

# Service Delivery and the Emergence of an Entrepreneurial Class in Rwanda's Regional Service Centres.

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## **Abstract**

The government of Rwanda aims to transform the country from an agricultural based to an industry and services based economy by 2020. Entrepreneurship stimulation in rural areas is one of the major objectives for the creation of employment in the non-agricultural sector. The literature shows that local economic development can be enhanced through the support of new entrepreneurs by providing infrastructure. Regional service centres are a product of the Rwandan government's efforts to stimulate rural development through the delivery of services in some particular rural settlements. This thesis offers a characterization of three regional service centres in Rwanda with respect to service delivery after one and a half decade of implementation. A high diversity of services is available in the centres but these are not in all cases universally accessible. Above all, finance and loans are inaccessible to many because people lack collateral. Despite the lack of finance, entrepreneurs in the centres state that the availability of different services was a prerequisite for them to start an enterprise. Instruments for further development of enterprises are missing as entrepreneurs lack finance, are heavily taxed and appear to have very limited influence on policy.

**Key words:** Service Delivery, Regional Service Centre, Entrepreneurship, Local Economic Development, Rwanda.

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## List of Abbreviations

BDC	Business Development Centre
BK	Bank of Kigali
CPT	Central Place Theory
DRC	Democratic Republic of Congo
EARP	Electricity Access Rollout Project
EDPRS1	Economic Development and Poverty Reduction Strategy 1
EDPRS2	Economic Development and Poverty Reduction Strategy 1
EWSA	Rwanda Energy Water and Sanitation Limited
GDP	Gross Domestic Product
ISAE	Higher Institute of Agriculture and Animal Husbandry
LED	Local Economic Development
MDG's	Millennium Development Goals
NEG	New Economic Geography
MFI	Micro Finance Institute
PRSP	Poverty Reduction Strategy Paper
RCP	Rural Centre Planning
RFW	Rwandan Frank
RHA	Rwanda Housing Authority
SACCO	Savings and Credit Corporation
SNV	Stichting Nederlandse Vrijwilligers
SME	Small and Medium Enterprise
UR	University of Rwanda
VAT	Value Added Tax
WASH	Water, Sanitation and Hygiene

## **1. Introduction**

This research covers three rural settlements in northern Rwanda which will henceforth be addressed as regional service centres. Rwanda's regional service centres can be seen as the intermediate between Rwanda's rural and urban geographies. In relative size, this kind of settlements can be found in nearly every country in the world. Not so long ago however these settlements became one of the points of focus for Rwanda's development policy. The country has very high rates of people dwelling in rural areas (GOR, 2012A) and 80% of employment in the country is generated by agriculture (GOR, 2010A). Over 90% of the household cultivate at least one plot of land (GOR, 2012B); and of overall production only one-third makes it to the market as people mostly produce for own consumption (Randell, 2014). The population is growing and thereby also the pressure on arable land (GOR, 2007A). The government aims to develop Rwanda's rural areas through the enhancement of service availability in the regional service centres. Examples of services that are being delivered in the centres are utilities (water and electricity), telecommunications and financial services. Through the enhancement of service delivery the government aims to create more opportunities for the rural population. The goal is to shape conditions that attract people to the regional service centres, and that enables them to earn a living in the non-agricultural sector. The government sees the private sector as vital to the development process as many jobs must be generated in the non-agricultural sector. These are however more jobs than employers can offer at this stage and in the nearby future. It is for this reason the entrepreneurship is highly promoted by the Rwandan government. In this research data was obtained from the three regional service centres of Byangabo, Mukamira and Mahoko in North-West Rwanda. The aim of this research is to see what has become of the regional service centres after more than a decade of policy implementations. Special focus is put on different dimensions of access regarding services and the emergence of an entrepreneurial class.

This master thesis is part of the RurbanAfrica project. The project is a partnership that both the National University of Rwanda and the Utrecht University are involved in. The main interests of the project are 'Rural-city connections, agricultural transformation, rural livelihood and development'. The objective of this program is 'to explore the connections between rural transformations, mobility, and urbanisation processes and analyse how these contribute to an understanding of the scale, nature and location of poverty in sub-Saharan Africa' (Rurban Africa, 2014). With help of the Utrecht University staff, involved in the RurbanAfrica project, the regional service centres of Byangabo, Mukamira and Mahoko were

identified as sites for the research. The centres are geographical components in a wider political administration and in accordance with both Utrecht University and the National University of Rwanda (NUR) the districts of Musanze, Nyabihu and Rubavu were selected as districts of study. Musanze is the district where Byangabo centre is located. In Nyabihu one can find Mukamira centre and in Rubavu district Mahoko centre is positioned.

The main objective of this research is to discover how Rwanda's regional development policy takes form in the locality of the service centres after one and half decade of implementation; but also to see how entrepreneurs, as proposed drivers of economical development, do and how they use and appreciate the offered services. The main questions adopted in this research is as follows: *What are the characteristics of service delivery and what is the role of service delivery with respect to the entrepreneurial class in Rwanda's regional service centres of Byangabo, Mukamira and Mahoko?* Special interest is paid to the development of non-farm enterprises as especially non-farm employment and entrepreneurship is advocated by the government of Rwanda.

By means of outlining the contributions of several authors with respect to the important concepts of this study chapter two will give more clarity. Themes that will be elaborated are local economic development, regional planning, rural towns, services and entrepreneurship. The third chapter will discuss the methodology used during the different stages of the research. Chapter four offers some context by, getting familiar with Rwanda as a country, describing the research sites and outlining Rwanda's political structure. Chapter five gives an overview of Rwandan policy since the millennium regarding spatial development and employment. Chapter six will deal with empirical evidence from the regional service centres with respect to local service delivery. The seventh chapter discusses the entrepreneurs, their activities and their use of services in detail. The eighth chapter consists of concluding remarks followed by general discussion on the findings. In this ninth and final chapter suggestions for further research are done.

## 2. Conceptualizing regional service centres

Before getting into detail on regional service centres and theories of spatial development it is considered important to introduce the concept of local economic development (LED) as this concept brings the significant notions of this research together. The World Bank's (2014) description on the purpose of LED on their website is as following: 'The purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process in which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation'. It distinguishes different ways in which local economic development can be enhanced such as ensuring a good investment climate, supporting new entrepreneurs and existing local and medium enterprises (SME's), and by providing soft and hard infrastructure.

The development of regional service centres can be considered as a method to achieve LED. When the concept of regional service centre is differentiated one sees it includes the words *regional* and *service* and thereby covers respectively the dimensions of space and purpose. The word *centre* automatically assumes there is a periphery as well. However a better understanding of the notion of regional service centre is needed and therefore regional planning theory will be addressed first. The central place theory and the rural centre planning approach will be presented to offer some context. These theories discuss the potential role of regional service centres for regional development. Later the work of different authors on regional settlements and the role of small and intermediate towns for regional development will be elaborated on. Thereafter the role that services play for rural development will be dealt with. Then the concepts of access, quality and consumer satisfaction with respect to services will be discussed. Because service delivery is the main theme of the research it gained the most prominent position in the designation of the research. Entrepreneurship is the other main theme in this research and therefore it is considered important to get familiar with some work on the role of entrepreneurship for regional development.

### 2.1. Regional planning and service delivery

Until the end of the sixties development strategies were characterized by modernization thinking. Investments were made in the most dynamic, often urban, economic centres and it was assumed that in time development would spread to other sectors of the economy and society. After some time however, scholars and practitioners became aware that differences in the level of development in most countries rather seemed to widen in stead of diminishing. This made way for a line of thinking in which spatial planning was given importance with

regard to national and regional development (Van Teeffelen, 1992). After decades of dominance of Christallers central place theory (CPT), which will be discussed a little later, the direction of research shifted rapidly during the nineties with the introduction of the new economic geography (NEG). One of the main critics on CPT that made way for NEG was that CPT failed to explain how and why the explained spatial structures would be created or maintained by individuals who act out of self-interest (Krugman, 1998). NEG is designed to explain both concentration and dispersion in geography through the 'modelling of the sources of increasing returns to spatial concentration' (Fajita & Krugman, 2004 p.141). Through this, one can learn why and how returns change, which potentially enables to learn how the economy changes with it. The NEG seeks to, include both centripetal forces and centrifugal forces and to, understand how these forces coexist and shape the geographical structure of the economy (Fajita & Krugman, 2004). A first critic on NEG is that it fails to include traditional theories of spatial economy (Krugman, 2011). Martin & Sunley (2010), argue that one of the main shortcomings of NEG is that its usefulness for policy is questionable as the credibility of the designed models is not certain.

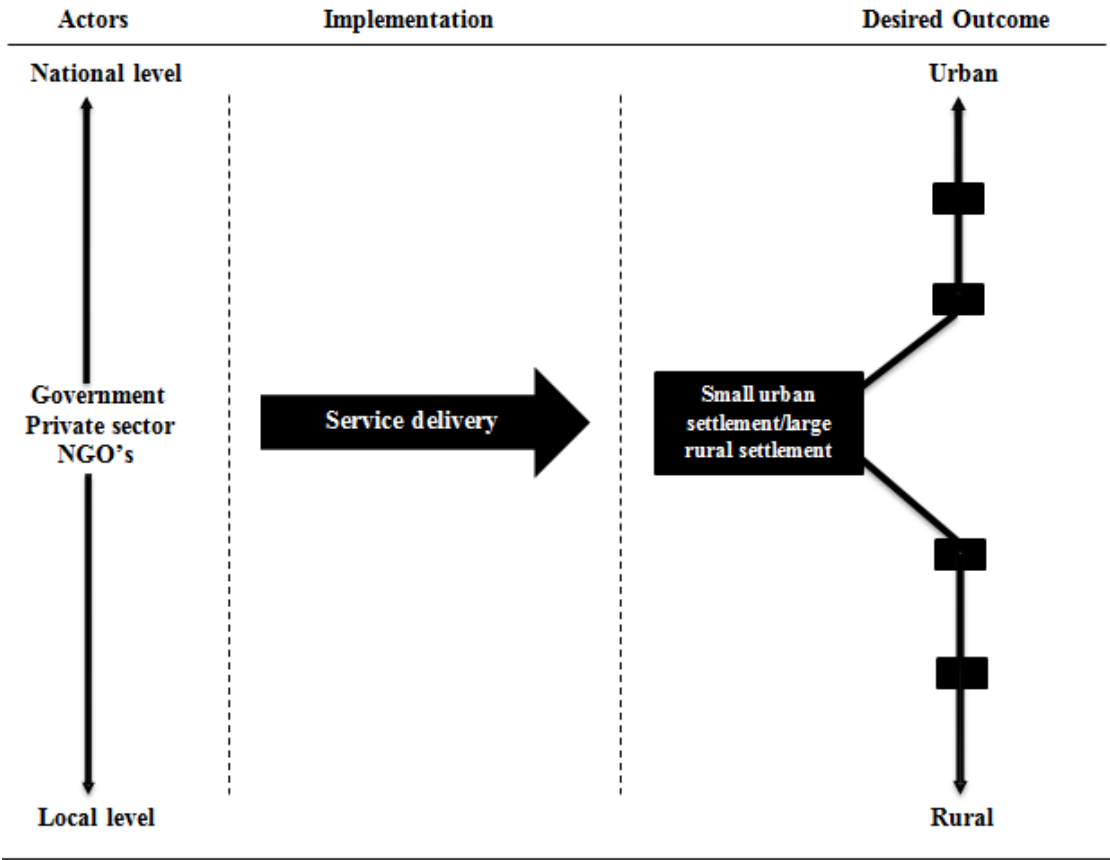
Mulligan, Partridge and Carruthers (2012), call for a revival of CPT. Walter Christallers central place theory is one of the famous planning approaches and forms the basis of later developed theories. Back in the thirties Christaller developed his CPT that in principle serves as a guide towards optimal delivery of services. In the theory spatial distribution of services is emphasized in which the rural-urban hierarchy within the national context is included. As is mentioned in the theory, market centres co-exist with hinterlands. In Christallers terminology these are respectively central places and market areas. Centrally located places with maximized accessibility serve as a platform where exchange of goods or services takes place. This central place forms a core in a wider market area and people are attracted to the core because of a relatively high availability of products and services. Generally people make use of the service at the closest provider and because of this, according to the theory, different central places compete with each other for the consumers in the market area. For an operator that delivers services in a central place it is important to be familiar with the maximum distance a customer is willing to cover for the service and the minimum number of people that is needed to support the service in order to find the right location to deliver the service from. Bakeries generally have a smaller market area than hospitals which means there is a hierarchy with regard to different central places. As a result of this a pattern in the economic-geographical space takes form in which central places exist alongside each other or on different levels in the hierarchical order. According to the theory

this pattern has the shape of a framework of hexagons in its most ideal form (Rubenstein, 2008).

The CPT is not undisputed. 'It cannot be connected with other spatial structure models, fails to provide definite time-space parameter conditions, lacks an evolutionary process model, and does not easily enable construction of a complete theoretical system of regional spatial structure' (Lu, Yuan, & Zhong, 2011, p.1614). However, recent interest in the theory is based on its strong practical features such as being a relatively accessible theory, the value and realism it offers in describing empirical regularities, and its informing nature regarding regional economic development and planning strategies (Mulligan, Partridge & Carruthers, 2012).

Inspired by basic elements of CPT an approach dedicated to local geographies, known as the functional spatial view, emerged which emphasizes the relations along the rural-urban hierarchy. The view 'stresses the capacity of towns to transmit developmental impulses to other towns and their rural hinterland. 'The development of a well-balanced urban hierarchy is supposed to increase the capacity of urban centres to transmit developmental impulses downwards the urban hierarchy' (Rondinelli 1984, as cited in Van Der Wouden, 1997, p.19). Rural centre planning (RCP) as development approach is part of the functional spatial view. It focuses on the allocation and improvement of service functions in smaller urban settlements and larger rural ones (ESCAP, 1990; Van Teeffelen, 1992). These relatively small centres are seen as an important link between the rural and the urban sphere. It is assumed that through the implementation of a hierarchically structured network of public and private services, and production support services, the conditions are in place to increase agricultural production. Being a link in a bigger network the centre offers channels to sell the production which enables people to obtain consumer goods and make use of social services which leads to the improvement of living conditions (ESCAP, 1990). The aforementioned process is outlined in a model in figure 2.1.

**Figure 2.1:** *Input - output model of service delivery in a small settlement*



regional planning. Different sizes for settlements can be distinguished in the rural-urban hierarchy. Christallers original distinction for example consists of seven different entities namely: market hamlet, township centre, county seat, district city, small state capital, provincial head capital, and regional capital city (Rubenstein, 2008). The Economic and Social Commission for Asia and the Pacific (ESCAP, 1990) comes up with five categories that are, ascending villages and hamlets, primary service centres, locality towns, district towns, and regional cities. However, ESCAP stresses that one should not attempt to find an encompassing distinction as this is among other factors subject to ‘variations in settlement patterns (...) differences in population density (...) and the level of development already attained.’ (ESCAP, 1990, p.81).

A clear encompassing definition of settlements or towns in terms of its number of inhabitants or their functions seems hard to give as well as such geographical entities hold different meaning depending on the country. Nevertheless it is considered important to give the settlements in this research a place in the rural-urban hierarchy. It is for this reason that conceptualisations of different authors are used to characterise the settlements in this research.

This research strictly focuses on the smaller urban or bigger rural centre depending on the approach.

Bakers and Pedersens approach is to see small towns in his study as ‘small in the context of their respective national, urban and economical centres’ (Baker & Pedersen, 1992. p31). Choguill (1989), defines a small town as a place that performs ‘(...) some of the more conventional urban functions, such as serving as a marketing, retail, local administration and/or transportation centre’ (Choguill, 1989, p.2). Rubenstein offers a good description on a clustered rural settlement that ‘includes homes, bars, tool sheds, and other farm structures, plus consumer services, such as religious structures, schools, and shops. A handful of public and business services are also present in the clustered rural settlement.’ (Rubenstein, 2008 p.403).

Baker and Pedersen (1992), argue that rural towns can potentially offer different contributions to spatial equity and national development. Among them are, increased accessibility to services for citizens in the town and its surroundings; and better provision of physical infrastructure which improves mobility and accessibility of markets. Rubenstein (2008), and Choguill (1989), implicitly mention availability of services as an indicator that shapes settlements.

For our understanding it is important at this stage to get hold on what a service is.

Rosenstein-Rodan created his theory of the big push which combines the role of market forces and the role of the state for development. He argues that the private sectors focus on general growth is too limited because entrepreneurs or companies are not much concerned with whether others grow. As a consequence of this ‘market decisions will lead to a sub-optimal level of investment from the standpoint of society as a whole’ (Cypher & Dietz, 2008. p.143). Hence there is a role for the state to intervene and equate the social and private benefits and costs. One such an intervention is the creation of social overhead capital or infrastructure. These are roads, bridges, communication systems, hospitals, schools, utilities etc (Rosenstein-Rodan, 1976).

Rubenstein offers a definition of a service which is: ‘A service is any activity that fulfils a human want or need and returns money to those who provide it’. He subdivides the notion in three types. Consumer services are services provided mainly to individuals who can afford them, business services facilitate other businesses, and public services provide security and protection for both citizens and businesses. This distinction is not very strict as



individuals for example can make use of financial services that are categorized as business services (Rubenstein, 2008 pp.400-401).

## 2.2. Access to services, quality and consumer satisfaction

With respect to this research it is considered important to look beyond confirmation that different services are physically in place in the regional service centres. One must also take in consideration to what extent people have *access* to these services in order to understand the potential of regional service centres for LED. The concept of access is easily used but can and should be differentiated for proper usage of it as it holds different meanings. Penchansky and Thomas (1981), did a study on the relation between access and consumer satisfaction defining the former concept. It is argued that different categories within the concept of access should be defined covering different areas of the relation between supplier and customer. Definition these specific areas is confirmed by the study that Penchansky and Thomas conducted. The most relevant areas regarding service delivery and entrepreneurs in the regional service centres will be dealt with.

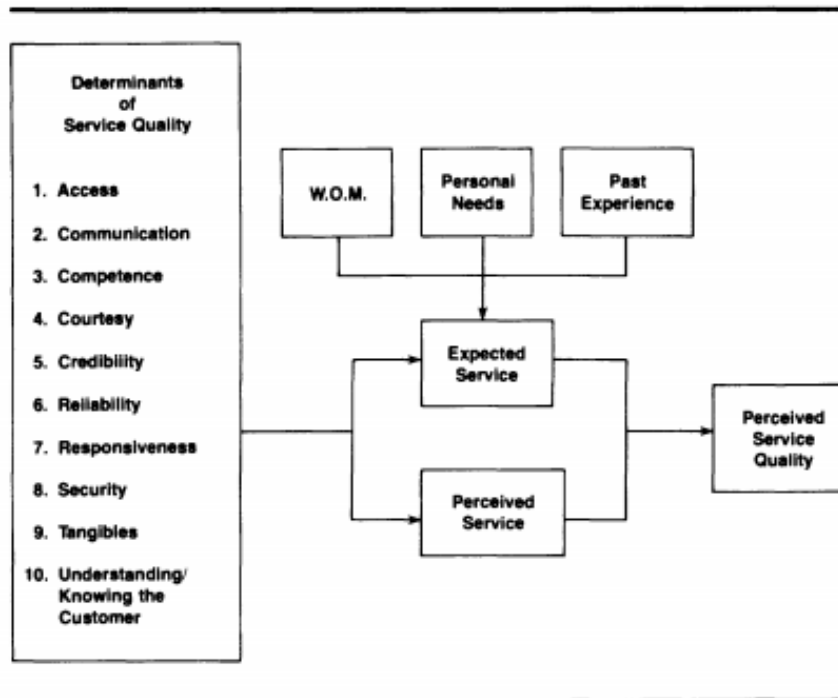
First, there is the general notion of access that is proposed to label the degree of fit between customer and system and there fore the term summarizes a set of specific areas of fit. The notion of *availability* as first specific area within access refers to ‘the relationship of the volume and type of existing services to the clients’ volume and type of needs’ (Penchansky & Thomas, 1981, p.128). The second domain is *accessibility*, which labels ‘the relationship between the location of supply and the location of clients, taking account of client transportation resources and travel time, distance and cost’ (Penchansky & Thomas, 1981 p.128). *Affordability* as a third specific area of access is concerned with ‘the relationship of prices of services and providers’ and the ‘clients perception of worth relative to total costs’ (Penchansky & Thomas, 1981 p.128). The concept of access can also be approached from other dimensions. The achievement of equitable universal coverage signifies ‘creating access and providing effective coverage for the entire population (*breadth*), for all necessary care (*depth*), at affordable costs and under conditions that are not burdensome, as well as offering particular benefits to address the differential needs of the least well-off (*height*)’ (Frenz & Vega, 2010, p.3).

