picture of youth economic opportunities ecosystem in Rwanda by 1) providing an economic overview of the employment challenge and demand for financial services, 2) presenting a comprehensive analysis of the demand for and the supply of labor, and 3) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and mapping of the current youth intervention landscape and the supply of financial services, as well as an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2).

METHODOLOGY

Figure 1 outlines the methodology for this assessment of youth economic opportunities in Rwanda undertaken in three stages: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Rwanda, and 3) final synthesis of findings. This report is the product of a number of activities including desk research, stakeholder interviews (refer to the Annex for a comprehensive list), focus group discussions and surveys, and a participative workshop with key stakeholders.

Figure 1
Study methodology

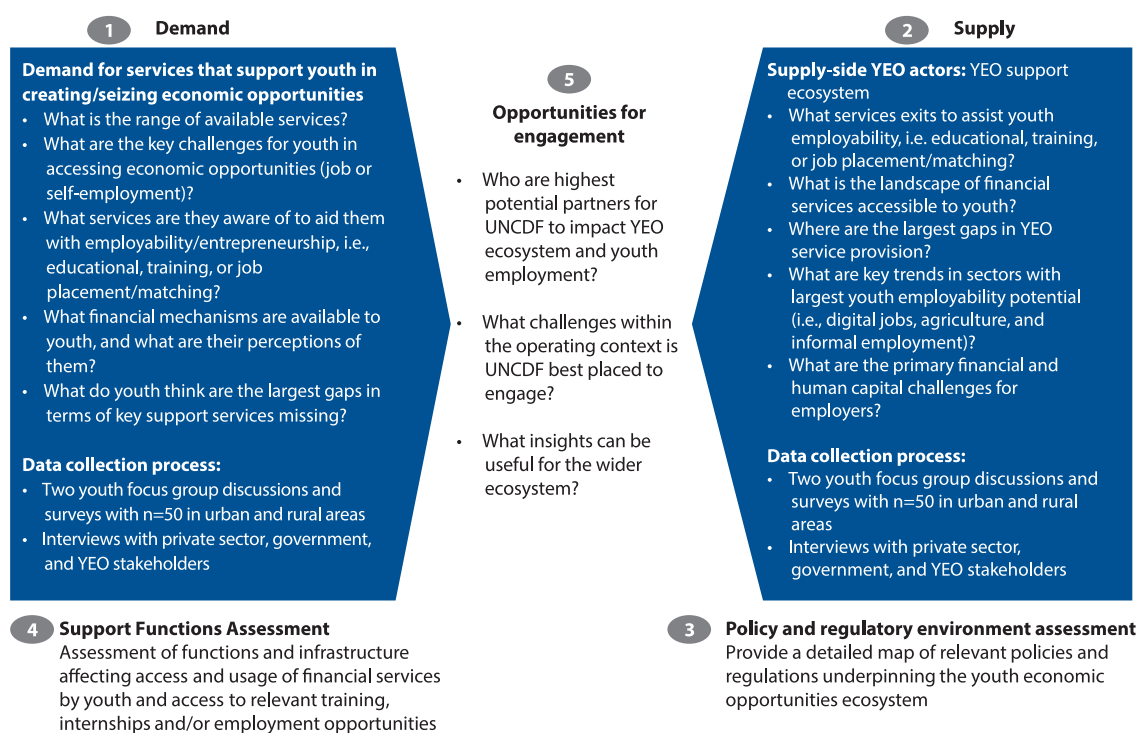


The research approach was structured across five principal elements (Figure 2).

- **Demand-side analysis**, which sought to understand, from the perspective of youth, the principal concerns, challenges, and aspirations with regard to seizing economic opportunities in Rwanda. The focus group discussions and surveys were the primary instruments for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders.
- **Supply-side analysis** focused on the supply of youth employment support and financial services from two lenses:
 - A landscaping assessment comprised of interviews with key stakeholders including government actors, training or employment matchmaker services, and youth organizations, as well as a gap analysis of programmatic opportunities based on the needs identified by youth and stakeholders.

- A macroeconomic analysis of highest-potential sectors. Quantitative sector growth and employment data were used to initially identify sectors that have a large potential for potential of creating economic opportunities, and/or are employing large sections of the youth population. Qualitative insights were used to identify particular opportunities within each sector that are attractive and accessible to youth.
- **Policy and regulatory environment assessment** driven by desk research covering national policy documents and external policy analysis reports, and interviews with government agencies and external stakeholders.
- **Support functions assessment** focused on access and usage of financial services and training, internships, and employment opportunities.
- **Opportunities for engagement** aiming to identify the set of partners and opportunity areas where UNCDF YSG should engage to maximize impact.

Figure 2
Analytical framework



CHAPTER ONE

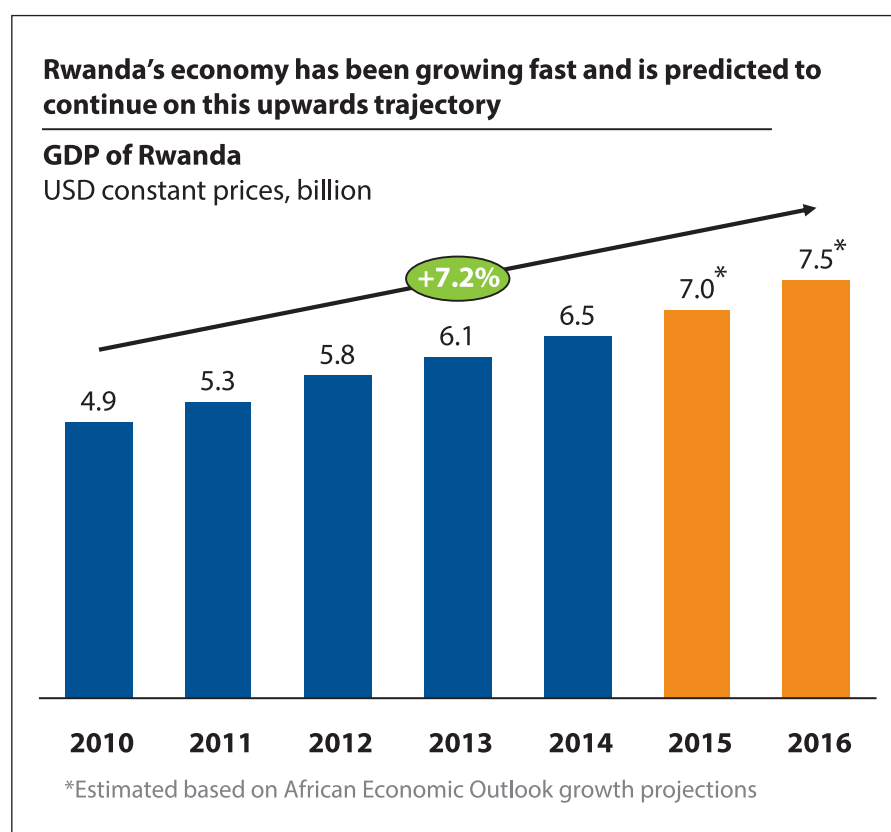
YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES

SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

Rwanda's economy experienced fast and sustained growth at an average of 8% annually from 2000 to 2013.² It is predicted to continue on this strong trajectory, with growth in 2014 estimated at 7%, and expected to rise to 7.5% in 2015 and 2016 (Figure 3).³ This growth has resulted in significant increases in per capita income, from USD 225 in 2000 to USD 693 in 2013, and lifted more than one million Rwandans out of poverty.⁴

The government's Economic Development and Poverty Reduction Strategy (EDPRS-II 2013-2018) aims to further build on the Vision 2020 goal of transforming Rwanda into a middle-income country. It has ambitious targets: accelerate growth to 11.5% annually through economic transformation (pillar I of EDPRS-II) and reduce poverty from 44.9% to below 30% with rural development (pillar II of EDPRS-II).

Figure 3
GDP growth



Source: MINECOFIN Macro-Framework, 2015 and African Economic Outlook 2015

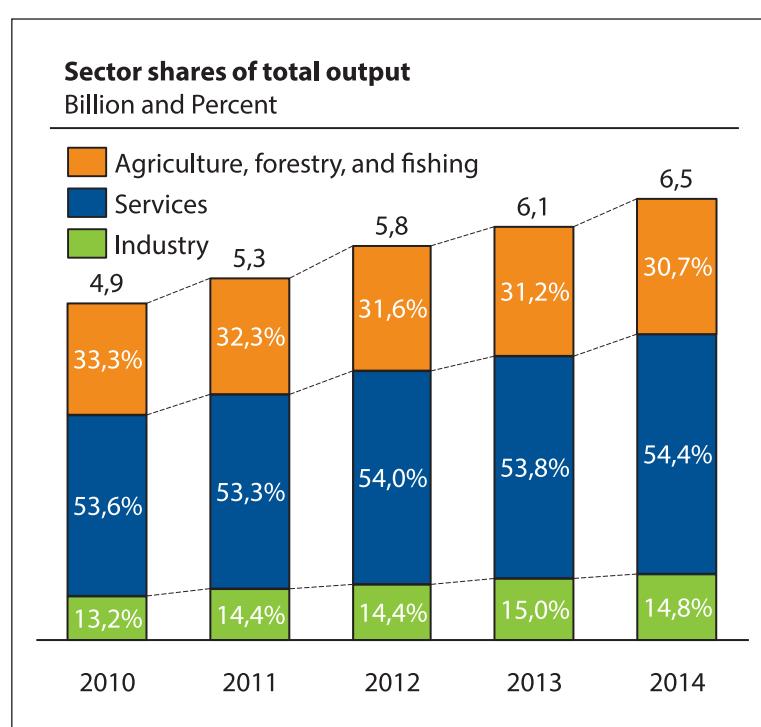
2 World Bank Development Indicators, Databank historical series, World Bank.

3 African Economic Outlook Rwanda growth projections, 2015.

4 "Improving economic competitiveness to bring about shared growth", African Development Bank, 2014.

With that in mind, the government has placed significant emphasis on infrastructure development, particularly in power generation, rail and road connectivity (pillar I of EDPRS-II), and on productivity investments in agricultural value chains (pillar II of EDPRS-II). As a result, **the services and agriculture sectors have been key growth drivers for Rwanda's economy**; from 2010 to 2014 these sectors grew at an annual average of 9% and 5% respectively.⁵ Growth in the services sector, which accounts for almost half of GDP (Figure 4), was driven by hospitality, information and communication, and trade. Livestock and food crops were the major source of agriculture sector growth. **Construction drove industry growth over the same period**, increasing at an average of 13% each year.⁶

Figure 4
Sector Shares



Source: MINECOFIN Macro-Framework dataset, June 2015

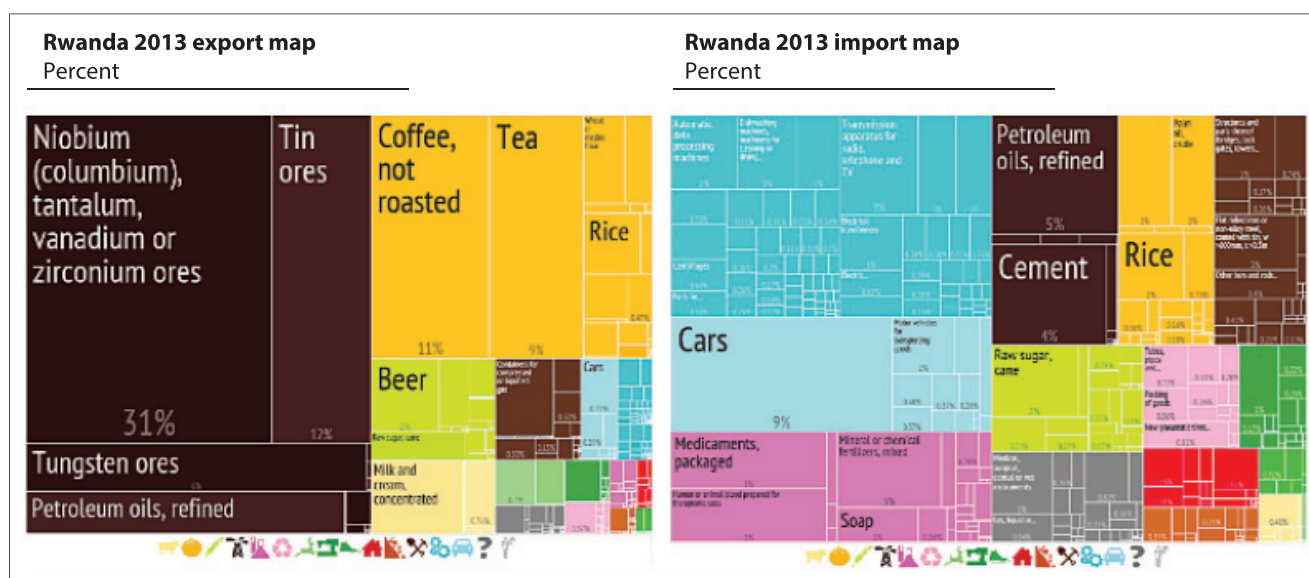
The economy has also benefited from a boost in exports, which rose by 4.7% to USD 600 million in 2014; however, imports also increased, bringing the trade deficit to USD 1.8 billion in 2014.⁷ **Raw materials and low-value added products still represent the majority of Rwanda's exports**, while consumer, capital, and intermediary goods form the bulk of the country's imports (Figure 5). **The tourism industry is a primary earner of foreign exchange** and should continue to grow in coming years.

5 Macro-Framework dataset, Ministry of Finance, June 2015.

6 Macro-Framework dataset, Ministry of Finance, June 2015.

7 African Economic Outlook Rwanda, 2015.

Figure 5
Export and import maps



Source: MIT Atlas of Economic Complexity Rwanda, 2013

Despite significant progress across sectors, **Rwanda's growth has not yet translated into sufficient productive employment, particularly for the growing youth cohort aged 14 – 35 years**,⁸ which represents 39%⁹ of the population and disproportionately lacks access to economic opportunities.

Driven by 2.8% average annual population growth over 2010 – 2013,¹⁰ the increase in the working-age population has outpaced job creation. The economy has been unable to absorb the 125,000 first-time job seekers who enter the labor market each year. Indeed, with a total of 396,000 waged jobs in the formal economy today, only a handful of new labor market entrants will gain access to the formal sector.¹¹ While only 4% of active youth are unemployed (3% of all youth—see Figure 6), 65% are underemployed, working fewer than 35 hours a week.¹² The median number of hours worked by Rwandan youth is 28 hours per week; 15% work fewer than 10 hours a week. Typically, youth have a 'portfolio of work' rather than one job, gathering income from different sources partly to mitigate the risk or seasonality associated with one activity (e.g., agriculture) but often because they are not able to sustain themselves on a single occupation. Of the youth that are currently inactive, 75% are continuing their education, 16% are looking after their family or home (significantly higher at 21% for females), and a large portion of the rest are discouraged job seekers who have stopped actively seeking a job.

8 'Youth' refers to those 14 – 35 years old in this section per the definition used by the government of Rwanda and the National Institute of Statistics.

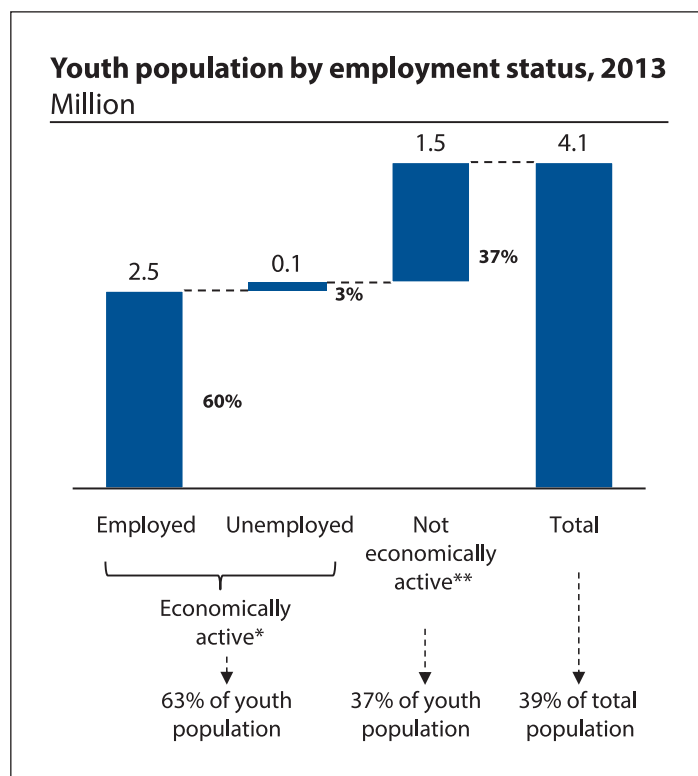
9 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

10 World Bank Development Indicators, Databank historical series, World Bank.

11 Economic and Poverty Reduction Strategy II 2013-2018 (EDPRS-II), Government of Rwanda.

12 Integrated Household Living Conditions Survey (EICV3), National Institute of Statistics, 2011.

Figure 6
Youth economic status



Source: RPHC4, National Institute of Statistics Rwanda, 2011

Youth are disproportionately located in—and migrating to—urban areas where youth unemployment (9%) is three times that of rural areas (3%). Unemployment varies a great deal with geography (Figure 7); young women in urban areas suffer from the highest level of unemployment (13%).¹³ Kigali City and Eastern Province are the only two provinces that registered positive net migrant flows at the time of the last Housing and Population Census in 2012, the former (with 328,059 net flows) surpassing the latter by a wide margin.¹⁴

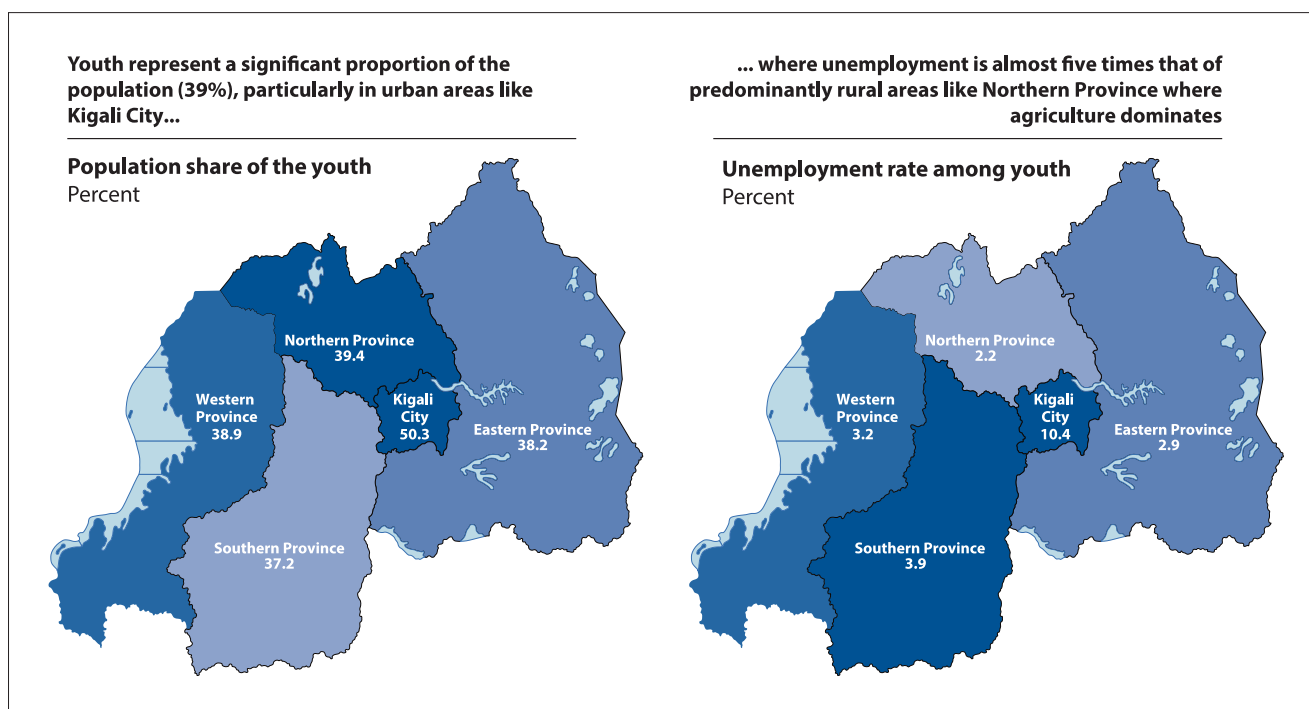
To address this growing urban ‘youth bulge,’ the government is engineering a shift from a low-productivity agriculture-dependent economy to a service-based ‘knowledge economy.’¹⁵ ‘Productivity and youth employment’ is thus the third pillar of EDPRS-II, which targets the creation of at least 200,000 off-farm jobs annually, and aims to tackle four priority areas: soft and hard skills development, ICT infrastructure and technology, entrepreneurship, access to finance and business development, and finally, labor market matching through employment and careers service centers.

