



Institute of Policy Analysis
and Research - Rwanda

Impact of COVID-19 on Rwandan Firms: Insight from Survey Data By IPAR – Rwanda

BNR/IGC Conference

06 July 2022

BNR/IGC CONFERENCE

OUTLINE

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RESEARCH OBJECTIVES

IMPACT OF COVID-19 ON BUSINESSES

SUGGESTED INTERVENTIONS FOR BUSINESS RECOVERY

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RECOMMENDATIONS

INTRODUCTION TO RESEARCH PROJECT

- ◇ Project Title: **“Providing timely evidence to facilitate the socio-economic recovery from the covid-19 pandemic in Rwanda”**
- ◇ Duration of the project: 3 years
- ◇ Focused on the economic impact of Covid-19
- ◇ A panel Survey: The impact of Covid-19 [focused on changes between February 2022, February 2021 and February 2020], Responses to the shock and Support received
- ◇ Also doing a panel household survey

OBJECTIVES

Objective of the study

“Providing timely evidence to facilitate the socio-economic recovery from the covid-19 pandemic in Rwanda”

Specific objectives are to:

- ◇ To provide up-to-date and relevant information to policy makers on the impact of Covid-19 on businesses and vulnerable households.
- ◇ Grounded in this evidence to also generate and propose policy solutions to the challenges faced by businesses and vulnerable households.
- ◇ To provide information and policy advice that is highly responsive to the changing context and demands of the Rwandan Government.

METHODOLOGY

Documents review

- ◇ MINECOFIN Reports
- ◇ World Bank Reports
- ◇ Other Government Reports
- ◇ Policy and academic papers,...

Quantitative survey

- ◇ **1545 businesses (Wave1) and 1212 (Wave2)** from:
- ◇ **3 business sectors:** Agriculture, Industry, and Service.
- ◇ **5 Provinces** (Kigali City, East, West, North & South)
- ◇ **6 Secondary City Districts** (Huye, Muhanga, Musanze, Rubavu, Rusizi, Nyagatare)
- ◇ **3 Districts of Kigali City**(Gasabo, Nyarugenge, Kicukiro)
- ◇ Sampling was based on the NISR Establishment Census (EC)

