



Huguka Dukore Akazi Kanoze Entrepreneurship Study



This report summarizes the findings of an entrepreneurship study conducted by the USAID Huguka Dukore Akazi Kanoze (HDAK) activity from March-May 2021. Implemented by Education Development Center (EDC) and a consortium of international and Rwandan implementing partners, the HDAK activity seeks to increase market-ready skills and access to stable employment and self-employment opportunities for 40,000 Rwandan male and female vulnerable youth ages 16-30 years. The purpose of this study was to better understand the extent to which HDAK has contributed to improved outcomes for youth who seek self-employment as a main livelihoods strategy. To date, HDAK has served over 40,000 young people preparing them to pursue either wage employment or self-employment. Of those, 11,060 have started businesses upon completion of the program. This study utilized a mixed methods approach, collecting primary data through focus group discussions, in-depth interviews, a written survey, and follow-up phone-based survey with 69 HDAK youth participants.

Respondents resoundingly offered positive feedback about their experiences in HDAK, including their satisfaction with the state of their businesses following completion of the program. When comparing their experiences pre- versus post-HDAK, young people's **earnings increased by an average of 225%**, particularly among the very poor. We also saw indications of **positive effects on poverty reduction**: while 42% of study participants had monthly incomes that were below the poverty threshold prior to joining HDAK, by the early part of 2020, that margin had narrowed to just 14%. Importantly, young people spoke about the value of the skills and **"changed mindsets"** they attained as a result of the program—with most comments focusing on the soft skills, work readiness skills, and improved business practices such as goal-setting, adaptability, confidence, saving, and customer service.

The most valued HDAK services were: **soft skills and workforce readiness skills**. Next, curriculum in **money management and savings**, combined with the practical opportunity to join savings and internal lending communities (SILCs), offered youth a powerful stepping stone in their livelihoods pathway, as well as an important coping strategy in the face of the COVID-19 shock. Third, young people **valued work-based learning opportunities**, as it gave them important technical skills and business know-how to start their own businesses. While many had never participated in work-based learning before, HDAK had encouraged and empowered them to take initiative to organize such arrangements on their own accord. Building off these services, participants expressed a desire for more frequent, intensive, and tailored **follow-on services**: business coaching, market linkages, peer-based business support through SILCs, and/or loan facilitation.

Young people also spoke about exogenous factors that enabled microenterprise success. The most important factor was **family financial support**, ranging from no-interest loans to monetary gifts, land, and physical assets. **Personal savings** was another key stepping stone to success, as was one's ability to receive bank loans. Youth also spoke about the importance of **mentoring and support from peers and family**. Moreover, diversification of business activities was a running theme for success.

When describing the **persistent barriers to their self-employment**, responses indicated a **"missing middle"** in loan financing, with one segment requiring an average of RWF 640,000 (roughly USD 640), and a second segment requiring an average of RWF 2.65 million (USD 2,650) to re-start and/or grow their business. Second to financing, young entrepreneurs struggled with governmental **policies**, most notably the COVID-19 measures, as well as taxation on businesses.

It should be no surprise that the COVID-19 pandemic, and the subsequent curfews and restrictions of movement across Rwanda, have severely impacted young entrepreneurs. Most study participants (69%) were forced to decrease their working hours, and more than half (61%) saw a significant decrease in earnings. Only 13% said their business income was able to cover all of their basic needs, representing a significant shift from the pre-pandemic period. Nevertheless, youth exhibited a level of **resilience during the pandemic**. Among the ten cohorts interviewed for this study, six of them showed average earnings that during the pandemic period remained above their pre-HDAK earnings. Youth's most commonly cited coping strategy was to draw on their **savings**. **Many shifted their business strategy**, either by adapting their business to meet new or different clients, by pivoting from one type of business activity to another, or by diversifying into more activities. A large number took out a **loan from a SILC group or from a bank**, or they received a loan or financial gift from families or friends. Notably, a number of respondents indicated that **their skills—goal-setting, patience, self-confidence, and the ability to identify new markets—gave them the ability to weather the pandemic**. Some specifically mentioned the HDAK training as giving them the adaptability and coping skills to pivot during the pandemic.

Overall, the impact of the COVID-19 pandemic calls for radical, innovative approaches to a youth-inclusive economic recovery in Rwanda. Members of the HDAK consortium, USAID, and EDC are encouraged to consider piloting a range of unconventional supports:

- Expand the power of savings and SILC through non-traditional channels, such as in lower- and upper-secondary schools, in TVETs and universities, among SMEs and employers, and through other community-based youth entry points;
- Consider radical short-term measures to stimulate the economic recovery among youth microenterprises, such as through business recovery cash grants, subsidies, or guarantees for low-interest or no-interest loans that "reboot" youth businesses to where they were prior to the pandemic;
- Expand the role of networks for youth entrepreneurs through adult- and peer-mentoring mechanisms such as work-based learning, SILC groups and/or Youth Leadership and Accompaniment groups;
- Experiment with cost-effective follow-on supports for youth: business coaching, market linkages, loan facilitation, and peer-based support;
- Deepen practices for monitoring and evaluating self-employment outcomes; and
- Engage young entrepreneurs in business advocacy efforts, especially in policies that impact them such as COVID-19 measures as well as taxation and legal requirements for youth-owned microenterprise startups.