13 Economic and Poverty Reduction Strategy II 2013-2018 (EDPRS-II), Government of Rwanda.

14 Ibid.

15 Ibid.

Figure 7
Mapping of youth and unemployment



Source: EICV3, National Institute of Statistics Rwanda, 2011

Indeed, there are large opportunity costs to inaction. At an individual level, failing to empower youth to become more engaged in the economy and to pursue decent livelihoods increases their vulnerability to poverty. Moreover, facing unemployment in the early years of entry into the job market can have scarring effects on a youth's lifetime earnings and productive potential. At the societal level, protracted joblessness is one factor that can increase youth disenfranchisement, which can lead to increased social unrest, political instability, and crime.¹⁶ The mismatch between youth aspirations and their actual earning and employability prospects often prompts the country's most skilled to search for better opportunities abroad. Generally, youth unemployment represents a sizeable economic loss, from unrealized human resources to lost potential income tax revenues and returns on government investment in education, all of which will contribute in the future to the creation of a heavy tax burden.

16 "Youth employment in sub-Saharan Africa," World Bank, 2014.

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

The government of Rwanda developed a number of policies guiding the creation of employment and entrepreneurship opportunities for youth. Below is a brief overview of some of the key policies in this sector.

- **National Youth Policy:** In 2003, after a series of youth consultations across the country, the National Youth Policy was drafted by the then Ministry of Youth, Culture and Sports, with a view to centralize all efforts focusing on youth into one policy paper while, at the same time, support the mainstreaming of youth voice into national employment creation efforts.
- **Five Year National Action Plan for Promoting Youth Employment (NAPPYE), MIFOTRA, 2005**
- **National Employment Policy (NEP):** In 2007, the Ministry of Public Services and Labor (MIFOTRA) published the NEP which outlined a number of principles meant to guide employment creation in Rwanda. The NEP's key objective is to facilitate the creation of 200,000 off-farm jobs per year. When the NEP was drafted in 2007, the Rwanda government recognized that youth unemployment and underemployment was a major and growing challenge which required sustained attention. A specific objective of the policy was to stop "the current growth of unemployment, emphasis being put on the employment of youth, women and persons with disabilities". A number of programs were identified and included the promotion of youth employment via vocational training, self-employment and micro-enterprise, etc. MIFOTRA coordinates, monitors and evaluates all actions undertaken under NEP; this includes the work of seven ministries and several agencies.
- **Economic Development and Poverty Reduction Strategy 2008-2012 (EDPRS 1):** Published in 2008, this anchor document calls for special attention to be given to the "challenges and opportunities facing young people, in order to strengthen the youth's participation in the social, economic and civic development of Rwanda" as well as to the gathering of baseline data on the current situation and aspirations of youth. More importantly, EDPRS 1 highlights the following: "A youth development strategy is to acknowledge that the problems and challenges faced by different groups of young persons vary widely. Consequently, any comprehensive strategy to promote the participation of youth in the country's economic and social development will consist of a portfolio of policies and programs, each of which is targeted at particular groups of young people."

- Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS 2): Published in early 2013, this umbrella document identifies skills development — especially among youth—, as imperative to the economic transformation theme. Some key sectors identified for skills development are transport, energy, mining, hospitality, and IT. While the document underscores lack of baseline data to qualify the economic and social situations of young people, it identifies youth employment as a priority area. Under this, EDPRS 2 calls for improving youth's skills and attitude toward work, increasing relevance of education via a “work-focused school system”, as well as “assisting job seekers to find vacancies through Employment Service Centers, Career Advisory Services for students”.
- Technical and Vocational Education and Training (TVET) policy (2009) and the Education Sector Strategic Plan (2013-2018): Both policies, developed under the Ministry of Education, recognize the importance of TVET as crucial to the development of a labor market economy. More precisely, these two policy documents pinpoint the need for increased public/private funding for this sector (equipping a TVET institution costs more than a regular secondary school), enhanced quality of TVET programs, additional efforts to combat young people's negative perception of TVET programs compared to higher education, as well as the integration of work experience opportunities in learning process. The goal for 2018 is to have 60% of student enrolment in TVET and 40% in general education.
- National Policy on Promotion of Cooperatives: In 2010, the Rwanda Cooperatives Agency (RCA) under the Ministry of Trade and Industry, set forth this policy which aims at “orienting and ensuring that cooperatives become a viable tool for social-economic development in Rwanda.” This policy identifies youth as a “non-performing group” and states that RCA will expand efforts to sensitize youth about cooperatives. In addition, the document mentions that affirmative actions will be considered for marginalized groups such as youth and that the minimum age for youth to become members of cooperatives will be reduced.
- Small and Medium Enterprise (SME) policy: Developed in 2010 by the Business Development Fund (BDF) under the Ministry of Trade and Industry, this policy aims to support the coordination among several actions linked to specific sectors or industries with high presence of SMEs, as well as increase SME's access to finance (via, e.g. guarantee funds). This policy calls for the integration of entrepreneurship training in TVET curriculum, entrepreneurship training for out-of-school youth, mentoring programs for young people starting SMEs, etc.

- Rwanda Financial Sector Strategy: Published in 2013 by the Financial Sector Secretariat located within the Ministry of Finance and Economic Planning, this document focuses on financial inclusiveness and gives particular attention to the underserved population. This comprehensive and ambitious strategy requires the mobilization of a large number of wide-ranging partners as well as impressive financial and operational resources. Covering the 2013-2018 period, the strategy's pillars of action are a) savings and investments, b) access to finance, c) financial inclusion, d) modern payment system, e) skills development and f) creating an international service centre for Rwanda. Under the Financial Inclusion pillar, the document presents the National Financial Education Strategy (NFES) which aims to improve financial literacy across all segments of the population. As part of the NFES, youth from 14 to 35 years old would receive training via a vast array of channels, ranging from TVET institutions to radio stations and youth organizations. Another section of the strategy recognizes the need to strengthen awareness of the benefits of financial services and products as a way to increase and improve youth employment via the creation of small and medium enterprises.

Rwanda is a country where the policy environment is quite dynamic. As seen above, there are a number of national policies governing several aspects linked to employment and entrepreneurship for today's young generation. The government of Rwanda was among the firsts to realize the extent of the employment challenge for the "youth bulge", i.e. a large generation of youth entering labor market originally designed to support the reality and needs of their parents' smaller generation. Early on, the government of Rwanda set forth ambitious plans and strategies seeking to address the growing youth unemployment challenge. Remarkably, youth issues are relatively well mainstreamed into national policies and young people have a robust voice in the development of these framing documents. While some of the policies outlined above are relatively young, efforts from the government of Rwanda have produced results as the country's economy grew at an average of 8% annually from 2000 to 2013.

A good number of people have benefited from this growth. For example, stakeholders report that, though still relatively quite modest, Rwanda's entrepreneurship culture has expanded in the last few years. Several initiatives supporting entrepreneurs were created such as the Business Development Fund, various business plans competitions, business development support centers and incubators, and the "Create-Your-Own-Job¹⁷" program. While monitoring and evaluation frameworks for cross-cutting sectors such as employment and entrepreneurship are quite weak, stakeholders report a certain degree of success for these types of interventions. The growth of the ICT, tourism, infrastructure and various trade-related sectors are certainly helping entrepreneurs and job seekers. Some strides have also been made when it comes to access to certain types of funding.

17 The "Create-Your-Own-Job" program, also known as the Hanga Umurimo Program (HUP), was developed by the government of Rwanda and aims to motivate community members to identify and seize business opportunities based on locally available resources and market needs. This program targets newly created SMEs in order to support their efforts via training and access to financing.

On the other hand, the spillover effect of these efforts have yet to create sufficient and meaningful economic opportunities among Rwanda's growing youth population. Access to employment and entrepreneurship for young people remains more challenging than for the general population. And the situation is even grimmer for young women.

According to stakeholders interviewed, the main policy challenges with regards to Rwanda youth employment and entrepreneurship include the following:

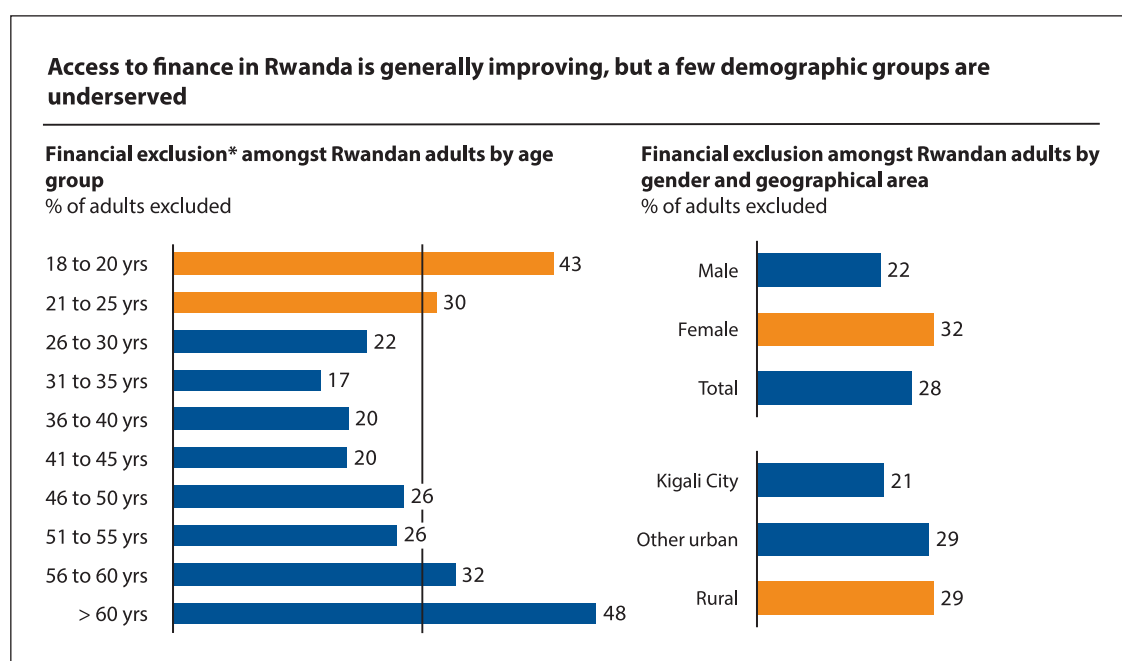
- Inadequate coordination among actors implementing the various employment and entrepreneurship policies and programs: While there has been recent improvements in coordination of all NEP efforts (e.g. via the consolidation of similar governmental functions under umbrella agencies), this continuing coordination issue also impacts ownership, funding as well as monitoring and evaluation. Moreover, the fact that MIFOTRA is responsible for employment while MINICOM is responsible for entrepreneurship does not help coordination of cross-sectoral interventions. In addition, duplication of efforts is a recurring phenomenon. For example, there are several pockets of internship programs and business plan competitions across ministries and agencies. Harmonization of efforts is crucial, especially given the extent of the very limited resources available. The inter-ministerial steering committee lead by MIFOTRA should address these issues in the very short term. In addition, while it is reported that it suffers from dire lack of financial resources, the implementation of the Financial Sector Strategy might certainly contribute to improving coordination among a number of actors.
- Insufficient alignment between policies and need to update NEP: Given the recent publication of the EDPRS 2 as well as the development, since 2010, of several policies addressing the entrepreneurship ecosystem (e.g. the SME policy and the Cooperatives policy), there is a need to update the NEP. In addition, the NEP needs to take into account the latest changes in the country's development such as efforts to advance East African regional economic integration (signing of the Common Market Protocol in 2010) as they have a huge impact on competition for jobs and procurement contracts.
- Awareness: Given the number of governmental actors and policies related to employment and entrepreneurship in Rwanda, as well as the decentralized nature of most interventions, one is not surprised to see that youth demonstrate a very low level of awareness regarding policies governing this sector and opportunities available to them. Language issues and computer literacy issues, as well as the fact that only formal opportunities and structured interventions are promoted, greatly limit youth's access to information. While the government announced efforts to centralize this type of information, stakeholders report that these have yet to produce significant improvements.

SECTION 3 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

Accessing capital is a major and consistent challenge limiting youths’ ability to successfully start a business or even find employment. Indeed, job search costs are high and costly training is usually needed for a candidate to be competitive on the job market.

While access to finance has generally improved, a number of demographic groups are still excluded (Figure 8). Financial exclusion is significantly higher among youth aged 18 to 20 years (43%), among females (32%), and in rural areas (29.4%).¹⁸

Figure 8
Access to finance



*Exclusion means not using commercial banks, non-bank formal products, or informal financial mechanisms

Source: TheMix.org; Access to Finance Rwanda – Finscope 2013; Dalberg analysis

Finance is a chief concern. Focus group discussion with youth in Kigali and Ruhango overwhelmingly cite ‘financial constraints’ as the number one factor limiting their access to economic opportunities. In a recent survey of small and medium-sized enterprises (SMEs) in Rwanda, 80.7% named financial services as their most binding capacity need: financial requirements mentioned were working capital as first preference, followed by seed capital availability and financial guarantees.¹⁹ The 2012 Finscope survey found 94% of adults were concerned about their financial situation.²⁰

18 Finscope survey, 2012.

19 “Capacity Building Interventions, Entrepreneurship, Promotion of SMEs in Rwanda,” Uni. of Rwanda, 2014.

20 Finscope survey, 2012.

Rwandans trust the financial system but are wary of long queues and processes in commercial banks. Overall, they have faith in the government's regulation of banks and in community policing of savings and loans groups. For faster access to their funds, Rwandans will often borrow or deposit at a tontine or savings and credit cooperative organization (SACCO) rather than at a commercial bank or MFI.

A lack of individual awareness and lack of understanding of the value of specific financial products and services are the most significant barriers to uptake.²¹ Indeed, 80% of unbanked adults believed they 'didn't need bank accounts because they earned insufficient money to justify opening a bank account.' A very small fraction—only 7%—perceive affordability as the main barrier to banking. Few uninsured adults understand the concept of insurance and do not know how and where to get it. Twenty-eight per cent of adults are unwilling to use mobile money because it is 'too complicated to use.'

Rwandans' conservative attitude toward debt and their high degree of risk aversion are major constraints to credit uptake. Indeed, almost half of adults who did not borrow were worried that they would not be able to repay. Borrowing is primarily used to smooth consumption over time, and very little goes into productive investment (Figure 9).

// I don't know about banks. My uncle sometimes gives me money for my business but only 2000 RWF so I try to ask my friends if they can add to it.

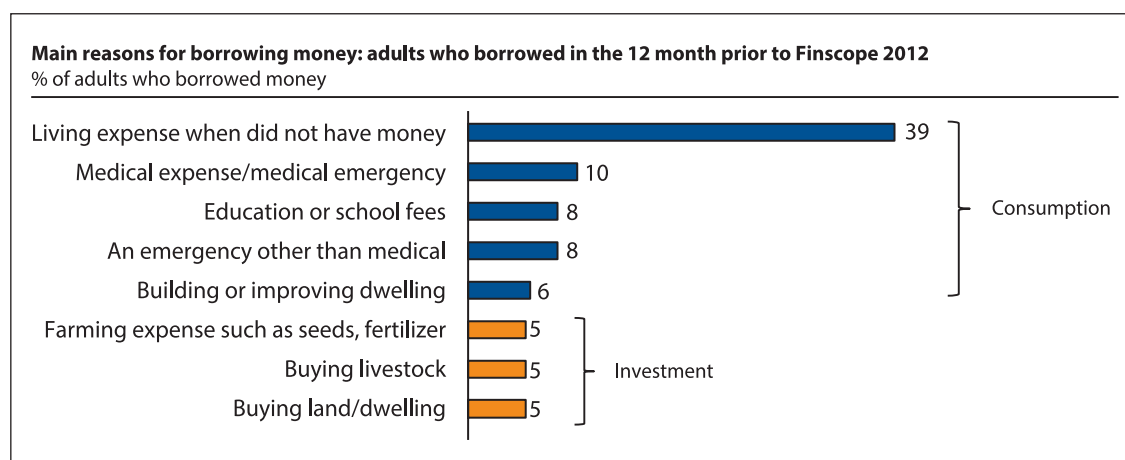
//
- Youth, Kigali

Issues of trust, awareness and understanding, as well as attitudes towards credit, are particularly severe for youth. Indeed, youth begin their economic lives with a very low asset base and cannot access traditional products that require collateral. Youth have also had limited exposure to financial services, and thus little knowledge about how the system works and what is on offer. Most youth resort to asking friends and family connections for capital, but what they receive is often insufficient to develop their projects.

Overall, this evidence suggests that financial education and literacy have a key role to play in boosting access to finance for youth. In particular, encouraging savings with an FSP from a young age, thus increasing youth exposure to financial systems early on, can be particularly impactful.