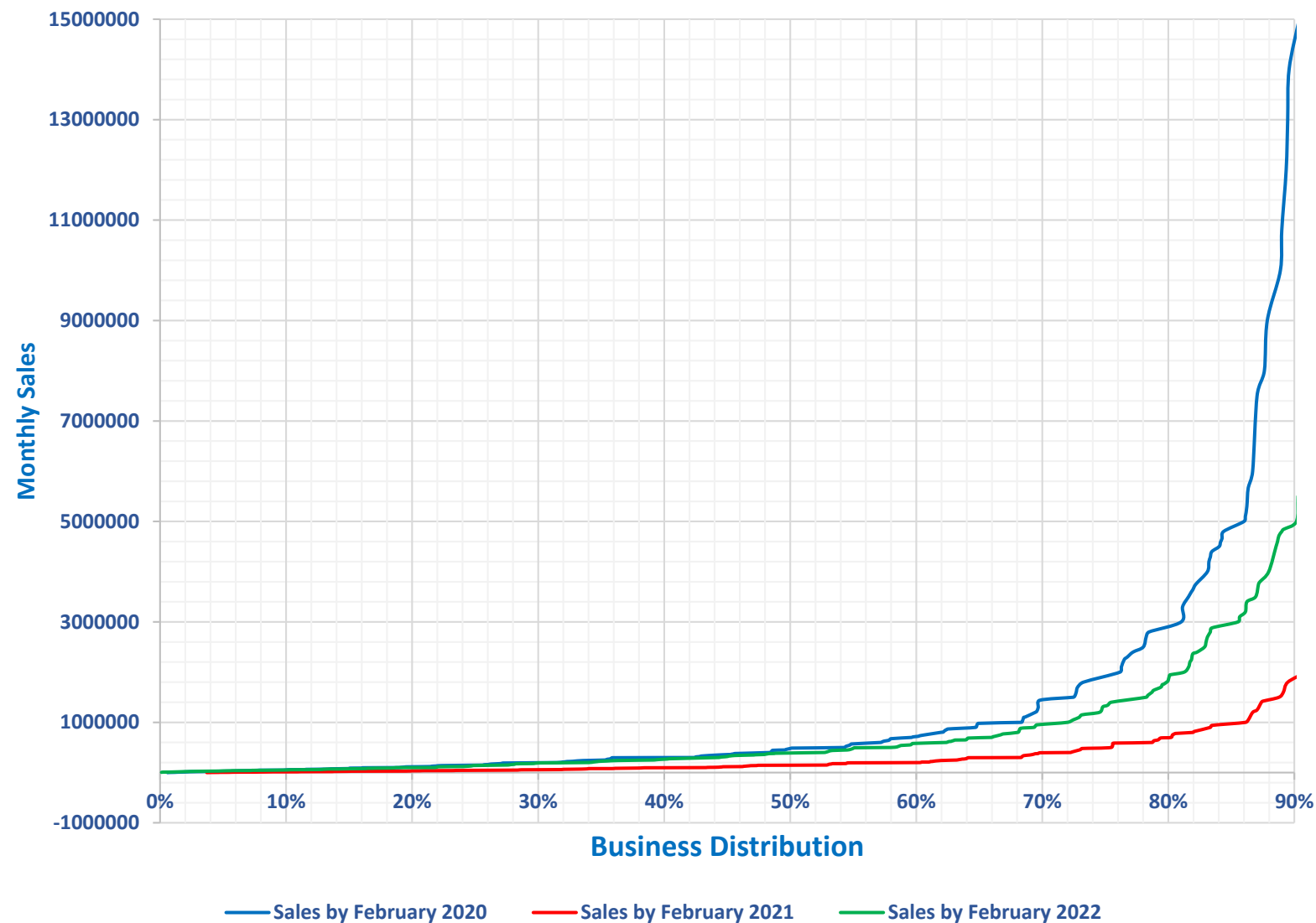
Qualitative survey

- ◇ Interviews (Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs)) were conducted with Key stakeholders and Policymakers, and Interviews with Business owners are yet to be conducted.

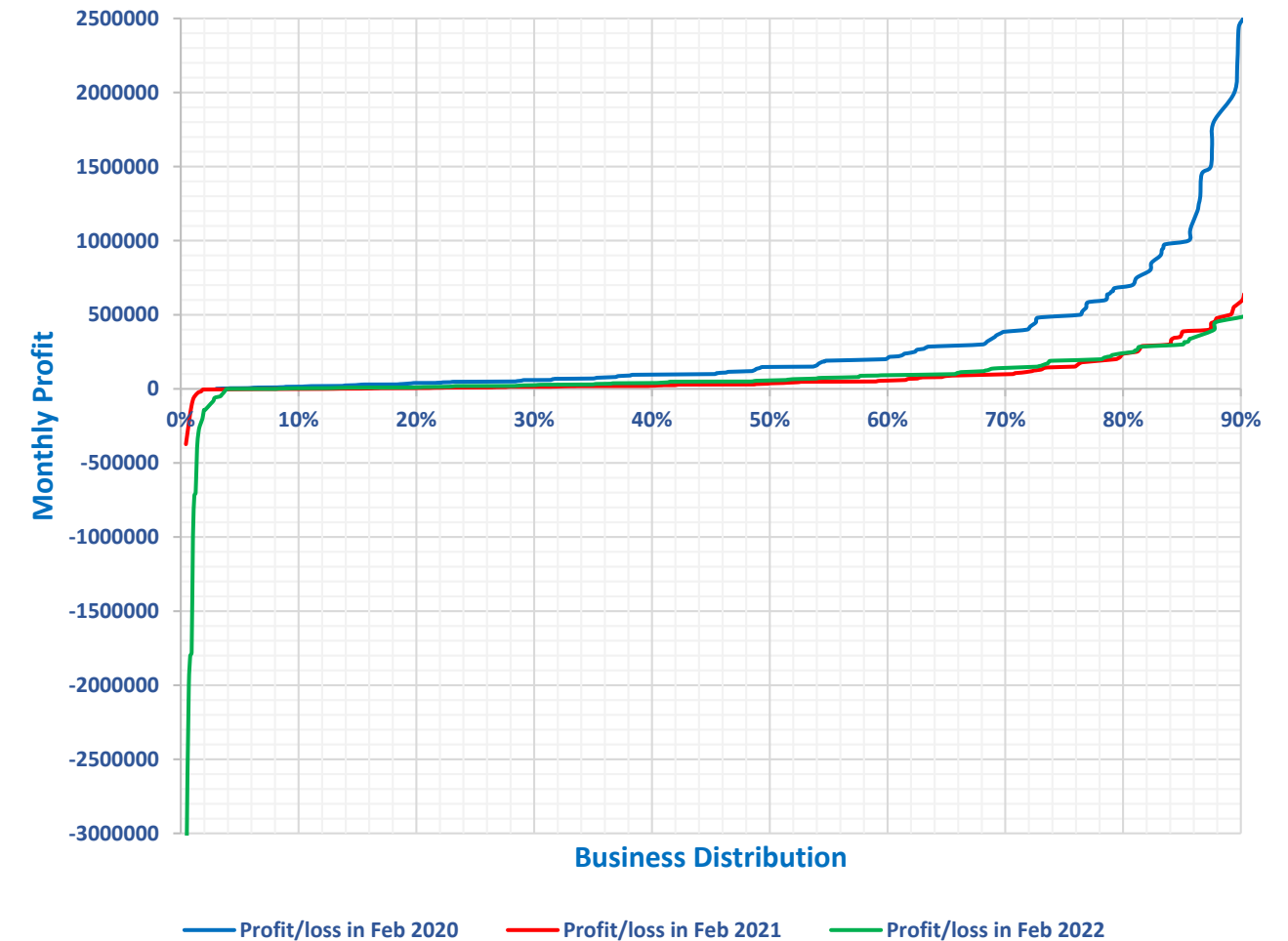
IMPACT OF COVID-19 ON BUSINESSES /SALES & PROFIT

The following graphs indicate that Businesses (SMEs) increased sales and profits in February 2022 compared to February 2021