Regarding the accessibility of services there is particularly much literature on healthcare provision. It is for this reason that examples of accessibility issues outlined in the following section are mostly related to healthcare but are considered to be universally acceptable with respect to this research. Harris et al (2011), show in their study on access to health provision in South Africa that poor, uninsured, black Africans and rural groups in general have inequitable access to health services. These findings set focus on the limited power of vulnerable groups to make a change. The study shows that those who can afford it prefer private over public operators in healthcare. The resource flows accumulated by the private sector do not stimulate public healthcare delivery. It is suggested that a broad based stimulation of the public sector could reduce the use of the private sector. Through market forces prices in the private sector will lessen which eventually benefits access for all.

Although theory on urban geographies as settings that offer several services has been discussed earlier, this does not automatically mean all services are universally accessible in the urban sphere. In a study on access to an immunisation programme in Kampala the identified barriers were among others in service delivery and financing. Occasionally people could not afford costs related to getting vaccinated. Poor physical access to the service has been reported in some cases and with only few providers of care this resulted sometimes in queuing in order to get the service. Moreover, quality of service delivery in the immunisation program was debatable as workers were sometimes unqualified or rude and the desired vaccine was not always at hand (Babirye et al. (2014). These examples show that several factors can play a role in the accessibility of available services.

The Babirye et al. (2014), research touches upon another important dimension of service delivery namely quality. In this research no attempt is taken to measure perceived quality of services as the term holds so many determinants. Parasuraman, Zeithaml and Berry (1985), distinguished ten determinants of service quality, as outlined in their model of perceived service quality in figure 2.2. In stead this research attempts to capture consumer satisfaction, a concept to which service quality is an antecedent (Cronin & Taylor, 1992).

**Figure 2.2:** *Determinants of perceived service quality*

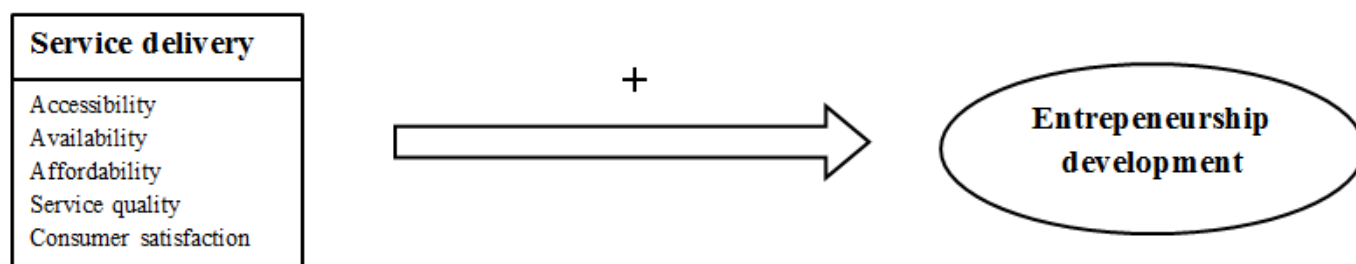


*Source: Parasuraman et al. (1985).*

Cronin and Taylor conclude in their research that consumer satisfaction has more influence on purchase intentions than service quality does. Consumer satisfaction is a comparison between quality, and the quality standard ('ideal' expectations). In case there is disconfirmation on the comparison in which standards are lower than the perceived quality this increases consumer satisfaction. Obviously this process can also work vice versa when consumer satisfaction decreases as a result of lower quality experienced than expected (Golder, Mitra & Moorman, 2012).

The aforementioned concepts are included in the model presented on the next page in figure 2.3 by means of linking the important concepts with entrepreneurship. The argument that these factors can serve as pull factors with respect to the stimulation of entrepreneurship is adopted by the Rwandan government as will be elaborated on in chapter six. This chapter will proceed with the role that entrepreneurship can play in development.

**Figure 2.3:** *Factors with respect to the stimulation of entrepreneurship*



### 2.3. Entrepreneurship and development

Recently academics and practitioners gave entrepreneurship a prominent position in the debate on development, but the scientific discipline concerned with entrepreneurship and economic growth or development goes way back. Schumpeter (1942), might have been the first author to relate entrepreneurship to growth. He argued that new ideas are transformed in successful innovations and new products replace old ones; a process that can also be referred to as 'creative destruction'. Over the past decades different models elaborating entrepreneurship and growth have been developed mostly focussing on innovation as the main driver for growth. Also accumulation of physical capital, and investments in skill and education of workers are considered important in these theories (Ghani, Kerr, & O'Connell, 2011). Other impacts of entrepreneurship on economic growth that have been emphasized are, diversification as a beneficial phenomenon (Jacobs, 1970), increased risk-taking (Khilstrom & Laffont 1979), and the enhancement of labour flows (Fallick, Fleishman, & Rebitzer, 2006). A key thought of stimulating entrepreneurship is that it will work as a motor for development in general. This process works through linkages. The idea of backward and forward linkages is probably one of Albert Hirschman's best known contributions. The basic idea of this late fifties theory is that when an industry expands it needs inputs, or backward linkages, such as raw materials or employment to grow. With expansion output is likely to increase which means increased forward linkages as there is more to sell or transport (Cypher & Dietz, 2008). Hirschman's theory of linkages originally refers to industries but is applicable on local entrepreneurship as well since the economic mechanism is the same.

In this research, it is avoided to adopt a simple encompassing definition of entrepreneurship as the literature shows that there is none. It is necessary to understand that the exact meaning of this concept has not been clearly decided for decades as a ray of different aspects are attributed to entrepreneurship (Gartner 1990; Moroz & Hindle 2012). Gartner (1990), distinguished a number of main themes as outlined in box 2.1; that are part of the conceptualisation of the notion of entrepreneurship. The themes resulted from a study in which 36 academics and eight business leaders were asked about their definition of entrepreneurship.

**Box 2.1:** *Eight main themes describing entrepreneurship*

- 1) The Entrepreneur: The entrepreneur theme is the idea that entrepreneurship involves individuals with unique personality characteristics and abilities.
- 2) Innovation: The innovation theme is characterized as doing something new as an idea, product, service, market, or technology in a new or established organization.
- 3) Organization Creation: The organization creation theme described the behaviour involved in creating organizations. (*acquiring and integrating resource attributes*)
- 4) Creating Value: This theme articulated the idea that entrepreneurship creates value.
- 5) Profit or Non-profit: The profit/non-profit theme is concerned with whether entrepreneurship involves profit-making organizations only.
- 6) Growth: At issue in this theme is the importance of growth as a characteristic of entrepreneurship.
- 7) Uniqueness: This theme suggested that entrepreneurship must involve uniqueness.
- 8) The Owner-Manager: This theme suggested that entrepreneurship involves individuals who are owners and managers of their businesses.

*Source: Gartner (1990) pp.16.*

A later phase of Gartner's research showed that the different themes are not equally appreciated by the scholars and practitioners in defining entrepreneurship. A cluster analysis among his participants roughly revealed two groups of which the first mainly focused on

characteristics of entrepreneurship prioritizing the themes ‘the entrepreneur’, ‘innovation’, ‘growth’ and ‘uniqueness’ over others. The second group focuses more on the outcomes of entrepreneurship of which the main themes are ‘creating value’, ‘for profit’ and ‘owner-manager’. Regardless of this cluster formation, the research on the entrepreneurs in the regional service centres will discuss which themes of Gartner are applicable on the participants without taking an outspoken position in the discussion.

While reviewing other authors’ findings on the relationship between entrepreneurship and development, it is important to bear in mind that the concept of entrepreneurship is highly subjective to different interpretations. Abbott (2013), shows in his study on possibilities for economic growth in Rwanda the important role that household enterprises can play in relation to providing non-farm employment and poverty reduction. Non-farm activities often include the trade and processing of agricultural products and extract labour surplus out of agriculture. Barrett, Clark, Clay and Reardon (2005), conclude in their study on income diversification strategies in Rwanda that non-farm activities within livelihood strategies relate to higher incomes and increased income mobility. These findings show the potential for especially non-farm entrepreneurship in relation to development. The main barriers that can be distinguished with regard to the development of household enterprises are the absence of financial and human capital, lack of infrastructure and the lack of access to markets (Abbott, 2013).

With regard to the role of finance for entrepreneurship Toerien and Seaman (2011), suggest that it is the basic driver for enterprise success. In their study they adopted the definition of an enterprise which centres on profit. An enterprise is seen as ‘a person, or organized group of people, who transforms matter, energy, and information from one state into another with the goal of making profit’ (Beinhocker, 2006 p.280). Hence it is argued that enterprises are only legitimized when, by offering a product or service, enough money is made to make a profit. Subsequently, as the viability of enterprises is all about money flows it can be stated that difference in number of enterprises comparing different settlements relates to a difference in the amount of money available to these enterprises (Toerien & Seaman, 2011).

### 3. Methodology

It is important to discuss the methods of research and to argue why they were chosen in order to justify the research process and its findings. First, the research question and the sub questions are presented. Secondly, the main indicators regarding the sub questions are discussed. Subsequently, the different sources are presented and the interviews are discussed briefly in terms of content, purpose and process. The following section offers a detailed description of the sampling techniques chosen in order to get to the research sample. Next working with interpreters and the role they played in the process will be described. Later the analysis of the research data will be discussed. Finally limitations and constraints regarding the feasibility of the research will be elaborated on; whereby special attention is paid to the difficulty in obtaining research permission.

#### 3.1. Research questions and important indicators

The questions of this research are formulated in table 3.1. The main question is divided into several sub questions in order to make the research easier to conduct and by means of highlighting some special interests of which the important concepts has been elaborated in chapter 2.

**Table 3.1:** *Research questions*

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**What are the characteristics of service delivery and what is the role of service delivery with respect to the entrepreneurial class in Rwanda's regional service centres of Byangabo, Mukamira and Mahoko?**

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*1: What are the main characteristics of Rwandan policy with regard to regional service centres and the role of entrepreneurship for development?*

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*2: What are the characteristics of service delivery in the three regional service centres?*

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*3: What are the characteristics of entrepreneurship in the three regional service centres and how do entrepreneurs appreciate the services identified in this research?*

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*4: To what extent does the image of entrepreneurship the way the government envisages it fit the image of what the entrepreneurs in the regional service centres actually are?*

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*5: What is the potential of service delivery in the regional centres with respect to local economic development?*

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First it is considered important to know more of Rwandan policy in general. This research' main focus is on service delivery and the role of entrepreneurship for development in

Rwanda. It is therefore important to position policy dimensions, regarding local service delivery and entrepreneurship, in wider development policy to increase understanding of the choices that the government makes. Vision 2020 and other important policy documents published after the millennium will be critically reviewed with a special focus on challenges, policy objectives and achievements in relation to service delivery and the stimulation of the working population.

The second sub question shifts focus to the local level and asks for an elaboration on service delivery in the regional service centres. It covers topics such as the different services physically available, the different actors involved and other more specific characteristics of these services. In this study services are considered as acts, which can not be traced to an individual, and which to some degree serve entrepreneurs in the service centres. For example an individual auxiliary service, or somebody who rents out a building are services essentially offered by an individual and so these are not included in this study. Large organized service delivery that is distinguished in this research consists of: social services such as education, healthcare and religion, the provision of water and electricity, the availability of roads, marketplaces and financial services, and the cleaning and security of the public space.

The third sub question mainly focuses on entrepreneurs and their activities in the centres. Answering this question roughly includes on the one hand details on the characteristics of the entrepreneurs and on the other hand data on the enterprises they run. Regarding the latter special focus is put on the role of different services for the enterprise. The interviews designed to conduct with the entrepreneurs mainly contribute to obtaining this data.

With respect to the fourth sub question government documents are reviewed based on the statements that are made on entrepreneurship to see how the government approaches the concept and what expectations it has regarding the countries entrepreneurs. At the same time the main characteristics of the entrepreneurs of the regional service centres are identified in the light of the literature on entrepreneurship. In chapter two different characteristics that can be attributed to entrepreneurship were introduced. Mainly due to time constraints some of the characteristics were not translated into indicators and therefore are not part of the analysis. This is the case for 'the entrepreneur', 'organisation creation' and 'uniqueness'. It is considered logically not to research different personal characteristics of the participants, which is expected to be a time consuming procedure in a research that elaborates on the relationship between service delivery and entrepreneurship. In order to make statements on the remaining five characteristics of entrepreneurship different questions were adopted in the



interviews that represent different indicators. The main themes and indicators are outlined in table 3.2. For the different questions adopted in the interviews please see appendix A.

**Table 3.2:** *Indicators that measure characteristics of entrepreneurship*

<b>Characteristics</b>	<b>Indicators</b>
Innovation	<ul style="list-style-type: none"> <li>• <i>Reason to start particular enterprise</i></li> <li>• <i>Identifying core business of enterprise</i></li> <li>• <i>The extent of dominance on the market</i></li> </ul>
Creating Value	<ul style="list-style-type: none"> <li>• <i>Income development</i></li> <li>• <i>Employment development</i></li> <li>• <i>The extent of dominance on the market</i></li> </ul>
Profit/non Profit	<ul style="list-style-type: none"> <li>• <i>Income development</i></li> <li>• <i>Reason to start particular enterprise</i></li> </ul>
Growth	<ul style="list-style-type: none"> <li>• <i>Income development</i></li> <li>• <i>Investment priorities</i></li> <li>• <i>Usage of/demand for loans</i></li> </ul>
The Owner-Manager	<ul style="list-style-type: none"> <li>• <i>Foundation of enterprise</i></li> </ul>

As a fifth and final sub question the role of service delivery in relation to the potential for local economic development will be discussed. The development of rural Rwanda is a major target for the government and therefore it is considered important to address this question in this research. The factors that potentially contribute to local economic development need to be identified and so it is useful to be reminded of the most important concepts adopted in the world bank (2014) definition of LED. In short it mentions the creation of economic capacity through *public private partnerships* that by means of *supporting entrepreneurship* and providing *infrastructure* should lead to *employment generation* and *economic growth*.

The interviews with professionals and government officials offer information regarding the collaborations between public and private sectors and operators. Also the current status of infrastructure is inquired partly through these interviews and partly through the experience of entrepreneurs. Indicators that characterise economic growth adopted in the design of the entrepreneurs interview are ‘income development’, ‘employment development’, ‘identification of customers/suppliers’, ‘investment priorities’ and ‘time of starting the

enterprise’. It is argued that when income and the number of employees grow this contributes to economic growth because more financial means are used. Consumers and suppliers relate economically to the enterprises of focus and thus taking these in regard says something about how enterprises affect others in the region. The choice an entrepreneur makes for investment says something about the direction of growth. Lastly an enabling environment for entrepreneurs to be economically active is considered a prerequisite for economic growth. So for example, if many young enterprises are located in a centre this indicates an enabling environment.

The concepts of *access* to services and *consumer satisfaction* regarding services are also considered to be important in the relationship between service delivery and entrepreneurship stimulation. Measurement on *accessibility*, *availability* and *affordability* is done through different questions in the interviews with entrepreneurs. Most importantly inquiry is done on what services are being used and which ones are most valuable for the enterprise. Change in distance to a water source is asked for and also more generally what services could be improved according to the participant.

The interview topics on ‘usage of a particular service’ and ‘services that are most contributing to the enterprise’ shed some light on the extent to which participants are satisfied with the offered services. Other topics included in the interview that contribute to a general understanding of consumer satisfaction are ‘change in quality of services’ and whether service delivery of some sort is mentioned as a challenge for the wellbeing of the enterprise. Table 3.3 presents an overview of the distinguished indicators that relate to the concepts above mentioned and which are adopted in this research.

**Table 3.3:** *Most important indicators that measure potential for LED*

1) Public/private partnerships
2) Infrastructure
3) Income development
4) Employment development
5) Identification of customers/suppliers
6) Investment priorities
7) Time of starting the enterprise
8) Usage of particular service for enterprise
9) Main contributing services to enterprise

### 3.2. Presenting the different sources

In this research qualitative methods have been used to get hold on the data. Qualitative methods are 'multi method in focus, involving an interpretative, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them' (Boeije, 2008, p.26). A mixture of sources composes the fundament of this master thesis. Literature research of scientific articles and Rwandan policy documents are fundamental for conducting this research. Even more important are the contributions from the field research in Rwanda. Interviews were conducted with entrepreneurs in the regional service centres; different people operating in service delivery, and government officials in the wider region. Some of these people could offer additional data such as: documents, excel or world files and in the case of Byangabo centre lists of new entries of businesses at the local administration. Lastly, a survey has been conducted in the three centres targeting households inquiring their economic status. This survey will be mainly used for other purposes within the RurbanAfrica project but it was of contribution to this master research as well.

Regarding the interviews with entrepreneurs a total of 64 interviews were conducted. The sample was later modified to 61 as three of the participants turned out to be employees in the enterprise. Although they still had relevant information to offer they were considered to harm the clarity of the sample and were therefore excluded from general analysis. The interviews consisted of different sections on different themes covered by both open and closed ended questions. The most important themes of the interview were: 'entrepreneur specifics', 'enterprise specifics', 'income information', 'employment' and 'service use'. The main reason to choose for this set up was the demand for comparable data regarding the entrepreneurs to shape the possibility to make, often minor, comparisons between the entrepreneurs. In some cases partial non-response was encountered because people lacked knowledge on some of the topics or lacked trust with regard to the research team<sup>1</sup>. During the process the interview format developed a couple of times. Earlier interviews, the ones conducted in Byangabo centre, contain slightly different data compared to the interviews conducted later on which the data is more accurate regarding the goals of the interviews. In Byangabo, Mukamira and Mahoko the sample consisted respectively of 22, 20 and 19 participants. Interviews took on

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<sup>1</sup> In a few cases people did not believe the research team used data for learning ends only and people suspected that information would be used against them.

average 38 minutes ranging between fifteen and 60 minutes. To get a better understanding of the interview please see appendix A.

An interview with determined questions was originally planned for the interviews to be conducted with professionals and officials as well. However, it turned out a more focussed approach was necessary as these individuals were involved in very different activities and therefore impossible to capture in one topic list. Eventually topics were partially determined in advance pointed at different specific aspects of the participants their profession; other themes emerged during the interviews. In general the attempt to find out the role of a particular organisation, its dealings, its goals, how the implementation works and if and how it collaborates with other organisations in service delivery was successful. Five officials and five professionals operating in different fields of service delivery contributed to this master thesis through an interview. An overview of their positions is given in table 3.4. The average duration of these interviews was approximately one hour. The interviews with these respondents were experienced as very pleasant as the participants were eager to tell.

**Table 3.4:** *List of the government officials and professionals interviewed*

<b>Position</b>	<b>Administrative entity</b>
Official in charge of infrastructure	Musanze
Official in charge of tax collection	Musanze
Territory manager of communication company	Musanze
Official in land management and infrastructure	Busogo
Local manager of bank	Busogo
Local manager of SACCO	Busogo
CEO private operator in water	Busogo
CEO private operator in cleaning	Busogo
Official, Tax specialist	Kanama
Official in charge of agronomy	Kanama

### 3.3. Sampling

The three regional service centres of this study were identified by Utrecht University staff on a fieldtrip to Rwanda in the summer of 2013; and at the beginning of 2014 considered appropriate for this research. Previous to the data collection there was good hope to find information on population registration to base the sample of entrepreneurs on. No such lists were available on short notice however and without a sampling frame the situation asked for

another solution. For the regional service centres of Byangabo and Mukamira the creation of maps was used in order to create a sampling frame. In Mahoko, which is a bigger centre systematic sampling techniques were used to find a good sample. For both sampling techniques enterprises were selected based on the appearance of the establishment. Hence as a main criterion for identifying the research population counts that all the different enterprises conduct business in an establishment that is clearly visible for people passing by as a place where economic activity occurs. For the first two service centres this meant that the research team crossed the centre, located the enterprises encountered and labelled these enterprises. After labelling and categorizing the enterprises in the centre a sample was taken that represents the population in terms of size per category. As an example restaurant owners were more often interviewed than pharmacists because there were more restaurants visible in the centres. In approaching different entrepreneurs for an interview, location within the centre was considered as to not approach only businesses within particular hot spots or clusters in the centres. The final sample does not completely represent the estimated population due to some limiting factors that will be discussed later in this chapter. For more details on the mapping sampling technique please see appendix B. In the case of Mahoko centre systematic sampling was used to identify the sample. Every next participant was decided through the sampling interval approaching every fourth next visible enterprise. An interval of four was estimated to enable the research team to work from the edge to the middle of the centre and conduct interviews there as well. In almost every occasion people were willing to cooperate with the research. Just like the other centres Mahoko centre is characterized by businesses established on the (two) main roads of the centre. The research team mainly interviewed people with an enterprise on the main streets of Mahoko; partly because this is simply where most business occurs, also because it was the easiest way to respect the sample technique chosen.