21 Finscope Survey, 2012.

Figure 9
Reasons for borrowing



Source: Finscope survey, 2012; Dalberg analysis

On the positive side, recent policy changes such as lowering to 16 years old the minimum age required to open a bank account, and softening the minimum balance requirement to open a bank account, have greatly contributed to increasing youth financial inclusion in Rwanda. In addition, the creation in 2009 of semi-formal community savings and credit cooperatives (Umurenge SACCOs) significantly enlarged access to finance in almost all corners of Rwanda and for the vast majority of all population segments, including youth.²² However, young users of Umurenge SACCOs are still underrepresented when compared to their proportion within the overall population.²³ Stakeholders report that an ongoing challenge for young entrepreneurs and job-seekers is access products and services from commercial banks as well as microfinance institutions (MFIs). For example, “most of Rwanda’s nine commercial banks target their services to medium and large enterprises and their employees (the affluent and middle class population). At most of these institutions, proof of employment is required to open an account or to receive a loan.”²⁴

22 National Institute of Statistics of Rwanda: Access to Finances, 2012, pages 34 and 35.

23 National Institute of Statistics of Rwanda: Access to Finances, 2012, pages 34 and 35.

24 Finclusion Lab, the Financial Inclusion Lab, Rwanda report, 2014.

On the MFI side, it is reported that “4.1% of the adult population (183 000 adults) had or used the services of MFIs and that this sector has not shown significant growth since 2008.”²⁵ Users of MFI services were mostly adults from 31 to 45 years old employed by the government or a business or owners of successful enterprise²⁶. While there are some exceptions, most of the MFIs require proof of employment to open an account.”²⁷ In addition, when it comes to business loans or start-up capital, several MFIs require guarantees, something that is not easily available to most young entrepreneurs. Stakeholders mention that MFIs often have fairly complex application processes which might be too intricate for a population of young – and often insufficiently literate – budding entrepreneurs. Also, a large proportion of commercial banks and MFIs outlets are located in Kigali, leaving the provinces under-served.²⁸ On the other hand, there might also be an awareness issue as youth themselves report a lack of understanding regarding the various uses and benefits of specific financial products and services. Low use or request for these services might also come from some degree of financial illiteracy among young people.

25 Finscope Rwanda, 2012, page 33.

26 Finscope Rwanda, 2012, page 33.

27 Finclusion Lab, the Financial Inclusion Lab, Rwanda report, 2014.

28 Finclusion Lab, the Financial Inclusion Lab, Rwanda report, 2014.

SECTION 4 – ASSESSMENT OF THE DEMAND FOR AND SUPPLY OF LABOR

This section will discuss the demand for and supply of labor and derive key gaps and implications for youth.

DEMAND FOR LABOR

The labor market in Rwanda is severely demand-constrained. Rwanda's robust economic performance has not created work opportunities for the entire labor force. The number of work seekers has continued to increase rapidly, which is part of the problem. However, fast growing sectors such as finance, real estate, and ICT have hired youth in much smaller proportions than their contribution to GDP would indicate (Figure 10). On the other hand, sectors such as agriculture that tend to employ more labor are still hampered by low productivity.

Underemployment is a particular feature of the agriculture sector, which employs 70% of youth in Rwanda (Figure 10).²⁹ Youth engaged in agriculture work an average of 26 hours a week in highly seasonal and low-productive smallholder farm jobs. Land is extremely scarce in densely populated Rwanda and smallholder farmers in rural areas use four to five plots constituting 0.59 hectares on average.³⁰ The government's desired shift to off-farm employment and increased promotion of modern farming techniques aims to facilitate a reallocation of land to scaled and productive agriculture. However, this shift will require youth to transition into new activities—including off-farm activities such as agro-processing—where economic opportunities are being created. The National Employment Program³¹ is the vehicle driving this shift, coordinating action between seven ministries, national agencies, the Rwanda Development Board (RDB), the National Youth Council (NYC), and the Workforce Development Authority (WDA). However, given the current 104,000 off-farm annual job creation rate,³² more needs to be done to meet the 200,000 jobs target of EDPRS-II.³³

29 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

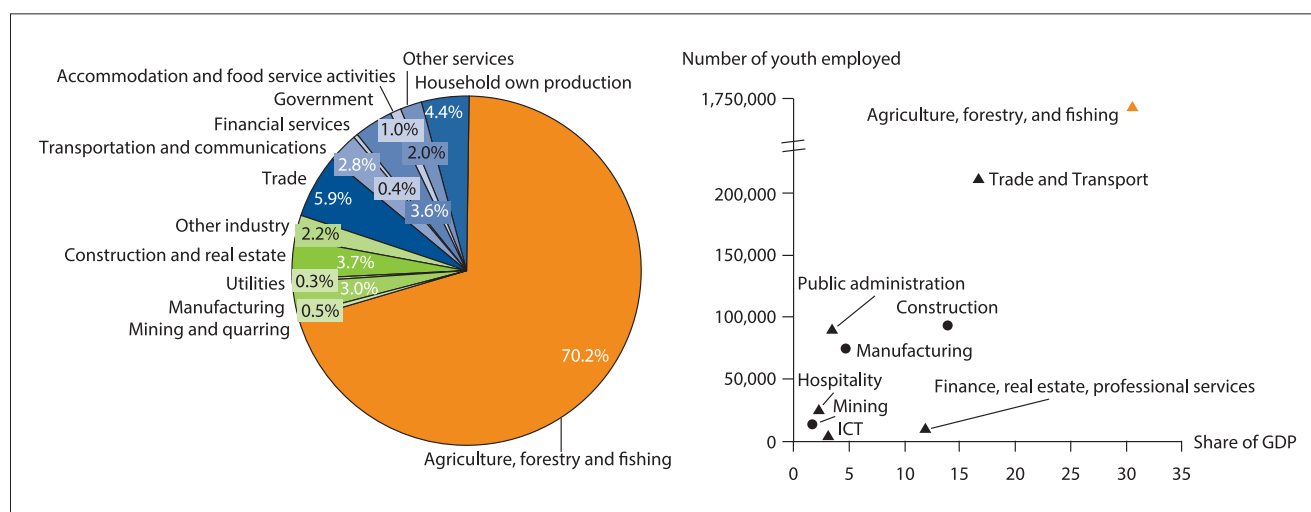
30 Economic and Poverty Reduction Strategy II 2013-2018 (EDPRS-II), Government of Rwanda.

31 Refer to stakeholder list for more information.

32 Youth and Women Employment program document, UNDP, 2014.

33 Economic and Poverty Reduction Strategy II 2013-2018 (EDPRS-II), Government of Rwanda.

Figure 10
Youth employment by sector and GDP growth reports



Source: RPHC4, National Institute of Statistics Rwanda, 2012

Youth in particular find it difficult to access formal jobs. With a total of 396,000 waged jobs in the formal economy today, only a handful of the 125,000 new labor market entrants will gain access to the formal sector. Even today, only 9% of youth work in the formal sector; the government employs a third of these youth (Figure 11).³⁴

Finding qualified youth at an affordable price is very difficult.

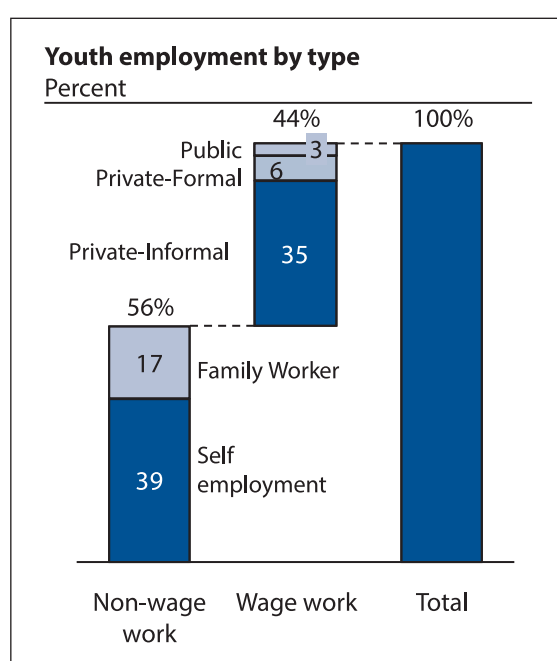
- Telecom company, Kigali

Industries with large formal private work opportunities include transport and communications, financial services, and tourism and recreation. However, these jobs are hard to come by: they are not well publicized, networks are often required to gain access, and the skills threshold requirement (usually a university degree and some work experience) is often too high for youth. In addition, employers often have negative perceptions of youth: they are not work-ready and they lack professionalism and motivation. The quality of the supply of labor, discussed in the next section, is a significant barrier to employment. As a result, a number of employers report hiring migrant workers from neighboring Kenya and Uganda, and complain that labor is expensive as the pool of qualified workers is so narrow.

34 Integrated Household Living Conditions Survey (EICV3), National Institute of Statistics, 2011.

More than half (56.2%) of youth are employed in non-wage jobs, and among those engaged in wage work, a large majority are employed in the private informal sector in 2011 (Figure 11). While there has been movement away from non-wage employment over time (it fell from 73.5% in 2005), most youth in wage employment have been absorbed by the informal sector, particularly in low-paying and precarious jobs in domestic services and construction. Indeed, the median monthly wage in the public sector was RWF 42,000 (~USD 58 as opposed to RWF 33,000 (~USD 45) in the private formal sector, and RWF 15,000 (~USD 21) in the informal sector. For women, the proportion of the employed who were unpaid family workers actually rose from 35% in 2005 to 43% in 2011.³⁵

Figure 11
Youth employment by type



Source: "Analysis of Gender and Youth Employment in Rwanda", African Development Bank, 2014

SMEs' capacity to absorb job-seekers is limited and entrepreneurship is a challenge. Currently, SMEs employ 11.1% of the workforce, predominantly in trade (57.7%).³⁶ The number of SMEs is estimated at 72,000 with only a third of these SMEs formal or registered.³⁷ While SMEs are increasing in number, most are young—about half started in the last three years—and struggling to grow. In fact, very few small enterprises are able to scale to medium enterprises, which consequently account for less than 0.5% of businesses in the country. Generally, SMEs face considerable difficulties even in growth sectors:

- 80.7% of SMEs cite financial services as their most binding capacity need: financial requirements cited were, in the first place, working capital, followed by seed capital availability and financial guarantees.³⁸
- 46.6% of SMEs cite market access as their second most binding capacity need.

35 "Analysis of Gender and Youth Employment in Rwanda," African Development Bank, 2014.

36 MSME-CI dataset, International Finance Corporation (IFC) and Private Sector Federation (PSF).

37 "SME Development Policy," Ministry of Trade and Industry, 2010.

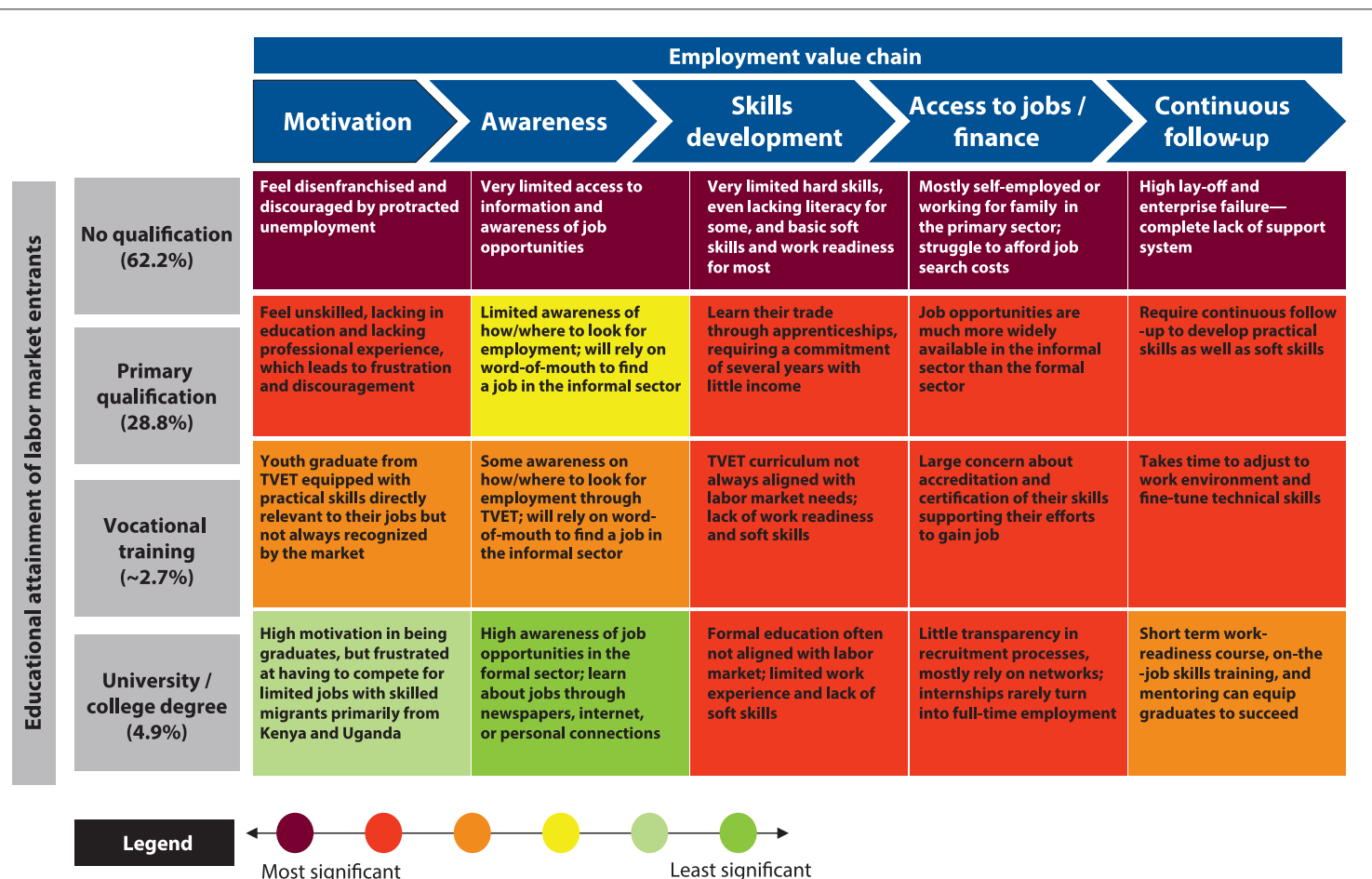
38 "Capacity Building Interventions, Entrepreneurship, Promotion of SMEs in Rwanda," Uni. of Rwanda, 2014.

Ultimately, there are not enough jobs in the market; there is a general consensus that self-employment and enterprise development will be the mechanisms to create more opportunities for youth. In Rwanda, 38.9% of youth are self-employed (Figure 11). Micro-enterprises, employing 1 to 3 employees, represent 92.6% of all businesses and employ more than half of the workforce. Largely, microenterprises face the same challenges as SMEs but at a greater scale, e.g., lower access to capital and greater need for flexible loan terms. In addition, youths' market selection ability and capacity to access high-potential market opportunities are particularly critical for the development of sustainable and scalable enterprises. However, entrepreneurship learning is underdeveloped and there is limited support available to small business start-ups.

SUPPLY OF LABOR

While demand does significantly constrain youth's access to economic opportunities, youth are insufficiently and/or inadequately prepared to access existing opportunities. Preparation consists of a number of sub-drivers (Figure 12), which include insufficient and/or inadequate motivation and awareness, skills development or capabilities, access to jobs, and follow-up or guidance.

Figure 12
Employment value chain



Source: Youth focus groups; National Institute of Statistics Rwanda, 2011; Dalberg analysis

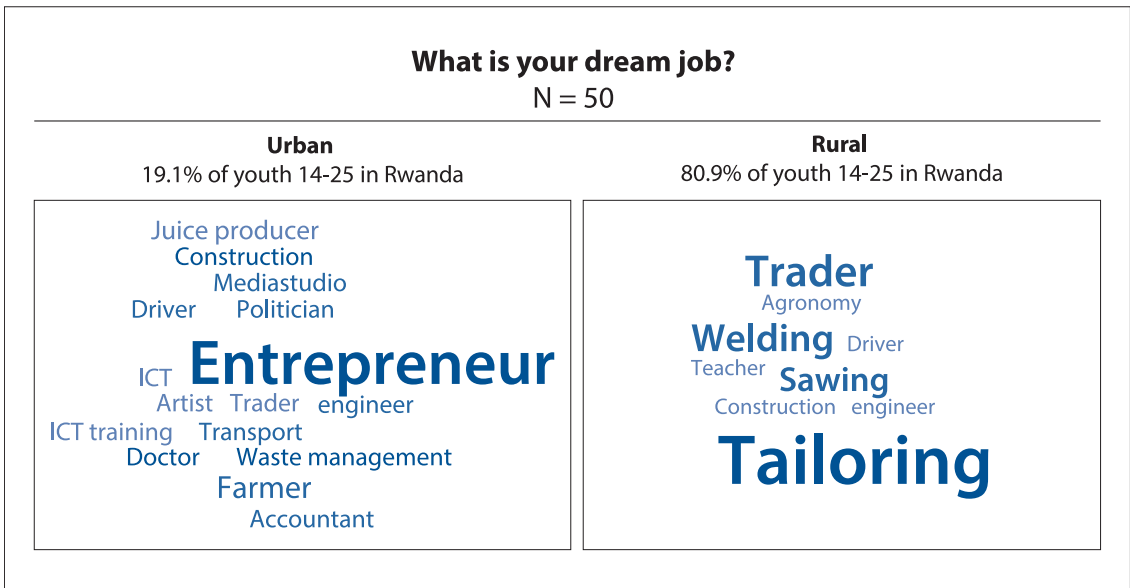
MOTIVATION AND AWARENESS

Repeated job search without results often leads to discouragement, particularly for disenfranchised youth with low levels of education. The 62.2% of youth with no qualifications³⁹ face a crowded and competitive, mostly informal, low-productivity segment of the labor market. The search for work occupies much of these youths' time as they often survive on day labor, working intermittently in more than one activity. In urban areas, the informal street economy is heavily regulated by the government and consequently, in contrast to other African countries, does not offer unskilled youth the type of easily accessible jobs such as street hawking or running kiosks (phone-charging booths, video clubs, etc.) or repair stands (shoe, phone, watch, etc.). Instead, these youth target specific areas early in the morning where employers usually stop to recruit day laborers—often without results. Many of these youth, if given the chance, would prefer to go back to school as they believe lack of education is their biggest barrier to economic success.

Youth with post-primary education (4.9%) are a happy few in Rwanda but target a different segment of the labor market—the public or private formal sector, where there are few opportunities. Youth express frustration at having to compete for scarce jobs with skilled migrant workers coming from neighboring countries, particularly Kenya and Uganda.

Youth awareness about the number and type of economic opportunities is extremely low and largely determined by their experience and environment. Youth with primary or no qualification are not well informed about jobs economy-wide; their aspirations tend to be driven by what they judge to be successful within their immediate community. Interest in certain jobs is often based on inaccurate perceptions about earning potential and anecdotal evidence. In part, this explains the stark differences in youth aspirations in rural and urban areas (Figure 13).

Figure 13
Youth aspirations



Source: Youth focus group discussions; RHPC4, National Institute of Statistics, 2012

In rural areas, youth are mostly engaged in inefficient agricultural production but aspire to move away from their current occupation into trades such as tailoring for females or commerce for males. While these occupations are more esteemed, few know how profitable these activities actually are or consider market needs. Aspirations tend to be highly determined by gender, reflecting cultural and societal norms. Youth report that parents expect young women to stay in the home, creating a barrier for females who wish to engage in the labor market outside their immediate community.

