

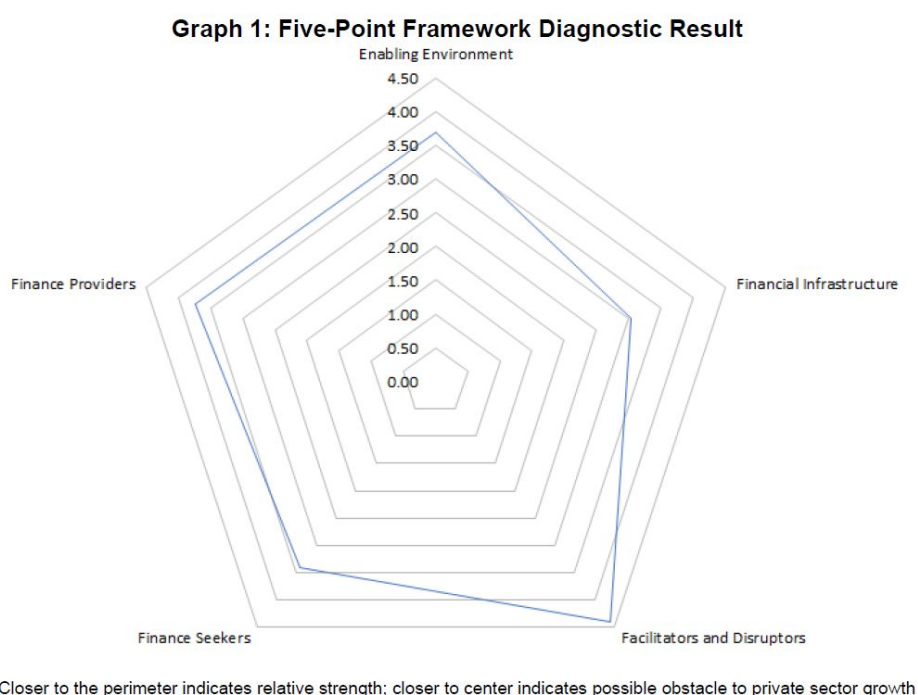
# Market Assessment of the TVET Sector in Rwanda

September 2020

## Introduction

This assessment was carried out by CHANCEN International to provide a Market Assessment of the Technical and Vocational Education and Training (TVET) sector in Rwanda and the potential for Blended Finance initiatives. This was done by reviewing previous reports and carrying out a number of interviews.

The report conducted by the Palladium Group in May 2020 was enhanced using the Five-Point Framework diagnostic tool for Mobilizing Finance for Development. In this report, Rwanda was assessed as 3.5 out of 4.5 for Finance Providers and Enabling Environment. Facilitators and Disruptors awarded maximum scoring of 4.5 out of 4.5. However Finance Seekers awarded 3.0 and Financial Seekers only 2.0, out of 4.5.



The primary objective of the follow-on assessment was to better understand the enabling conditions for TVET Education. It is also to detail the required financing from TVET institutions and students (Demand Side), as well as the available financing in the sector (Supply Side) and finally, to investigate the financial infrastructure and intermediaries at a high level. Where it was possible and logical, the assessment took a narrow focus on TVET Levels 1-3 to support alignment with USAID Basic Education requirements. Some key questions that have been addressed in this assessment are:

- What are the enabling conditions in the TVET sector and the finance sector in Rwanda?
- Who provides financing in the TVET sector and how do they do so?
- Who are the key stakeholders and what role do they play?
- What type of financing is required and what is important when structuring financial products for this sector?

This report is delivered to Palladium who manages a CATALYZE Blended Finance Mechanism, which uses a facilitated partnership model to craft solutions to attract an additional \$2 Billion in blended finance to USAID partner countries. The market assessment has been carried out to support strategic decisions and further implementation plans based on the following background:

CATALYZE Edufinance will support USAID partner countries to increase access of non-state schools and other education enterprises to private capital, incentivizing expanded access and improved quality, resulting in greater, more equitable access to education opportunities and improved learning outcomes, especially for women and girls.

As noted above, this report uses information from the Rwandan Desktop Market Assessment (May 2020, Palladium) as a basis and thus provides the most up to date and comprehensive information available for the Rwandan TVET and Financial sectors as of August 2020.