In case of the different interviews conducted with government officials and professionals the technique of snowball sampling has been used. Nonprobability sampling is the method to use in order to get to cultural data, or expert informants. As the number of executives and managers of different services is very limited in the centres these people can be considered an elite group that is hard to find, which justifies the choice to use snowball sampling as a technique (Bernard, 2006). Government sector offices were considered a good place to start looking for information as the sector as an administrative entity relates closely to the regional service centres. Sector officials were considered to have most knowledge of the local situation with regard to service delivery and different operators in service delivery. At the sector offices of Byangabo and Mahoko the research team was able to talk with officials

that served as gatekeepers that had ‘know how’ off the situation regarding services in the centres and who to approach for more information. Especially at Byangabo centre, after talking twice with the same official, phone numbers of other potential respondents were easily obtained. For Mukamira centre the gatekeeper was unavailable on multiple occasions due to illness and because of time constraints of the research team no further attempt was made in this direction.

For the survey different households in all three centres were approached by means of systematic sampling. The RurbanAfrica ‘Agricultural and rural livelihood survey’ is a survey created by representatives from the different universities to measure the economic status of households. Every fifth household was approached but in comparison to the interviews with entrepreneurs much more non-response occurred as people were simply not at home or reluctant to host the research team because of distrust or other reasons. In Byangabo, Mukamira and Mahoko the survey sample consisted respectively of ten, fourteen and five participants. The average duration of the survey was 52.5 minutes.

### 3.4. Interpreters

It was necessary to be assisted by interpreters doing research in the regional service centres. Among the adult inhabitants in Rwanda the main language spoken is Kinyarwanda. Few of the entrepreneurs spoke a second language and only one entrepreneur spoke sufficient English. The different officials and professionals in some cases spoke little English; not sufficiently to answer the questions. Three interpreters were assigned to the task. Two men and one woman, all three pursuing a bachelor’s degree in rural development and agribusiness at the college of agriculture, animal sciences and veterinary medicine in Kigali. These three students worked together on their final assessment and much of the data derived from the research on regional service centres was applicable on their subject. The collaboration with these particular interpreters was a convenient one as it was part of a wider arrangement between Rwandan and University Utrecht students to collaborate. Also these students had good verbal skills in English, they were as university students somewhat familiar with research, and they were committed because the data was of contribution to their project as well. A training day was organized to teach the students how they were expected to conduct the interview. After the first interview an evaluation took place and some interviews later another. During the evaluations it was discussed what went wrong, what went right and what questions should be modified or added for better data collection.

In nearly all cases of interviewing entrepreneurs and conducting the RurbanAfrica surveys translation was essential to obtain information. A recording device to help with the data collection was considered to be unsuitable because too much Kinyarwanda would be recorded, and therefore notes were taken as a means to record. Already in the first days of data collection a mechanism unfolded. 1) The interpreter asked prescribed questions. 2) The interpreter or another interpreter wrote the answer to the question down in English. 3) The researcher copied the notes of the interpreter. 4) The researcher asked additional questions in case of the answers being unclear or insufficient; or in the case an interesting topic emerged from the answers given. By means of this approach the interview was active and the participant always kept a central role in the process. This was considered a vital aspect as the entrepreneurs were conducting business while doing the interview and therefore the number of distractions should be brought down to the minimum in order to make it to the end of the interview. The downside of this approach, working with two translators and copying notes, is that it allowed for quite some bias in the data collection.

In due time the interpreters gained more experience in interviewing entrepreneurs and conducting the RurbanAfrica household survey which made it possible for them to collect data on their own. Being a team of three was sometimes not too convenient in the field because the assumption arose that people might feel intimidated by three strangers. Therefore, at some point, dividing the team meant more and easier data collection. As an additional effect it was easier for an interpreter on his/her own to conduct surveys at the market where the presence of a foreigner would attract to many bystanders.

### 3.5. Data analysis

For the analysis of the interviews with entrepreneurs the program NVivo has been used. NVivo allows for the data to be coded and reorganised in boxes (or nodes). To keep track on the possible differences between the service centres, the coding of the different service centres was done separately, though the same nodes were used for all three centres. Broader categories were identified and labelled through a node and different nodes were allocated to each other in hierarchical order. Further analysis consisted mostly within node comparison and in some case in-between node comparison.

The interviews with officials and professionals often gave unique insights, but as they were few and touching upon a broad range of topics direct interpretation was considered the simplest and most effective way of using them. The RurbanAfrica survey has been used only for a few details relating to service availability in the centres. Not using the RurbanAfrica

survey for analysis is a decision partly based on the lack of time but also partly because the RurbanAfrica survey is considered to be somewhat off topic with regard to the research.

### 3.6. Limitations

Different limitations were constraining with regard to the research process. First and foremost, the research team lacked time on several instances. The limited number of interviews with professionals is an outcome of this. It was not always easy, for example in the case of Mukamira centre, to get in touch with the right professionals and government officials to speak to and there was not enough time to pursue them. It is for this reason that most of the interviews conducted with professionals and government officials hold relation to Byangabo centre. Time as a constraint also characterized the interviews with entrepreneurs. Entrepreneurs make long days and because the research team also had to travel to the locations it was considered best to interview the entrepreneurs while they were working. As a consequence of this approach some of the interviews became a little hasty in nature as entrepreneurs had to help clients or seemed to feel like they wanted to get it over with. As a last 'time related' constraint, the interpreters had other obligations as well and therefore were not available for the desired number of days. Lacking finance did not help in this regard as a mean to persuade the interpreters to increase their availability.

Different sorts of bias possibly influenced the results. First of all bystanders were in many occasions around while conducting the interviews with entrepreneurs. This might have influenced the answered of participants and thus gave biased data. Having bystanders around such as, customers, passengers or neighbours, while conducting the interviews, is one of the consequences of the approach to conduct interviews with entrepreneurs during working hours. A second form of bias is inserted through working with interpreters. Only three interpreters contributed to this research. Due to time constraints and financial constraints it was difficult to find other interpreters. This situation made collection of data very dependent on these particular interpreters. Interpreters bring in bias as they are 'trapped within their perspective on their own society'. This means that socially or politically, interpreters their interpretations might be affected (Bujra, 2006 p.174). Last but not least I, as a researcher, bring in bias as I interpret the data from my own perspective. Although service delivery and entrepreneurship in Rwanda are probably in many ways similar to the Netherlands there are differences as well and it is impossible to exclude general perception regarding these themes.



The last constraining factor that is worth mentioning was the difficulty in obtaining official national research permission. In Rwanda having permission from the ministry of education is essential in order to legally conduct research. The process to obtain this document started sometime before leaving for Rwanda but turned out to become a lengthy and time consuming procedure that eventually did not result in getting the official permission. Utrecht University's PHD candidate Ine Cottyn happened to be doing research for the RurbanAfrica project in Rwanda as well. Ms Cottyns research project was already approved by the Rwandan authorities and a construction was made to do research with a copy of her permit combined with a document stating that Ms Cottyn had assistants who were a team of master students from Utrecht University. The document on assistants however was never signed by any Rwandan authority which made it not a rock solid construction. Without doubt the construction truly served as an outcome to make this research possible as different people in the field asked for a permit before they were willing to cooperate. Consequently however, in doing research the research team was hesitant and sometimes reluctant in approaching government officials at the district government and different ministries for data collection with a false construction. Different stories, of researchers who were told to leave Rwanda within 24 hours because they became discredited with the government, were told in the foreign community.

#### 4. Regional Thematic Context

In this chapter all the relevant contextual factors are addressed regarding the research. First, it is considered relevant to understand a little more about the country in which the data collection took place and its geographical features. In short the most important figures will be discussed and the countries physical appearance will be described. Secondly, it is important to understand Rwanda's rural-urban hierarchy and its political administrative framework as there are many different layers in the political system. Thirdly, the scope is narrowed down to the three research area's that will be described in short.

**Image 4.1:** *Rwanda's position on the African continent*



*Source: ( SAHO, 2014)*

##### 4.1. Rwanda: Important figures

Rwanda is a small landlocked country in central Africa that borders Burundi, the Democratic Republic of Congo, Tanzania and Uganda. With a surface of 26.338 square kilometres it is one of the smallest countries on the African continent. The country is famous for its grassy uplands and hills of which the soil is for over 45 percent arable. About 10% of the land is used for permanent crops. Rwanda's population, which counts over twelve million people, predominantly dwells in rural areas. Data from 2011 suggest that only 19% of Rwandans live in urban areas. In 2012 the population density in Rwanda was determined at 416 people per square kilometre (GOR, 2012A). With an annual growth of 2.7% Rwanda has a strongly increasing population (CIA, 2014). Of Rwanda's working population in the rural areas over 97% of the females and 90% of the males are engaged in agricultural activities (GOR,

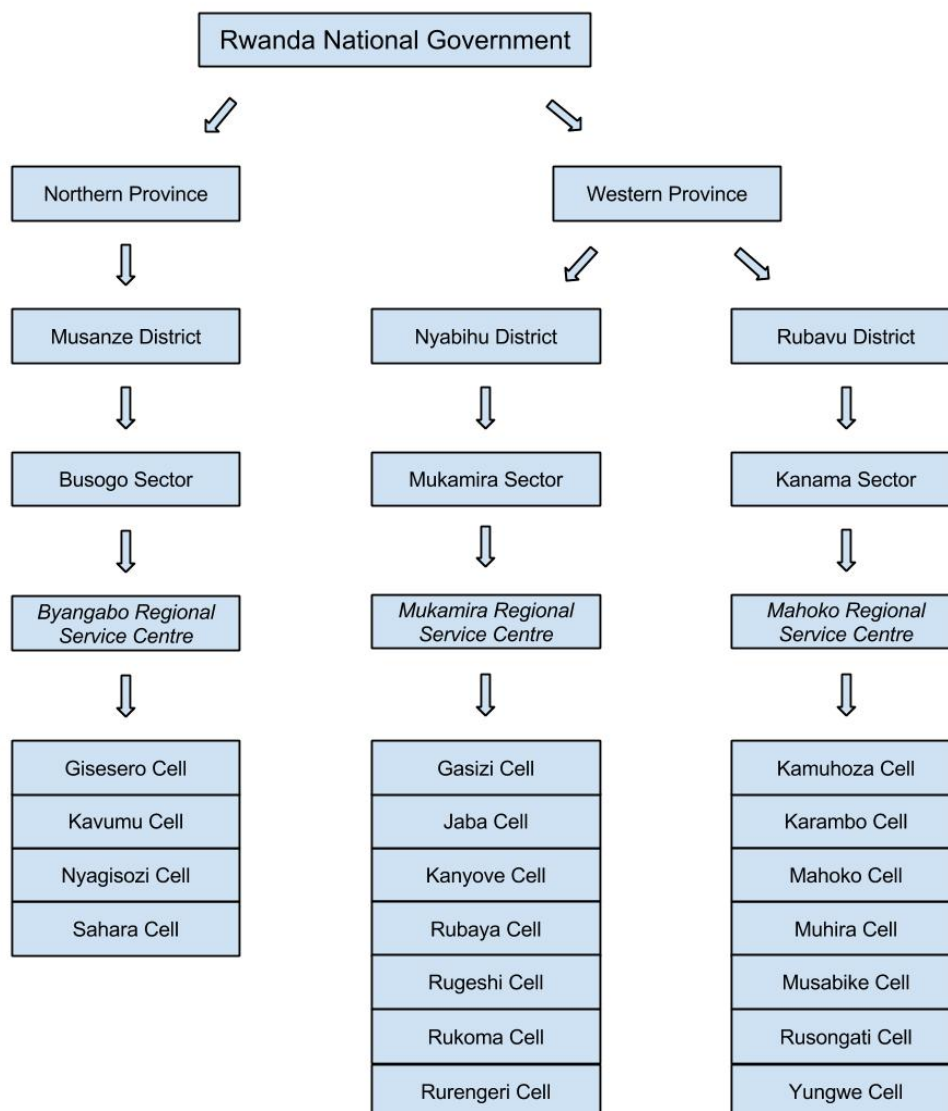
2007B). Important agricultural products are coffee, tea, bananas, beans and sorghum. Its industries are in cement, agricultural products, small-scale beverages, soap, furniture, shoes and other. Rwanda exports mainly to neighbouring countries and its main export commodities are coffee, tea, hides and tin ore (CIA, 2014). Coffee, tea and tourism alone accounted for 60% of the export numbers in 2005 (GOR, 2007A). Rwanda had a GDP (purchasing power parity) of \$15,02 billion which totals a GDP per capita of \$1,400.- (CIA, 2014).

#### 4.2. Rwanda's rural-urban hierarchy and administrative framework

This Research focuses on the regional service centres of Rwanda and it is necessary to have some understanding of the relative and absolute size of these centres. In chapter two, different labels for sizes among the rural-urban hierarchy of settlements were discussed and it was argued that the rural-urban hierarchy varies for different countries. Regarding Rwanda one can observe four different categories in the rural-urban hierarchy. First there is the capital city of Rwanda which, according to unofficial sources, hosts about a million people these days. The most recent official data offered by the United Nations (2002) show a Kigali population of just over 600000 citizens. Most services are available in the capital, as one can find for example ministries, huge markets or large supermarket here. Banks also have their headquarters here. Bigger provincial cities such as Gisenyi and Musanze come second in the hierarchy. These cities inhabit tens of thousands of people. One can find a regional bus station or a hospital here. Also bigger specialized shops are positioned in the provincial centres. Next in line are the regional service centres which are can be considered to be smaller urban settlements. On estimation some thousands of people live here. In the centres several services are available; this topic will be further elaborated on in chapter six and seven. Fourth in the rural-urban hierarchy of settlements are small rural settlements. These are small villages in which a couple of hundred people reside. Services and products available here are only very basic.

Rwanda has an elaborated political administrative hierarchy consisting of several layers. In order not to get confused having sense of the structure of political layers is of the essence for keeping track of this research report. Not all layers will be discussed as the lower levels are not considered very relevant for the sake of understanding this research. An overview of the government entities is provided in figure 4.1.

**Figure 4.1:** *Administrative political framework applicable to Byangabo, Mukamira and Mahoko centre*



Administrative entities and urban entities do not strictly correspond in Rwanda. For the sake of clarifying where the regional service centres fit in the order they are displayed in italic in figure 4.1. The different sectors in which the centres are located have a political administration of around ten members. They govern a sub-region in which both rural and urban areas are located, and in which the service centres play an important role. The country consists of five provinces; North, East, South, West and the central Kigali province. As figure 4.1 shows Byangabo centre is located in the Northern Province and Mukamira and Mahoko can be found in the Western Province. Provinces are divided in districts which consist of a bunch of sectors that in turn consist of a couple of cells. The regional centres are located in

one sector but cover multiple cells. Cells are small entities that divide within the centres distinguishing different areas or neighbourhoods. All the cells of the relevant sectors are outlined in figure 4.1 but it is hard to distinguish which ones are actually part of the regional service centres because there are no physical signs or maps available dividing them.

#### 4.3. Introducing the research area

The fieldwork of this research took place in the regional service centres of Byangabo, Mukamira and Mahoko in North-West Rwanda. The grey lines in the map are the main roads in the area and they are generally the only ones made of asphalt. As the map shows the three centres are all located on the road between Gisenyi and Ruhengeri (former name of Musanze). The road is the most important connection between the DRC and central Rwanda. The map displays the location of 1) Byangabo, 2) Mukamira, and 3) Mahoko.

**Image 4.2:** North-West Rwanda, positioning the regional service centres



Source: (Scribblemaps, 2014)

The countryside in North-West Rwanda is characterized by small houses scattered on the hills which are mostly cultivated with different crops of which cassava, sorghum and Irish potatoes are among the most common. The higher mountains and volcanoes in and surrounding Volcanoes National Park form the natural habitat of the famous mountain gorillas. Huge tea fields can be found on the slopes of the hills surrounding the regional service centres. Agriculture is an important driver for the region. The area of focus is crossed by the main road between the cities of Musanze and Gisenyi. On the main road, different small settlements are located in which people live together. A good description of the surroundings of Busogo sector is given in the Byangabo master plan. The master plan obtained at the Musanze district office is meant to serve as a guideline for the centres spatial planning till 2028. The centre lies on volcanic soil at 2300M altitude in between mountains of which the highest is Mont de Gitega (2806M). Regarding economic activity, agriculture and life stock are the most common occupations in Busogo sector which makes Byangabo centre as part of a wider area an interesting place for the development of secondary and tertiary industries (ECASM Ltd, 2013).

In all centres a lot of people are to be found outside which makes the centres appear to be very crowded. Some of them are working. Moto-taxi drivers are waiting for clients; vendors sell phone credit and some people repair shoes for a living. Others try to convince people to ride with a particular bus company. Entrepreneurs often sit out front their business, helping clients every now and then or they are just chatting with passengers. Generally the atmosphere is calm and relaxed only disturbed by loud music at some places or yelling bus conductors who pass by on the main road. When one takes one of the narrow roads up or down hill the noise lessens quickly and the busy main street makes place for households and cultivated plots. Where most people on the streets seem not to be working very hard, people who cultivate land do this intensively.

According to the Byangabo master plan, Busogo holds a population of 17893 people (ECASM Ltd, 2013). This number is way lower than what was determined in 2010 by the government's results on a population distribution research. Data from the ministry of local government show that Busogo has 19862 inhabitants and Mukamira and Kanama sector respectively have 28257 and 24709 residents (GOR, 2010B). If both sources are correct then Busogo experienced a serious decline over the last two years. Unfortunately the reasons behind this possible decline are unknown. Population figures of the sectors are known but for the regional service centres positioned in these sectors no data is available. Hence it is unknown what the rural-urban division of the population in the sectors is. During the field

research Mahoko has been experienced as the biggest centre in size compared to both other centres that were experienced as way smaller. This experience combined with the data on sector population would suggest that in Kanama sector relatively many people chose living in a settlement (Mahoko) over living traditionally scattered on the hills. On the contrary, Mukamira hosts relatively a lot of people in the sector compared to, as suggested, limited numbers in Mukamira centre. With certainty the centres are the most densely populated places in the sectors.

## **5. National policy and spatial development**

It is important to understand the political agenda of the last fifteen years to understand the role of rural settlements as an instrument for national development the way the Rwandan government envisions it. First, the influential Vision 2020 policy is outlined shortly. The document is the fundament of the government's two decade agenda and an overview is given of the problems identified, the most important targets and the most important means to achieve these targets. Secondly, the achievements and shortcomings of medium term policy documents PRSP and EDPRS1 regarding service delivery are outlined. Thirdly, the government's emphasis on spatial development and urbanisation will be elaborated on. The fourth subsection will shed some light on the roles and the power division of the different political entities with regard to implementation of policy. Lastly, policy regarding employment and job creation is highlighted. Questions that will be addressed are, what is the motivation for current policy with respect to regional development; what is current regional development policy and how is this positioned in wider national policy. The chapter is mostly based on documentation obtained from local authorities or the online platforms of the Rwandan government. Also interviews with local officials and scientific publications were of contribution in shaping this chapter.

### **5.1. Reviewing Vision 2020**

In the years after the 1994 genocide the Rwandan government worked on stabilizing the political situation while trying to put the economy back on track. The Vision 2020 policy resulted from a national consultative process held in Rwanda at the end of the 20<sup>th</sup> century. The vision outlines a number of challenges that Rwanda faces at the start of the 21<sup>st</sup> century. First of all, in Vision 2020, agricultural productivity is addressed as declining through intense exploitation of land. Secondly, Rwanda is landlocked and has poor infrastructural connections to its neighbouring countries. Thirdly, the economical base for export is narrow with only a few commodities. The fourth challenge Rwanda faces is poor governance due to a lack of competent personnel and poor institutions. Fifthly, all sectors, both public and private, face a lack of professional personnel and there fore have difficulties to develop. High public debt is mentioned as the sixth challenge in the vision. This hampers economic growth. Lastly, the vision states that the country still suffers from social economic consequences of the genocide. Hence the Rwandan government identified several difficulties regarding the countries development in the wake of the 21<sup>st</sup> century (GOR, 2000).



The major objective of Vision 2020 policy is to transform Rwanda to a middle income country by 2020 through the transformation of Rwanda from an agriculture based society to an industry and services based society. At the millennium it was argued that for this to happen a higher income rate is needed. The poverty rate needs to be below 30% of the population; and life expectancy needs to develop from 49 years at the millennium to 55 years by 2020. Although it was presented that the percentage of people living below the poverty line declined from 59% to 57% between 2000/1 and 2005/6 (GOR, 2012C), the number of poor people in absolute terms increased with 560,000 at this stage. The number of people living in extreme poverty also increased with 190,000 people; of whom nearly 90% lived in rural area's (GOR, 2006). Data from the United Nations suggests that the percentage of people in Rwanda below the poverty line was up to 60% at the millennium but will be below 30% in 2015 (UNDP, 2014). According to the World Bank, Rwanda reached a life expectancy of 53.5 years old average in 2004 already and even reached 63.5 years old in 2012 (World Bank, 2014). Even though general outcomes are positive, the aforementioned shows that presented figures can be deceiving.