Sales before February 2020, during covid-19 and sales in February 2022



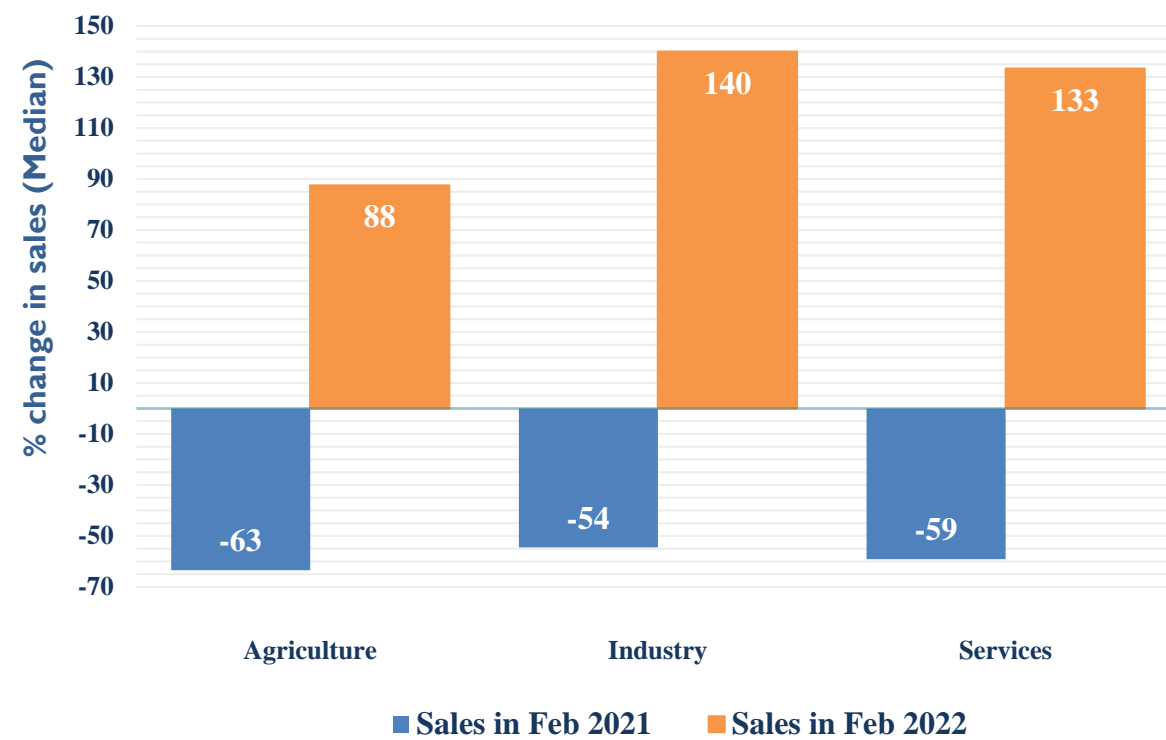
Profit before February 2020, during covid-19 and in February 2022