## Methodology and Approach

An initial review and analysis was conducted using existing policies and reports ahead of creating the key stakeholder list. Important Documents of note are:

1. [Rwanda Polytechnic Strategic Plan \(2019-2024\) - Republic of Rwanda MINEDUC](#)
2. [Economic Development & Poverty Reduction Strategy](#)
3. [Education Sector Strategic Plan 2018/19 to 2023/24](#)
4. [National Employment Program \(revised 2019\)](#)
5. [Mobilizing Private Finance for Development: A Comprehensive Introduction \(Deloitte & USAID\)](#)
6. [TVET Policy 2015](#)
7. [Country Development Cooperation Strategy \(CDCS\) USAID Rwanda - February 2020](#)
8. [Rwanda Education Statistical Yearbook 2019](#)

A qualitative interview method was utilized in face-to-face and phone conversations. Pre-screening surveys were conducted with fifteen TVET Institutions, five Financial Institutions, ten Government Officials, three Employers and five Students. The shortlist of schools was created by selecting two institutions in each province and four in the city of Kigali. Five students were selected at random from lists provided by TVET programs. Based on recommendations from USAID Rwanda and an existing list of other important funders, private sector stakeholders were included in interviews. A complete list of interview participants can be found in Annex IV.

## 1. ENABLING CONDITIONS

### 1.1 Government Policies in Education

The education sector policy and its objectives play a key role in enabling conditions to realise the government's vision for Rwanda by 2050. These policies were reviewed to ensure they are aligned to fulfill their goal to produce a sufficient and appropriately skilled future workforce, as well as upgrading the current workforce.

[The Education Sector Strategy Plan \(ESSP\) \(2018/19-2023/24\)](#) developed by the Ministry of Education (MINEDUC) details the Rwandan government's aim to transform the country to an industrial upper middle-income nation by 2035 and a high income country by 2050 (Vision 2050). There is recognition of the critical role skills development will play in enhancing Rwanda's knowledge and technology-based economy with a core emphasis on national values, attitudes, functional competencies and professional knowledge.

The following objectives are particularly relevant to this assessment and show alignment with the Education Policy:

**ESSP Objectives:**

1. Enhanced quality learning outcomes that are relevant to Rwanda's social and economic development.
2. Strengthened STEM across all levels of education in Rwanda to increase the relevance of education for urban and rural markets.
3. Enhanced use of ICT to transform teaching and learning, and to support the improvement of quality across all levels of education in Rwanda.
4. Increased access to educational programmes in Rwanda, especially at pre-primary, secondary, TVET and higher education levels.
5. Strengthened modern school infrastructure and facilities across all levels of education in Rwanda.
6. Equitable opportunities for all Rwandan children and young people at all levels of education.

With regards to TVET, the ESSP outlines continued investment in TVET, implementing TVET quality assurance standards, and incentivising TVET instructors based on performance. The TVET policy of 2015 and the new WDA and RP law (2017) comprise a comprehensive policy framework for the TVET sub-sector. The aim of the policies is for Rwanda to move toward a demand-driven and market-oriented system of vocational and skills training. Overall, the TVET policy aligns with many other policies (such as the Strategy 2050) and it offers a comprehensive strategy to reach ESSP Goals 1, 5 and 6 listed above. Key Focus Areas of the TVET Policy (2015) are included below:

1. *Improve the understanding of skills needed in the priority sectors of the Rwandan government to guide TVET institution planning.*
2. *Improved (horizontal and) vertical pathways to ensure that education paths for young adults are less disjointed.*
3. *Developing human capacity within the TVET System is also a focus on the policy and is a focus of many bilateral agreements and non-government organisations support programs.*
4. *Improved coordination of TVET Initiatives and institutions.*
5. *Improvement of TVET facilities and its quality of sourcing.*
6. *Expand the availability of responsive curriculum offered in TVET to ensure closer alignment of labour market needs.*
7. *Improving attractiveness of TVET*
8. *Increased employer engagement in TVET*
9. *Increased equitable and inclusive TVET*
10. *Sustainable Innovative financing mechanisms*

The current TVET Policy and ESSP align well with USAID Rwanda's Development Objective 3 which is to prosper, specifically with the Intermediary Result and 3.3 which aims to increase young adults and women's employment and entrepreneurship.