In the light of the challenges and the objectives Rwanda faced at the beginning of the new millennium, the government created six important pillars on which the vision for development in the new millennium is based.

**Table 5.1: Pillars of Vision 2020**

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1)	Reconstruction of the nation and its social capital anchored on good governance, underpinned by a capable state.
2)	Transformation of agriculture into a productive, high value, market oriented sector, with forward linkages to other sectors.
3)	Development of an efficient private sector spearheaded by competitiveness and entrepreneurship.
4)	Comprehensive human resources development, encompassing education, health, and ICT skills. Aimed at public sector, private sector and civil society. To be integrated with demographic, health and gender issues.
5)	Infrastructural development, entailing improved transport links, energy and water supplies and ICT networks.
6)	Promotion of regional economic integration and cooperation.

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*Source: (GOR, 2000)*

In general national policy documents contain broad statements on goals to achieve and the means to do so. However in some cases more detailed policy can be distinguished. In the Vision 2020 policy document the government mentions different services it wishes to actively develop to achieve its goals. ‘Major infrastructural investment will be required in the areas of energy, water, telecommunication and transport to reduce costs, whilst increasing their quality and reliability. Improvements in education and health standards will be crucial for providing an efficient and productive workforce’ (GOR, 2000). This call for developments in infrastructure is echoed in later policy documents (GOR, 2007B; GOR, 2012A).

Getting all people of Rwanda to have access to a drinkable water source by 2020 is one of the government’s goals. With only 52% access in 2000 a yearly increase of 2.5% in availability is needed to achieve this. According to the World Bank (2014), data from 2012 suggest that 68% of Rwanda’s rural population had access to an improved water source at the time. These data suggest that Rwanda is lagging behind on its targets regarding water accessibility. Higher availability of electricity must substitute wood and imported petroleum as an energy source. In 2000 wood was still a source of energy for 99% of the population (GOR, 2000). It is reported that in 2009 4.3% of the population had access to electricity. This figure equals 23.4% of Rwanda’s urban population and 1% of the rural population (Safari, 2010). Through an effort of EWSA and partners the percentage was raised to 16% in 2012 which was higher than the adopted targets for that year (Baringanire, Malik & Ghosh Banerjee, 2014). This success on supplying increased electricity availability made government and operators optimistic and served as a basis for the recently adopted target of 70% access by 2017 (GOV, 2012A).

The government stresses the importance of the financial sector in shaping possibilities for the private sector to develop. Communication services are mentioned in the report as well with an increase in internet access and the spread of telephone services in the rural areas being desired. With developments in education and availability of healthcare the government wants to work on a healthy and efficient workforce (GOR, 2000).

## 5.2. Progress during PRSP and EDPRS1

From the launch of Vision 2020 onwards a series of medium-term strategic plans were formulated to serve as a guide in the process. The Poverty Reduction Strategy Paper (PRSP) covers the period 2002-2006; the Economic Development and Poverty Reduction Strategy 1 (EDPRS1) covers the period 2008-2012; and EDPRS2 will cover the period 2013-2018. Over the course of PRSP more than half of Rwanda’s population continued to live below the

national poverty line and income inequality rose. Better results were achieved in non-income sectors with improved accessibility to education and fast progress on MDG healthcare targets (GOR, 2012A). Since 2003 primary education is free for all Rwandan primary school children (Huggins & Randell, 2007). The most recent data, which are based on self definition of the Rwandan government, report that in 2011 the literacy rate among people between fifteen and 24 was 84%. This is a serious increase compared to 57% in 2006 (UNDP, 2014). There are also concerns however that the rapid expansion in attendance is associated with quality loss in education as the student to teacher ratio increased from 54 to 68 between 2001 and 2008 (Ansoms and Rostagno, 2012). Expenditures on healthcare per capita almost quadrupled between 2000 and 2006 (GOR, 2008). By 2007 around 74% of Rwandans was covered by some sort of health insurance (Musango & Doetinchem, 2009). Later in 2008 an important step was taken to universal coverage of health insurance by making membership compulsory (Saksena, Antunes, Xu, Musango, & Carrin, 2011). In return for a fee of 1000 RWF individuals could be covered for difficulties during pregnancy or some illnesses. Recently however the price tripled for most people living in rural settlements (Ansoms & Rostagno, 2012).

With EDPRS1 real economic sectors were targeted as PRSP had not been very successful in addressing these. Growth, employment creation and the generation of exports became priorities in the approach and these had to be catalysed through regulatory reform and public investments in infrastructure. For meeting targets the role of the private sector had to be increased and capacity among the people must have been enhanced by decentralising the developmental decision making (GOR, 2012A). During EDPRS1 the service industry experienced serious growth and the main expansion witnessed was in increased usage of telecommunications and wholesale and retail trade and transport. Although the service industry expended strongly the structural transformation of Rwanda from an agricultural based towards an industry and services based country was limited over EDPRS1 (GOR, 2012A).

While Rwanda's population is still growing, the speed of this growth is flattening. During EDPRS1 real GDP growth was 8.2% on average annually. Economic growth was higher than population growth which meant a per capita increase. Also inequality dropped from 0.52 to 0.49 for the period of 2005/06 till 2010/11 using the Gini<sup>2</sup> coefficient. One must realize however that the Gini coefficient increased from 0.29 to 0.52 between 1980 and 2005/6

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<sup>2</sup> The Gini coefficient is an index that measures inequality between 0 and 1. The higher levels represent stronger inequality.

(Ansoms and Rostagno, 2012). For the period of 2005/06 and 2010/11 the percentage of people in rural area's living below the poverty line dropped from 61.9% to 48.7%. It is argued by the government that this reduction in poverty is caused by among other factors a 50-60% increase in non-farm jobs (GOR, 2012A).

### 5.3. Spatial development in rural Rwanda

An important theme in policy regarding the six pillars of Vision 2020 is land management. The government stresses in Vision 2020 that it is vital to manage land more strictly making optimal use urban and rural spheres (GOR, 2000). Service delivery is more cost effective in urban areas and markets evolve easier. Hence, urbanisation is seen as an important driver for economic development which can contribute to demographic pressure relief, employment and sustainable land use (GOR, 2000; GOR, 2012D). The government adopted a policy of 'villagisation' after the war, in order to make optimal use of the rural and urban areas. Families were, in some cases forcefully, allocated to houses in settlements for the sake of land management. Where people in Rwanda traditionally live scattered, this way of achieving urbanisation goes against the nature of the Rwandans and their traditions. In practice different social problems are caused by regulation with respect to villagisation policy (Ansoms & Rostagno, 2012).

The stimulation of regional service centres can be seen as a means to manage the rural landscape. Vision 2020's section referring strongest to the governments focus on the development of regional service centres is the following: 'Rwanda will pursue a harmonious policy of grouped settlements based on economic activity. Rural settlements organized into active development centres will be equipped with basic infrastructure and services. This system of settlement will serve as an entry point into the development of non-agricultural income generating activities. Land will be reorganized and consolidated so as to create adequate space for modern and viable farming' (GOR, 2000, p.16).

This focus on scaling of communities for development is still important in current policy. In EDPRS2 it is stated that expected economic growth must be anticipated with the development of 'ultra-modern settlements centred on economic opportunities with potential to grow into towns and cities' in order to direct economic transformation (GOR, 2012A p.32).

Regardless of the government's earlier effort to make a classification between different urban centres (e.g. cities, municipalities, towns and trading centres), attention to this distinction decreased. To get the different level urban centres to become springboards for economic development the government will put in place mechanisms in which urban centres

are equated with traditional political structures for better governance. Before governments often ruled both rural and urban areas as part of their district or sector which was constraining to enhancing urban capacity to the fullest (GOR, 2012D).

#### 5.4. Roles of different government entities

Rwanda's politics are for some easily equated with the person of Paul Kagame. Rwanda's president is the key figure in an authoritarian administration under which rule the economy flourished; but individual freedoms did not (Friedman, 2012). It is interesting to see which government entity pulls what strings in Kagame's administration. With the existence of different political entities<sup>3</sup> in Rwanda it means that there are different roles to divide among these entities. This section discusses what the influence is of different political entities on the development of Rwanda's regional service centres.

In May 2000, around the time when Vision 2020 was launched, the government of Rwanda made it a key policy to promote good governance, service delivery and national development through a process of decentralisation meaning to increase the influence of local governments on the policy-implementation process. The decentralisation policy paper defines a local government as: 'A system of government at local level through which local people manage their affairs, for example councils. A local government functions as a central government for fully devolved functions (GOR, 2012D, p.5)'

Different government officials that were interviewed in this study with respect to the regional service centres described how they communicate with their superiors and subordinates along the administrative hierarchy. A Kanama sector level official describes the sectors position in the wider political network of making policy. First, there is the national government that creates general policy as was done in Vision 2020 and more recent policy documents. The sector government creates plans for local implementation according to national guidelines. Different sector officials contribute to a yearly implementation action plan that is sent to the district government. For the implementation action plan the district level chooses priority areas and has the power to allocate money to them. After allocation of the funds the implementation is dealt with at the sector level.

A Musanze district official specialized in infrastructure mentioned that, with regard to infrastructure, sector officials demand from the district government a plan for the

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<sup>3</sup> Please see figure 4.1 for more information.

development of their sector. Musanze district hires a company to create a proposal on infrastructure to which also sector officials can contribute. Sector officials often have valuable knowledge of the implementation site. Finally, Rwanda Housing Authority's (RHA) approval is needed in order to get funds. An official at Busogo sector stresses also the role of RHA in providing funds that are channelled through the district government; in Byangabo's case with regard to the developed master plan.

The government recognises that the lack of functional linkages between local and general government is a major constraint. In the decentralization policy for example, it is mentioned that local governments still have limited freedom fiscally as they need to get more confidence in having responsibilities as well as being trusted by their central government. On the contrary, in the decentralisation policy document it was also mentioned that fiscally a huge effort was made as 33% of the domestic revenue was channelled through local governments in 2011 compared to 1.4% in 2002. These two sections in the decentralisation policy seem to be contradicting. Based on what local government personnel mentioned it seems indeed that the central government has a powerful voice over funds allocated locally through the RHA. Another challenge resulting from decentralisation is that increased responsibilities for local government are not matched with an increase in staff (GOR, 2012D).

### 5.5 Policy and employment

With the release of Vision 2020 the government aimed to create 1.4 million jobs outside agriculture by 2020. 'The country will develop basic infrastructure in urban centres and in other development poles, enabling the decongestion of agricultural zones' (GOR, 2000, p.16). Not much later the government shifted its focus a little and recognized that agriculture is and in the future will be the main driver for employment. In 2007, over 97% of females and 90% of males of Rwanda's rural area work force was engaged in agricultural activities. Agriculture should develop in order to create conditions for spin-off effects. This begins with the development of agro-business which will provide spill-over's for other economic sectors. For enabling the Rwandan people to have more opportunities for employment, diversification in sectors other than the agricultural sector is adopted as an important economic strategy for Rwanda. In 2007, 12.85% of the national labour force was involved in non-farm activities and only 1.8% of them was employed in non-farming rural jobs (GOR, 2007B). Ansoms & Rostagno (2012) argue that the small holder farmers who are pushed out of business through regulation reform and the stimulation of large scale agriculture cannot find a job elsewhere easily. They get unemployed simply because they are unskilled. Unemployment is also rising

among educated, skilled and semi-skilled youth as the job market in this sector is not expanding (GOR, 2007B).

According to the employment policy, Rwanda’s working population annually grows with 3% and in order to keep Rwanda’s unemployment rate below 10%, 140 000 jobs have to be created yearly (GOR, 2007B). However, the creation of jobs by formally registered firms was limited to a yearly average of 8810 jobs between 2006 and 2010 which is disturbingly little in the light of the government’s goals (Gökgür, 2011). According to the government, the lack of job creation is the consequence of the economic crisis (GOR, 2007B). With respect to the earlier progress being not sufficient and the trend in population increase the number of jobs to be created has been adjusted to 200000. (GOR, 2012A). In Vision 2020 the government already acknowledged the importance of the informal sector for development and it understands that a substantial part of the jobs are to be created in the informal sector (GOR, 2000). Indeed, because of its lower entry requirements, the informal economy has grown rapidly and covers partly for unemployment but not for underemployment. Of all people that are underemployed in Rwanda 93% are rural dwellers (GOR, 2007B). Seven major constraints to employment generation are identified:

**Table 5.2:** *Constraints to employment generation*

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1)	Shortage of technically skilled labour force to meet the labour markets demand.
2)	A biased attitude towards traditional agriculture and livestock farming.
3)	Low level of modernisation in the agricultural sector that employs about 90% of the population.
4)	Low level of investment due to insufficient domestic savings.
5)	High illiteracy rate.
6)	Lack of incubation support structures for employment creation.
7)	Inadequate national framework for coordinating and monitoring employment promotion.

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*Source: (GOR, 2007B)*

To overcome the constraints outlined in table 5.2 and create as much productive and free chosen employment as possible, the government adopted a set of objectives: 1) improving competitiveness of individuals and enterprises; 2) improving productivity through better synergy between education and employment; 3) the promotion of self-employment activities; and 4) the promotion of innovation, entrepreneurship and a saving culture. Furthermore, managers and job seekers should be facilitated with material, technical and financial support to enable them to create or reinforce their own enterprises (GOR, 2007B). ‘The government considers the development of enterprises as the best way of employment creation. It is for this reason that it is committed to the promotion of the private sector and entrepreneurship and the partnership forum between the private and public sectors has been put in place in order to strengthen the economic sector development’ (GOR, 2007B, p.19). Assumable, partly as a result of years of government policy the image has been created in Rwanda that being in charge of your own economic activities is better than working for somebody else. Some entrepreneurs in the sample of this studies made such statements saying having an own enterprise is an absolute must for them. A bar owner in Mukamira centre, who turned out to be also a teacher in secondary school, claimed that the course ‘entrepreneurship’, which he teaches, is obligatory in secondary school. According to him his students are ‘eager to learn’ and he expects most of them to become entrepreneur. The Rwandan government indeed announced to develop education modules that meet the needs of the labour market (GOR, 2007B); and since the government clearly advocates entrepreneurship this obligatory course might be a product of that policy.

There is an important role for the private sector in the transformation process from an agriculture based to an industry and services based society. The private sector is currently still small and 99.5% of the firms are SME’s. These SME’s have difficulty to grow and in general their activities lack diversity (GOR, 2012A). Gökgür (2011) stresses that, with respect to Rwanda, jobs in the micro informal sector are poorly paid and insecure. Government policies to deal with these problems are largely absent. Also small formal enterprises struggle as tax regulations and imperfect market structures are disproportionate and favour bigger companies (Gökgür, 2011). Rwanda’s tax system with regard to enterprises will be further elaborated on in chapter seven.

Also the strength of the bigger companies in the private sector seems to be limited. The Rwandan government claims it will not deliver products and services which can be delivered better and more effectively by the private sector. The state rather sees itself in the position of serving as a catalyst for development by providing the right infrastructure, legal



frameworks and human resources (GOR, 2000; GOR, 2012C). Rwanda's major economic activity is mostly concentrated in the modern formal sector. This formal sector is to a large extent represented by public enterprises directed by the government of Rwanda (Gökgür, 2011).

## 5.6. EDPRS2

The Economic Development and Poverty Reduction Strategy paper two serves as a guideline for the medium term development Rwanda wants to achieve in the period of 2013-2018. The government observed that rural households are twice as likely to be in poverty or extreme poverty compared to their urban counterparts. It is for this reason that EDPRS2 puts special emphasis on the acceleration of poverty reduction in rural areas. Limitations on infrastructure, connectivity and land have effects on the process. Therefore rural development should consist a balanced coordination between sectors such as land, infrastructure, agriculture and rural finance; while also taking regard of the need for broader urban and rural linkages. In order to stimulate rural development, off-farm job creation is considered to be crucial (GOR, 2012A, p.36). Again in EDPRS2, service delivery is given importance both regarding the public and private sector. A 64.5% satisfaction rate was measured among the people in relation to public services and thus there is room for improvement. With an increased role anticipated for the private sector in service delivery in the future enhanced coordination between government, private sector, citizens and community is needed. (GOR, 2012A, p.11)

EDPRS2 is especially concerned with the infrastructure gap regarding accessible electricity which in 2012 was relatively costly and insufficiently available compared to other countries in the region.

## 5.7. Conclusion

In the last years important steps were taken in relation to Rwanda's development through the development of healthcare, education, the reduction of poverty and increased life expectancy. This chapter however also shows that the Rwandan government had and still has to deal with different challenges of which poor agricultural productivity, poor infrastructural connections and poor private sector development are considered most important in the light of this research. It follows logically that enhanced infrastructure and service delivery, and stimulation of entrepreneurship in the rural areas can partially serve as outcomes. With regard to the lagging rural areas regional service centres are proposed as a good place to implement. Multiple of Vision 2020's pillars are in line with the development of service centres.

Agriculture must be transformed through backward and forward linkages, entrepreneurship must be enhanced and infrastructure must be developed. The regional development centres as intermediate sized communities form an interesting gateway and they are highly relevant places regarding the realisation of the pillars. The government aspires to differentiate power to lower government administrations, probably because rural Rwanda is literally and figuratively far from the central government in Kigali. It is questionable if the government is truly committed to its decentralisation process as it has yet to unfold. The allocation of finance as an example currently still seems to be in central government hands.

In relation to entrepreneurship this chapter shows that the government so far has not been very successful in creating non-farm employment. The shift from an agriculture based society to one in services and industries is not one without challenges. Unemployment is a major problem as former farmers are not easily absorbed in other sectors as they lack skills. The government aims to enhance employment by improving competitiveness, improving productivity and improving self-employment and entrepreneurship. In practice a bias in the economical system exists favouring bigger over smaller enterprises. Mildly stated this is odd as almost all private sector enterprises are considered to be SME's.

## **6. Characteristics of service delivery in the regional service centres**

Service delivery in the Rwandan context has been touched upon in the previous chapter discussing government policy. This chapter narrows down the scope to service delivery in the regional service centres of Byangabo, Mukamira and Mahoko. First, an outline of the different services in the regional service centres is presented. Later, these services are discussed one by one in detail. The services are described and the availability of services and the different actors involved in service delivery are reviewed. Different sources have contributed to this chapter, namely, government officials, private operators in service delivery and inhabitants of the centres. Some documentation was obtained from the government and private operators that turned out to be useful for shaping this chapter.

### **6.1. Services available in the regional service centres**

Different services are available in the centres as one who visits these settlements can clearly see. Different bus companies, mobile phones and electricity connections can be spotted in the centres. Multiple services are adopted in this research and all of them are found to some degree in the three centres as outlined in table 6.1. The first services this chapter outlines are considered to be services that contribute to general quality of life and these services relate to the wellbeing of the entire population of the centres. These services are education, healthcare and religion and they are important to mention because they play a central role for the citizens in everyday life. However, they are considered not very important to entrepreneurship as it is assumed that they do not relate directly to the enterprises. The next sub-section will be about utilities, markets and roads. These are services that are very physical in nature. Subsequently, financial services will be elaborated upon. Financial services get special attention since they are very present in the centres and very much applicable to entrepreneurship. Lastly, a set of specific services will be discussed that is relevant to entrepreneurs for different reasons. Security and cleaning services play a role in shaping a good environment for enterprises to flourish. Communication and transport services allow entrepreneurs to connect with, customers or suppliers.

