

THE KHANA GROUP CASE STUDY: DEVELOPING A SMALL AND MEDIUM ENTERPRISES (SMEs) POLICY FOR RWANDA FOR SUSTAINABLE ECONOMIC GROWTH

Project Context & Scope

The Government of Rwanda (GoR) envisions becoming a middle-income country. In order to achieve this goal, Small and Medium Enterprises (SMEs) will play a major role as part of its overall strategy. In contrast to SMEs and micro enterprises in the Organization for Economic Cooperation and Development (OECD) countries where SMEs account for over 95% of all firms, 70% of employment and 55% of GDP and create the majority of new jobs, the SME sector in Rwanda accounts for 41% of all private sector employment (in 2010). Most micro and small enterprises employ up to four people, showing that growth in the sector would create significant private sector non-agricultural employment opportunities.

TKG was engaged to support the development of the GoR SME Policy to complement existing policies/strategies that aim to develop a vibrant SME sector that fosters job growth.

TKG Approach

While the GoR had undertaken substantial supporting initiatives to support SMEs, those initiatives failed to create the enabling environment necessary to develop the sector. TKG strategy was to conduct stakeholder analysis to understand the root cause for why existing initiatives did not yield the desired results and address the barriers to SME development in Rwanda. Based on the outcome of the review and analysis, a framework was created for developing a comprehensive SME strategy.

The Khana Group (TKG) is a social impact advisory firm with a mission to develop sustainable solutions that will positively impact and transform societies globally. We work primarily in West Africa and have offices in Ghana, Liberia, and Nigeria. Our work spans girls, women and youth empowerment, evaluating various projects including safe drinking water projects, building capacity for farmers and conducting research to support policy decisions.

Key Results

The review and analysis yielded 6 key challenges from existing initiatives:

1. Limited Business Development Services (BDS)
2. High cost of doing business
3. Limited technical and business skills
4. Lack of entrepreneurial culture
5. Lack of access to finance
6. Difficulty accessing market information and markets

In partnership with the GoR, TKG developed a SME policy framework with the following key factors and requirements:

- Support and incentives for new activities that are time-bound
- Clear benchmarks provided to measure success over time
- Active monitoring and evaluation of performance
- Sustained dialogue with the private sector
- High-level political oversight and ownership of the policy implementation process

A comprehensive SME policy was developed based on the above factors to support the development of a vibrant SME sector in Rwanda.