Government initiatives to encourage and support youth entrepreneurship—for example, the Business Development Fund (BDF) and Business Development Centers (BDC), business plan competitions, or the Hanga Umurimo (Create-Your-Own-Job) program—have had a strong impact on youth in urban areas. In Kigali, youth want to be ‘entrepreneurs’ or ‘start a business,’ but when probed, these youth are not able to provide details or ideas on the kind of business they wanted to launch and why. While many of these youth with limited qualifications in urban areas are engaged in petty trading, most aspire to skilled jobs in upcoming sectors like ICT, but are not informed on the pathways to these opportunities.

Finally, at higher levels of education, university graduates are usually very well informed about opportunities in their field in the formal sector. This is unsurprising given that the formal sector constitutes a minor share (less than 10%) of a small-sized economy.⁴⁰

However, information sharing on employment or entrepreneurship opportunities and experiences is limited at all levels. Youth can find information about formal sector jobs from local newspapers (New Times, Imvahoreshya) and increasingly through the internet (tokoza.com, igihe.com, ikorere.com, etc.). This is a significant barrier to information not only for illiterate youth but for most Rwandans since only 7% report being confident using a computer. Typically, youth learn about job opportunities in the informal sector through word of mouth.

SKILLS DEVELOPMENT

Lack of soft and hard skills limits access to economic opportunities for youth: few youth are qualified beyond primary level, education quality is low, and skills do not match labor market needs. Employers cite the inadequately skilled workforce in Rwanda as a major constraint and often have negative perceptions of youth in particular. Technical and vocational education training (TVET) is growing to address this large skill gap. The government of Rwanda increased public funding for TVET. For instance, the country’s 2013 – 2014 education budget of RWF 224 billion allocates RWF 38 billion (17%) to TVET. This TVET budget was allocated to 14 key programs⁴¹ for the implementation of the new 2014 – 2018 TVET Strategy with a vision *“to develop an accessible TVET system that produces quality graduates, with employable skills that respond to the changing demands of employers and the country’s regional and international labor market, providing them with the opportunity to engage in decent work, work for themselves and engage in life-long learning.”*⁴²

40 Integrated Household Living Conditions Survey (EICV3), National Institute of Statistics, 2011.

41 http://www.ei-ie.org/en/news/news_details/2575.

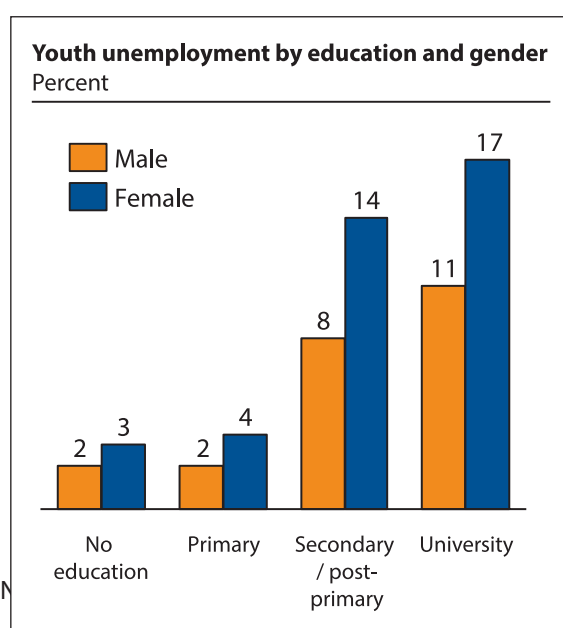
42 Rwanda national TVET strategy 2013/14-2017/18.

Most youth in Rwanda have either never attended school or not completed primary school (62.2%), 28.8% have completed primary, a small number have taken part in TVET training (2.7%) and only 4.9% have completed post-primary, secondary, or higher education. There are significant geographic disparities in terms of access to education: 13.9% of youth in rural Rwanda have never attended school while this number falls to 4.5% in urban areas.⁴³ On the flip side, 13.5% of youth in urban Rwanda have attended university, but this number falls to a dismal 1.3% in rural areas. This may be due to the concentration of universities in the central region. Western Province does not have a university although it is the province with the third-highest proportion of youth (as shown in Section 2 – Figure 7).

The government has made significant efforts to improve access to education for girls such that attendance and attainment rates are almost indistinguishable by gender. However, women suffer from higher unemployment, particularly at higher levels of education (Figure 14). Youth unemployment increases with education for two reasons:

1. Graduates hold out a bit longer for a good fit and are more selective on jobs. In some cases they consider certain jobs to be beneath them.
2. The jobs that graduates seek—formal jobs—are scarce.

Figure 14
Youth unemployment by education level and gender



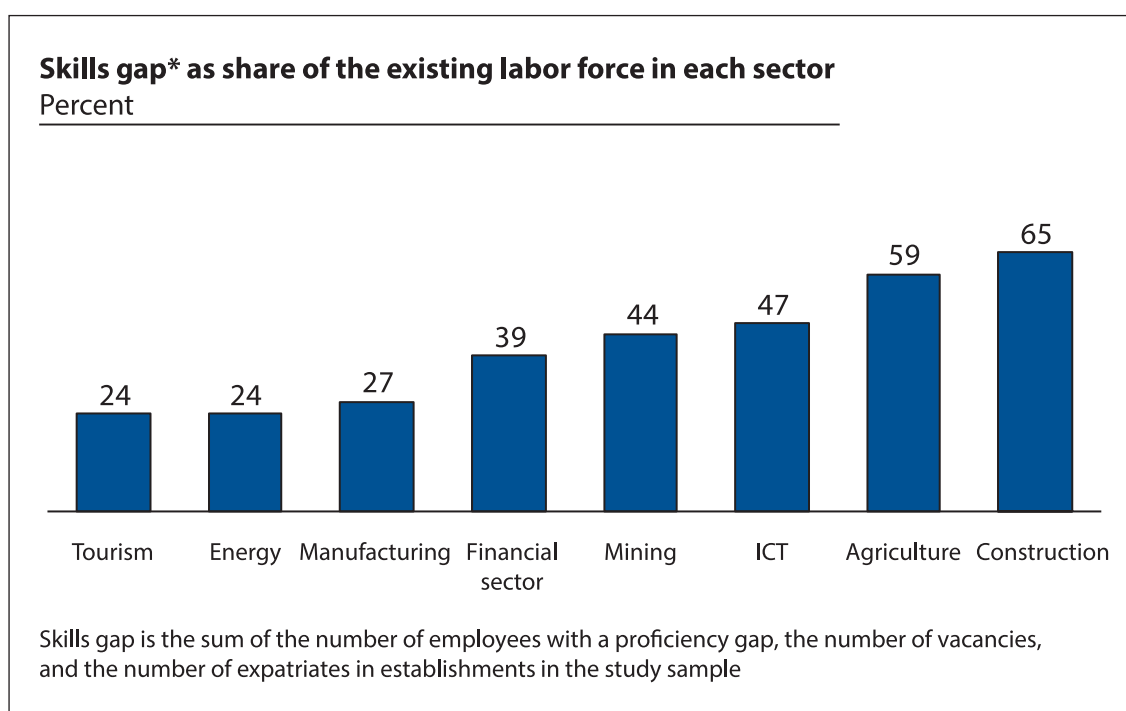
Source: RHPC4, N

43 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

Education quality is low and skills do not match labor market needs. Just over twenty per cent of youth are not literate in any of Rwanda's three official languages (Kinyarwanda, English and French). Illiteracy severely affects these youths' access to economic opportunities and training since it is a foundational skill necessary to attain higher levels of learning. English is a language requirement for most new hires in the formal sector as business is predominantly conducted in English due to Rwanda's strong ties with neighboring Kenya, Uganda, and Tanzania and its joining of the Commonwealth as part of a pro-Anglophone policy. Yet, just 20.8% of youth are literate in English. Students in formal education complain about teacher attendance and lack of equipment. Generally, the formal education system is not equipped to prepare youth for the labor market. Very few schools or universities provide technical skills training or work experience opportunities.

The Rwanda Development Board (RDB) estimated the skills gap across eight priority sectors (agriculture, mining, construction, manufacturing, energy, ICT, tourism, and financial services) at 40% on average (Figure 15).⁴⁴ The analysis of sector skills found the gaps significantly driven by the lack of skilled artisans and technicians. Skills gaps are wide across all sectors and foreigners account for large proportions for the skilled workforce in these eight sectors.

Figure 15
Sector skills gap



Source: National Skills Survey Reports, RDB and LMIS, 2012

44 National Skills Survey Reports, Rwanda Development Board & Labor Market Information System, 2012

Soft skills and work-readiness are also a challenge. Youth lack traditional soft skills that are hard to teach short-term such as critical thinking and problem-solving, but also ‘work-readiness’ skills that can be developed through targeted training and coaching such as punctuality, communication, and basic IT competency. Employers tend to have negative perceptions of youth and consider that youth lack work ethic and interpersonal skills. In a business climate investment study conducted in 2008, enterprises of more than 24 employees cite ‘attitude of school leavers’ repeatedly as a major challenge.⁴⁵

“ Rwandan youths’ technical skills in ICT are at level with the Kenyan and Ugandan applicants but not their soft skills; they can’t sell themselves. ”

- Employer, Kigali

This impression is echoed by an impact assessment of the internship program for university and TVET graduates run by RDB since 2009.⁴⁶ Indeed, employers found that ‘interns demonstrated weakness in starting and leaving work on time, responding to criticism, and balancing work and personal life.’ The study also found that interns who had participated in a work-readiness training led by Akazi Kanoze prior to the start of their internship—half of the youth, randomly selected—surpassed the others on performance reviews.

Technical and vocational training (TVET) can play a strong role in addressing the critical shortages of hard and soft skills among youth and the difficulties of adapting education curricula to fast-changing labor markets. TVET, by its nature, tends to be more strongly linked to labor market realities than does the formal education system. The Rwandan government has recognized the need to expand and strengthen the TVET system. Indeed, TVET accounts for a predominant part of the cost assigned to the ‘Productivity and Youth Employment’ (pillar III of EDPRS-II).

Following a reform of the TVET sector in 2008, two new authorities have been installed within the Ministry of Education: 1) the Workforce Development Authority, which leads strategy for the TVET sector at the national level, and 2) Integrated Polytechnic Regional Centers (IPRCs), which are centers of expertise and learning at the regional level. The government is actively promoting TVET, establishing TVET centers, and developing curricula. The share of youth who have attended TVET is still low (2.7%)⁴⁷ but growing. Enrollment in TVET programs as a share of total enrolment in upper secondary education is projected at 65% for 2017, up from 38% in 2012.

45 Business Investment Climate Survey, On the Frontier, 2008.

46 Internship Impact Assessment report, Rwanda Development Board, 2013.

47 TVET Country Mapping Rwanda, Africa Renewable Energy Cooperation Program, 2013.

ACCESS TO JOBS

Access to jobs is extremely limited in the formal sector, with most youth using personal connections to secure positions. There is little transparency in recruitment processes and youth often have to rely on their networks to find jobs. Women are disadvantaged by this approach and often face discrimination and/or sexual harassment in the job search. Looking for work is expensive and youth, particularly those in the bottom quintile, do not necessarily have the capital to fund job search costs such as communication, transport, copies of their documents, notary fees, or accommodation (if they are forced to look for work in other areas where there may be more job opportunities for them).

// He got the job without even taking the examination like the rest of us. And he didn't even study accounting at school!

//
- Youth, Kigali

Even for university graduates, access to formal employment is limited because employers typically ask for 2 – 3 years of work experience. As a result, taking internship positions upon graduation is commonplace among recent graduates. Graduates complain that many firms abuse this system to profit from inexpensive labor—providing at best a small stipend—and many internships are long-term and/or do not lead to formal employment.

// Employers ask for two years' experience but we just graduated!

//
- University graduate, Kigali

Accreditation and certification are still being developed for students graduating from TVET programs. This often leads to frustration for these students if their qualifications are not duly recognized, and may prevent them from accessing certain jobs or receiving adequate pay.

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises. At the end of the employment value chain, once youth access economic opportunities, there are few formal structures or programs in place to support their professional growth, i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counseling.

// I send my staff to training centers here and even to take university courses abroad: now I have one employee in Dubai and one in the UK. It costs a lot of money but it's worth it.

//
- Employer, Kigali

Employers have a key role to play in this by recalibrating their mindsets and expectations at the outset and committing to the training, up-skilling, and career guidance of young people in the early stages of their working lives.

Support structures for entrepreneurs are limited. Indeed, programs tend to accompany youth only up until their business launch. Mentoring and technical assistance are crucial in the business incubation period when enterprises are the most fragile.

MATCHING OF DEMAND AND SUPPLY

Matching interventions, which facilitate the connection between labor demand and supply, are few and far between in Rwanda. There is a need for the government to support youth in their job search through active labor market policies, by assisting job seekers in finding vacancies through Employment Service Centers or Career Advisory Services for students at the University of Rwanda, as well as by collecting reliable statistics on employment and labor.

Youth in the capital city are relatively well informed about ongoing programs or initiatives aimed at helping them access economic opportunities. Youth that took part in focus groups in Kigali had heard of a wide range of interventions, including the National Youth Policy, government youth centers, business plan competitions, the BDF and BDCs, and vocational training opportunities through IPRC and TVET. However, none of the youth who took part in focus groups in Ruhango districts had heard about the National Youth Policy or any other government programs, with the exception of one youth who had an imprecise notion of the BDF. Youth are unaware of these organizations and their services due to the poor geographic spread of institutions and the overall lack of scale of existing efforts.

// We do not have any information about government programs in this area and we need help to build our businesses and access finance.

//
- Youth, Ruhango district

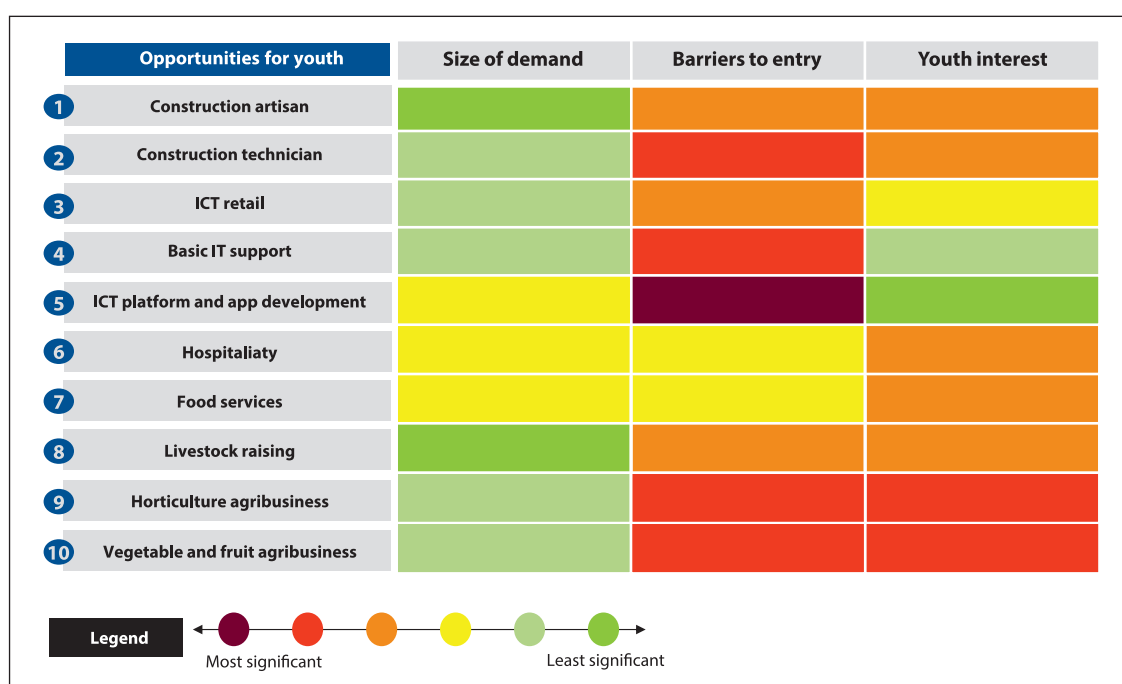
SECTION 5 – HIGH-POTENTIAL OPPORTUNITIES FOR YOUTH

Service and hospitality and building and construction offer opportunities for youth employment given their recent and projected growth and the relatively low level of formal education they require. In addition, entrepreneurship is a strong pathway for employability in Rwanda, with **ICT** and **small-scale agribusiness** as potential sectors of interest for youth.

Figure 16 summarizes high-potential opportunities for youth discussed in the sub-sections that follow.

Figure 16

High-potential opportunities for youth



Source: Desk research; stakeholder interviews; Dalberg analysis

I. OPPORTUNITIES IN BUILDING AND CONSTRUCTION

The construction sector offers a number of potential opportunities for employment, particularly for artisans and technicians. The sector is on a strong growth path, and will continue to create a large number of jobs for youth with a wide range of skill levels. Currently, the sector's demand for workers is not adequately met.

Building and construction drove industry growth from 2010 to 2014, increasing at 13% each year on average,⁴⁸ primarily boosted by improved construction permit processes and investments in energy generation. The development of hydroelectric projects—e.g., 28 megawatt (MW) Nyaborongo, and other hydropower plants, as well as the commissioned methane-to-power 25MW KivuWatt project and peat-to-power 15MW Gishoma project—will continue to lower the cost of energy for construction and allow for the sector's further expansion.⁴⁹

48 Macro-Framework dataset, Ministry of Finance, June 2015.

49 African Economic Outlook Rwanda, 2015.

Doing Business 2015 highlights the considerable progress made in Rwanda to facilitate processes related to construction permits, applications for environmental impact assessments, and connections to utilities—all of which can now be completed online.⁵⁰

The government's focus on infrastructure development will continue to drive demand in the sector. 'Infrastructure development' particularly in power generation and rail and road connectivity is the first pillar of EDPRS-II, which plans for the construction of roads, rails, schools, and government centers across the country. The 2010 Establishment Census found that construction firms are significantly more optimistic about prospects for growth than firms in other sectors: 90.5% of establishments believe construction performance will be good or excellent in the coming decade.⁵¹

// Government is doing a lot of infrastructure projects and bringing more work. //

- Construction worker, Kigali

Building and construction is labor-intensive and will generate significant employment as it expands. The construction sector employs 91,876 youth according to the last Housing and Population Census,⁵² but this is likely to underestimate the actual number of youth employed as many work informally or as casual laborers. STECOMA, the sector's trade union, has 48,000 members and estimates there are more than a million workers in the sector, with youth representing more than half of this supply. However, most employment is generated in urban areas: 84% of firms are located in Kigali, according to the Establishment Census.⁵³ Women traditionally engage very little in the construction sector but mindsets are shifting. STECOMA has one of nine full time staff solely in charge of gender promotion and reports that an increasing number are joining the sector as construction artisans. Wages in the sector vary greatly by position in the sector, from engineer positions to construction site sweeper; the average monthly wage is RWF 55,505 (~USD 76). The monthly minimum wage in Rwanda for an unskilled construction worker is RWF 33,000 (~USD 45) and RWF 130,000 RWF (USD 178) for a skilled construction worker.⁵⁴

Building and construction offers entry points for youth with a range of skill levels. There is a 65% skills gap in the sector (as shown in Section 3 – Figure 15), i.e., positions unfilled or occupied by non-proficient or foreign workers, representing almost two-thirds of the existing workforce.⁵⁵ More than 50% of the employment created in the construction sector is in the unskilled labor market.⁵⁶ The sector offers low-cost entry points for unskilled youth (e.g., porters, mason helpers, brick layers) and room for progress to specialized functions (e.g., electrical technician, construction supervisors) for youth with technical training and 5+ years of experience.