**Table 6.1: Services available in the three centres of Byangabo, Mukamira and Mahoko**

<b>Byangabo Centre:</b>		
Availability of:	Education	Yes, maternity, primary, secondary, university.
	Healthcare	Yes, 1 health centre, 2 pharmacicians.
	Churches etc.	Yes, multiple.
	Water	Yes, through EWSA, SNV, Aqua Virunga
	Electricity	Yes, through EWSA and private operators.
	Roads	Yes, only the main road is made of asphalt.
	Market	Yes.
	Financial services	Yes, through 3 banks, SACCO, MFI.
	Security services	Yes through a cooperative.
	Cleaning services	Yes through a cooperative.
	Transport services	Yes, through busses, taxi busses etc.
	communication services	Yes, providers are MTN, Tigo, Airtel.
	Particularities	University, advanced market.
<b>Mukamira Centre:</b>		
Availability of:	Education	Yes, primary, secondary.
	Healthcare	Yes, 2 units approx 3km away.
	Churches etc.	Yes, at least 1.
	Water	Yes through, Aqua Virunga, WASH Project.
	Electricity	Data not available. <sup>4</sup>
	Roads	Yes, only the main road is made of asphalt.
	Market	Yes.
	Financial services	Yes, through 4 banks, SACCO.
	Security services	Data not available.
	Cleaning services	Yes, through a cooperative .
	Transport services	Yes, through busses, taxi busses etc.
	communication services	Yes, providers are MTN, Tigo, Airtel.
	Particularities	Located on a crossing, advanced busstation, Business Development Centre.
<b>Mahoko Centre:</b>		
Availability of:	Education	Data not available. <sup>5</sup>
	Healthcare	Yes, a dispensary and Health centre 1km away.
	Churches etc.	Data not available.
	Water	Yes, through Aqua Virunga.
	Electricity	Yes, through EWSA.
	Roads	Yes, only the main road is made of asphalt.
	Market	Yes.
	Financial services	Yes, through 4 Banks, SACCO, MFI's.
	Security services	Yes, through a private operator.
	Cleaning services	Yes, through a private operator.
	Transport services	Yes, through busses, taxi busses etc.
	communication services	Yes, providers are MTN, Tigo, Airtel.
	Particularities	Cooperative for transport of goods. Business Development Centre

<sup>4</sup> Data on electricity and security services for Mukamira are not available. It was not possible to talk to the right officials in Mukamira due to both illness of the official and time constraints of the research team.

<sup>5</sup> Data on these social services are not available for Mahoko as they were not considered to be very important for this research at that time.

## 6.2. Education, healthcare and religion

The different centres host different kinds of education institutes. Byangabo centre has the most diversified system to offer with one primary school, two secondary schools just outside the centre and a university department of agriculture, animal sciences and veterinary medicine (ISAE) (Mukombosi, 2012). Mukamira and Mahoko centre host no university department. In this research education is considered potentially important for entrepreneurship as for some entrepreneurs there is a clear link between the education they had and the business they decided to start. The role of education for the entrepreneurs in the sample will be further elaborated in the next chapter.

In Mukamira and Mahoko a Business Development Centre is located (BDC). BDC is ‘a business development centre that endeavours to equip Rwandan entrepreneurs with the real-world skills they will need to start and grow thriving businesses’. BDC, which is initiated by the Rwanda Development Board extends ICT to the people and gives training on how to use it. However, due to poor management and theft the centres were, possibly temporarily, closed (Itumahano, 2012). Currently there is still no activity in the BDC establishments in Mukamira and Mahoko and in the lights of the problems BDC had to deal with it is striking to see that the empty buildings are currently protected by guards.

The decentralized healthcare system in Rwanda consists of three operational levels. First there is the central level that includes the ministry of healthcare and national reference hospitals. As a second layer the 30 administrative districts in Rwanda have at least one specialized district health unit. The third level consists of health facilities that operate on local level (Munoz & Kallestal, 2012). In, or close to, the centres in this research different health units can be distinguished. Busogo sector has a health centre only one kilometre inland from Byangabo centre. Mukamira relies on two units that are both located on the main road approximately three kilometres outside the centre. There is a district pharmacy in a small settlement called Nkuli and a health post nearby in Jenda sector. In Mahoko there is a dispensary located in the centre. Furthermore there is a health centre one kilometre outside the centre in Rugerero sector (GOR, 2014). The dispensary owner in Mahoko claimed that his private operation offers better services and has more time for customers than public health centres generally do. Although the services he offers are more expensive he is not afraid that public healthcare takes over his customers in case it might further develop. He actually mentions that the number of customers for his eleven years existing business is increasing at this point. Not every health institute offers the same services in the rural areas. Basically, health centres offer the most services on local level followed by health posts. Dispensaries

only offer a limited set of the most basic services. For a detailed overview on the services that different health units offer please consult Munoz & Kallestal (2012).

Religion is important for the people of Rwanda with over 95% of its people being religious. In Rwanda there are mainly Roman Catholics (49.5%), Protestants (27.2%), Adventists (12.2%) (CIA, 2014). Although this research does not pay attention to the potential relationship between religion and entrepreneurship it is interesting to note that multiple houses of prayer can be found in the service centres. Houses of prayer bring people together and bind them through faith. The availability of a place such as a church has impact in the social sphere and there for can be considered as a social service. It remains unclear, however also considered not very relevant, which particular religions are represented in the centres.

### 6.3. Electricity, water, markets and roads

Almost all of the entrepreneurs included in this study have access to electricity and use it. Remarkably, according to the sector official only 30% of households in Busogo have access to electricity. The specialist in charge of infrastructure at the district office in Musanze claims that currently 41% of the citizens in Busogo sector has access to electricity. According to him a serious growth occurred with only 5% of the inhabitants of the sector using electricity ten years ago. The rates that the two officials mention are way lower than what the interview data on electricity usage regarding entrepreneurs in Byangabo (95%) would suggest. Also, inhabitants of the centres were, among other topics, asked about their electricity use through a survey (n=29). 22 out of 29 households in this sample have electricity through a grid connection; the rest does not have access to electricity. Ten household surveys were conducted in Byangabo centre of which four households do not have an electricity connection.

Taking into consideration all these previously mentioned statements on electricity use in Byangabo, it raises the assumption that people that live or conduct business in Byangabo centre generally have better electricity access than others in Busogo sector. Electricity is provided by the public energy, water and sanitation supplier, henceforth EWSA. The mission of EWSA is 'To provide sufficient and quality water and electricity to our customers at affordable and sustainable rates that support the socio-economic development of the country.' (EWSA, 2013). EWSA is the public operator in utilities that collaborates with private partners to achieve its goals. According to a Musanze district official EWSA collaborates with a private company that goes by the name of EARP to deliver electricity.

With regard to water, EWSA has ties with a private company called Aqua Virunga ltd. in all the three districts of this research. Aqua Virunga ltd. operates in ten sectors in Rubavu (among which Kanama); in Nyabihu, Mukamira sector is currently the only one; in Musanze district the company is active in Busogo sector and two others. A manager of Aqua Virunga explains why the private public partnership on water supply is beneficial for everybody. The communities contribute first as, for example, the number of public taps tripled in Rubavu since Aqua Virunga is involved. Secondly, the government is relieved of a burden as the private sector has high involvement in delivering water. Thirdly, Aqua Virunga gets access to the market, grows as a company, and by doing that secures an income for increasing numbers of employees.

An official at Musanze district office says that a water system was created five years ago that supplies Byangabo centre and surroundings. Progress is made from having only natural sources ten years ago to having access to water within 500 meters for 80% of Busogo sector. Indeed entrepreneurs in this study mention often how much closer water sources are than earlier and they are happy with the increased quality of it. Some of them refer to the WASH-project, which is outlined in box 6.1, as the main contributing program in improving their access to water. Furthermore, as household survey results show, households in all centres generally have proper access to water. 19 households state they make use of a tap inside or right outside the house, five households collect water from a public tap, and five others say they make use of rainwater besides a public tap. Almost all the household heads say they use water from a source that is connected to the public network.

**Box 6.1: WASH-project**

A project that needs to be highlighted with regard to the delivery of water is the WASH project. The project, executed by SNV and partners, is a joint collaboration between the governments of Rwanda and the Netherlands and UNICEF. It targets the districts of Burera, Musanze, Nyabihu and Rubavu. In line with VISION 2020 the project aims to get people of the indicated districts accessible water sources (within 500 metres) and proper sanitation within a five year period. The most important result of the project is that 500000 people in these rural areas now have access to improved water sources.

*Source: WASH (2013)*

In all three regional service centres a particular location is allocated for market vendors to conduct business. Vendors and traders sell their goods in these market halls and pay a rental fee to do so. In the market they can sell their goods under a roof and they have access to rainwater and sometimes electricity. Furthermore the markets enable traders to keep

their goods locked on the spot in a personal safe. The modern market, which has been created in 2012, is the most remarkable of Byangabo's available services. People in the centre are clearly proud of this recently constructed building and according to a local official the modern market even has international attraction. Tuesday and Friday are the market days in Byangabo and these days attract both traders and customers from the surrounding areas to the centre. Besides these more intensive trading days vendors are welcome to conduct business every other day of the week. This is an improvement for both traders and customers as the old market was only operational 2 days a week (Rwanda Energy, 2013). On market days dozens of market vendors are active in the market as official registration documentation of the sector office in Busogo confirms. Multiple interviewees in Mukamira suggested that the market in their centre also has two market days on a weekly basis.

All three centres are located on the same road that connects Gisenyi with Musanze. The road is one of the busier provincial roads and the only one in the area that is made of asphalt. An official at Musanze district office says that the main roads between the bigger cities are created by a private company and funded by the central government. Creation and maintenance of local roads is under the jurisdiction of district governments. Generally the roads did not develop much over the last ten years except for the main road which has been updated once. According to an official at Kanama sector a private company is hired for the creation of the road.

#### 6.4. Finance

Different financial institutions can be found in the centres. First of all there are banks. Those that are present in the centres are: Bank of Kigali, Unguka Bank, Bank Populaire and Equity Bank. Every centre has at least two banks. Secondly, each centre has a savings and credit co-operative henceforth called SACCO. Lastly, micro finance institutes can be found in the centres. Mahoko for example hosts already three of them which are Umutanguha microfinance, Comikoka microfinance and Clecan microfinance<sup>6</sup>.

Bank of Kigali (BK) has a branch in all three centres. In 2010 it launched the branch in Byangabo. People that have a bank account are able to deposit and withdraw money, use chequebooks, use ATM cards and make use of mobile and online banking. They can also request loans. Among different types of loans, stock loans, which are commercial loans for merchants and traders, are most commonly requested. In April 2014 it was recorded that over

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<sup>6</sup> Unfortunately data lack on the micro finance institutes due to time constraints of the research team.



6000 people had an account in BK Byangabo branch. The manager of the branch estimates that about 80% of these people are active in Byangabo centre or in Busogo sector. According to the BK manager having a bank nearby makes people feel safer about managing their money since they do not have to travel much in order to make deposits.

The manager explained how the different financial institutes work alongside each other: '70% of new accounts in Busogo sector are created at SACCO. However at SACCO, the maximum amount in loan you can get is 2000000 RWF (2171 Euro) (Coinmill, 2014). If you have a bigger business, and want a higher loan, you need to be elsewhere than SACCO. These people make use of for example BK services. The shift from SACCO to Bank Populaire is not a very logic one says the manager. Bank Populaire has low capacity and is there for not able to give much higher loans compared to SACCO. In this regard BK has a distinctive position. The BK manager believes that it is the task of financial institutions to make people aware of finance. People should be mobilized to make use of finance. The SACCO manager in Byangabo made a similar statement saying that it is the responsibility of financial institutes to make finance more accessible to the people.

Some entrepreneurs in the centres serve as agent for Equity Bank. These agents are easy to recognize through the Equity Bank signs on the front wall of the buildings. Through these agents it is possible to access savings as small amounts of money can be withdrawn for slightly higher tariffs. Through this system there does not have to be an Equity branch physically available in each town to get access to finance. The entrepreneurs who serve as agent also make a little extra money as they get part of the tariff on the withdrawal. According to an Equity agent in Mukamira, Equity Bank has the regulation of accepting only two Agents per settlement.

SACCO was launched in Byangabo centre in September 2009. According to the manager of SACCO, the national government conducted a research sometime before 2009 and it showed that only 23% of Rwanda's population had access to financial services. It is for this reason that the government created a policy that every sector should have a SACCO in order to increase accessibility to financial services. In December 2008 indeed a strategy was launched that stated that every sector in the country should have a credits Cooperative (Kantenga, 2009). According to the SACCO manager in Byangabo overall accessibility to finance did increase to 60% in Rwanda. At the end of April 2014, 2300 people were registered at SACCO Busogo of which most of them are citizens of Busogo sector. The manager claims that SACCO has three advantages over normal banks. SACCO provides loans more easily, it provides smaller amounts and it is easier to get a membership. SACCO is only

able to hand out lower loans as it has lower financial capacity than the banks. Important indicators on which is based whether to grant a loan or not are the savings somebody has, the collateral and the extent to which a customer is considered reliable. In SACCO, loans are mostly taken to invest in agriculture, commerce and school fees. One of the outcomes of upcoming SACCO in Byangabo and surroundings is the enormous increase in fertilizer use. SACCO is therefore mainly contributing to the sectors agricultural activities the manager says. It is harder for SACCO to be of service for people in the commerce sector. Traders often need bigger loans and go to the banks to get these loans. Traders that still have a smaller business get support from SACCO but they seem to develop and in need of a bigger loan from the bank.

#### 6.5. Cleaning, security, communication and transport

Cleaning of public areas as a service is done by private companies or cooperatives that have a contract with the government. Entrepreneurs pay for cleaning services through tax. Mahoko's cleaning services are done by a company that has a contract with the Rubavu district government. In Byangabo and Mukamira a cooperative called COOPEP is doing cleaning services. According to the president of the cooperative the core activity of his organisation is cleaning of public space. 50 people are earning a wage at COOPEP. There is another operator in Busogo sector that works on cleaning but they only have contracts for the modern market and ISAE. Cleaners often work with a broom and have to deal mostly with garbage on the streets as the number of public trash cans is very limited.

Different security service operators can be distinguished in the centres and security services are also paid for through tax by the entrepreneurs. First of all, there is the highly armed national army that patrols through the centres to maintain the security. Secondly, different financial institutes hire companies to secure their branches with often well armed guards. Lastly, at least for Byangabo centre it is known that a cooperative of ex-military forces has a contract with the local government to deliver security services.

Transport is mainly done on the main road by busses, taxi-busses, trucks, moto's and bicycle taxis. Bus companies ride every half hour between Musanze and Gisenyi and they all stop in the regional service centres. They work with fixed prices. The main operators are Virunga Express, Kigali Coach and Kigali Safari and they only distinguish from one another through different timetables and travel convenience. Taxi-busses have the same route and stop everywhere to pick up people. These little vans are leased from a national company by individuals. In Mahoko there is a cooperative that owns 30 trucks for transport of goods. How

transport of goods is arranged in Byangabo and Mukamira is unknown. Moto's and bicycles transporters can always be found in the regional centres and they are often used to transport people.

According to a Kanama sector official there are three operators in communication namely MTN, Tigo and Airtel. An employee high in the hierarchy of Tigo says that they started on the Rwandan market in 2009, second after MTN in 2007. The Kanama official claims the government is only involved with this part of the communication industry through setting rules and regulations. Therefore these companies create connections themselves by building signal masts. The Tigo spokesman explains the services that Tigo provides on local level are internet connections, phone connections and mobile banking. Phone connections and mobile banking seem indeed to be widely used services. Communication as a service can bridge to other forms of service delivery with different collaborations. Tigo is collaborating with SACCO, EWSA and Virunga Express. With SACCO collaboration is on mobile finance as the SACCO manager confirms. People can buy electricity and water through Tigo (EWSA). Lastly, through the alliance with Virunga Express people can buy bus tickets in advance through Tigo. In the centres dozens of people earn money by selling credit and offering services for one of the major communication companies. In this way the companies contribute to local employment as well.

## 6.6. Conclusion

This chapter showed the high diversity of services in the regional service centres. Not only numerous services can be found in the centres; for almost all services counts that there are different operators as well; both public and private. Generally, services do not vary much regarding the three service centres as supply of them seems equally spread. Education and healthcare systems seem to be quite well elaborated and facilities are always near the people. Electricity and water are highly available to the entrepreneurs in the centres as almost all of them make use of it to some degree. All people involved state that water supply developed fast over the last decade with sources currently accessible close to the people. The main road crosses all the centres and plays an important role in their development. The road has been there for quite some time and assumable played an important role in selecting Byangabo, Mukamira and Mahoko to become the centres of trade they are. Trade centres on and near the markets in Byangabo, Mukamira and Mahoko. The market building as a delivered service shapes opportunity for people conducting a trade that earns not enough money to rent or buy an establishment for. Multiple traders conduct business in the markets and many people buy

their goods there. Lastly, the financial services are highly visible in the centres and considered very important to entrepreneurs as the different managers state that requests on loans are often for commercial purposes. In the next chapter among other findings it will get clear that regardless of the high availability of financial services, getting access to them is difficult for a substantial part of the entrepreneurs.

## **7. Entrepreneurs, enterprises and the use of service**

This chapter gives the entrepreneurs of the service centres of Byangabo, Mukamira and Mahoko a voice by elaborating on how entrepreneurs see their own economic position and on what the role of different services is for their enterprises. First, an overview of the different enterprises that were identified is given in terms of the products/services offered and the age of the enterprise. Later attention is paid to the entrepreneurs their background. Subsequently, the enterprise will be discussed in detail. Finally service use of entrepreneurs is dealt with to shed light on the demand side of services and the appreciation for the different ones located in the centres.

The chapter is mostly based on findings derived from the interviews conducted in the centres but other sources will be used as well. The sample of this research holds 61 entrepreneurs, respectively 22, 20 and 19 for Byangabo, Mukamira and Mahoko. Interviews with government officials and employees<sup>7</sup> are also of relevance with regard to this chapter. Furthermore two lists, that show enterprises and market vendors who launched their activity and who registered at the authorities, are used as part of the data. These lists were received from personnel of the Busogo sector office. For the sake of comparison, throughout this chapter, reference will be made to the establishment census that the Rwandan government published in 2011.

### **7.1. Introducing different enterprises in the service centres**

The enterprises in the centres of Byangabo and Mukamira have been identified based on mapping techniques. Systematic sampling techniques have been used for the larger centre of Mahoko in order to find the respondents. In the case of Byangabo 125 enterprises were identified in the centre. For Mukamira the total population suggested based on the mapping techniques contains 159 enterprises. For further details on the mapping and population results please see appendix B. Through mapping techniques it was possible to select the entrepreneurs according to their type of business. Another factor that played a role in the selection was the location of the enterprises. It is important to keep in mind that the main criterion on which enterprises were identified and selected is that the establishments were clearly visible as enterprises for people passing by.

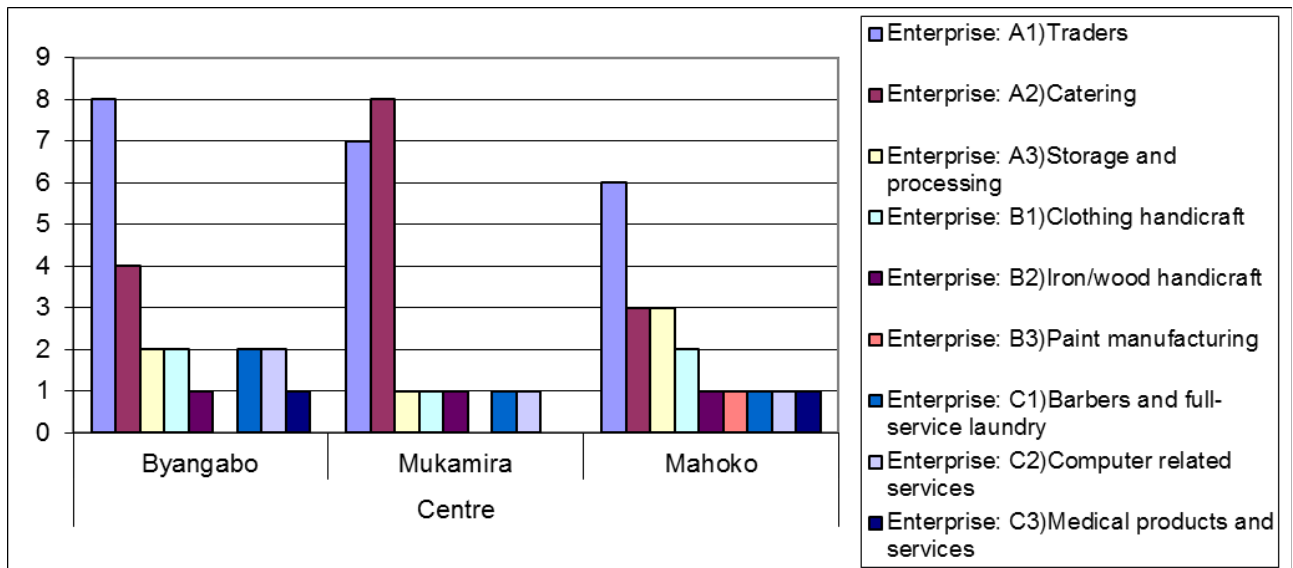
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<sup>7</sup> In three cases interviews meant for entrepreneurs were conducted with employees. Although these participants shared valuable information they were excluded from general analysis because not all questions could be answered.

### 7.1.1. Enterprises and the sample

Different categories for the enterprises have been adopted and reformulated resulting in the final categorisation as presented in *figure 7.1*.