There are no policies or strategies that specifically guide private institutions but current policies do not pose a barrier or risk to private education providers. The Government of Rwanda is supportive of the development of private TVET schools as this could lead to a more competitive environment and also assist with meeting the demand. The Rwanda Education Statistical Yearbook 2019 states the number of students in 2018 who passed the national exam for upper secondary increased from 61,758 students to 63,583 students in 2019. However in the same period, a decrease of 3,076 students is observed in TVET.

All private institutions are accredited under WDA and innovative teaching models are encouraged. An example of this would be the Akilah Institute (now Davis College) that was one of the first private institutions to provide competency based training and blended learning at TVET Level 6. Innovative approaches to teaching lead to better outcomes and higher placement rates of graduates. By specifically focusing on soft and digital skills, along with English, graduates in the labour market.

## 1.2 Government Stakeholders

An overview of government stakeholders that play an important role in TVET is shown in this section.

### [Ministry of Education \(MINEDUC\)](#)

MINEDUC assumes the lead responsibility for policy formulation, educational planning, coordination and Monitoring and Evaluation (M&E) at the national level. It is the line ministry for all levels of education and education related projects. Typically an NGO working in education will need to have a MoU (Memorandum of Understanding) agreement with the ministry to be able to operate. MINEDUC's mission is to transform Rwandan citizens into skilled human capital for the socio-economic development of the country by ensuring equitable access to quality education, focusing on combating illiteracy, promotion of science and technology, critical thinking, and positive values.

The Ministry is also undergoing a restructuring process to improve efficiency, recognising Basic Level TVET Schools as needing its own focus. An overview of the current structure of the Ministry of Education details that a TVET Specialist in Charges of TVET Schools is in the Education and Policy Unit and an Education Finance Specialist is appointed with the Directorate General of Education Sector Planning and Monitoring and Evaluation.<sup>1</sup>

Furthermore TVET Schools comprise of Levels 1 - 3 is defined as follows<sup>2</sup>:

Level 1 (P1 to P6 and Adult Education) comprises a six year full time study cycle which prepares learners for lower secondary and TVET Certificate 1 in TVET. The level caters for

---

<sup>1</sup> Prime Minister's Orders, Year 59, Official Gazette n° Special of 20/08/2020

<sup>2</sup> The Rwanda Education Qualifications Framework, Kigali – July 2016

Basic Education leading to Primary Leaving Certificate as the exit award and TVET Certificate 1, while learners who go through the Adult Education pathway obtain a certificate in Adult Literacy.

This level focuses on basic literacy, numeracy and basic vocational skills for Adult Education and offers learners avenues to progress horizontally to Primary education or vertically to TVET.

On the other hand, Basic education (Primary school) focuses on developing basic numeracy, literacy, communication, science and technology, personal and interpersonal management and life skills, and above all citizenship and national identity. Learners have the opportunity to progress vertically and continue to lower secondary education in the basic education sub sector or TVET.

Level 2 (S1 to S3 and TVET) is a three year program for basic education (lower secondary education). The certificates for this level are Ordinary Level Certificate for lower secondary education and TVET Certificate 2.

Upon successful completion of this level, learners have the options to progress vertically to advanced level (for basic education sub sector) TVET Certificate 3 (for TVET) or to Professional Training.

This level emphasizes developing knowledge and skills in communication, science and technology, personal and interpersonal management, entrepreneurship and business development, critical thinking and problem solving, creativity and innovation as well as cooperation among others in the basic education sub sector and then application of skills and competencies like analysis, evaluation, critical thinking and problem solving, use of communication, numeracy and ICT skills in the TVET sub sector.

Level 3 (S4 to S6, TVET and Professional Studies) encompasses the Advanced Secondary School study cycle of 3 years for basic education and TVET Certificate 3 for TVET with Advanced Level Certificate and TVET Certificate 3 as exit awards respectively in basic education and TVET.

The progression pathways for this level include higher education enrolment (Bachelors or Diploma) in basic education or TVET Certificate 4 in TVET. Level 3 aims at enhancing knowledge and skills in communication, science and technology, personal and interpersonal management, entrepreneurship and business development, critical thinking and problem solving, creativity and innovation among others in the basic education sub sector and then application of skills and competencies such as analysis, evaluation, critical thinking and problem solving, use of communication, numeracy and ICT skills in the TVET sub sector.