50 Doing Business 2015, World Bank.

51 Establishment Census, National Institute of Statistics, 2010.

52 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

53 Establishment Census, National Institute of Statistics, 2010.

54 Labor Market Profile, Danish Trade Union, 2011.

55 "Rwanda Labor Market and Youth Survey", International Youth Foundation, 2011.

56 National Skills Survey Reports, Rwanda Development Board & Labor Market Information System, 2012.

// We encourage our members to form cooperatives so they can access finance from MFIs and win tenders.

//
- Labor union, Kigali

The sector also offers entrepreneurship opportunities for youth willing to form cooperatives.

Forming a group with other workers skilled in a core range of construction fields is a way for youth to access markets. As a group, youth can pool resources, e.g., equipment, tools, finance, as well as qualifications or know-how, and start by applying for loans and small contracts. As they build experience they should be able to access larger markets.

The following table summarizes the specific employment opportunities accessible to youth in the construction sector.

Table 1
Opportunities in Construction

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Construction artisans	Construction artisanry offers opportunities for employment as well as entrepreneurship as part of a cooperative. Activities in high demand include: - Stonemasons - Bricklayers - Plumbers and pipe fitters - Floor layers, tile setters - Welders	<ul style="list-style-type: none"> • Very strong demand: Artisans account for 86% of the skills gap in the construction sector. The current ratio of scientists to technicians to artisans is 1:1.4:12 as opposed to international standards of 1:5:30.
		<ul style="list-style-type: none"> • Low entry barriers: workers can break in as laborers or sweepers and move to artisanry with little to no formal education, using a “watch and learn” method and TVET.
		<ul style="list-style-type: none"> • Medium to high youth interest: Half of youth in focus groups in Ruhango and Kigali reported being either very interested or somewhat interested in working in the construction sector. Welding was mentioned by a few youth as their ‘dream job’ (refer to youth aspirations in Section 3 – Figure 13).

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Construction technicians	Construction technicians can find employment opportunities with medium to large construction firms, or as self-employed contractors.	<ul style="list-style-type: none"> • Strong to medium demand: Technicians account for 8% of the skills gap in the construction sector and a large number of positions are occupied by expatriates from the East African Community (EAC). The current ratio of scientists to technicians to artisans is 1:1.4:12 as opposed to international standards of 1:5:30.
	Activities with highest demand include: <ul style="list-style-type: none"> - Construction supervisors - Civil engineering technician - Electrical engineering technician - Electronics engineering technician 	<ul style="list-style-type: none"> • Medium entry barriers: Two entry points for youth: through learning and experience 'on the job' for 5+ years and certification of their skills, or through technical secondary school and college.
		<ul style="list-style-type: none"> • High youth interest: The IPRC Kigali reports civil engineering is by far the students' preferred program in the vocational school, technical school, and college (representing half of graduates in the college of technology), followed by electrical and mechanical engineering.

II. OPPORTUNITIES IN ICT

ICT offers a number of economic opportunities for youth including the retail of ICT products and services, IT support, or ICT platforms and application development. ICT is young in Rwanda but developing at a rapid pace, and will create jobs cross-cutting all sectors of the economy as it expands. There is an enormous amount of interest from youth but the skills gap is large.

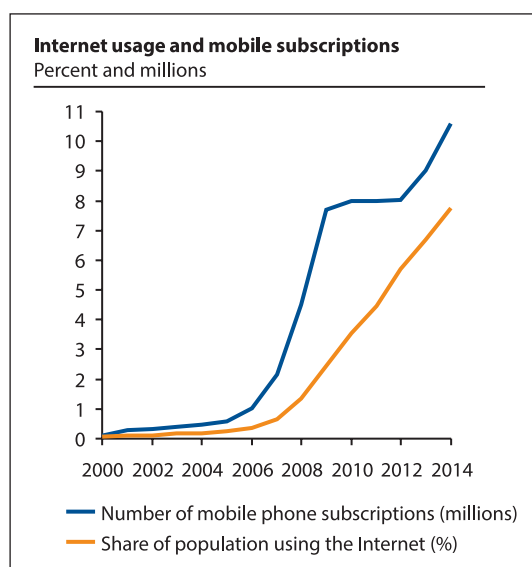
The ICT sector is booming in Rwanda, and receiving considerable backing from the Rwandan government and high levels of foreign investments. 'Technology and ICT' is the government's second priority area under Pillar II of EDPRS-II, and central to Vision 2020, as the government aims to 'transition to a knowledge-based economy.' 'SMART Rwanda', the 2013 – 17 national policy on ICT development, plans out the government's interventions, which are heavily focused on creating shared ICT infrastructure and services and developing skills in the sector.

In 2012, the sector attracted the highest flow (41.4%) of foreign capital inflows (foreign direct investments, foreign portfolio equity, and other investments).⁵⁷ The ICT composite network coverage rate increased from 75% to 90%⁵⁸ over 2005-11 driven by increased competition in telecom and significant investments in fiber optic cables. The number of mobile and internet users has significantly grown over time (Figure 17) and a new market has emerged offering a range of ICT services (mobile banking, telemedicine, e-learning, multimedia content, etc.) that is also generating jobs.

57 Foreign Private Investment in Rwanda, National Bank of Rwanda, 2012.

58 "Improving economic competitiveness to bring about shared growth", African Development Bank, 2014.

Figure 17
Internet usage and mobile subscriptions



Source: International Telecommunications Union, ICT indicators

While ICT is not a labor intensive sector, it is cross-cutting and offers numerous employment opportunities across the labor market, from ICT firms themselves (e.g., telecoms and ICT retail and repair) and most of the services industry (e.g., IT systems in banks, government service delivery, etc.) to the agriculture sector and industry (e.g., databases for market prices, inventories, and accounting systems).

According to the 2012 Population Census, information and communication employs 5,000 youth,⁵⁹ but this underestimates ICT's job creation potential as it does not include technology or ICT-related jobs within other sectors. For example, close to 100,000 ICT jobs are to be created directly by investments based on the SMART Rwanda Master Plan alone.⁶⁰ Contrary to other sectors, youth have an edge in ICT and represent a large proportion of the total ICT workforce. In addition, women's entry in the sector is not constrained by the same cultural and gender norms as other growth sectors such as agriculture or construction.

Low-skilled jobs in ICT, e.g., retail, sales and customer service, are accessible to youth with no-or-little qualifications; however, entry in skilled positions, e.g., IT support, mobile services or software development, usually requires a high school diploma and basic knowledge of English. The ICT skills gap is estimated at 47% (as shown in Section 3 – Figure 15),⁶¹ i.e., positions unfilled or occupied by non-proficient or foreign workers⁶² represent almost half of the existing workforce. Indeed, a large proportion of employees in ICT are foreign nationals, particularly in telecoms (Airtel, Tigo, MTN, etc.) and the existing workforce needs significant up-skilling. Unfortunately, only 20.8% of youth are literate in English⁶³ and just 7% of Rwandans report being comfortable using a computer. However, the government has made English the language of instruction since 2009, and usage rates are shifting rapidly as connectivity costs fall and the government invests in programs such as One Laptop Per Child in schools.

59 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

60 SMART Rwanda Master Plan, Government of Rwanda, 2015.

61 National Skills Survey Reports, Rwanda Development Board & Labor Market Information System, 2012.

62 "Rwanda Labor Market and Youth Survey," International Youth Foundation, 2011.

63 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

The following table summarizes the specific employment opportunities accessible to youth in the ICT sector.

Table 2
Opportunities in ICT

Employment activities	Description	Why is it an opportunity for youth?	
Opportunity 1: Retail of ICT goods and services	Opportunities in ICT retail exist through the large telecom's reseller networks or through youths' own entrepreneurship initiative.	<ul style="list-style-type: none"> • Medium to strong demand: Driven by an increased customer base for products as mobile and internet usage continue to rise boosted by government investments and significant FDI. 	
	Retail goods and services include: <ul style="list-style-type: none"> - Airtime - SMS utilities and banking - Basic hardware pieces and software - Basic IT support, maintenance and repair 	<ul style="list-style-type: none"> • Medium entry barriers: Hard skills required depend on retail product sophistication; numeracy and basic English necessary. Strong soft skills needed, e.g., customer service ability and communication ease. 	
		<ul style="list-style-type: none"> • High youth interest: 87% of youth declared interest in working in the ICT sector, particularly as entrepreneurs rather than on contract wage.⁶⁴ 	
Opportunity 2: Basic IT support	Employment with ICT providers, as well as with firms across sectors using ICT systems.	<ul style="list-style-type: none"> • Very strong demand: Telecoms are hiring large numbers of youth in call and service centers and IT support. Across other sectors, a wide range of businesses need staff for IT support as they increasingly use technology to make their processes more efficient. 	
	Activities involving: <ul style="list-style-type: none"> - Assisting customers or employees with simple IT queries, working on a Help Desk - Setting up hardware and software or network connections - Liaising with system developers to implement any changes to platforms 	<ul style="list-style-type: none"> • Medium to high entry barriers: Technical secondary school or college qualifications, or, alternatively significant hands-on experience with TVET qualifications. 	
		<ul style="list-style-type: none"> • Medium youth interest: Two thirds of focus group youth expressed interest in in the ICT sector. However, youth prefer entrepreneurship over wage work⁶⁵ (refer to youth aspirations in Section 3 –Figure 13). 	

64 "Rwanda Labor Market and Youth Survey," International Youth Foundation, 2011.

65 "Rwanda Labor Market and Youth Survey," International Youth Foundation, 2011.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 3: ICT platforms and application development	Rwanda has a growing number of young tech entrepreneurs and aspires to become the Silicon Valley of East Africa.	<ul style="list-style-type: none"> • Medium to strong demand: Mobile penetration is very high (as shown in Figure 17) creating a huge amount of demand for applications and content, particularly in the local language Kinyarwanda. Internet usage is still relatively low but growing fast.
	Examples of ICT enterprises developed by youth in Rwanda include: <ul style="list-style-type: none"> - Mobile applications for banking, music, utilities, etc. - App to sell bus tickets - SMS systems helping farmer cooperatives manage the milk supply chain - Uber for motorbikes - Mobile content in Kinyarwanda (videos, music, etc.) 	<ul style="list-style-type: none"> • High entry barriers: Literacy in English and at least a primary qualification. A number of stakeholders in ICT (telecoms, tech hubs, etc.) remarked that youth in secondary school are better at tech than those coming out of university. Need for strong business skills and entrepreneurial spirit.
		<ul style="list-style-type: none"> • High youth interest: 87% of youth declared interest in working in the ICT sector, particularly as entrepreneurs rather than on contract wage.

III. OPPORTUNITIES IN TOURISM

The tourism sector offers high-potential opportunities for employment in hospitality and food services. The sector is growing rapidly and projected to generate a steady flow of jobs despite its relatively small size. Lack of soft skills is the key barrier to entry for youth.

Tourism is developing at a fast pace in Rwanda and is expected to continue on this strong growth path. The number of tourist visits is projected to increase to over 2 million in 2020 from 980,000 in 2008, thus increasing foreign exchange earnings from USD 200 million to over USD 600 million.⁶⁶ Indeed, the share of visitors traveling to Rwanda for tourism purposes has increased to 10.3% in 2010 from only 2.6% in 2007. Tourism attracted the third largest share (12.3%) of foreign capital inflows (FDI, foreign portfolio equity, and other investments) in the economy after ICT and mining in 2012.⁶⁷

// The opening of the Marriott hotel will create many new jobs.

- Government worker, Kigali

⁶⁶ National Skills Survey Reports, Rwanda Development Board & Labor Market Information System, 2012.

⁶⁷ "Foreign Private Investment in Rwanda", National Bank of Rwanda, 2012.

Tourism is a priority area under Pillar I ('Economic Transformation') of EDPRS-II and government initiatives such as the Kigali Convention Center and the Kivu Belt Tourism Master Plan have contributed significantly to diversifying Rwanda's tourism offering. Increased air and road connectivity partly drove the rise in the number visitors and so has the development of amenities at the Akagera, Nyungwe, and Volcanoes National Parks, and the creation of a tourist circuit around Lake Kivu.

Despite the relatively small size of the sector, tourism is projected to generate a steady of flow of jobs for youth over the coming years. It is estimated that nearly 6,000 people must be trained each year to meet demand.⁶⁸ The 2012 Housing and Population Census estimates that 'accommodation and food service activities' employ 1% of youth (24,831).⁶⁹ However, this is likely to be an underestimate of actual youth employment in tourism given the number of (uncounted) jobs indirectly related to the sector and those in the informal sector. While the tourism industry is mostly led from Kigali, tourist sites are spread across the country attracting tourists (and creating jobs) out of the capital. Women's entry in the tourism sector is not constrained by the same cultural and gender norms as other growth sectors such as agriculture or construction.

Soft skills, especially in customer service, are the biggest barrier to entry for youth; the sector offers entry-level positions for youth with limited hard skills. There is a 24.3% skills gap in the tourism industry (as shown in Section 3 – Figure 15), i.e., positions unfilled or occupied by non-proficient or foreign workers represent about a quarter of the existing workforce.⁷⁰ The skills deficit is particularly acute in hospitality, which is in dire need of qualified hotel managers, cooks, waiters, and other service personnel. Soft skills—such as customer service, communications skills, punctuality, problem-solving skills, and teamwork—are most important and lacking in the sector. Entry-level service positions in the sector require competency in English and basic numeracy.

// Many opportunities for youth with strong problem-solving skills, initiative and a positive attitude.

- Hospitality worker, Kigali //

Given the relatively transferable nature of skills and training acquired in the tourism sector, trained workers have good mobility to retail and other services sectors, which is not the case in sectors with highly specialized skills (e.g., construction).

68 Akilah Institute Impact Report, 2015.

69 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

70 "Rwanda Labor Market and Youth Survey", International Youth Foundation, 2011.

The following table summarizes the specific employment opportunities accessible to youth in the tourism industry.

Table 3
Opportunities in Tourism

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Entry level jobs in hospitality	Youth can break into hospitality in low-skill positions: <ul style="list-style-type: none"> - Room attendant - Reception assistant - Porter - Cook - Housekeeping With experience, and additional qualifications, youth can progress to mid-level supervisor or managerial positions.	<ul style="list-style-type: none"> • Strong demand: Hospitality represents 66.5% of the skills gap in the tourism industry.⁷¹ Many new hotels are opening and facing a shortage of staff, e.g., a new hotel in Eastern Province planned to employ 200 people and attracted staff in significant numbers from the most highly rated hotel in Kigali (Serena Hotel) by offering higher salaries.
		<ul style="list-style-type: none"> • Low entry barriers: Literacy, basic numeracy are necessary. Competency in English is usually required. Soft skills are paramount and can be acquired on-the-job with experience and through a short term targeted work-readiness course.
		<ul style="list-style-type: none"> • Medium youth interest: About half of focus group youths reported that they were 'very interested' or 'somewhat interested' in the sector. Interest was highest among females.
Opportunity 2: Entry level jobs in food services	Youth can break into restaurant and mobile food services in low-skill positions in front of house: <ul style="list-style-type: none"> - Wait staff - Bar staff - Baristas And in back of house: <ul style="list-style-type: none"> - Cleaners - Food preparation - Back grill With experience, and additional qualifications, youth can progress to mid-level positions such as cashier, host, or coordinator in front of house or front grill, chef, or coordinator in back of house.	<ul style="list-style-type: none"> • Strong to medium demand: Restaurants and mobile food services represents 19.9% of the skills gap in the tourism industry. The food services industry is developing rapidly with growing tourism demand, urbanization, and increased living standards.
		<ul style="list-style-type: none"> • Medium entry barriers: Literacy and basic numeracy required. Front of house requires strong soft skills, especially customer service, and agile English. Back of house requires more specialized skills that can mostly be learned on the job.
		<ul style="list-style-type: none"> • Medium youth interest: About half of focus group youths reported that they were 'very interested' or 'somewhat interested' in the sector. Interest was highest among females. However, youth also mention long and difficult hours and low pay at entry level.

IV. OPPORTUNITIES IN AGRICULTURAL VALUE CHAINS

Agriculture offers a number of high-potential economic opportunities for youth such as livestock raising, horticulture, vegetable and fruit production and processing. Agriculture is the backbone of the economy and provides employment to a majority of Rwandans primarily in subsistence farming. However, increased productivity investments in the sector have the potential to generate decent livelihoods for youth.

Agriculture is a growing sector but limited value addition is taking place. The primary sector is a key growth engine for Rwanda: agriculture accounts for almost a third of GDP (as shown in Section 1 – Figure 4), and has been growing at an annual average 5%.⁷² However, the sector is still highly unproductive, severely constrained by land scarcity. Total arable land is slightly above 1.4 million ha, which is 52.7% percent of total land area (26.336 sq. km).⁷³ Land shortage combined with high population density (355 inhabitants per km²) means that farming is mostly conducted by smallholder farmers who own on average 0.59 hectares of farmland.⁷⁴ This constraint is aggravated by the fact that most farms have multiple, scattered plots, many of them small. An additional challenge is that Rwanda, known as the land of a thousand hills, has steep terrain (90% of land is on hillsides of approximately 55% degree incline), making good land husbandry a strict necessity to curtail erosion.

Subsistence farming predominates; food crops account for 92% of the cultivated area, and two-thirds of this is earmarked for family consumption. Smallholder farmers practice mixed farming usually combining rain-fed grain crops, e.g., maize, beans and sorghum, traditional livestock-rearing, and some vegetable production, e.g., sweet potatoes, arrowroots, peas, and bananas. A small number of farmers grow higher-value cash crops such as coffee and tea, which occupy 3 per cent and 1 per cent, respectively, of total cultivable land. Coffee and tea alone made up 20% of the country's exports in 2012 (as shown in Section 1 – Figure 5) and have the potential to boost small-holder farmers' income by approximately USD 66 per year.

To face these challenges, the government has placed significant emphasis on productivity investments in agricultural value chains, making it a key pillar of EDPRS-II and developing Strategic Plans for the Transformation of Agriculture in Rwanda (PSTR). State-owned enterprises—supported by private funds—have been established to jump-start sectors; key government initiatives include the Crop Intensification Program (CIP), the One Cow per Poor Family program (Girinka), and the Land Husbandry, Water Harvesting, and Hillside Irrigation Project (LWH).