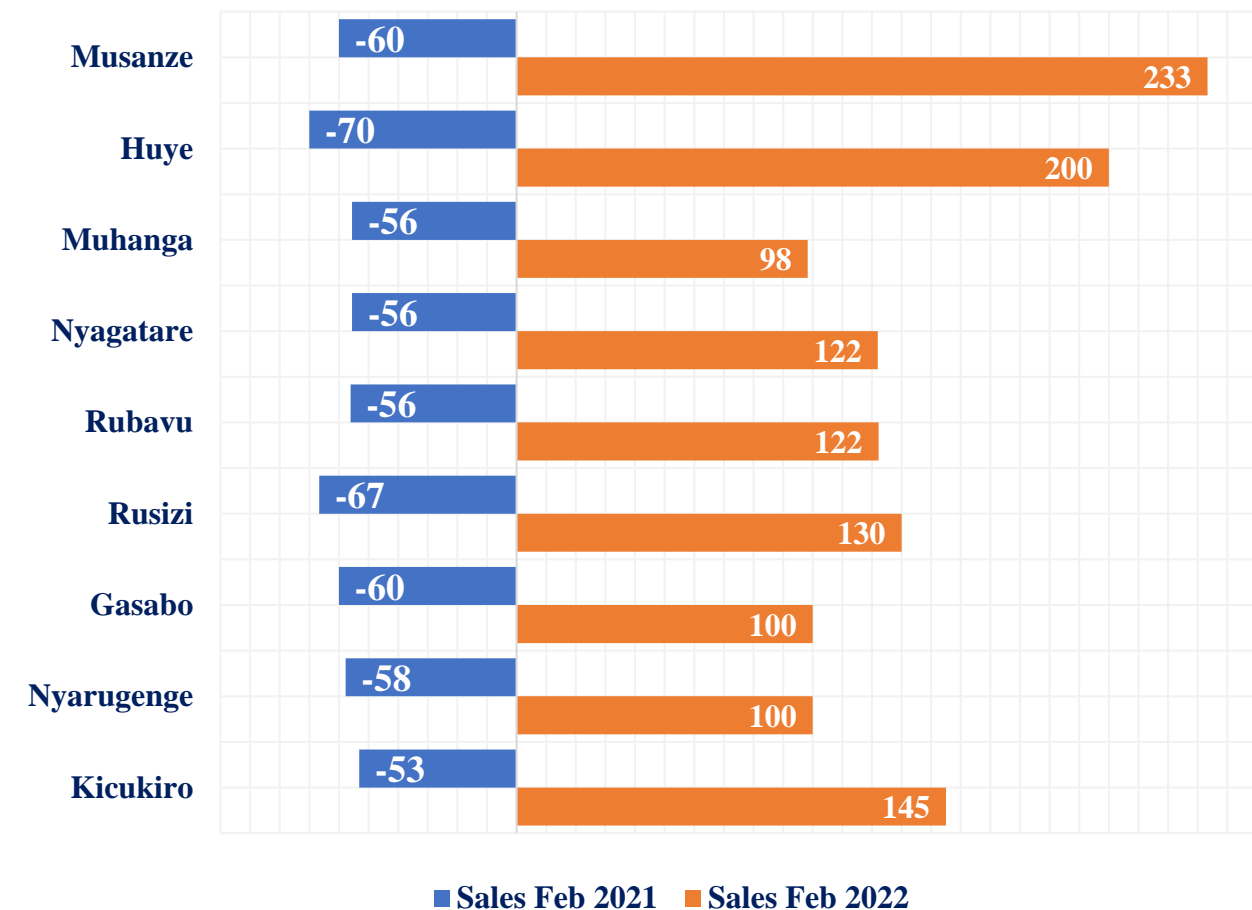
IMPACT OF COVID-19 ON BUSINESSES /SALES

Sales increased across all sectors and provinces in February 2022 compared to February 2021

Median Percentage Change in Sales by business sector



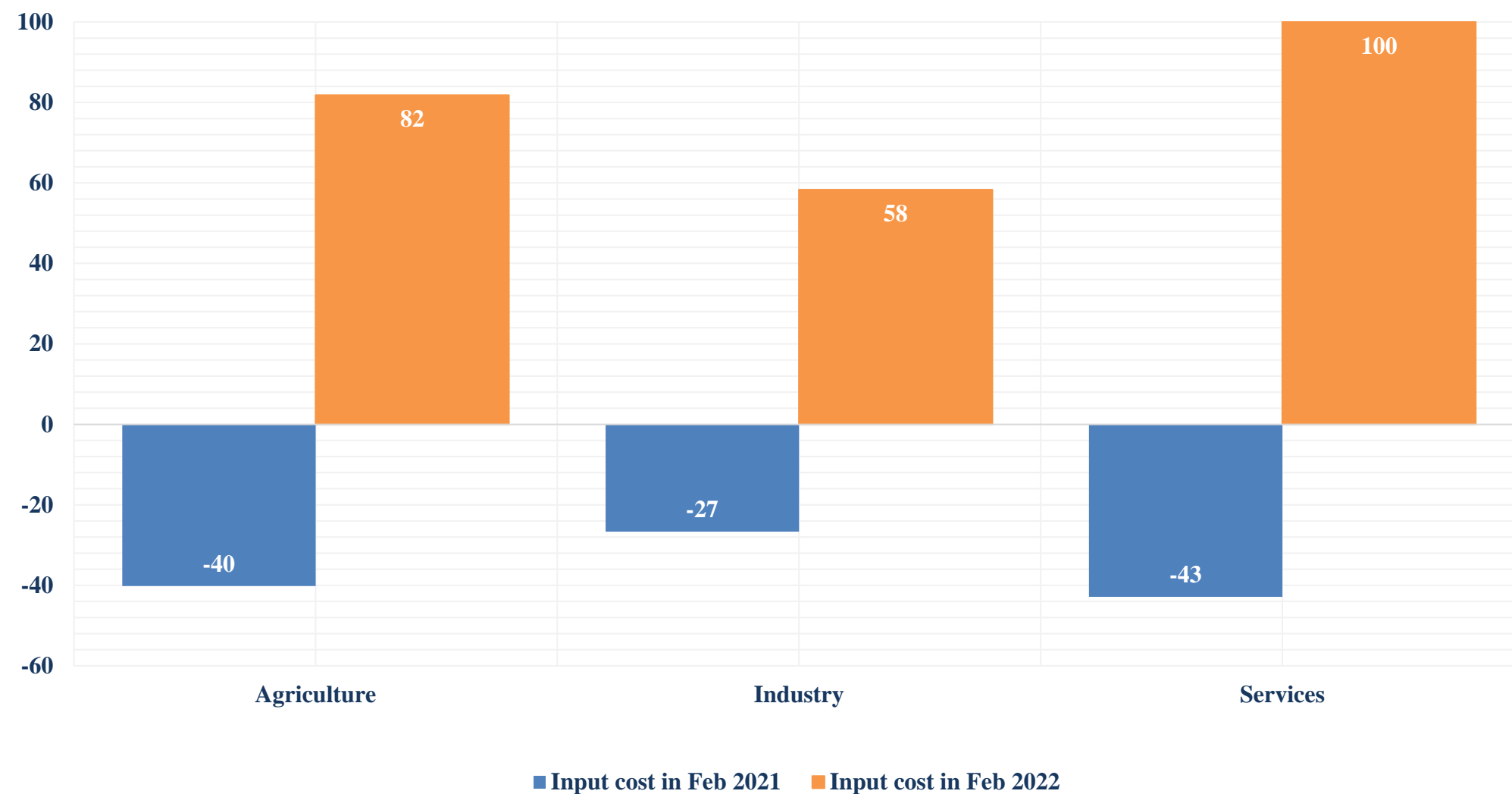
Median Percentage change in sales by Cities