**Figure 7.1:** Number of enterprises according to category for the three regional service centres Byangabo, Mukamira and Mahoko



9 categories are distinguished which are labelled with a letter and a number. Three overarching enterprise types are identified namely A) mainly food related enterprises, B) handcraft enterprises, and C) Service related enterprises. Some of the categories created need more explanation; therefore this section will elaborate on these categories. Category A1, ‘traders’, consists of enterprises that strictly sell products. Different sorts of enterprises can be distinguished that sell edible and drinkable products or that are specified in for example animal medication or spare auto parts. Furthermore there is a ray of boutique shops that sell products without a clear focus. Characteristically for boutique shops is that they do not clearly differentiate from each other and there fore sell more or less the same products. Products often seen here are household items of all kinds, umbrella’s, canned food, fertilizer etc. The different categories marked with an A contain retailers that in up to all cases strictly sell products that are often related to food and drinks. Category A2, ‘catering’, reflects restaurants and bars. The A3 category ‘Storage and processing’ mainly are establishments in which agricultural raw materials are being stored, and in some cases processed, to be sold. The categories marked with a B are enterprises in which the core business is to create or repair

products for which technical skills are needed. Iron and wood handicrafts for example are businesses in which bicycles are repaired or doors and furniture's are created. A paint manufacturer in Mahoko which appears to be highly distinct from other enterprises, makes a product for which technical skill is needed and therefore got an own category (B3). For the categories identified with a C counts that the core of these enterprises is to offer services. Category C1 consists of barbers and a laundry and drycleaners. In category C2, 'computer related services', are print shops and a photocopy shop included which offer similar services using similar devices and machines.

The sample holds two exceptions with regard to earlier mentioned selection criterion of the visible establishment. These are market vendors and shoemakers who are also included in this sample. Although it is easy to spot market vendors and shoemakers conducting business, in almost all cases they do not have their own physical premises as the other entrepreneurs of the studies have. Market vendors share the market as an establishment and they operate with dozens in the same place. Shoemakers often have little businesses on the street which they build up and break down every day.

As figure 7.1 shows most entrepreneurs are positioned in the categories traders and catering, which shows that there are multiple of these kinds of enterprises in the regional service centres. Together with the category 'storage and processing', which is also relatively big, traders and catering are the categories for which local agricultural products are the dominant product of the business. It is interesting to note that the enterprises in this sample relate to the non-farming jobs classification of the government regarding urban area's identified in the employment policy as outlined in table 7.1.

**Table 7.1:** *Rwanda's non-farming jobs, divided over the rural and urban sector*

<b>Non-farming jobs in rural areas:</b>	<b>Non-farming jobs in urban areas:</b>
1) Mining extraction	1) Construction
2) Rural industrialisation	2) Transportation
3) Handicraft making and cottage industries	3) Commerce
4) Rural infrastructure development	4) Services

*Source: GOR, 2007B pp. 13-14*

### 7.1.2. Starting an enterprise

Entrepreneurs were asked when they became the owner of their current enterprise; in nearly all cases they found the enterprise themselves. The results are given in table 7.2. In order to process the data timeframes of two years were made.

**Table 7.2:** *Entrepreneurs in the regional service centre by years of starting the enterprise*

		<b>Centre</b>			
		Byangabo	Mukamira	Mahoko	Total
<b>Years ago:</b>	0 - 2	4	4	7	15
	2 - 4	5	4	5	14
	4 - 6	6	2	3	11
	6 - 8	0	5	1	6
	8 +	6	4	3	13
<b>Nonresponse</b>		1	1	0	2
<b>Total</b>		22	20	19	61

The table shows that almost half of the participants launched their business within four years of conducting the interview which is relatively recent. Although the differences are not extraordinary, data on Mahoko show that more than three-quarter of the enterprises in the sample started within the last six years. The table also reveals that there are relatively many young and less old enterprises. The older enterprise did not seem to be bigger or distinguish themselves from younger ones in any way.

It turned out difficult to obtain figures on starting entrepreneurs from sector offices due to poor communication and administration. The little data obtained from Busogo sector however shows increasing numbers with regard to new entries. Obtained information, of only a few months over the last couple of years, shows that there were more entries in January 2014 compared to July, August and September of the year 2013, and the timeframe of August-December 2012. Since data from the Busogo sector government is far from complete it would be unwise to draw hard conclusions from them. Likewise national figures from 2011 are in line with the increase in enterprise entries as the sample data from this research show. The group of people that started an establishment between 2005 and 2009 consists of 35%, and the group that started in 2010 or 2011 even consists of a remarkable 48.7% of total number of establishments (GOR, 2011). These data confirm that a lot of people start new



establishments or enterprises in Rwanda; hence the data on the three regional service centres are not that remarkable.

The question adopted in this research was specifically about when the entrepreneur got in charge of his or her current enterprise. In the majority of the cases the persons interviewed say they started the enterprise themselves (n=55). In six of these cases people stated that they started the enterprise together with their counterparts or with one or more business partners. This means that generally the participants strongly relate to the enterprises they run. Some entrepreneurs had earlier experience in having an own enterprise. Some had an enterprise in the same business before, another currently owns two of the same enterprises and again others had an enterprise but moved it because better opportunities came forth such as the creation of a modern market. This group of entrepreneurs does not mention their past experience as a motive to start their current enterprise which some others did as will be discussed later in this chapter.

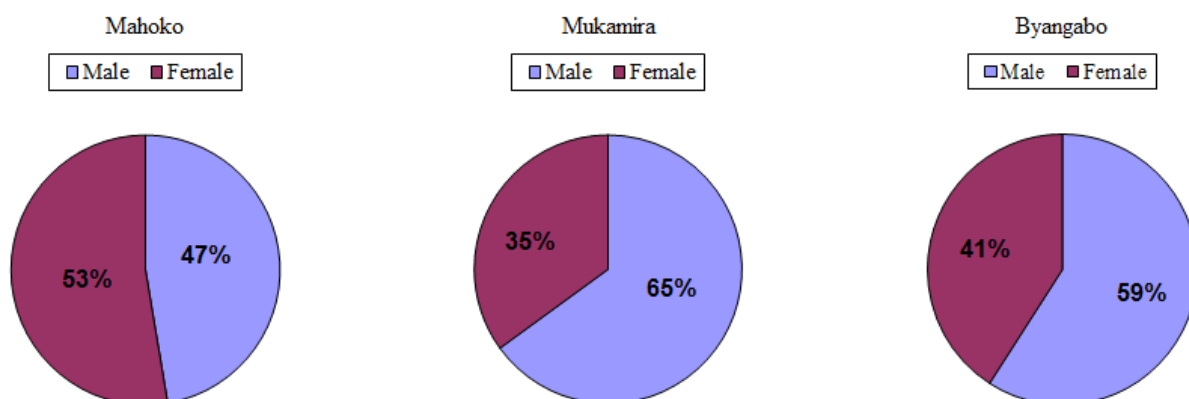
## 7.2. Introducing the entrepreneurs

Different themes that will give a broad characterisation of the sample are addressed in the following sections. First, basic information on gender, age and education of the entrepreneurs will be dealt with. Then, the origin of the entrepreneurs and their previous activities will be elaborated upon. Subsequently, the reason for starting an enterprise will be discussed. The next two sections will be about other income generating activities of the entrepreneurs, and the development of income and investment priorities. Lastly, the relation between education people enjoyed in the past and the enterprise will be discussed.

### 7.2.1 Basic characteristics of the sample

The two following figures and one table on the next page will hand an overview of the entrepreneurs their sex, age and education. The different diagrams in figure 7.2 offer an overview of the entrepreneurs according to their gender. In Byangabo centre thirteen males and nine females are part of the sample. For Mukamira and Mahoko these numbers are respectively thirteen and seven, and nine and ten. Table 7.3 outlines the entrepreneurs according to age in 4 different categories. As the table shows almost half of the entrepreneurs has an age between 24 and 34. Figure 7.3 outlines the sample details with respect to the highest level of education entrepreneurs enjoyed in their life.

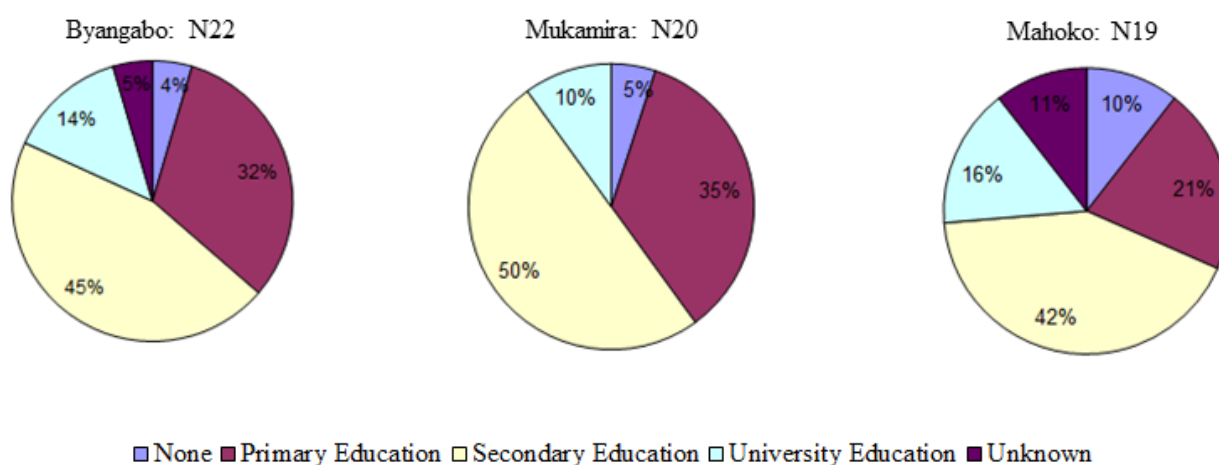
**Figure 7.2:** *Entrepreneurs in the regional service centres according to gender*



**Table 7.3:** *Entrepreneurs in the regional service centres according to age*

Age	Byangabo	Mukamira	Mahoko	Total
45 t/m 54	2	3	4	9
35 t/m 44	5	5	4	14
25 t/m 34	11	9	7	27
15 t/m 24	1	3	2	6
Non-Response	3	0	2	5
<b>Total</b>	<b>22</b>	<b>20</b>	<b>19</b>	<b>61</b>

**Figure 7.3:** *Entrepreneurs in the regional service centres according to Education*



### 7.2.2. Origin of entrepreneurs

Not only people that have their roots in the regional service centres start a business there. As table 7.4 shows the centres attract people from other regions as well. For Byangabo centre the figures are somewhat incomplete<sup>8</sup>. The question since when they were living in the centre was asked to, and answered by seventeen of the 22 participants.

**Table 7.4:** *Entrepreneurs in the regional service centres according to their place of birth*

		Centre			
		Byangabo	Mukamira	Mahoko	Total
Born and raised in the centre		8	11	3	22
Migrated from:	North Province	4*	1	5	10
	East Province	1	0	1	2
	South Province	2	0	1	3
	West Province	1	6*	6*	13
	Central Province (Kigali)	1	0	2	3
	Congo (DRC)	0	2	1	3
Unknown:		5	0	0	5
Total		22	20	19	61

As the table shows over one third of the participants was born and raised in the centre he or she currently lives in. It is remarkable that in the case of Mahoko centre only one sixth of the entrepreneurs was born and raised in the centre were as for the other centres this proportion is clearly larger. Entrepreneurs come from all over the country and even cross borders to conduct business in one of the centres. Some of the numbers in the table are highlighted with an asterisk as these are the provinces in which the centres are located.

When the data on the type of enterprise is combined with the data on where the entrepreneurs have their roots, no stunning results come up. Most notable are the iron and wood handicraft and the medical enterprises of which all the owners come from the centres or the provinces the centres are located in. Also storage enterprises are five out of six times managed by people from the province the centre is located in. The category that is least represented by people from the centre or province in which business is conducted is the computer related services category with only one out of four.

<sup>8</sup> The first interviews in Byangabo centre yielded less data as the interview outline was still developing.

### 7.2.3 Previous activities

Entrepreneurs have been asked about the activities they were participating in before they started the enterprise and the results show that there is a lot of diversity within the sample. The only occupation that is mentioned often is agriculture. It is important to note here that what is referred to as agricultural activities are both the cultivation of land and management of livestock. If the distinction is being made between agricultural and non-agricultural previous activities, Mukamira's sample hosts twelve people that mention former experience in agriculture compared to eight that were involved in other non-agricultural activities. For Mahoko these figures are respectively four and thirteen. For Byangabo there is no data with regard to previous activities<sup>9</sup>.

### 7.2.4. Reason to start a particular enterprise

Entrepreneurs in the three service centres come up with different reasons that made them start the particular enterprise. Among the various reasons most commonly (n=12) is referred to the creation of creating a distinguishing enterprise. Important reasons are also the idea of creating an enterprise that is profitable (n=11) and educational background (n=11). A couple of other less common reasons were brought up as well. Some started a business because of circumstances (n=5) such as involvement through family members or specific opportunities they had. Four entrepreneurs say they started an enterprise since it was relatively easy to start because of only little investment was needed. Five entrepreneurs based their choice to start an enterprise on former experience in the particular niche.

### 7.2.5. Other income generating activities

Many of the entrepreneurs turn out to have other, sometimes earning, occupations beside their enterprise and in this section these other activities are discussed. In addition to income generating activities, subsistence farming and education are identified as occupations which entrepreneurs are involved in. More than half of the entrepreneurs in the sample is currently involved in multiple income generating occupations. Among these are agricultural activities, and other non-agricultural business. Most commonly entrepreneurs are, besides their enterprise of focus, involved in agricultural activities (n=32). Of the ones that are involved in agricultural activities most are to be found in Byangabo and Mukamira. In both Byangabo and Mukamira ten entrepreneurs earn money through agricultural activities next to their enterprise. In Mukamira four and in Byangabo only two entrepreneurs say they do agricultural

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<sup>9</sup> The first interviews in Byangabo centre yielded less data as the interview outline was still developing.

activities in a subsistence way only. With regard to Byangabo, a local government official estimates that 80% of the income generated in the centre is related to agriculture and only 20% to occupations which are not tied to agriculture in some way. Mahoko is the only centre in which agriculture as an additional occupation is conducted by less than half of the entrepreneurs in the sample. The participants have been asked to estimate the division of their income regarding their different occupations to get an idea of the relative importance of the enterprise of focus to the overall income. Results on this topic are presented in table 7.5. Most noteworthy is the sample of Mahoko that shows that a relatively big part of the entrepreneurs rely on only one source of income.

**Table 7.5:** *Estimated division in income regarding different economical activities*

	<b>Byangabo</b>	<b>Mukamira</b>	<b>Mahoko</b>	<b>Total</b>
All income comes from the enterprise of focus:	6	9	12	27
Enterprise of focus is main contributor to income:	4	5	5	14
Enterprise of focus and other activities earn equally.	4	3	1	8
Other activities earn more than enterprise of focus:	0	3	1	4
Total	14 <sup>10</sup>	20	19	53

#### 7.2.6. Development of income and investment priorities

In the perception of the entrepreneurs from the sample their overall income increased over a given amount of time. 49 of them say it increased and only five say it decreased. The development of increase in income over time suggests that the participants have the ability to make investments and they generally do so. When the Byangabo entrepreneurs were asked where they invest their money in, agriculture and school fees are more often mentioned than the enterprise of focus. In Mukamira and Mahoko the entrepreneurs were asked to list their top three investments. In most cases entrepreneurs mentioned one or two domains of investment. In Mukamira ten entrepreneurs see reinvestment in the enterprise as the top priority. For Mahoko these are even seventeen entrepreneurs. Furthermore agriculture is often

<sup>10</sup> The first interviews in Byangabo centre yielded less data as the interview outline was still developing.

mentioned as well; ten times for Mukamira and seven times for Mahoko. Other investment domains that are mentioned in both centres are school fees and other economic activities.

#### 7.2.7. Education and trainings

Education is a public service that the government offers to some extent to its citizens as also demonstrated in the previous chapter. When asked if entrepreneurs had some sort of education that relates to their current economic activities 25 participants mentioned this is the case. For seventeen entrepreneurs education relates directly to their choice of enterprise. In the sample the relation is most notable in the case of medical shops, computer related shops and tailors. Both pharmacists, three out of four computer related shop owners and three out of four tailors stress the relevance of their education. Different types of schooling are considered in this research. Pharmacist speak for example of medical schooling which is probably different in intensity and duration compared to the one year tailor training mentioned by two of the tailors. Multiple entrepreneurs mention that in the stimulation of the enterprise the government could be of service by providing trainings. The Business Development Centres are also entities through which the government gives her inhabitants the possibility to attend trainings. There is also a group of entrepreneurs in the sample (n=8) that argues that education has been important in shaping them in a way that they feel capable of running a business.

#### 7.3. The enterprises in detail

To get a better understanding on what role enterprises play in local society it is important to know a little more about them. Different aspects are highlighted in this section. Employment within the enterprises will be the first topic as it is important to know how many people are internally involved in the enterprises and thus directly earn from it. Secondly, this section will elaborate on linkages of the enterprise since it is considered relevant to know which external people play a role in the existence of the enterprise as customer or as supplier. Subsequently, perceived dominance on the market regarding other entrepreneurs in the same niche is discussed. Finally, an overview of the challenges that entrepreneurs face with regard to the enterprise will be given.

Participants generally do not own the establishment they conduct business in. Only nine of the entrepreneurs in this sample own the premises. Considering these findings, it turns out that landlords might be important in relation to the entrepreneurs. However, this research did not target landlords as the sampling of entrepreneurs has been strictly focussed on those with a visible establishment. One can approach landlords also from a service delivery

perspective. By means of setting boundaries it is decided not to include landlords as providers of a service in this study because this service is assumed not to be largely organized. When asked whether the entrepreneurs were registered at the authorities almost all of them claimed they are known at some government institute. In most cases the registration form was put on a wall in the establishment to enforce this claim. Rwanda has many different government entities for which registration is possible and therefore it is not possible to make statements on the kind of relation between entrepreneur and government regarding registration. Some of the different government entities in this regard are district and sector governments, the Rwandan Revenue Authority and the Rwandan Development Board (GOR, 2011).

### 7.3.1. Employment

In this research employment is seen as a key factor through which entrepreneurs in the regional service centres can stimulate wider economic growth. The number of employees can also be approached as an important indicator for the size of the enterprise and its turnover. An outline on the sample details in relation to employment is presented in table 7.6.

**Table 7.6:** *Employment details for enterprises in the regional service centres*

	Centre			
	Byangabo	Mukamira	Mahoko	Total
Total number of Enterprises	19 <sup>11</sup>	20	19	58
Enterprises with employees	13	16	11	40
Total number of employees	34	35	39	108
Total number of enterprises with family employees.	4	1	2	7
Total number of family employees	5	1	3	9

The sample has an average of two employees for all the enterprises with employees in Mukamira. In Byangabo three employees per enterprise is the mean for enterprises with employees. For Mahoko an average of four employees is measured out of eleven enterprises. Mahoko's sample hosts an enterprise with nine and an enterprise with seven employees which are the biggest enterprises of the entire sample. These findings show similarities with national census data from 2011. 92.6% of Rwanda's establishments are categorized as 'micro' with 1 to three 3 employees. 6.2% of the establishments are considered 'small' with 4 to 30 employees (GOR, 2011).

<sup>11</sup> Not all enterprises of Byangabo's sample are included as the topic of employees was not always discussed.

The entrepreneurs state in nearly all cases that their employees work five, six or seven days a week. Although interesting enough, the specific information on employees their doings is considered a sidetrack in this research. As data is lacking on the role of the enterprise for the livelihoods of the employees statements on the wellbeing of employees cannot be made. Employers have family ties with their employees only in some cases. Less than one sixth of all employers has family members employed and less than one sixteenth of the employed people are related tot their employers.

Entrepreneurs were also asked about the development in number of employees over a given time period. A five year time frame was used as standard in this research; but since a lot of enterprises did not exist yet five years ago the used timeframes are different per case. In all centres a substantial part of employers claim that their number of employees increased. There was only a decline in the case of two businesses in Byangabo and one in Mukamira. Sixteen employers speak of an increase and eighteen others say no change occurred. The group of enterprises with growing employee numbers is strongest in Byangabo (7/11). For Mukamira and Mahoko the numbers are respectively 5/16 and 4/11.

### 7.3.2. Linkages

Entrepreneurs state that generally they see the citizens of the centres as potential customers. Hence asking the entrepreneurs about important customers does not reveal a clear focus.