The sector is labor-intensive and will generate decent livelihoods for youth as it gains in productivity. In 2012, 70% of youth were engaged in agriculture, forestry, or fishing in Rwanda (as shown in Section 3 – Figure 10).⁷⁵ Young women are more likely to be employed in the sector (70.9% women) than young men (60.9%).⁷⁶ However, a much larger share of young women (54.8%) are unpaid family farm workers than men (19.4%).

72 Macro-Framework dataset, Ministry of Finance, June 2015.

73 World Bank, Rwanda Economic Update Spring 2011, Strategic Plan for the Transformation of Agriculture in Rwanda Phase II (2009); Rwanda State of the Environment Outlook Report, <http://www.rema.gov.rw/soe/chap3.php>

74 Economic and Poverty Reduction Strategy II 2013-2018 (EDPRS-II), Government of Rwanda.

75 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

76 Fourth Rwanda Housing and Population Census (RHPC4), National Institute of Statistics, 2012.

There are four starting points for agriculture employment for youth:

- **Continuing on the family plot:** Youth with limited options can remain on inherited family land and have little incentive to invest in skills as they must wait until parents pass on decision-making before they can deploy these skills.
- **Establishing own operations:** This pathway is the most risky but offers the highest returns. Experienced youth are likely to succeed. The cooperatives system offers a way to mitigate risks. As a group, youth can pool resources, e.g., equipment, tools, land, finance, as well as qualifications or know-how, start small and scale fast.
- **Combining agriculture and other work:** Youth can utilize capital gained from farming to move up agricultural value chains—for example, in processing or in other sectors such as trading.
- **Working for a wage on a commercial farm:** There are a few commercial farms in Rwanda. Work is seasonal, usually pays little, and requires few skills.

The following table summarizes the specific employment opportunities accessible to youth in the agriculture sector.

Table 4
Opportunities in agriculture value chains

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Small livestock raising	Most profitable small animals include <ul style="list-style-type: none"> - Pigs - Chickens - Rabbits A pig produces 6 piglets ~3 times a year. Each piglet can be sold ~RWF 10,000, or take 4 or 5 months to grow to size (feed with various kinds of foods or vegetables from own farming) and can be sold once grown at RWF 25,000. ⁷⁷	<ul style="list-style-type: none"> • Medium to strong demand: Small animals market is growing and there is still a lot of room for new producers, according to a number of stakeholders in agribusiness.⁷⁸
		<ul style="list-style-type: none"> • Medium entry barriers: Youth require basic numeracy and entrepreneurial skills as well as technical livestock raising skills that can be acquired through networks/'watch and learn' or short-term TVET. Effective programs provide start-up capital in kind, e.g., 15 piglets to begin the business. Limited need for land.
		<ul style="list-style-type: none"> • Medium to high youth interest: In the rural focus group in Ruhango, one youth's chicken raising initiative generated wide interest among other youth.

⁷⁷ Stakeholder discussions SCYL.

⁷⁸ RDB, SCYL, Technoserve, IPRC, PAJER.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Horticulture, production and value chain addition	<p>Growing geranium or patchouli and selling plants to essential oil producers.</p> <p>Once production is established and profitable, savings can be used to move into value addition, e.g., distillation, production of mosquito repellent from geranium, soaps and candles with oil.</p>	<ul style="list-style-type: none"> • Very strong demand: Horticulture is a strong focus of the government which is investing in a modern pack-house, collection centers, certifying cooperatives, and providing export incentives.⁷⁹ Geranium oil is very labor intensive. Output can be sold to Ikirezi Natural Products. A US investor is planning to establish a plant in Eastern Province, using 1000 hectares to grow patchouli and geranium, partnering with Ikirezi and planning to contract 2500 farmers and 20 employees.⁸⁰
		<ul style="list-style-type: none"> • Medium to high entry barriers: Access to land is the biggest constraint. Technical skills can be acquired through networks/'watch and learn' or short-term training.
		<ul style="list-style-type: none"> • Low youth interest: Youth are attracted by the market opportunity and potential high returns. However, they generally aspire to move away from farming (refer to youth aspirations shown in Section 3 – Figure 13).
Opportunity 3: Vegetable and fruit, production and value chain addition	<p>Vegetables and fruits with strong demand include:</p> <ul style="list-style-type: none"> - Irish potatoes - Carrots - Avocado - Pineapple - Passion fruit - Tree tomato <p>Once production is established and profitable, savings can be used to move into value addition, e.g., washing, juice pressing, packaging, labeling, and sealing.</p>	<ul style="list-style-type: none"> • Medium to strong demand: The Rwanda Development Board identified strong opportunities for vegetable production and processing both for export and for urbanized, middle class, discretionary consumers in Rwanda.
		<ul style="list-style-type: none"> • Medium entry barriers: Land is the biggest constraint. Technical skills can be acquired through networks/'watch and learn' or short-term training. Processing requires literacy, numeracy, business spirit and capital.
		<ul style="list-style-type: none"> • Low youth interest: Youth are attracted by the market opportunity and potential high returns. However, they generally aspire to move away from farming (refer to youth aspirations shown in Section 3 – Figure 13).

79 Rwanda Horticulture Policy 2006-2010, Government of Rwanda.

80 Stakeholder discussions.

CHAPTER TWO

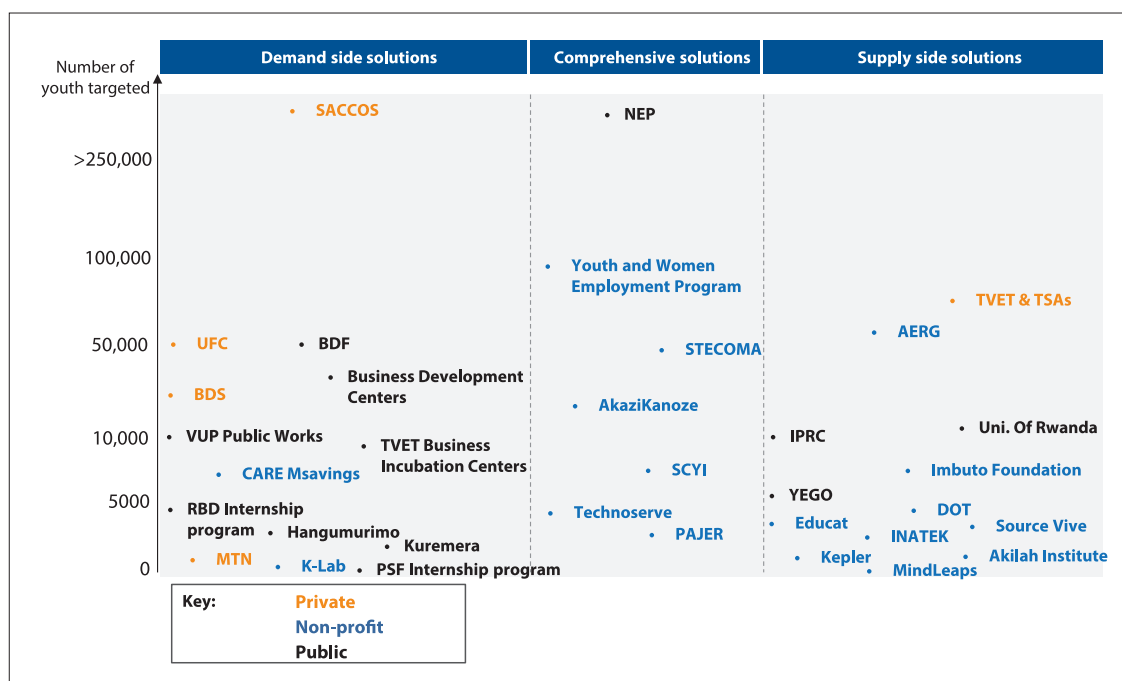
CURRENT INTERVENTION LANDSCAPE AND KEY GAPS



SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

Figure 18 maps demand-side, supply-side, and comprehensive youth employment interventions in Rwanda by scale.

Figure 18
Youth employment initiatives in Rwanda by scale



Source: Desk research; Stakeholder interviews; Dalberg analysis

The figure above highlights that existing programs generally have not reached scale. All public initiatives, including those targeted at youth, fall under the umbrella of the National Employment Program (NEP). The NEP (2013 – 2018) is the implementation framework for employment interventions in seven different ministries, national agencies, the Rwanda Development Board (RDB), the National Youth Council (NYC), and the Workforce Development Authority (WDA). The program's chief aim is to facilitate the creation of 200,000 off-farm jobs annually. While NEP programs are well-coordinated by the Ministry of Labor, they all need to achieve scale and require significantly more resources.

The One UN flagship Youth and Women Employment Program, which aims to support government efforts, is the only other large-scale comprehensive program. So far, it has suffered from large funding gaps; it is budgeted at more than USD 28 million but has only received about USD 3.5 million since its inception in July 2014.⁸¹ Most other initiatives, including the comprehensive USAID Akazi Kanoze program, target fewer than 50,000 youth.

81 "Youth and Women Employment Program Document," One UN, 2013; Stakeholder interviews.

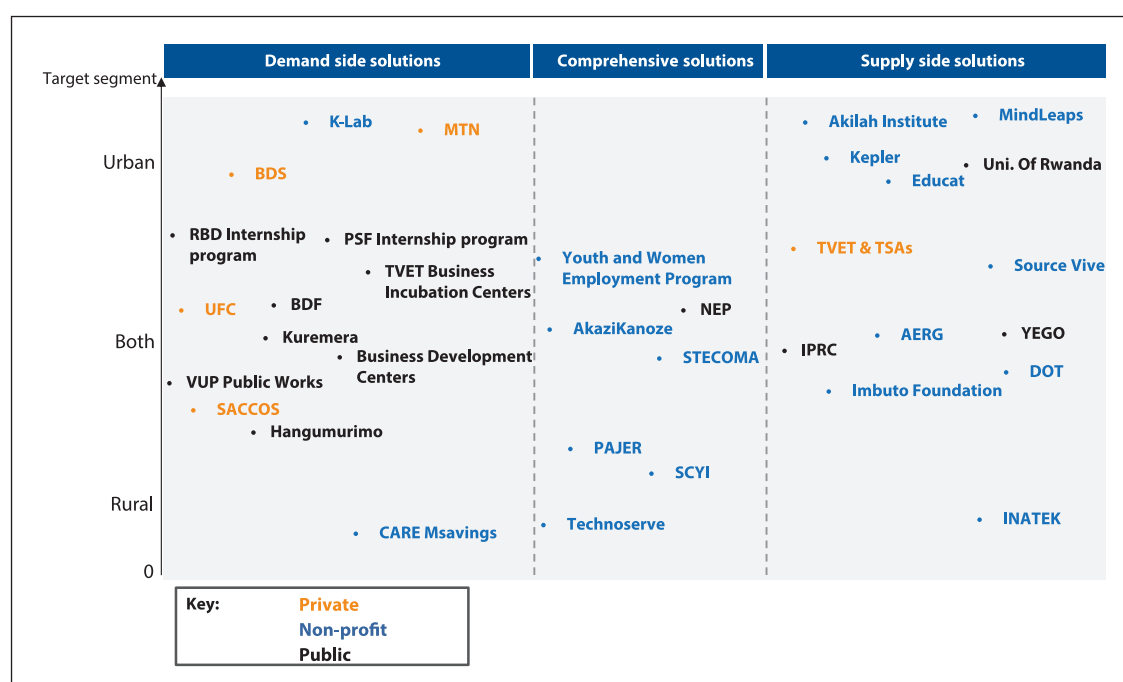
The government has a huge presence in the youth economic opportunities ecosystem and the topic of youth employment is central to the government's policy agenda. Public programs represent the majority of demand-side interventions while government interventions on the supply-side are mostly limited to the formal education system, e.g., KIST (now the College of Science and Technology – University of Rwanda), IPRC, and public TVETs. Non-profit interventions (e.g., Digital Opportunity Trust (DOT), Imbuto Foundation, Kepler) are almost absent from the demand side and mostly operate on the supply side. Private interventions are generally far fewer, with the exception of private TVET programs and Business Development Services (BDS) providers. The lack of private interventions is a major shortcoming because the involvement of employers is generally considered to be essential in ensuring that programs lead to positive employment outcomes.

The number of interventions is balanced between demand- and supply-side interventions. However, our findings from Chapter 1 indicate that demand is a binding constraint for youth employment in Rwanda. Indeed, the economy is not able to absorb the 125,000 new young job seekers that enter the labor market each year and it is largely accepted that self-employment and enterprise development will be the mechanism to create more opportunities for youth. Ideally, demand-side interventions should be more than proportional to the number of supply-side interventions.

More demand-side programs, particularly in support of youth entrepreneurship, need to be implemented and existing ones must be scaled up to reach a larger number of youth. Current demand-side interventions fall into two categories: 1) those targeted at employment such as government VUP-Public Works program or RDB's internship programs, and 2) those targeted at entrepreneurship such as Hangumurimo/'Create-your-own-job' or the Business Development Fund (BDF).

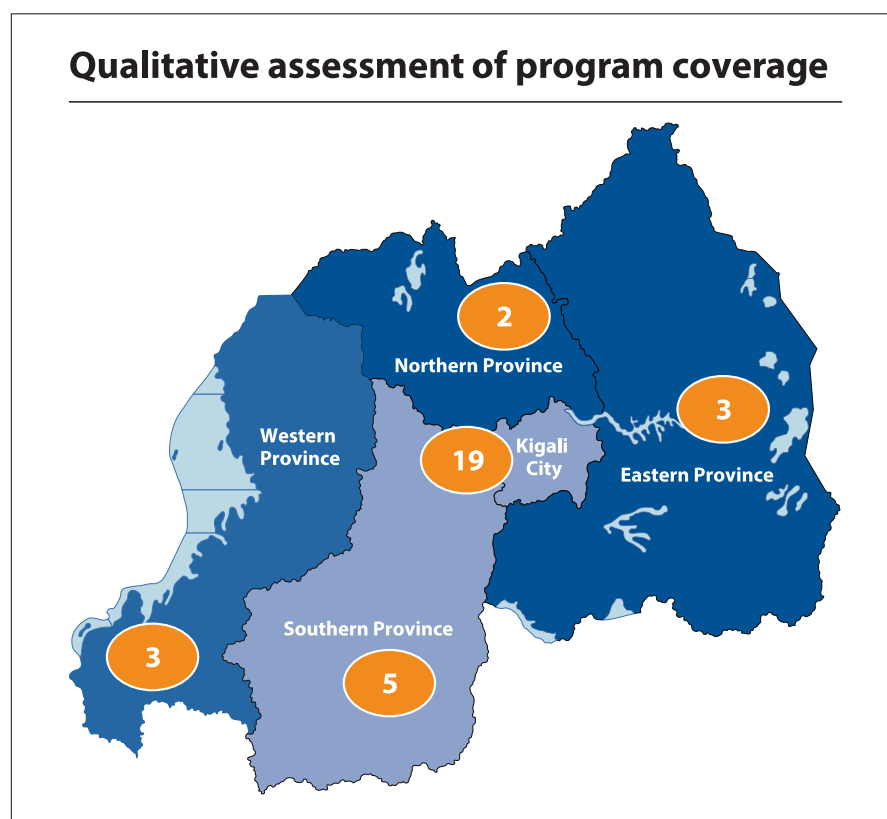
Figure 19 maps demand-side, supply-side, and comprehensive youth employment interventions in Rwanda by geography.

Figure 19
Youth employment initiatives in Rwanda by geography



Source: Desk research; Stakeholder interviews; Dalberg analysis

Figure 20
Program coverage by province



Source: Stakeholder interviews; Dalberg analysis

Overall, more demand-side interventions in rural areas supporting youth in agriculture are needed, particularly in provinces with low program coverage (Figure 20). Indeed, our analysis in Chapter 1 indicates that 80.9% of youth live in rural areas,⁸² yet only about half of youth employment initiatives target rural youth. Moreover, 70% of youth are engaged in agriculture but only a handful of programs focus on creating livelihoods for youth in agricultural value chains. TechnoServe’s “Strengthening Rural Youth Development through Enterprise” (STRYDE) program addresses this need but has only reached 4,860 youth so far—0.12% of the total youth population.⁸³

In the absence of demand-side interventions in rural areas, migration to and overcrowding in urban areas will continue, despite the fact the urban areas are not creating sufficient job opportunities either.

82 RHPC4, National Institute of Statistics, 2012.

83 Stakeholder interviews; RHPC4, National Institute of Statistics, 2012.

SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Supply-side information and analysis is important to effectively determine physical access to financial institutions, products and services on offer, requirements for take-up, and the extent of eligibility for financial products and services. **Overall, proximity and eligibility do not seem to be binding constraints, but increased product innovation is needed to better meet clients' needs.**

An AFR-Finscope mapping of commercial banks' MFIs' and Umurenge SACCOs' access points (including all branches, ATMs, agents, and outlets) in relation to the distribution of adults concluded that physical access or **proximity to financial institutions is not a major constraint to formal financial inclusion** (Figure 22).⁸⁴ However, disparities emerge once access is broken down by institution type. Indeed, few commercial banks have penetrated into rural areas despite increase in the number of branches and outlets (Figure 21) where the use of SACCOs and informal finance still dominates. Indeed, the users of commercial bank services tend to fit the following profile: male, resident of Kigali City, aged 31 to 45 years, with at minimum a secondary level of education, likely to be a government employee, and from a top Ubudehe category.⁸⁵

The establishment of Umurenge SACCOs in 2009 significantly altered the landscape of access to financial services in the country. Indeed, wide participation in SACCOs has been the driver behind large reductions in financial exclusion rates. In 2012, 22% of adults were members of a SACCO. In contrast, the expansion of commercial banks and MFI services has been slow in Rwanda.⁸⁶ Umurenge SACCOs played a more significant role in expanding access to formal financial access for farmers and informal sector workers.⁸⁷ As these two categories of employment include a significant share of youth, it can be assumed that the Umurenge SACCOs have been effective in enabling increased access to financial services for youth.