IMPACT OF COVID-19 ON BUSINESSES /COST

Business (SMEs) costs also increased by 82 for Agriculture and 58 for Industry while services increased by 100, indicating businesses were able to adapt quickly to increased volume of business

Median Percentage change in input costs

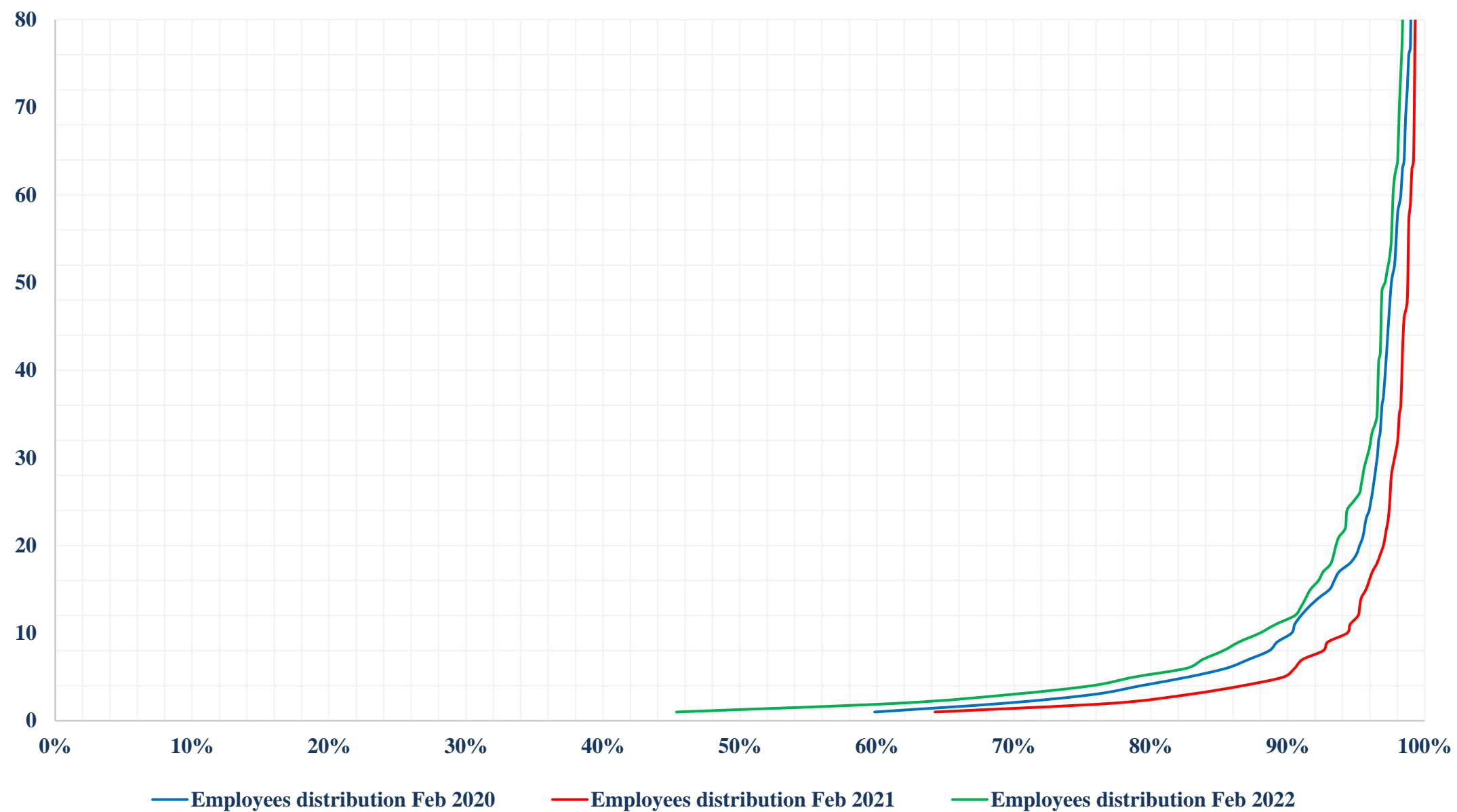


◇ Note that within these categories there could still be significant variation between sub-sectors

IMPACT OF COVID-19 ON BUSINESSES/EMPLOYMENT

From the graph below we could say that on average businesses tended to increase the number of employees. For example the 90th percentile increased from 10 to 12 employees.