In the case of Byangabo centre however a specific group can be distinguished, namely students. There is a yearly inflow of new students at the ISAE and these students have some specific needs. The best example of this is print shops who deliver services, which according to the print shop owners in Byangabo especially students are interested in. Eleven out of 22 entrepreneurs mentioned students as a sub-group of customers that is important to them or on which they specifically focus. Quite some entrepreneurs say passengers on the main road are an interesting clientele. Only six out of all entrepreneurs in this study claim their reach is beyond the centre. For them counts that people in the sector or region are familiar with the specific services they offer. As said, villagers in general are the most important clientele for the entrepreneurs in the centres but some of them also sell their products to other entrepreneurs or traders who then sell to consumers. This is often the case for some of the storage and processing enterprises and the paint manufacturer.



A lot of enterprises in Mukamira and Mahoko<sup>12</sup> centre count on local suppliers for their businesses. These entrepreneurs are most commonly people, who run restaurants, local bars, alimentations; that need agricultural products or who are depended on the market for their supplies. These local suppliers are mostly farmers. Also the drink distribution centres at local level are sometimes mentioned as important supplier. Others depend on suppliers from Gisenyi, Musanze, Kigali and sometimes abroad to get their products.

### 7.3.3. Perceived dominance on the market

Competition is an interesting concept that characterizes entrepreneurship; especially in small centres like the ones in north-west Rwanda where quite some people are involved in similar enterprises. However, competition has not been approached as a concept to measure in the context of this research as it is perceived an impossible task, due to shortage of time of the research team. Furthermore in obtaining data it turned out that entrepreneurs often do not seem to have a clear idea on income and expenses with prices being not fixed. When, in Byangabo centre, the entrepreneurs were asked about their comparative advantage over their peers, multiple entrepreneurs mentioned being more experienced or showing better customer care as a way of being distinct. Obviously, the more people make such statements the less value the argument holds.

Keeping in mind that competition is considered too difficult to measure the research does attempt to get familiar with the perception of entrepreneurs on their position compared to others on the market. This is done by asking entrepreneurs about the number of peers on the market in their particular niche; how this number developed over time or how many new entries they witnessed. One must keep in mind that these data are based on the participant's estimations. Quite some entrepreneurs (n=21) believe that within their niche there are more operators compared to a given time ago. Generally the results show that for nearly every type of business it is estimated that there has been new entries over the last couple of years.

There are also some entrepreneurs that do not report new entries and some of them actually claim that they have a monopoly on what they do since there is no one else in the centre offering the same product or service. This is the case for the paint manufacturer and the laundry drycleaner in Mahoko centre. Also an employee of a photo/video studio in Mahoko claimed that their business has a monopoly in the local market. The paint manufacturer explains he particularly chose Mahoko to conduct business after making inquiries with regard

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<sup>12</sup> Interviews in Byangabo centre yielded less data as the interview outline was still developing.

to towns in the entire country. According to him Mahoko is a promising centre because: ‘it’s a growing centre in which labour is cheap, buildings are relatively cheap and the centre is a good market with a lot of potential customers’. The laundry and drycleaners entrepreneur came to Mahoko after an attempt to have a similar enterprise in Gisenyi, The big city nearby. ‘The reason why I left Gisenyi is because of the competition I experienced there’ she says.

#### 7.3.4. Challenges entrepreneurs face

All entrepreneurs in the sample together come up with a total of 25 different challenges<sup>13</sup> with respect to the wellbeing of their enterprise. Twelve of these challenges are mentioned by two or more entrepreneurs. These challenges are outlined in table 7.7. Six entrepreneurs, five of whom live in Mukamira, do not identify any challenges. For three other entrepreneurs in Byangabo it is unknown whether they face challenges or not<sup>14</sup>.

**Table 7.7:** *Challenges entrepreneurs claim they face*

	Centre			Total
	Byangabo	Mukamira	Mahoko	
1) High tax burden	11	12	10	33
2) Hard to get a loan	5	7	7	19
3) Rising competition	1	2	4	7
4) Insufficient electricity supply	4	0	3	7
5) Feeling unsafe	1	3	2	6
6) Declining number of customers	1	1	2	4
7) Insufficient water supply	2	0	1	3
8) High rent	1	0	2	3
9) Rising prices of raw materials	2	0	0	2
10) Insufficient cleaning services	1	1	0	2
11) Problematic clients	1	1	0	2
12) Change in agricultural production	0	2	0	2

Tax is considered high by the entrepreneurs in all centres and this is the challenge that is most often mentioned (n=33). For more information on Tax please see box 7.1. Difficulty in getting a loan serves as a strong runner up challenge with close to one third of the entrepreneurs in the sample mentioning this. Entrepreneurs face a lack of financial means but often do not have enough collateral compared to financial institute’s standards for granting a loan.

<sup>13</sup> These results are very diverse as they are derived from an open question.

<sup>14</sup> The first interviews in Byangabo centre yielded less data as the interview outline was still developing.

### **Box 7.1: Entrepreneurs and tax**

Three different types of tax exist that are applicable on entrepreneurs. There is fixed asset tax, trading license tax and rental income tax. People need to pay fixed asset tax on property they are entitled on. The tax they need to pay yearly is 1/1000 of the market value of the fixed asset. As most of the entrepreneurs rent the properties they conduct business from, their landlords have to pay this tax. If one owns or is the proxy of a profit-oriented activity he or she has to pay trading license tax. Bigger enterprises, those with a yearly turnover of twenty million RWF of more, need to pay value added tax (VAT). It is assumed that none of the enterprises in this study make such money on a yearly basis and none of the entrepreneurs in the sample mentioned paying VAT. Entrepreneurs in Rwanda whose turnover is less than twenty million RWF a year pay tax depending on their activities and location. The Rwandan revenue authority distinguishes 6 categories as demonstrated in the table:

<b>Type of activity</b>	<b>Rural Area RWF</b>	<b>Towns RWF</b>	<b>City of Kigali RWF</b>
1) Vendors without shops, small scale technicians who do not use machines.	4000	6000	8000
2) Transporters of people and goods on motorcycles.	4000	6000	8000
3) Traders and technicians who use machines.	20000	30000	40000
4) All other vehicles besides motorcycles.	40000	40000	40000
5) For transport activities by motor boat.	20000	20000	20000
6) Other profit-oriented activities.	20000	30000	40000

*Source: Musanze official in charge of tax collection*

Although different services will be discussed in detail later, people see lacking or missing services as a challenge to the wellbeing of their enterprise. Dissatisfaction with electricity is mentioned seven times, remarkably four times in Byangabo and three times in Mahoko. Three entrepreneurs are not satisfied with water supply which is considered unstable. Furthermore it is mentioned by six people in the sample that they see lack of safety as a challenge to the existence of the enterprise. Theft is the main reason they feel unsafe. Another participant, who did not mention security issues as a challenge, raised the point that different entrepreneurs in Mukamira disbanded their enterprise as a consequence of feeling unsafe. According to him there had been four shootings over the last year. He claimed that businesses that do well are at high risk with regard to this kind of heavy criminality.

#### 7.4. Entrepreneurship and services

In chapter six, which elaborates on services available in the centres, the different services distinguished in this research were presented. The ones considered most universally relevant to the sample were included in a specific set of questions. Respondents have been asked whether they use a specific service or not, what they use the service for and what services are considered to have the biggest contribution to the enterprise. On the question what services are contributing most to the wellbeing of the enterprise, participants were to present a top three of services according to their importance. The sample of entrepreneurs who was asked this question and who answered it is 47; eight for Byangabo<sup>15</sup>, nineteen for Mukamira and nineteen for Mahoko. On the next page in table 7.8 the results are presented.

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<sup>15</sup> The first interviews in Byangabo centre yielded less data as the interview outline was still developing.

**Table 7.8:** *Most important services regarding the wellbeing of the enterprise*

		Centre			Total
		Byangabo N=8	Mukamira N=19	Mahoko N=19	
<b>Electricity</b>	<b>1</b>	5	8	9	22
	<b>2</b>	1	5	3	9
	<b>3</b>	0	2	1	3
	<b>Total</b>	6	15	13	34*
<b>Water</b>	<b>1</b>	2	5	8	15
	<b>2</b>	4	6	3	13
	<b>3</b>	0	1	0	1
	<b>Total</b>	6	12	11	29*
<b>Communication Services</b>	<b>1</b>	0	0	0	0
	<b>2</b>	1	2	6	9
	<b>3</b>	5	5	4	14
	<b>Total</b>	6	7	10	23*
<b>Roads</b>	<b>1</b>	0	6	1	7
	<b>2</b>	0	1	1	2
	<b>3</b>	0	4	1	5
	<b>Total</b>	0	11*	3	14
<b>Transport Services</b>	<b>1</b>	0	0	1	1
	<b>2</b>	0	2	1	3
	<b>3</b>	0	1	1	2
	<b>Total</b>	0	3	3	6
<b>Security Services</b>	<b>1</b>	1	0	0	1
	<b>2</b>	1	1	1	3
	<b>3</b>	1	1	0	2
	<b>Total</b>	3	2	1	6
<b>Financial Services</b>	<b>1</b>	0	0	0	0
	<b>2</b>	0	1	0	1
	<b>3</b>	1	1	0	2
	<b>Total</b>	1	2	0	3
<b>Cleaning Services</b>	<b>1</b>	0	0	0	0
	<b>2</b>	1	0	0	1
	<b>3</b>	0	0	0	0
	<b>Total</b>	1	0	0	1

Not all entrepreneurs filled in three services because there were simply less than three services considered of real importance to the enterprise. It is for this reason that the number of first choices is 46, the number of second choices 41, and the number of third choices 35. The most remarkable findings are highlighted with an asterisk and will be discussed. Electricity and water services are most mentioned and also strongly represented in the box of most important service. How different is the image for communication services which are strictly considered the second and third choice. When approaching the data in the light of the different centres it is notable that roads are clearly more often mentioned by the Mukamiran entrepreneurs. Although Byangabo's sample for this section of the data is very small, half of all people mentioning security services (n=6) comes from this centre.

Almost all the entrepreneurs in the sample state they make use of and pay for electricity (n=57). A common purpose for electricity is lighting with 42 of the participants mentioning this. Other ways to use electricity are more specific for different types of enterprises. For businesses that deal in edible or drinkable products it is not unlikely to have a fridge (n=11). Electronic devices such as televisions, computers and radio's are used in ten enterprises. In eleven cases specific machines need electricity to work, examples of such businesses are the door makers, the paint manufacturer and the laundry and drycleaners. Among a group of entrepreneurs (n=23) that is equally spread over the centres electricity use has increased over a last given period of time. However, with seven and eleven entrepreneurs complaining, dissatisfaction about the stability of electricity supply is common in respectively Byangabo and Mahoko. An entrepreneur in Mukamira suggests that electricity and water supply are quite stable in the centre because a big maize manufactory is located in town for which a stable supply is vital. However, according to different entrepreneurs the manufactory is currently not in business.

Water is also a widely used service with 56 users. Users pay for water. 42 of them say they use water mainly for hygienic purposes such as cleaning and washing. A few others have more specific purposes for water such as for cooking, for running machines, for being part of a product or for washing hair. Among a group of entrepreneurs (n=22) that is equally spread over the centres use of water has increased over a last given period of time. When asked about the change in the accessibility of water over a given period of time a total of 32 participants say improvements occurred with the closest water source getting less distant. It is interesting to see how an exceptional large part of the sample in Mahoko (n=9) says the situation stayed the same compared to some time ago.

Table 7.8 also shows that communication services and roads are seen as valuable by a lot of entrepreneurs. It is certain that 45 of the participants make use of and pay for communication services and 44 entrepreneurs make use of roads with regard to the enterprise. Roads are paid for through tax. For both these infrastructural services counts that the main purpose of using them is to be connected with customers and suppliers for conducting business.

Financial services are not considered as one of the more important services in order to run an enterprise. These findings are in line with findings on the question whether entrepreneurs made use of a loan. Most of the entrepreneurs did not make use of a loan in order to start or maintain their enterprise. Little less than a quarter of the entrepreneurs said they used a loan. This is a limited number of people compared to the demand for loans as was outlined earlier this chapter in the challenges section.

#### 7.5. Role of the government in everyday life

Different challenges with regard to the well being of the enterprise were identified earlier. When asked about the potential role the government can play in dealing with the different distinguished challenges most of them desire from the government to reduce taxes and to make it easier to get financial means. Also they would like the government to arrange trainings for specific fields of business or entrepreneurship in general. Furthermore some entrepreneurs want the government to put more effort in getting electricity stable and creating fixed prices on the market.

Entrepreneurs were also asked whether they know of a platform where it is possible for them to make suggestions for the government on what could be improved in their opinion. 35 entrepreneurs state it is possible for them to make these suggestions. Only fourteen claim they actually did. A few entrepreneurs mentioned that it is only possible for them to do suggestions at determined meetings between one and five times a year. Topics that have been raised by the entrepreneurs on these meetings are their demand for tax decrease and issues regarding security services. These topics seem related as security is part of tax payment and people seem to feel they need to pay too much for security services which sometimes are lacking.

#### 7.6. Conclusion

This chapter shows that entrepreneurs in the centres originate from different areas in the country and that a substantial part of the entrepreneurs has an age between 25 and 35 years old. Enterprises in the sample can be considered young with half of the enterprises being four

years old or younger. Only a small number of entrepreneurs conduct their business for eight years or longer. Whether this is purely survival of the fittest or whether fewer entrepreneurs started a business in the past is unknown. Entrepreneurs have several reasons to start a business of which the most important ones are, the creation of a distinguishing or profitable enterprise and, individual educational background that relates to the type of business conducted.

Several different enterprises can be distinguished in the centres and the sample shows little difference in type of enterprise between the three service centres. Mostly entrepreneurs are active in retail and catering of which a substantial part is related to (agricultural) products or unfinished products originally produced in and near the centres. A substantial part of the entrepreneurs has former experience in agriculture and about half of the entrepreneurs (n=32) is still active in, earning or substantially, agricultural production besides running their enterprise. The enterprise of focus is not the only income generating activity for 26 of the entrepreneurs in the sample. 49 entrepreneurs state their income increased over a given period of time. Although many entrepreneurs in Mukamira and Mahoko still invest their money in agriculture more do so in their enterprise. Especially in Mahoko, almost all entrepreneurs mention they reinvest in their enterprise.

21 entrepreneurs state that other people started operating in their niche of business over the last couple of years. Nearly every niche has multiple operators within the centres; so most of the reported new entries are probably in areas of business that already had operators. All the enterprises are small in terms of employees. An average of two employees per enterprise is measured. Mahoko clearly has the biggest enterprises with an average of four employees per enterprise within the group of enterprises that contracts employees. Villagers in general are in most instances targeted as potential consumers. Therefore generally products are offered that are applicable to most people. To get these products, enterprises depend mostly on local suppliers; some have national suppliers. Most commonly high tax and difficulty to obtain a loan at a financial institute are mentioned as challenges with relation to the enterprise. One third of the entrepreneurs mentions getting a loan as being difficult. Less than one fourth of the participants stated they made use of a loan in the past.



## **8. Conclusion**

This concluding chapter is meant for a reflection on the questions asked at the start of this thesis. First, the chapter concludes on the important characteristics of national policy regarding the regional service centres. Secondly, the chapter deals with entrepreneurship as it is portrayed by government and as it is experienced in the centres. Thirdly, service delivery as it is experienced in the centres is elaborated on. Subsequently, the most important features of entrepreneurship in the centres will be outlined. Then the potential of service delivery regarding LED will be discussed. Later the important similarities and differences between the service centres will be determined. Finally, the role of service delivery for entrepreneurship will be outlined.

### **8.1. Reflecting on national policy**

A major point of the national political agenda is to develop Rwanda's rural areas. National policy documents published since the millennium were reviewed in this thesis. The review showed that service delivery and employment creation through entrepreneurship are among the main themes with respect to rural development. The ultimate goal of the government is to transform Rwanda into a middle income country by changing the agriculture based society into an industry and service based society. In order for this to happen the government needs to deal with problems such as poor agricultural productivity, poor infrastructural connections and poor private sector development.

The government stresses the importance of private sector involvement for the development of Rwanda's rural areas. On the one hand this is reflected in the different collaborations the government has with private companies in utilities supply and the creation of roads. Also the government sets a regulatory framework that successfully attracts providers of for example finance and communication services to the centres and enables them to conduct business. On the other hand enhancement of local entrepreneurship, mentioned in multiple policy documents, can be reflected as government interest in the role of the private sector. A closer look at the government's dealings in practice exposes some complexities as a consequence of the government seemingly afraid to lose influence. It is argued that the government has a lot of influence on the modern formal sector through public enterprises which makes it difficult for private operators to develop. Likewise the development of SME's is undermined by a tax system that hits these micro enterprises relatively hard and makes it difficult for them to flourish.

## 8.2. Merging images of entrepreneurship

This section reflects on the image the government has on entrepreneurship and the image of entrepreneurship that is created took form through the data collection in Byangabo, Mukamira and Mahoko. A review of the government's policy of the last one-and-a-half decade showed that the government has quite high expectations of the role of the private sector for Rwanda's development. According to the government the entrepreneurs should ideally be mainly involved in non-agricultural activities. As a consequence of government actions, people are pushed out of agriculture but not necessarily pulled into other economic sectors. The sample of this study shows that a substantial part of the entrepreneurs still depends partly on agriculture as an economic strategy. Although the enterprises in the sample are mainly about activities characterized by the government as non-farm urban activities, these enterprises are not rewarding enough to let go of agriculture.

As outlined in chapter six the government also stresses the role of the informal sector for entrepreneurship and employment creation. The participants in this study were in up to all cases registered at some governmental entity and since many complain about tax it is assumed these enterprises are registered as formal. A clear image of the informal sector in the regional service centres is lacking as the visible enterprises are in most cases formally driven. The development of small formal enterprises in the regional service centres is constraint by heavy taxations as also Gökgür (2011) argued. As the regional service centres only host small enterprises (except for the, often national, service delivering companies) this taxation means a serious burden on growth potential of these enterprises and the service centres.

Hence, at this stage it can be stated that the role of entrepreneurs in development, portrayed by the government does not equal entrepreneurs in practice, due to government's actions.

## 8.3. Reflecting on service delivery

The regional service centres of Byangabo, Mukamira and Mahoko are dynamic settlements as different available services are relatively young and under development. A substantial part of the entrepreneurs in this study came from elsewhere to conduct business in one of the centres and thus it can be stated that the regional service centres have a certain degree of attraction. This research does not include data from non-service centre settlements and therefore a comparison on service delivery cannot be made. However based on observations in the field it is possible to make mild statements on the difference in service delivery between the regional service centres and their direct hinterlands. It seems that there are more services available in the centres which should mean that there is better access to services and thus more

possibilities in the centres. All centres are positioned on the most developed road in the region which makes public transport and transportation of goods to and from other areas on the road network easy. Entrepreneurs in the centres have in most cases access to electricity and water. Supply in quantity and quality of water has been notably increased in the last decade and generally people are satisfied with it. Although participants complained in some cases about the lack of stability of the utilities, high costs of electricity, as suggested by the government (GOR, 2012A), is not mentioned as problematic. Generally entrepreneurs state that their use of electricity and water has been increased over the past couple of years. Different financial institutes took residence in the centres seemingly offering services to different economical classes. SACCO for example has lower entry requirements but also hands out lower loans compared to the Bank of Kigali. For inhabitants, access to banks means easy management of savings. Many entrepreneurs would like to take a loan to expand their business but do not meet the conditions to get one. Commercial loans are the most requested type of loans at Bank of Kigali but too often people lack collateral and therefore do not get the trust of the banks to get a loan. In all the centres cleaning and security services are being conducted that contribute to the liveability of the centre. Whether these services are different in quality and quantity compared to other settlements is unknown, but entrepreneurs in the centre specially pay tax for them and in some cases demand better service delivery for it as not all parts of the centre are being cleaned and different security issues are present.

#### 8.4. Reflecting on entrepreneurship

Entrepreneurs in this study seldom conduct a business that is truly distinct and all centres generally show the same types of enterprises. Entrepreneurs do claim in many instances that they started a business because they believed it would be distinctive or profitable. Hence it can be stated that a part of the entrepreneurs aims to be innovative and makes an effort to take products and services offered in their particular service centre into consideration before starting a business.

Entrepreneurs in the study create value by collectively offering multiple products and services. Many enterprises offer the same or similar products though. It is thus assumed that because of their existence, 1) there must be competition between them in which the strongest survive due to distinguishing characteristics; or 2) the market is not saturated which means there is moving space for existing or new enterprises to flourish. This suggests there is growth in the quality and/or the quantity of enterprises. Enterprises also create value through

employment creation. Although enterprises are small in terms of employees generally an increase in the number of employees is reported by many entrepreneurs.

Entrepreneurs are eager to grow their business but as so many desire to get a loan they clearly are not financial capable to do so. Banks and other financial institutes are reluctant to hand out substantial loans because there is too little assurance the money comes back. Tax is perceived as high by the entrepreneurs, which is not helping in keeping hold on finance. This experienced difficulty to develop the enterprise seems to explain why such a large part of entrepreneurs in the sample of this study is still involved in agricultural activities alongside running their enterprise.