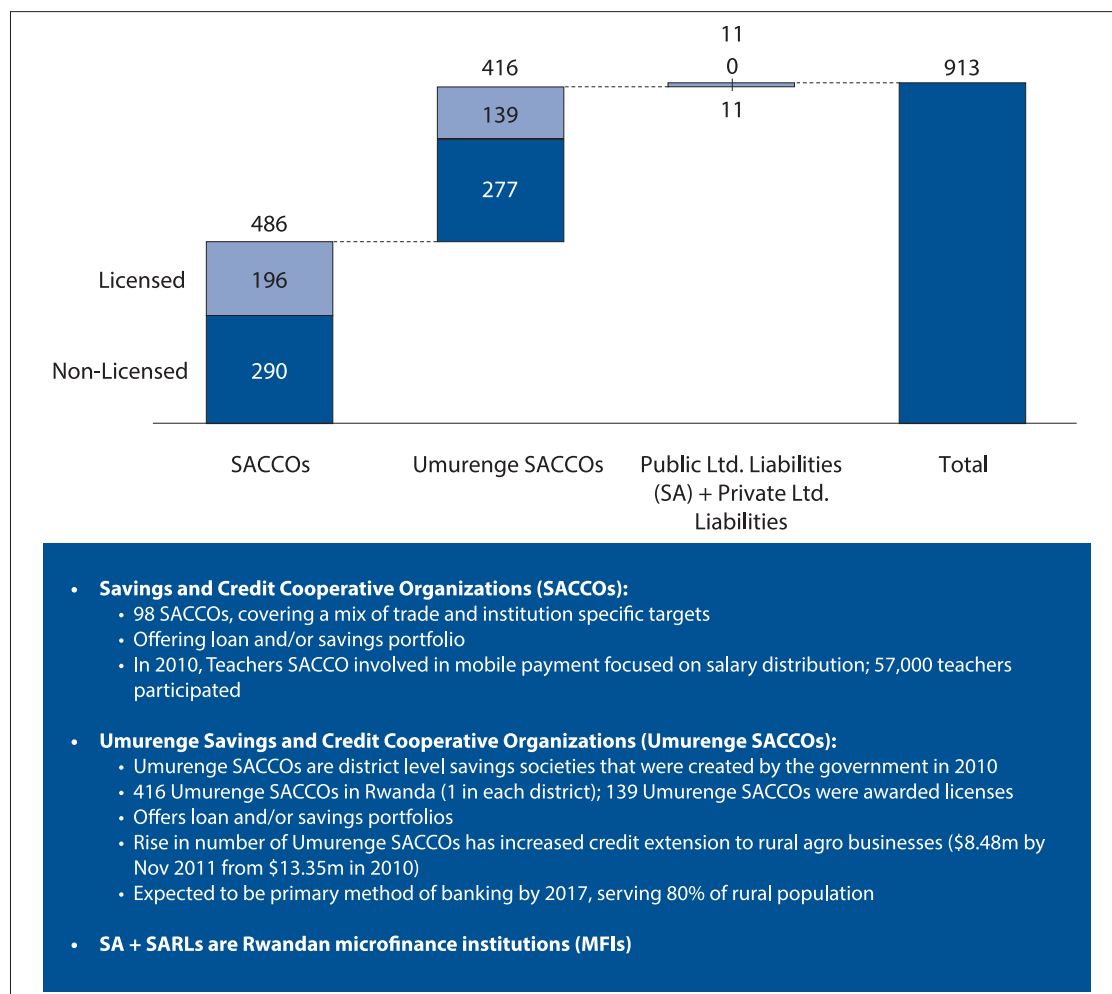
84 Access to Finance Rwanda (AFR) for Finscope survey, 2012.

85 Refer to the Definitions section on page 4.

86 Rwanda Finscope survey, 2012.

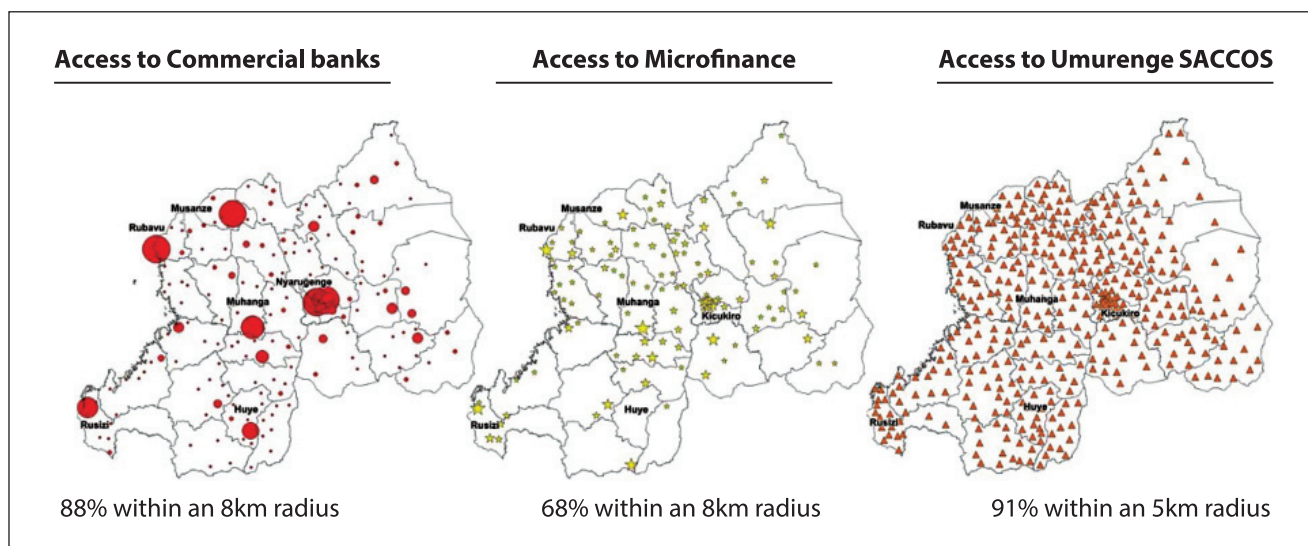
87 Rwanda Finscope survey, 2012.

Figure 21
MFI snapshot



Source: National Bank of Rwanda (NBR), IFC Mobile Money Scoping Country Report: Rwanda 2012

Figure 22
Access to finance mapping

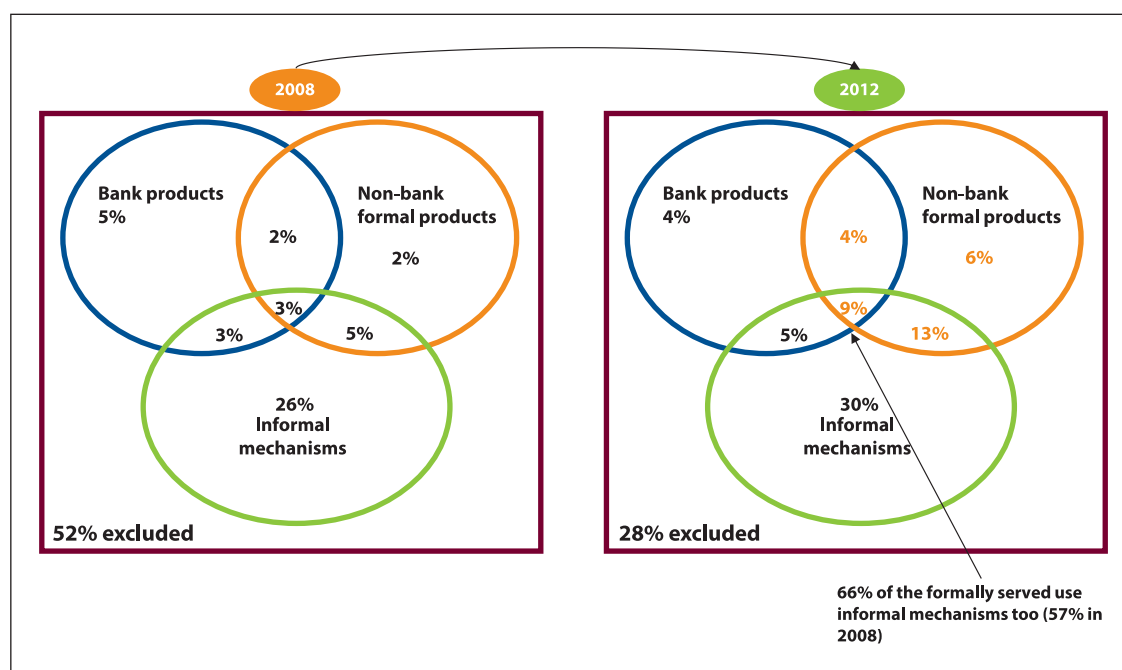


Source: Rwanda Finscope Survey, 2012

Consumers generally use a combination of financial products and services to meet their financial needs.

Comparisons between 2008 and 2012 reveal a shift mainly driven by increased uptake in non-bank formal products, led by the uptake of Umurenge SACCO products.

Figure 23
Access to finance mapping

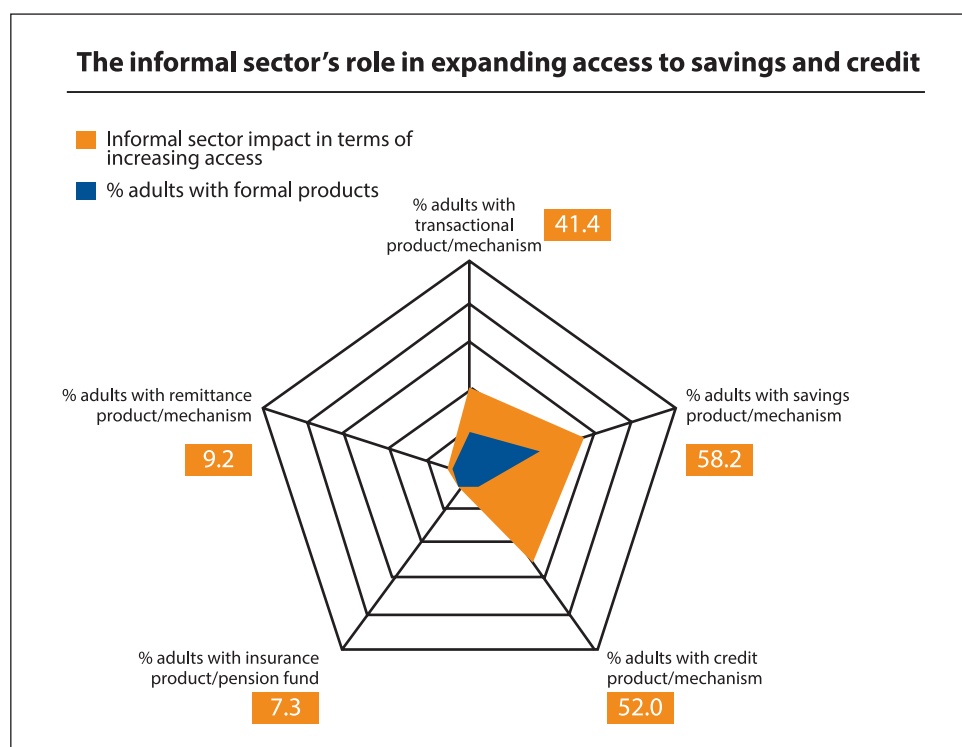


Source: Rwanda Finscope Survey, 2012

Technical requirements are not a barrier to accessing basic financial products. The main conditions for opening a basic bank account in formal financial institutions, including commercial banks, are a proof of identity—which Rwandans are obligated to carry under the law, and two passport photographs. Minimum deposits and balance are rarely required.

Savings and credit products are widely used, while the use of insurance products or pension funds is still extremely limited. Fifty-eight and fifty-two per cent of Rwandan adults have savings and credit products, respectively, while only 7.3% of adults have insurance. The informal sector has played a significant role in widening access to credit (Figure 24).⁸⁸

Figure 24
Role of the informal financial services sector



Source: Finscope survey, 2012



Formal banking products often fail to meet the needs of savers and borrowers. “Product doesn’t meet needs” is the main reason cited for non-usage of commercial banking products by banked adults.⁸⁹ Formal institutions are valued only for ‘big money’ needs and seen as irrelevant for frequent, smaller needs. Informal services are filling in the gaps, and are even commonly used among those with higher incomes and accounts in commercial banks. Indeed, users report that informal products offer flexibility, convenience, and terms that fit their earnings pattern.⁹⁰ This suggests that there is a large opportunity space for formal sector product innovation to better meet consumer demand.

With regard to mobile financial services, Rwanda permits both mobile operator-led mobile money (wallet) and bank-led mobile banking models. The IFC Mobile Money scoping study highlights that national efforts are ongoing to institute agent interoperability, which will enable models to co-exist. Figure 25 below highlights key digital financial services provided by telecommunication companies in Rwanda.

89 Rwanda Finscope Survey, 2012.

90 Rwanda Financial Diaries, 2013.

Figure 25
Profiles of key mobile financial services

 <p>MTN Mobile Money</p>	<ul style="list-style-type: none"> • Commercial Bank of Rwanda (BCR) is the primary bank behind the initiative; MTN views services as complementary to what banks offer • The service has seen significant increase in customer base and transactions within 14 months of launch • As of February 2012, \$73.47 million had been transferred • Launched with 120 agents; 201 after five months (80 in Kigali); goal 1 every 5km radius • Permits registered and unregistered users; enables bulk salary payments, has found everyone over 16 years of age has a national ID • Working on managed service version of Fundamo, wouldn't go so far as being a hosted MIS for bank • Pushing for interchange fees to be negotiated before interoperability is fully in place
 <p>Tigo Cash</p>	<ul style="list-style-type: none"> • Over 200,000 accounts created • Initially focused on air-time top-up, expanding to utility bill pay. Also interested in insurance products but focusing on main priorities for now • 50% transactions are top-up, 25% P2P, 25% cash in/out • Would like to interface with ATMs in the future • Has a single bank escrow account; partner bank unknown • Same platform as Tanzania; TIGO Cash does not connect to RIPPS

Source: IFC Mobile Money Scoping Country Report: Rwanda

In addition to telecommunication companies, most banks in Rwanda have also launched their own mobile financial initiatives. Examples include:

- BPR (Union des Banques Populaires du Rwanda): Started mobile product with informational services to replace passbooks, utility payments, and phone-to-account payments.
 - Launched Izi Cash Mobile Money, a mobile-to-ATM product that allows even non-account holders to withdraw cash, with plans to evolve to a mobile wallet and link to full account.
- Kenya Commercial Bank: Using Mobibank as a new mobile banking platform.
- Urwego Opportunity Bank: Conducted a pilot via mobile channel using the Fundamo platform.

Furthermore, an important partnership between Visa and the Government of Rwanda was signed in November 2011, with the aim to develop a local payment solution to extend access to financial services to international and local consumers throughout the country.

The evolving supply of digital financial services and measures taken to reduce the transaction costs (e.g., removing minimum deposits as discussed previously) give an opportunity for youth to access financial services that meet their needs. There would, however, be some value in further tailoring the current offerings by developing specific products anchored and informed by economic opportunities accessible to youth. Such products would then be part of the support ecosystem that would enable youth to effectively access high-potential economic opportunities.

The Rwandan government appears to have taken policy measures that are supportive of financial inclusion and financial sector development. For instance, mobile network operators are attributing high uptake in mobile money products to a light “know your customer” (KYC) requirement. Rwanda also introduced a leasing law (passed in 2015) that allows micro leasing from MFIs.

These policies, along with a reduction in the minimum age required to own a bank account to 16 years, create an enabling environment for youth financial inclusion, which can support youths’ effective transition to a productive livelihood (through better access to finance and productive assets in order to kick-start their own activities or invest in their education).

The table below highlights key element of the regulation framework pertaining to digital finance.

Figure 26
Snapshot of key elements from the regulatory framework

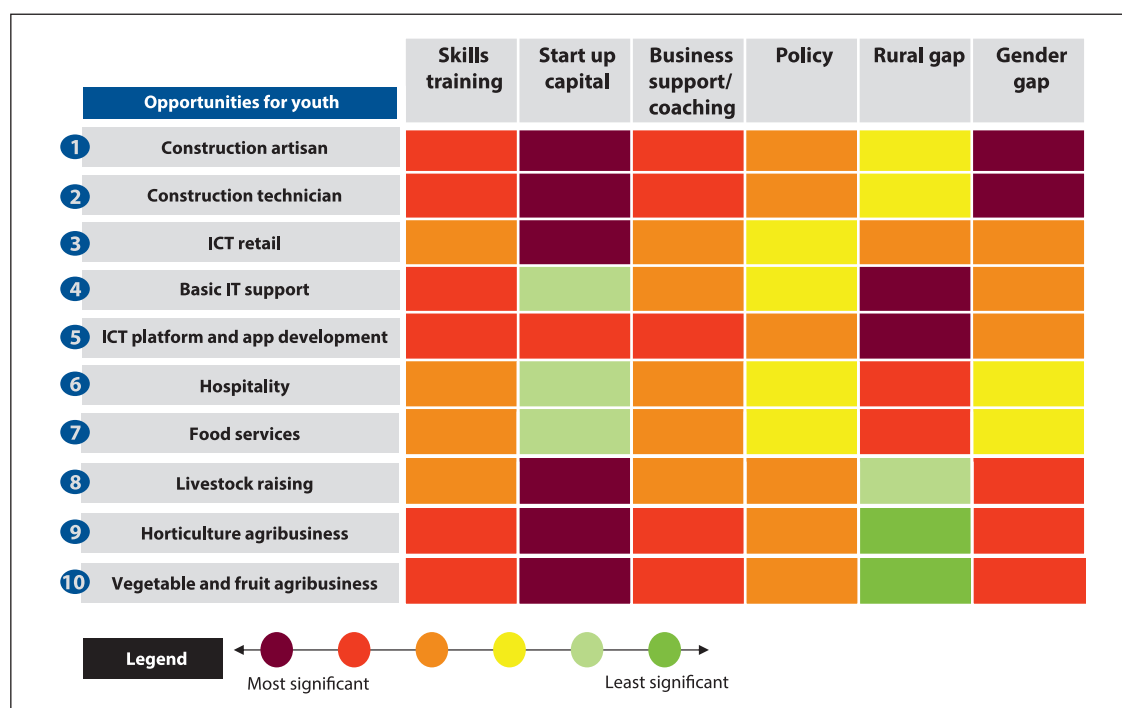
Mobile Money	<ul style="list-style-type: none"> • Defined as <i>mobile payments offered by non-banks</i> • Non-bank digital wallet can serve as a non-interest bearing account (since 2010) • Enables bill payments, cash in/out • License issued by National Bank of Rwanda (NBR) and funds held in a bank managed escrow
Deposit Taking	<ul style="list-style-type: none"> • Allowed: banks, MFIs, and SACCOs • Not allowed: mobile network operators (MNOs) and other non-banks that can only offer non-interest bearing wallets
Retail Agents	<ul style="list-style-type: none"> • Agents of banks and MFIs treated as branches, i.e., each agent must be presented to NBR as if it were a new branch • Bank agents can receive deposits, pay out money, and process as limited range of transactions • Non-bank agents can only conduct cash in/out transactions • New rules under development
Know Your Customer Requirements	<ul style="list-style-type: none"> • Customer ID, such as valid official document with picture, required for all transactions • Non-banks can view and record customer details without making copies of actual documents

Source: IFC Mobile Money Scoping Country Report: Rwanda

SECTION 3 – KEY GAPS UNADDRESSED BY CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programs are not fully covering the different elements required for youth to access high-potential opportunities. Key gaps across most programs are skills trainings, start-up capital, and business support coaching (Figure 28). In addition, organizations struggle to address gender gaps in their programs, and rural areas tend to receive insufficient coverage.