Monthly Number of Employee before and during covid-19



RELATED EVIDENCE OF BUSINESS AND ECONOMIC RECOVERY

These are in line with other reports on the economic recovery from the Covid-19 impacts

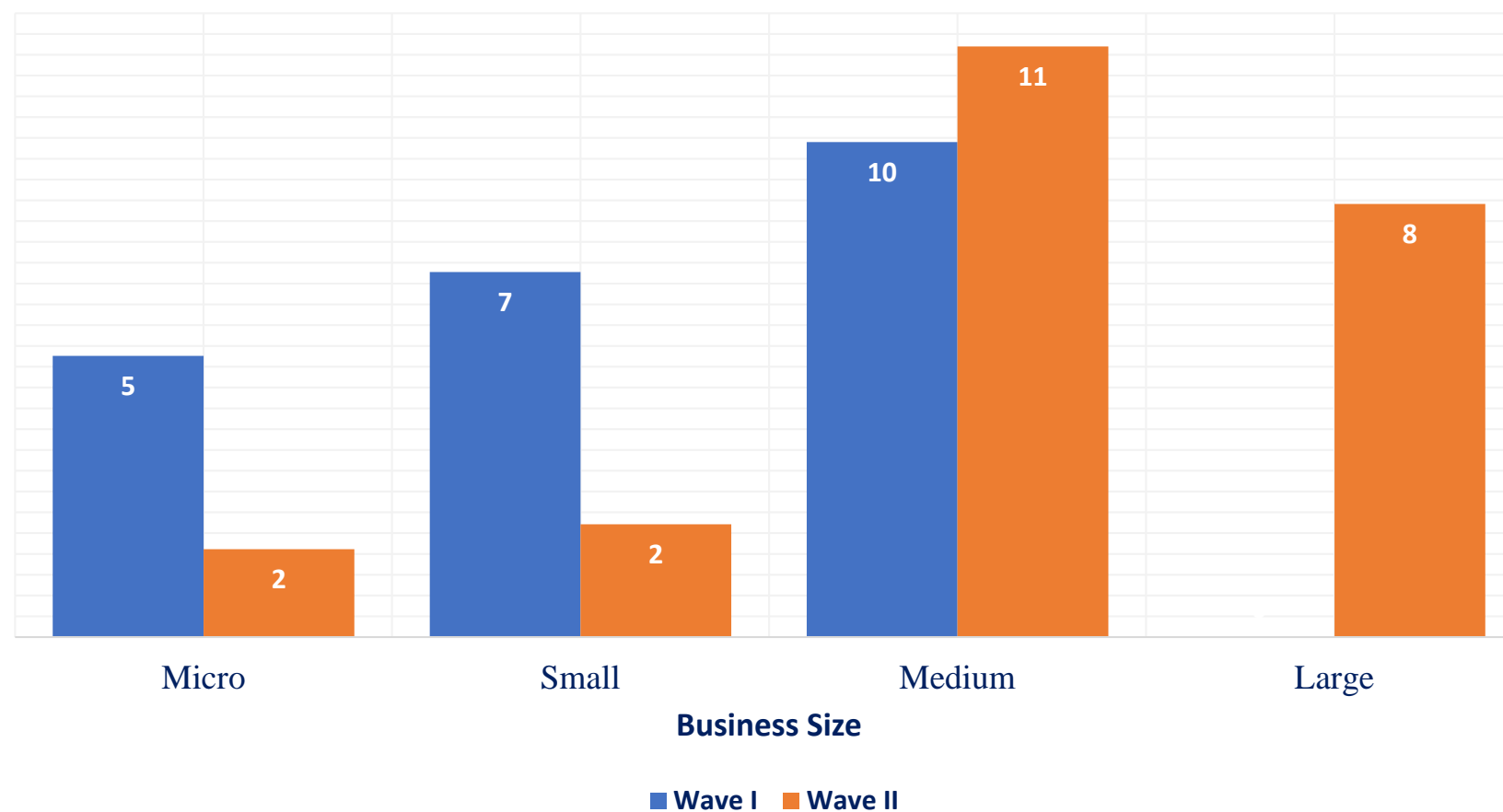
- ❖ For example the World Bank reported A rise of the gross domestic product (GDP) of 11.1 percent in the first three quarter of 2021:
 - ✓ Agricultural output increased by 6.8 percent in the first three quarters of 2021
 - ✓ Industrial productionas output expanded by 16.5 percent in the first three quarters of 2021.
 - ✓ The services sector expanded by 11.18 percent in the first quarter of 2021.