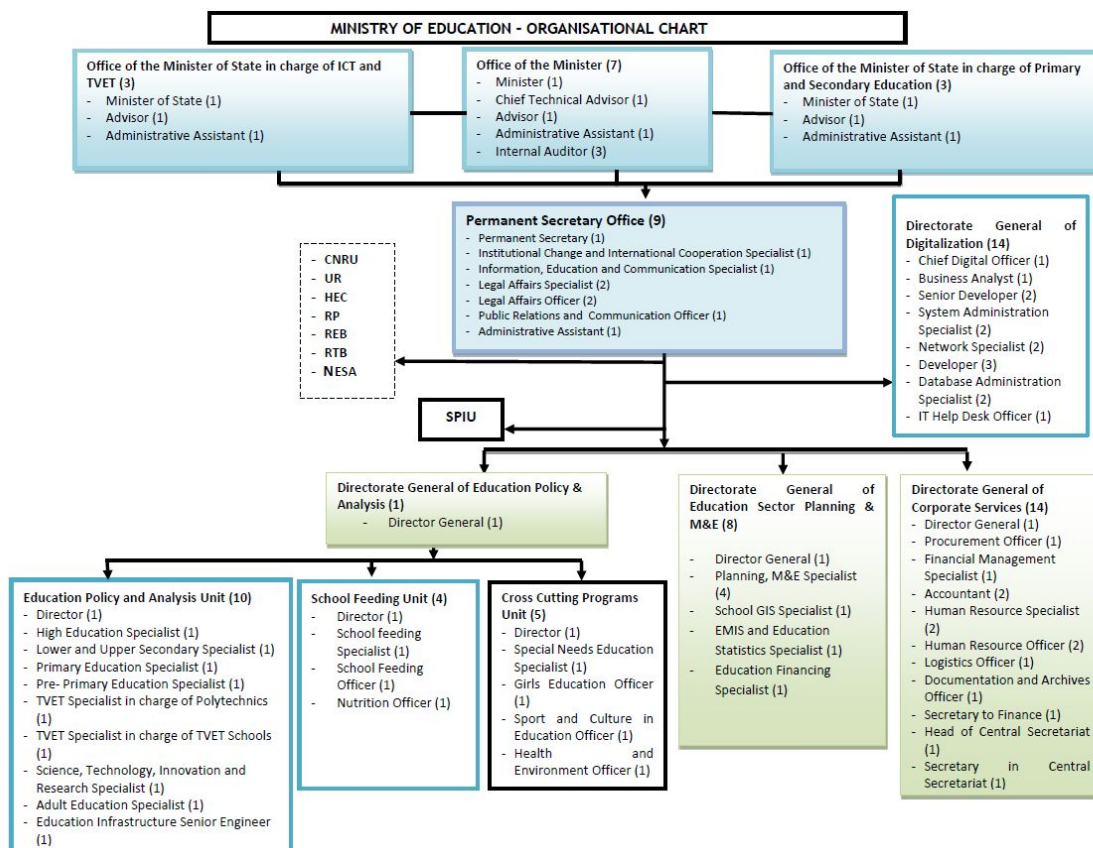


Image 2: Organisational Chart of the Ministry of Education<sup>3</sup>

MINEDUC works closely with several semi-autonomous Government agencies as listed in the organogram (CNRU, UR, HEC, RP, REB, RTB, NESA). The reports highlight three of these organisations that have an impact on TVET Schools within the Ministry of Education.

1. *The Rwanda Education Board (REB)*

Established by Rwandan Law (44/2010) in 2010, five previously separate departments united under one single authority. REB has national oversight for coordinating and implementing educational activities at pre-primary, primary and secondary school level. REB responsibilities include:

- To contribute to determining education policy;
- To coordinate and fast track education programmes and activities aimed at providing to all categories of Rwandans a qualitative education;
- To design and distribute curricula, teaching materials, guides, methodologies and establish teaching methods for nursery, primary secondary, specialized schools and adult literacy education in accordance with the current educational development;
- To promote the use of information and communication technology in education;
- To coordinate programs and activities aimed at developing teachers, building their capacities and improving their management;

<sup>3</sup> Official Gazette n° Special of 20/08/2020



- To establish regulations determining how national examinations are conducted in various levels of education, except in vocational and technical training and in higher learning institutions;
- To cooperate and collaborate with other regional and international institutions having similar responsibilities;
- To advise the Government on all activities which can fast track education development in Rwanda.