Figure 27
Interventions vs. opportunities for youth



Source: Desk research; Stakeholder interviews; Dalberg analysis

Skill building:

- **Youth lack adequate soft skills, technical knowledge, and business expertise, and face significant barriers to skills development across opportunities.** These barriers are greater for opportunities requiring higher levels of technical ability such as IT support and ICT platform and application development
- The challenges youth face in skill building include:
 - Lack of information or knowledge about skills needed or their potential benefits
 - Lack of access to facilities due to cost, poor geographic spread, or the absence of training facilities altogether
 - Poor quality of the training on offer
 - Mismatch between training and labor market needs
 - Employers' poor awareness or recognition of qualifications acquired, e.g., TVET

- **Program coverage is limited for all activities but particularly so in agriculture and construction relative to the size of the opportunities available in these sectors.**

Start-up capital:

- **Accessing start-up capital is a major and consistent challenge limiting youth's ability to successfully start their business.**
- **Financial services in Rwanda are primarily informal, with SACCOs a predominant feature.** Formal financial institutions have not yet reached all 30 provinces and are heavily centered on Kigali.
- Youth face significant capital constraints including:
 - Financial illiteracy and lack of information about financial systems and benefits.
 - Lack of access to financial service providers due to poor geographic spread.
 - High costs of borrowing, e.g., high interest rates or fixed costs of opening an account.
 - Lack of collateral or guarantee.
 - Short repayment rates.

Business support/coaching and matching:

- A large number of number of interventions in the youth opportunities ecosystem provide skills, finance, or job placement without mentoring, coaching, or business support.
- In addition, there are few systems in place in Rwanda to facilitate matching between employers and potential employees, or ease market linkages—for example, by connecting entrepreneurs to suppliers or distributors.

Geography and gender:

- Organizations struggle to address gender gaps in their programs, and rural areas tend to receive insufficient coverage.
- IT support, ICT app and platform development, hospitality, and food services are predominantly based in Kigali and will offer limited opportunities in rural areas.
- Construction, and to a lesser extent agribusiness, are not amenable to women as they traditionally engage very little in the sector.

Table 5 below highlights specific gaps within high-potential opportunities.

Table 5
Highlights specific gaps within high-potential opportunities.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Construction			
Opportunity 1: Construction artisans	Skills	<ul style="list-style-type: none"> • Most learning happens 'on-the-job'; construction workers lack formal training in order to specialize due to 1) the paucity of training institutes and 2) the prohibitive cost of education. • TVET programs cannot absorb all the demand for training; STECOMA, the sector's union, is attempting to fill the gaps. 	<ul style="list-style-type: none"> • Partner with government for a voucher system—that covers some but not all costs—to send entry-level hires to training and offer employees stipends for apprenticeships. UNCDF's value added will be to automatize the voucher system through electronic transfers. • Encourage the formation of cooperatives so youth can pool know-how, ease access to group lending facilities from FSPs, and pool savings. • Develop micro-leasing products or asset finance for tools and other equipment in the construction sector. • Offer start-up kits for cooperatives through business plan competitions. • Support STECOMA in increasing outreach to workers to populate their new SMS database that tracks who is working and who isn't and matches workers to employers. • Encourage certification of construction workers so they are able to access better jobs and pay.
	Capital	<ul style="list-style-type: none"> • Artisans lack access to capital to start their own enterprise; financial service providers often require collateral or harsh repayment terms. 	
	Business support / matching	<ul style="list-style-type: none"> • Construction work is precarious and there is a lack of information about where work exists. • Employers cannot calibrate workers' skills. • Artisans make choice of trade based on existing environment resulting in a market saturated with specific trades, lacking in others. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Construction			
	Policy	<ul style="list-style-type: none"> WDA certification of construction workers is very slow. Construction industry is still highly informal, leading to low pay, and often poor quality of construction. Underfunding is a problem in the TVET sector limiting training in the construction sector: WDA reports plans for 10 new polytechnics but spent USD 122 million to equip the last that was built, and only 50% coverage for vocational schools.⁹¹ Efforts toward economic integration into the East African Community may have an impact on competition for jobs in this area. 	<ul style="list-style-type: none"> Link youth with artisans in less practiced but needed trades; provide incentives to create apprenticeships. Support WDA in increasing examiner capacity; make use of students in the formal education system so they can also gain practical experience in the process. Advocate for policy formalizing the industry, e.g., salaries, monitor hiring practices (i.e., require certification). Generate and disseminate information about training services, as well as potential business opportunities, available in rural areas. STECOMA has one of nine full-time staff solely in charge of gender promotion and has had success encouraging women in the construction sector. Develop incentive schemes such as scholarships to encourage women to take up training to become construction technicians. Artisans lack access to capital to start their own enterprise; financial service providers often require collateral or harsh repayment terms.
	Geographic	<ul style="list-style-type: none"> Employment is mostly generated in urban areas. 84% of firms are located in Kigali according to the Establishment Census.⁹² 	
	Gender	<ul style="list-style-type: none"> Women traditionally engage very little in the construction sector. 	

⁹¹ Stakeholder interviews, July 2015.

⁹² Establishment Census, National Institute of Statistics, 2010.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Construction			
Opportunity 2: Construction technicians	Skills	<ul style="list-style-type: none"> Lack of training facilities: only five IPRCs and technical colleges awarding diplomas and certificates to fewer than 1,500 students each year; only one university offering degrees in construction-related fields (e.g., construction management, civil engineering), with fewer than 100 students graduating from 2010 – 12.⁹³ Students in technical college or university do not have work experience and lack equipment to learn their trade. Curriculum in formal sector is not up-to-date with latest techniques. Cost of education can be prohibitive. 	<ul style="list-style-type: none"> Partner with government to support the development of construction courses in formal education systems and encourage enrollment through incentives such as scholarships. Partner senior students with construction cooperatives that need technician engineers to bid for tenders. Develop internships and apprenticeships that lead to concrete job outcomes. Link experienced construction technicians to the formal education system to offer practical teaching stints, or ‘train the teacher’ sessions. Develop education loans or offer vouchers to employers to encourage workers to take up training. Develop partnerships between FSPs and private BDS. BDS can ease FSPs’ need to monitor loans. Youth benefit from BDS support and are less likely to default. BDS need a financial stake in the business they support. Train youth/cooperatives to apply for local construction contracts. Connect education providers (e.g. TVET, IPRCs, KIST - now the College of Science and Technology, University of Rwanda) to harmonize curriculum and pool equipment and expertise. Advocate for youth preferential procurement policy on small-sized construction contracts so youth construction cooperatives can gain experience and develop. Encourage inclusion of local youth rather than support to local youth organizations who have no experience or access to learning from industry experts. Advocate reduced paperwork/ conditions restricting access to bids. Disseminate information on upcoming tenders to youth.
	Capital	<ul style="list-style-type: none"> Education loans limited to higher education students; youth taking the vocational path can’t easily access financing. 	
	Business support / matching	<ul style="list-style-type: none"> No coordination between education providers in the construction field leading to overlap. 	
	Policy	<ul style="list-style-type: none"> Most government tenders are won by foreign construction firms or long-established Kigali-based firms. 	
	Geographic	<ul style="list-style-type: none"> Skills training is mostly offered in Kigali, e.g., KIST - now the College of Science and Technology, University of Rwanda, IPRC; TVET is particularly absent in Northern Province.⁹⁴ 	
	Gender	<ul style="list-style-type: none"> Few women choose construction technician or engineering fields in technical schools, colleges, or universities. 	

93 National Skills Survey Reports, Rwanda Development Board & Labor Market Information System, 2012.

94 TVET Mapping study, Edukans, 2012.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
ICT			
Opportunity 1: ICT retail	Skills	<ul style="list-style-type: none"> Lack of training facilities offering short-term, low-cost, basic business skills courses, e.g., accounting, marketing skills, customer services. Restricted access to ideas and information on ways to move up the ICT retail value chain (e.g., move from selling phones to doing basic repair) due to lack of hard skills and innovative ideas. 	<ul style="list-style-type: none"> Partner with experienced training providers to develop short-term low-cost soft skills course targeted to retail and business-management essentials. Identify successful innovative ICT retail models and disseminate, e.g., bus stop charging, solar power mobile charging, ICT micro-franchise repair stores. Develop asset loans for youth in ICT retail. Partner with private sector—e.g., telecoms—to ease access to goods. Partner with BDS to provide youth with assistance to bring enterprise to the next level. Advocate and support further infrastructure investments in the sector, e.g., fiber optic. Demand for ICT goods and services is limited in rural areas.
	Capital	<ul style="list-style-type: none"> Lack of start-up capital to purchase initial goods. 	
	Business support / matching	<ul style="list-style-type: none"> Difficulty sustaining and expanding business beyond first success. 	
	Policy	<ul style="list-style-type: none"> Internet penetration is still low; users' mobile phones often not developed enough to handle platforms and apps. 	
	Geographic	<ul style="list-style-type: none"> Demand for ICT goods and services is limited in rural areas. 	
	Gender		
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
ICT			
Opportunity 2: Basic IT support	Skills	<ul style="list-style-type: none"> Lack of work-readiness and presentation skills. Shortage of youth with strong ICT skills due to poor quality of training, not the inadequate provision of training facilities: 7 different universities providing ICT degree programs, as well as TVET, IPRCs, and technical schools, and growing number of labs and incubators. Lack of work experience, e.g., internships, for technical college and university students. Poor awareness and recognition of TVET qualifications. 	<ul style="list-style-type: none"> Partner with experienced training providers to offer short-term work readiness courses. Develop internship schemes directly linked to future employment. Develop connections between TVET institutions and the private sector, for example by sponsoring open days or awareness raising events to increase the interaction of students with the industry. Facilitate job search costs through Employment Service Centers; build and share a database of employers.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
ICT			
	Capital	<ul style="list-style-type: none"> Job search is expensive, causing youth to accept positions that do not match qualifications or to abandon search permanently. 	<ul style="list-style-type: none"> Develop in-house mentoring schemes for youth to receive critical guidance and feedback on performance. Advocate for youth internship and entry-level positions in public bodies implementing 'E-government' initiatives. Provide tax breaks or other incentives to firms hiring youth for entry-level positions, internships, or apprenticeship.
	Business support / matching	<ul style="list-style-type: none"> High turnover, negative perceptions of youth in the formal workplace. 	
	Policy	<ul style="list-style-type: none"> Youth face difficulty breaking into formal jobs. Youth face stiff competition from Kenyans and Ugandans in the job search. 	
	Geographic	<ul style="list-style-type: none"> Lack of employment opportunities in rural areas. 	
	Gender		
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
ICT			
Opportunity 3: ICT platform and app development	Skills	<ul style="list-style-type: none"> Post-secondary education system lags behind in terms of innovation; not in sync with market. Tech incubators argue high school students know more about ICT than those at university. Lack of business acumen, planning and communication skills. No support if enterprise fails. 	<ul style="list-style-type: none"> Develop e-learning options in institutions that are not able to offer advanced courses themselves. Provide business loans/start-up capital for training providers, lab, and incubators with self-sustaining business models, creating direct and indirect jobs and resulting in a lot of leverage. Provide business loans/start-up capital for training providers, lab, and incubators with self-sustaining business models, creating direct and indirect jobs and resulting in a lot of leverage. Identify high-potential youth enterprises through business plan competitions, incubators, or tech hubs in order to offer guarantees for loans or first loss equity. Support coaching—for example, as a component of business plan competitions. Develop safety net for entrepreneurs to encourage innovation and risk-taking; consider the country's bankruptcy policy.
	Capital	<ul style="list-style-type: none"> Entrepreneurs struggle to find seed capital as they are perceived as high risk; however, stakeholders report strong investor appetite for tech in Rwanda. 	
	Policy	<ul style="list-style-type: none"> Weak intellectual property policy. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Tourism			
Opportunity 1: Hospitality	Skills	<ul style="list-style-type: none"> • Paucity of hospitality management courses, only three institutions offering hospitality training nationwide, which graduate less than 1,000 students each year—none at the University of Rwanda. 	<ul style="list-style-type: none"> • Support the scale-up of existing institutions; develop a program at the University of Rwanda and technical colleges. • Facilitate job search costs through Employment Service Centers; build and share a database of employers. • Establish an industry mentoring scheme with seasoned professionals and events to build out youth networks. • Establish a platform for stakeholder collaboration which truly connects actors whose incentives align, e.g., private sector, training institutes, government. • A majority of training institutions are in Kigali.
	Capital	<ul style="list-style-type: none"> • Job search is expensive, causing youth to accept positions that do not match qualifications or to abandon search permanently. 	
	Business support / matching	<ul style="list-style-type: none"> • Lack of continued mentorship once placed in a job. 	
	Policy	<ul style="list-style-type: none"> • Limited collaboration between stakeholders in hospitality skills training leading to significant overlap. 	
	Geographic	<ul style="list-style-type: none"> • A majority of training institutions are in Kigali. 	
	Gender		
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Tourism			
Opportunity 2: Food services	Skills	<ul style="list-style-type: none"> • Lack of soft skills for front-of-house jobs; training on offer is formal and very long, 3 – 4 years. 	<ul style="list-style-type: none"> • Develop a vocational training course with experienced partners in skill-building for the food services industry. • Facilitate job search costs through Employment Service Centers; build and share a database of employers. • Establish an industry mentoring scheme with seasoned professionals and events to build out youth networks. • Engage the government on developing standards, and associated skills needed to uphold them; make sure the policy is not intrusive but supportive—that it doesn't hinder employment. • Job search is expensive, causing youth to accept positions that do not match qualifications or to abandon search permanently.
	Capital	<ul style="list-style-type: none"> • Job search is expensive, causing youth to accept positions that do not match qualifications or to abandon search permanently. 	
	Business support / matching	<ul style="list-style-type: none"> • Lack of continued mentorship once placed in a job. 	
	Policy	<ul style="list-style-type: none"> • Lack of direction on standards and regulation. 	
	Geographic		
	Gender		

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agricultural value chains			
Opportunity 1: Livestock raising	Skills	<ul style="list-style-type: none"> Lack of information and skills for successful livestock-raising. Sufficient coverage in terms of training at the university level with National University of Rwanda, INATEK, or ISAE— as well as in technical colleges and schools—but paucity of TVET and targeted short-term training courses; TechnoServe's STRYDE, one of the largest non-profit interventions, targets fewer than 5,000 youth. 	<ul style="list-style-type: none"> Pilot initiatives to create and spread knowledge on successful livestock raising models, e.g., simple step-by-step guide and associated short-term crash course, as well as livestock asset transfer. Offer start-up kits with in-kind grants, develop a savings culture, develop savings products that support youth savings for their start up kits, and/or work to offer favorable loan terms to youth.
	Capital	<ul style="list-style-type: none"> Lack of capital to purchase initial batch of small animals. 	
	Business support / matching		
	Policy		
	Geographic		
	Gender		
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agricultural value chains			
Opportunity 2: Horticulture agribusiness	Skills	<ul style="list-style-type: none"> Lack of information and skills to develop successful agribusinesses. 	<ul style="list-style-type: none"> Encourage the formation of cooperatives to ease access to group lending facilities from FSPs and pool savings. Develop asset loans or micro-leasing for processing equipment. Develop an equipment sharing model, e.g., Uber for agriculture equipment. Support use and spread of E-Soko, a database with prices for all agricultural goods. Develop a business plan competition at tech hubs and incubators to develop app or platform to ease market linkages (e.g., milk SMS database that alerts when tank is full, tracks milk along value chain and prices) and access to finance (e.g., platform to link youth with FSPs).
	Capital	<ul style="list-style-type: none"> Lack of capital to purchase processing equipment. 	
	Business support / matching	<ul style="list-style-type: none"> Lack of knowledge on market prices. Lack of access to market; backward linkage to the farmer and forward linkage to the market are particularly hard. 	
	Policy	<ul style="list-style-type: none"> Lack of demo centers that enable youth to 'watch and learn best practices'. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agricultural value chains			
	Geographic	<ul style="list-style-type: none"> Lack of entrepreneurship culture in rural areas; most youth don't know that starting their own business is an option. 	<ul style="list-style-type: none"> Encourage engagement of the private sector; labor ministry interest in developing PPPs for such centers. Develop entrepreneurship spirit in schools, including business planning and financial management in curriculum.
	Gender	<ul style="list-style-type: none"> 'Gendered' nature of agribusiness—community/parents prefer that young women stay home; entrepreneurship is low among women. 	
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agricultural value chains			
Opportunity 3: Vegetable and fruit agribusiness	Skills	<ul style="list-style-type: none"> Lack of information and skills to develop successful agribusinesses. 	<ul style="list-style-type: none"> Support and advocate for demo centers in rural areas, which enable youth to 'watch and learn best practices'. Encourage the formation of construction cooperatives to ease access to group lending facilities from FSPs and pool savings. Build a network of successful youth entrepreneurs as a point of contact for youth in all sectors.
	Capital	<ul style="list-style-type: none"> Cooperatives not able to access finance—BDF too restrictive and SACCOs not easily accessible as they are too small to handle demand. 	
	Business support / matching		
	Policy		
	Geographic	<ul style="list-style-type: none"> Youth base aspirations on their environment—with most people engaged in subsistence agriculture, there is a lack of 'model effect'. 	
	Gender		

Source: Desk research; Stakeholder interviews; Dalberg analysis

CONCLUSION

MOVING FORWARD



This report highlights the broad consensus that self-employment and enterprise development will be the mechanisms by which to create more opportunities for youth in Rwanda:


- More than half of youth were employed in non-wage jobs, and among those engaged in wage work, a large majority were employed in the private informal sector (i.e., individuals who earn an income from piecework rather than through formal employment).
- Youth underemployment is a particular feature of the agriculture sector.
- Small and medium-sized enterprises' capacity to absorb job-seekers is limited and entrepreneurship is a challenge.

Further, access to capital is a major and consistent challenge limiting youth's ability to successfully start a business:

- Financial exclusion is significantly higher among youth aged 18 to 20 years, among females, and in rural areas.
- A lack of individual awareness and lack of understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play to boost access to finance.
- On the supply side, proximity and eligibility do not seem to be binding constraints, but increased product innovation is needed to better meet clients' needs.

Further, more demand-side programs, particularly in support of youth entrepreneurship, need to be implemented while existing ones must be scaled up to reach a larger number of youth. In addition, more interventions in rural areas supporting youth in agriculture are needed, particularly in provinces with low program coverage.

With regards to sectors, construction offers a number of potential opportunities for employment, particularly for artisans and technicians, as well as entrepreneurship opportunities for youth willing to form cooperatives. The ICT sector is booming in Rwanda and creating opportunities for youth including the retail of ICT products and services, IT support, and ICT platforms and application development. Tourism is also growing fast and offers high-potential opportunities for employment in hospitality and food services. Finally, agriculture is the backbone of the Rwandan economy and high potential economic opportunities for youth include livestock raising, horticulture, and vegetable and fruit production and processing.



In the four growth sectors identified, existing programs are not fully covering the different elements required for youth to access high-potential opportunities. The key gaps across most programs are skills trainings, start-up capital, and business support and coaching. In addition, organizations generally struggle to address gender gaps in their programs.

This report is a key input in YSG's inception phase in Rwanda. The next, and first, phase of YSG consists of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for each intervention. Specifically, it will involve building the capacity of partners to develop high quality proposals, conducting required due diligence, and finally, securing financial and political buy-in.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, and capturing and disseminating knowledge acquired in this process.

FOR MORE INFORMATION:

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