ECONOMIC RECOVERY FUND

Deep dive into the Economic Recovery Fund

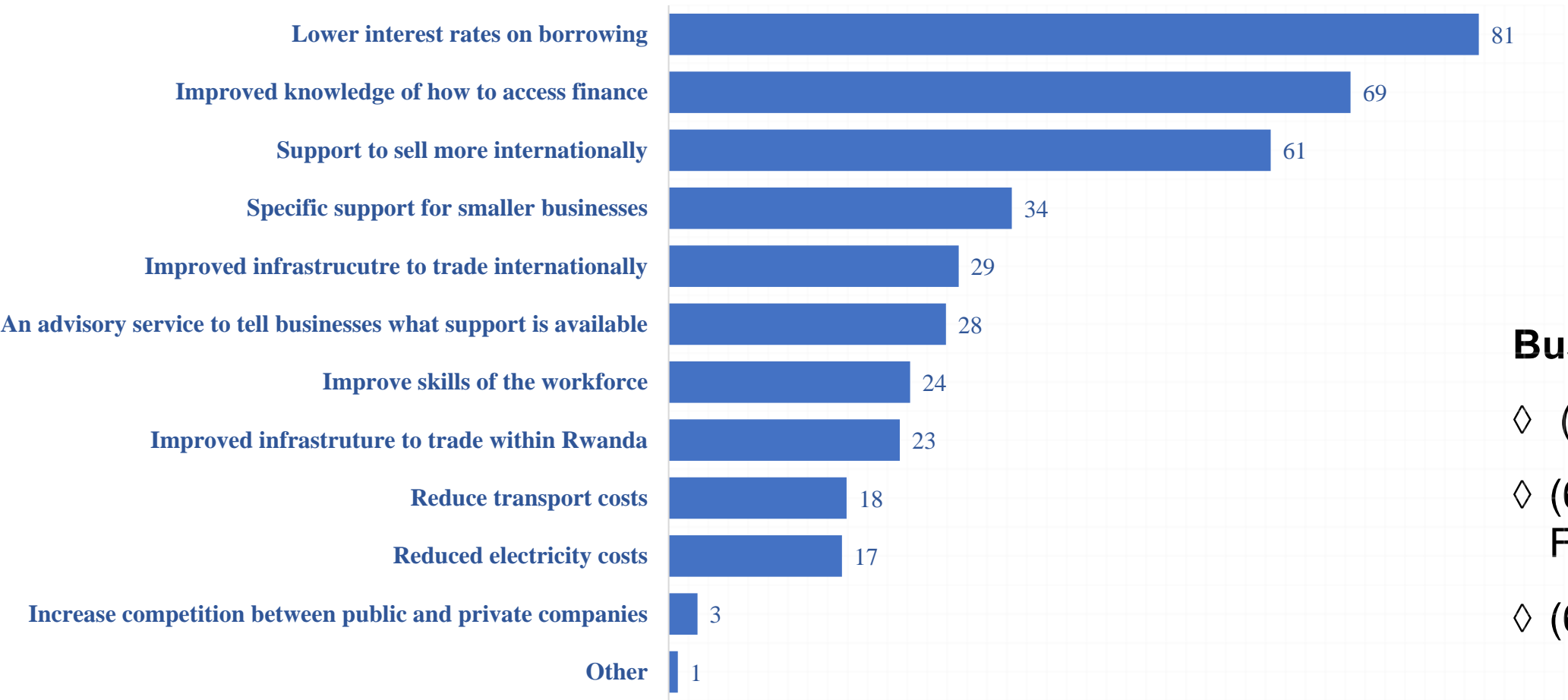
a. Overall around 11% of businesses (SMEs) from the IPAR-Rwanda survey benefited from the Economic Recovery Fund in February 2022 compared to 10% benefited in 2021.