## 2. *The Workforce Development Authority (WDA)*

Established in 2008 to provide the institutional framework for a strategic response to the skills development challenges facing the country across all sectors of the economy. However the new enactment of 18 October 2016 re-defines its mandate as a TVET supervisory and quality standards body. The main functions now include developing TVET standards; monitoring implementation; policy dissemination; and playing an advisory role in relation to all TVET implementers. WDA is the accreditation body for TVET Institutions. WDA has gone through numerous restructuring processes and will be merged with the Higher Education Council.<sup>4</sup>

### 2.1. *The Skills Development Fund (SDF)*

A WDA initiative set up to train 9,000 young adults in short-term course training. It is part of the Rwf 21.6 billion (USD 22.3M) provided by the World Bank for the SDF which has trained 6,962 young adults to date and is currently training 3,720 through on-the-job training. This initiative provides funding to companies for skills development programs. Companies receive 70% of the cost of training and cover the additional 30%. They must also commit to hiring 70% of those trained. This model is often used with big factories. SDF has also provided trainers for public and private schools. The fund has spent a total of 11Billion Rwf (USD 11.3M) to date and a tracer study is conducted to track trainees six months after training has been completed. The latest tracer study has not been reported. Details on the level of TVET training with this program is not available but generally short courses mean TVET level 1 & 2.

## 3. *Rwanda Polytechnic (RP)*

Established in May 2017. Provides quality education that complies with applicable TVET standards to enable beneficiaries to acquire the skills required to create jobs and compete in the labour market. RP is responsible for the following within the TVET sector:

- Prepare technical and vocational education curricula for their use at various technical and vocational training levels. Submit curricula to the competent authority for approval;
- Offer technical and vocational courses leading to certificate or diploma;
- Provide science and technology based technical and vocational training
- Educate to a standard to allow the beneficiary to create jobs for personal development and contribute to national development;

---

<sup>4</sup> We could not find a public source to determine the exact details. [MINEDUC website](#) is a reliable place to check for details on recent changes.



- Conduct and promote research and technology in technical and vocational fields, disseminate their findings to foster national development;
- Participate in the discovery, exchange and preservation of knowledge in technical and vocational field;
- Promote education, culture and Rwandan values;
- Impart knowledge required to provide technical and vocational education and apprenticeship training;
- Offer in-service training to practitioners in various fields to develop their technical and vocational skills;
- Coordinate programmes and activities aimed at developing teaching and research staff within institutions of technical and vocational education, upgrade their knowledge and skills capacities and improve their management;
- Contribute to finding solutions to other problems related to national development;
- Cooperate and collaborate with other national, regional or international institutions with similar missions in order to achieve its vision.

TVET levels 1 to 3 were added to the RP mandate in 2018 however going forward it will specifically focus on higher level TVET (4 -7). RP implements a Competency Based Training and Assessment modular system which enables students to obtain employment once they have completed one of the seven levels of TVET. The modular system is designed to enable students to complete level, secure employment and then resume studies at a later date. The CBT-CBA is part of the Rwandan TVET Qualification Framework RTQF.

RP provides a small amount of funding (55 Rwf (USD 0.06) per student per day) to public schools to cover the cost of lunch and in many cases additional financial support of up to 3,500,000 Rwf (USD 3,613) to help cover costs of training materials and staff. Some top performing private TVET programs have also received support from the school feeding program if they have signed agreements with the Ministry of Education to receive students who have passed national exams and if they agree to share their budget and spending with district education officers.

It has been noted that the basic level TVET Mandate will move to Rwanda TVET Board which will be established in the coming months.<sup>5</sup>

There Rwanda Development Board is another important Government organisation that contributes to skills development and TVET

#### *Rwanda Development Board (RDB)*

Established in 2009 to coordinate, inspire and promote national economic development. RDB includes agencies responsible for business registration, investment promotion, environmental clearances, privatization and specialist agencies which support the priority sectors of ICT and tourism as well as SMEs and human capacity development in the private sector. The Executive Director's position is a cabinet-level position and the incumbent is appointed by and reports directly to the president of Rwanda. RDB measures its achievements in (a) direct foreign and domestic investments, (b) increased exports and (c) number of jobs created.

---

<sup>5</sup>We could not find a public source to determine the exact details. [MINEDUC website](#) is a reliable place to check for details on recent changes.