#### 8.5. The potential of service delivery for local economic development

With respect to the regional service centres it can be stated that different services and infrastructures are in place provided by public, private and nongovernmental partners. The power relation between the companies delivering services and the government is not measured. In general however, government policy is very top down in nature which makes it seem that the private sector has little moving space. This study shows that lower governmental entities have limited power over budgets. When governmental entities lower in the hierarchy have relatively much power there is more potential for civilians to address their needs and to be of some influence on local policy outcomes. This potentially contributes to capacity building among villagers and better service delivery. Small enterprises also have limited moving space as they are not able to grow, seemingly due to regulations. Tax skims finance of the entrepreneurs which disables them to build up collateral which in turn makes them unable to get a loan. Starting an enterprise is not a problem as half of the sample started an enterprise between now and four years ago. People say to have different reasons for starting, but potentially implicitly do so as a survival strategy as they are pushed out of agriculture.

Fortunately there is some good news as well. Based on estimations entrepreneurs claim their income increased over a given amount of time. Likewise, multiple enterprises employ people and enterprises grow in terms of employees. When asked about investments entrepreneurs often mention they reinvest in the enterprise. This means the participants actually want to make something of their business. However agriculture is often mentioned as investment option as well which shows that the participant do not want, or can not, let go of agriculture at this stage.

Many services are available in the centres. Most of them are used by a substantial part of the entrepreneurs which raises the assumption that they are accessible and affordable as well. The most noteworthy constraint is the lack access to credit which so many desire. Generally speaking, the services themselves are in place and should be a major contributing factor to LED. The process is however not truly set in motion as entrepreneurs cannot reach their potential due to heavy taxation.

#### 8.6. Comparing Byangabo, Mukamira and Mahoko services

Including three centres in this study asks for some comparison. Due to limited data from mainly Byangabo centre not all the characteristics of the regional service centres can be compared; but generally it can be said that a lot of similarities exist between the centres. The centres have a similar physical appearance in which primarily the main road marks activity. The same services are being delivered in the centres and entrepreneurs are generally involved in the same type of businesses.

Mahoko centre, which is experienced slightly bigger, does stand out with respect to established non-agricultural economical activity. Participants from Mahoko very frequently have their origin elsewhere. The centre hosts more young enterprises compared to the other centres. Relatively few people were involved in agriculture before, or are involved in agriculture at this stage. Almost all the entrepreneurs in the Mahoko sample want to reinvest in their enterprise. Additionally, Mahoko enterprises have relatively many employees. These findings makes one wonder why the results on Mahoko are clearly different from the other centres and the only possible answer to be given is the difference in size of Mahoko compared to the other centres..

#### 8.7. The entrepreneur their perspective on service delivery

Entrepreneurs in the regional service centres are in most cases satisfied with the services they have access to. Especially electricity, water and communication services are mentioned as very important to the enterprise. Electricity is used in some cases for machines and fridges. However the most common use for electricity is lighting. Although electric lighting is not enjoyed by everybody in Rwanda it does not seem a prerequisite for running most of the businesses encountered in this study. In many cases electricity is not part of the production process which is also the case for water use that is often mentioned to be important for cleaning and personal hygiene. The importance of communication services shows that relations both with suppliers and customers are important for a lot of the enterprises. This is

also the case for the road and transportation services as some of the entrepreneurs count on people in some of the big cities in Rwanda.

Based on the data it can be concluded that entrepreneurs in the regional service centres do well in starting up their business but are not able to grow it. They do not enjoy the necessary conditions to carry the responsibility allocated to them regarding local economic development. Hence the role that service delivery plays regarding the entrepreneurial class in the service centres of Byangabo, Mukamira and Makoho is limited to contributing to the emergence of an entrepreneurial class. Generally it does not seem to contribute much to the further development of the enterprises.

## 9. Discussion

In this chapter the findings and the literature as was outlined in chapter two will be elaborated on. The main themes for discussion are addressed through different questions that rise from the research findings. It is argued that some new interesting question arise based on this research regarding regional service centres and entrepreneurship in Rwanda. Suggestions for further research will be addressed throughout the chapter.

### *9.1. Can one decide where economic activity occurs and develops?*

The first and foremost question that rises is whether, in the Rwandan case, one should see planning theories such as Christallers central place theory as a means to explain geographies as they are, or as a means to make geographies as they are desired to become. CPT elaborates on a physical pattern of hexagons, but with the expansion on these hexagons no or limited natural barriers are assumed (Rubenstein, 2004). Rwanda is also known by some as ‘the land of a thousand hills’; and these hills form a serious barrier with respect to the implementation of central place theory. It is not a coincidence that Byangabo, Mukamira and Mahoko are all located on the Gisenyi-Musanze road which must be the denominator in their faith of becoming regional service centres. Although it is argued that CPT still holds meaning with respect to the potential practical implementation of it (Mulligan, Partridge & Carruthers, 2012); this appears not to be completely reflected by the regional service centres.

Expanding on the development of the regional service centres as a topic it is relevant at this stage to consider whether the, in this research witnessed, development of the regional service centres directly relates to policy or whether this is simply the result of natural evolution. As a suggestion for future research one can compare regional service centres with other rural settlements to measure the effects of regional service centre policy. One must bear in mind the imaginable importance of the main road for the development of settlements. Hence it might be interesting to include regional service centres, other settlements located on the main road, and villages that are located more inland in a comparing research. This approach would cover another dimension of the potential for rural development as the extension of development to rural hinterlands seems questionable at this stage due to the perceived importance of the road.

Finally it is important to note here that CPT is a theory that covers connection processes of a set of rural and urban area’s that is way beyond the scope of this research. This study had a geographical approach strictly limited to what happens inside the centres. By means of making a suggestion for further research one should research the impact of service

delivery in the regional service centres with respect to the rural-urban hierarchy the centres relates to.

### *9.2. What factors are needed for entrepreneurship to develop in the regional service centres?*

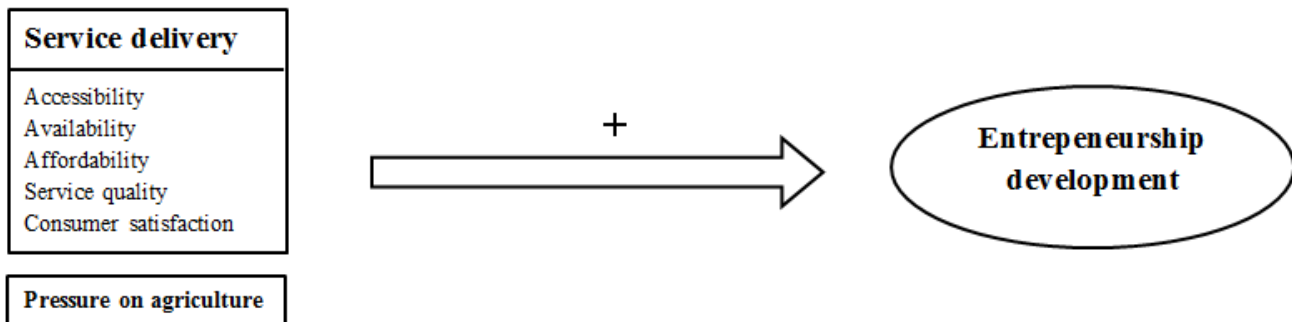
A significant part of the entrepreneurs claim they would not have started the enterprise in case some of the services in this study were not available to them. Availability of water and electricity are often mentioned in this regard. As already observed in the conclusions however, water and electricity availability do not seem to be a requirement for running the business in multiple occasions. As these services are mentioned by entrepreneurs it must be the issue that electricity and water availability shapes the conditions to start an enterprise but do not necessarily enables these enterprises to grow. Hence, people seem to be pulled into starting an enterprise because of the availability of water and electricity but subsequently they do not use them in a distinctive way. Why this phenomenon occurs among the entrepreneurs in the regional service centre cannot be answered based on these data.

The accessibility of finance as a service does seem to be an important factor for the development of an enterprise although this is not directly mentioned as such by entrepreneurs when they were asked about the most important services for the enterprise. Finance is the crux of enterprise development as it is of significant importance but there is not enough of it available. Sufficient investment will be needed for further development. Yet, general instruments to foster the entrepreneurial class seem missing. It is questionable whether local capacity is developing. With the power of local governments seemingly limited it is hard for local people to affect policy they are subject to. It is also questionable whether entrepreneurs are well enough educated to develop their enterprises. Many Rwandans are unskilled as they have been pushed out of agriculture (Ansoms & Rostagno, 2012). Despite of the course entrepreneurship being taught these days one can wonder whether this one size fits all approach will deliver a diversified set of entrepreneurs in the nearby future.

The Rwandan government stated in its policy reports its aim to pull people into non-agricultural entrepreneurship through the delivery of services. Ansoms & Rostagno (2012) note that Rwandans are being pushed out of agriculture; which can be considered as a means to stimulate non-farm entrepreneurship. The earlier adopted model on factors that contribute to the stimulation of entrepreneurship is revised as outlined in figure 9.1. As a suggestion for further research one could emphasize push and pull factors with respect to entrepreneurship in order to measure if, and to what extent, people start an enterprise as a survival strategy.



**Figure 9.1:** *Factors with respect to the stimulation of entrepreneurship (revised)*



### 9.3. What should the role of the government be for the development of rural Rwanda?

Shucksmith opens his article with the question ‘What is the role of the state in promoting sustainable rural communities – that is, the economic, social, cultural and environmental health of rural places’ (Shucksmith, 2010, p.1)? Shucksmith (2010) argues that today’s answer to this question often relates to the concept of governance. The concept, as it is understood in contemporary times, comprehends a transforming state and the allocation of increased responsibility to public, private and voluntary sectors. Different actors interact in a context of defused power in order to activate local actors. Loftus (2008), argues that states can be under resourced, bureaucratic or inefficient. When the state falls short, encouragement of private sector involvement is the only means to meet the needs of the people.

Obviously, more distinctively than proposed by the authors referred to by Shucksmith (2010), the government takes the dominant position in shaping the regional economic landscape of Rwanda. The government’s rigid vision on how to develop rural Rwanda as outlined in the different policy documents proves this. Other actors play their part in the process but their role seems limited. Should this be seen as a wrong approach? Friedman (2012) outlines that Rwanda as a country is an authoritarian state in which power is centralised. However, he argues that this is not necessarily a bad thing as Rwanda showed so much progress since the war it witnessed only two decades ago. Many scholars focused on the economic development-democracy dichotomy but Rwanda flourished despite its authoritarian regime. Friedman adds that a country that is potentially successful in creating an entrepreneurial class may reduce necessity and tolerance with respect to top-down control

(Friedman, 2012). Hereby Authoritarianism can serve as a phase that is succeeded by democracy.

As is suggested in this research, the government seems only to partly succeed in its task to enhance entrepreneurship in the regional service centres as a mean for local development. Although Rwanda made much economic progress it might be the right time for the central government to differentiate power. Based on this research it is suggested that the government should enable local entrepreneurs to grow and take responsibility over the development of their communities. Likewise it is interesting to see what decentralisation and privatisation might do for local governance development and the development of the private sector in general. Including data on the moving space of local governments and national companies was beyond this research and therefore might be an interesting topic for further research.

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## Appendix A. Format of interviews with entrepreneurs <sup>16</sup>

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### **Introduction:**

*This interview collects information on daily occupations and enterprises in relation to the use of services in this village. With your consent this interview will last about 40-45 minutes. The information provided by you shall be confidentially used for research purposes only. You will not be identifiable in any datasets or publications.*

<b>Enterprise:</b>	
Duration interview:	
Location (village):	
Location (position in village):	
Date:	
Male/Female:	

For how long have you been living in Byangabo - Mukamira – Mahoko?	
In case you moved to the centre, where do you come from?	
In case you moved to the centre, why did you come to Byangabo- Mukamira - Mahoko?	

### **Data on the enterprise:**

What is the core business of your enterprise?

When was the enterprise founded? Who started it?

Why did you choose to have an enterprise in this particular field of business?

What is the reason for you to start a business in this particular location in the village?

Who are your main customers? Can you be specific?

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<sup>16</sup> The interview format as presented is the final version used for collecting data. As the format has been adjusted multiple times this format has not been used at all interviews.

Who are your different suppliers?

Do you own or rent the premises?	
Is your enterprise registered at the local government?	

Did you use loans or credits to start or maintain your business?

What did you do before you started this enterprise? How did you get the money to start your enterprise with?

Compared to 5(...) years ago, are there more or less ..... businesses in Byangabo - Mukamira – Mahoko centre? Can you specify?

**Income:**

Do you have other occupations by which you earn money? Why do you have multiple?

In case of other occupations: what is the division of your income (in percentages)?

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In case of agriculture, what are the percentages of agricultural output for selling and own consumption?

For selling:	For own consumption:
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Compared to 5(...) years ago, how has your income changed (developed)?

Compared to 5(...) years ago, how has your purchasing power changed (developed)?

How do you invest your earnings, what are the three most important areas of investment?
1:
2:
3:

**Employees:**

Number of employees:	
Number of family members working for you:	
Number of days employees work for you (per week)	
For how long do you have these employees?	
Compared to 5(...) years ago, how has the number of employees changed (developed)?	
Who do you support with your income?	

What do you know of the concept of Rural Service Centre?

Did you know Mahoko is a Rural Service Centre? What does this mean to you?

**Services:**

Do you make use of the following services:	How do you make use of service:	Do you pay for service? How? How much (monthly)?
Electricity		
Water		
Security Services		
Cleaning Services		
Roads		
Transport Services		
Financial Services		
Communication Services		
Education (role of)		
Other		

Which <u>three services</u> have the biggest contribution to the wellbeing of your enterprise?
1:
2:
3:
Would you have started the business without these <u>three services</u> available?

Compared to 5(...) years ago, what is the difference in distance you need to cover to get to a water source?

What services you currently use could be better? How?

What services do you miss?

Do you have the possibility to make requests/suggestions on service delivery at local institutes?

Did you make use of the possibility to make requests? If yes, for what?

Compared to 5(...) years ago, are their new services availability to you?

Compared to 5(...) years ago, how did the quality and or quantity of already existing services develop?

Compared to 5(...) years ago, how has your use of (which) services for the enterprise changed?

What are the main challenges your phase with regards to your enterprise?

What role can the government play in dealing with the challenges you face

**Personal information:**

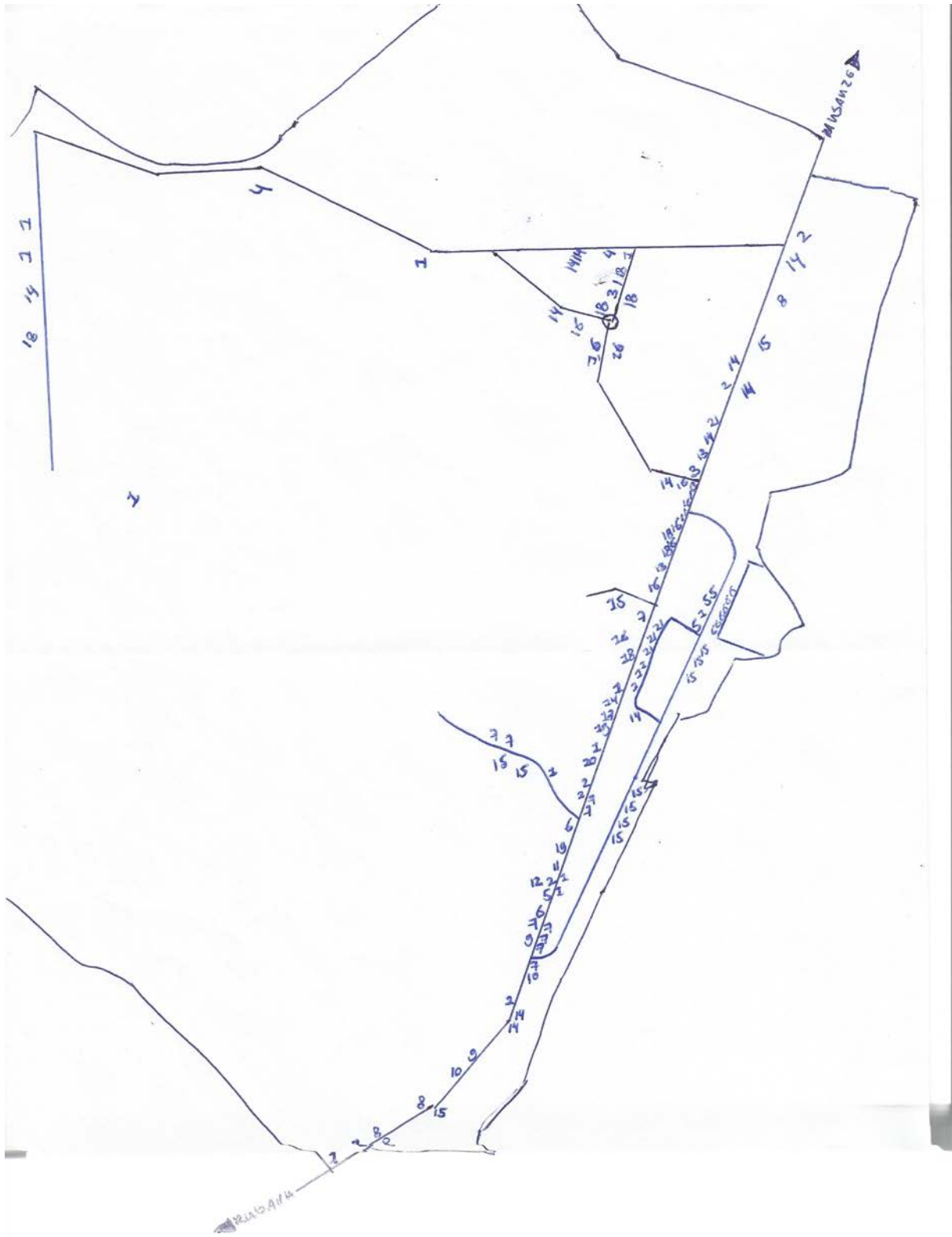
Age:	
Composition of household:	
Highest completed level of education:	
Education of children:	
Do you expect your children to work in the same enterprise:	
Do you expect to be still the entrepreneur of this business in 5 years?	

## Appendix B. Identification of entrepreneurs in Byangabo and Mukamira.

### B1: Entrepreneurs in Byangabo centre

Byangabo Entrepreneurs		
Enterprise Category <sup>17</sup>	Population	Sample
1) Boutique	22	4
2) Shop	9	1
3) Allimentation	2	0
4) Kiosk	2	0
5) Tailor	4	1
6) Shoemaker	9	1
7) Storage	12	1
8) Processing of agricultural goods	4	1
9) Iron handicraft	2	0
10) Wood handicraft	2	0
11) Bicycle repair	1	1
12) Bouchery	1	0
13) Pharmacy	5	2
14) Restaurant	12	2
15) Bar	13	2
16) Printshop	9	2
17) Photoshop	1	0
18) Barber	7	2
19) Electric repair	1	0
20) Drinks distribution	1	1
21) Cinema	4	0
22) Market vendor	unknown	3
Total	125	24

<sup>17</sup> The numbers in the first column of the tables correspond with the numbers presented in the maps.



B2: Entrepreneurs in Mukamira centre

<b>Mukamira Entrepreneurs</b>		
<b>Enterprise Category</b>	<b>Population</b>	<b>Sample</b>
1) Boutique	49	5
2) Shop	8	2
3) Allimentation	0	0
4) Kiosk	2	0
5) Tailor	6	1
6) Shoemaker	5	0
7) Storage	11	1
8) Processing of agricultural goods	3	0
9) Iron handicraft	2	1
10) Wood handicraft	2	0
11) Bicycle repair	0	0
12) Bouchery	1	0
13) Pharmacy	5	0
14) Restaurant	31	5
15) Bar	17	3
16) Printshop	2	0
17) Photoshop	2	1
18) Barber	7	1
19) Electric repair	1	0
20) Drinks distribution	2	0
21) Cinema	0	0
22) Market vendor	Unknown	0
23) #####	####	####
24) Music Studio	1	0
25) Maizerie	1	0
26) Bakery	1	0
<b>Total</b>	<b>159</b>	<b>20</b>



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**Mukamira service operators:**

<b>Category</b>	<b>Label<sup>18</sup></b>	<b>Number</b>
Business Development Centre (BDC)	A	1
Bank of Kigali	B	1
Bank BPR	C	1
Cell Office (government)	D	2
SACCO	E	1
Tank station	F	1
Bank Unguka	G	1
House of prayer	H	2
WASH (water supply)	I	2

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<sup>18</sup> The letters A-G correspond with the letters presented in the Mumamira map.

MUKAMIRA CENTER