Businesses that Benefited from the Economic Recovery Fund by Business Size



SUGGESTED INTERVENTIONS FOR BUSINESS RECOVERY

Suggested Policies to be implemented for business recovery

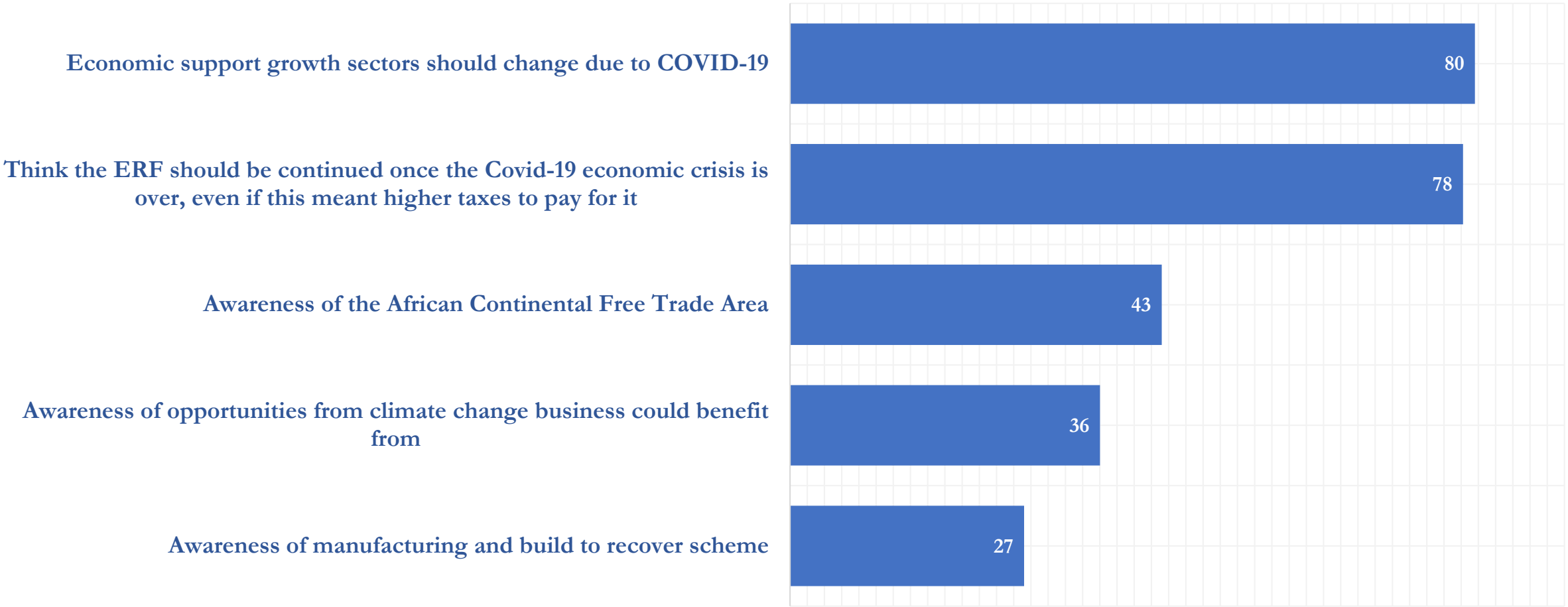


Businesses' recommendation:

- ◇ (81%) Lower Interest Rates on Borrowing
- ◇ (69%) Improved Knowledge of how to access Finance
- ◇ (61%) Support to sell more Internationally.

Awareness and opinions of Business owners on government intervention for business recovery

Business owners awareness



Awareness:

- ◇ (80%) Economic Growth Support should change due to COVID-19

SUMMARY OF KEY FINDINGS

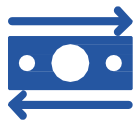
Government policies including a mass vaccination campaign and targeted lockdowns sharply reduced infections and have led to the business recovery from the COVID-19 impacts:

- ◇ Sales and profits have increased in February 2022 compared to February 2021.
- ◇ Business recovery have led to an increase in the number of employees.
- ◇ Business costs have increased .
- ◇ Most businesses would like government to Lower Interest Rates on Borrowing and Improve Knowledge of how to access Finance

RECOMMENDATIONS/Policy Options

Policy recommendation 1 - A targeted long-term access to finance scheme focused on businesses that will drive inclusive growth – an “Inclusive and Resilient Development Fund”

- ◇ An access to finance scheme that targets these businesses could be an effective way to increase economic growth that is inclusive
- ◇ The Fund could use similar principles as the effective Economic Recovery Fund and on an expanded scale
- ◇ Further analysis could help identify which businesses to target to ensure economic growth that does not leave any group behind, these could include:
 - ◇ Small businesses and household enterprises
 - ◇ Number of additional jobs that could be created as a result of the lending



POLICY RECOMMENDATIONS

RECOMMENDATIONS

Policy recommendation 2 - Support for SMEs to increase exports and access international markets through E-commerce, including for smaller businesses

- ◇ The National Agricultural Export Development Board (NEAB) provides packages of support for new or early stage exporting businesses in priority sectors
- ◇ There is a case for expanding the focus on all these forms of support for SMEs with the potential to increase exports
- ◇ There is also a case for increased focus on e-commerce to help connect exporters to international markets – creating market linkages
- ◇ Further research and analysis in this area could be useful. This might include a post-Covid-19 market assessment to explore the pattern of new business startups with the potential or ambition to access export markets



POLICY RECOMMENDATIONS

Policy recommendation 3 - Reduce input costs to support inclusive growth


- ◇ High input costs to businesses were identified as a key challenge for businesses in Rwanda in IPAR-Rwanda's business survey (88% of businesses reported they were a challenge)
- ◇ Transport and logistics were identified as particular challenges in follow up consultations with stakeholders

GOR measures for meetings, incentives, conferences, and exhibitions (MICE) and the Construction sector through MBtR were effective

- ◇ Therefore an option is to **expand the Manufacture and Build to Recover scheme into additional sectors** and use it to target micro and small firms
- ◇ Other ways to reduce input costs would be to **reduce costs of utilities (energy and others) through further investments in energy transmission technology and infrastructure**



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