### *RDB Skills Office*

Coordinates skills development nationally and works largely through institutions for higher learning. The National Skills Development and Employment Strategy 2019-2024 guides their work with key stakeholders and includes their partnership with Rwanda Polytechnic. RDB has a number of initiatives to help graduates transition to employment though it is unclear whether these programs support basic TVET graduates. Some of these include:

- Kora Job Portal: a website that facilitates job applications for current openings in the labor market
- Employment centers in Kigali, Huye and Musanze districts that provide career counseling and assistance in preparing resumes / CVs
- Private Sector Federation (PSF) Coordination: The Private Sector Federation manages all private sector chambers that have membership structures for Private Companies. RDB has a budget of 300 million Rwf (US\$310K) to support training programs provided by PSF members that will offer jobs upon the completion of the training. Sectors include: Tourism (Meeting Incentives Conventions and Exhibitions), Agriculture (Pork and Poultry), ICT and Manufacturing (wood and garments). Private sector companies can approach PSF with programs that increase employment opportunities for graduates in Rwanda and apply for funding or support with training. Sometimes this will include TVET 1, 2 & 3. PSF may contract TVET institutions to carry out the training on their behalf. This is mainly an incentive based program to attract companies to Rwanda.

### **1.3 Interviews with Key Government Stakeholders**

Interviews were conducted with key Rwandan government stakeholders in the TVET Sector, the results compiled and reviewed in order to best consider the opportunities available.

The government stakeholders interviewed are shown below along with the key highlights from these interviews.

1. Rwanda Development Board (RDB)
2. Rwanda Polytechnic (RP)
3. Rwandan Workforce Development Authority (WDA).

In the wake of COVID-19, RP has introduced e-learning initiatives. They noted that students will not receive credit for this work under the Ministry of Education guidelines which only allow schools that were previously recognized as distance learning institutions to count online courses towards credits for students. RDB noted the government budget for TVET support will be reduced and commitments from development partners (named KOICA, Singapore) have been postponed due to COVID-19. WDA is currently on a tour around the country visiting TVET schools to assess how they can be reopened. They are planning to increase their "Train The Trainer" programs.

Outside of the impacts of COVID-19, the interviewees consistently noted three main challenges:

1. Cost of tuition for TVET--particularly for low income families, (see section 4.1)
2. Cost and access to sufficient equipment to ensure programs are practical and not just theoretical
3. Requirement for more private sector engagement and commitment to annual hiring targets from TVET

Interviewees noted that TVET students would benefit from access to loans to pay for tuition fees, similar to Kenya. RDB stated they are seeking to improve governance and increase private sector engagement by giving seats to Private Sector Federation members on boards of TVET governing institutions like RP. They also discussed the idea of rapid response training modeled off of programs in Germany and Singapore where key skill gaps are identified and programs are developed in response to the need with a commitment from investors or employers to hire a certain percentage of trainees. One respondent discussed a scheme to support more apprenticeships by allowing companies to access grant funds in exchanges for these opportunities for new graduates.

## 2. SUPPLIERS OF EDUCATIONAL FINANCING

A number of institutions were contacted and their financial proposals analysed to discover the product most likely to succeed.

There are a limited number of financial institutions, including Banks and Microfinance Institutions (MFIs), that have products accessible to TVET institutions. This financing is typically used for infrastructure. There are very few options explicitly for students currently on the market. Parents do use personal loans to help cover such costs as shown in Table 2.

*Table 2: Sample of personal loans used for students finance*

	Urwego Bank	BPR	AB Bank
<b>Interest rate</b>	18% Annual Interest Rate	18.5% Annual Interest Rate	2.5 % Monthly Interest Rate
<b>Maturity</b>	25 Months	48 Months	3-12 Months
<b>Collateral Type</b>	Required / Monthly Salary	Guarantor with income / collateral for RWF 6 M +	5%
<b>Additional fees</b>	2,36%	1% + 1% processing fee	RwF 1 M - Max RwF 5 M
<b>Loan amount</b>	Max is 12 x Salary	No Max / depends on income	Existing business loan with AB Bank
<b>Product conditions</b>	Salary	Monthly Salary into BPR account	Existing loan
<b>Processing time</b>	2 Weeks	Even 3 month	One week
<b>Account requirement</b>	Yes, at least 3 months	Yes, at least 6 months	N/A

The desktop research noted that the Development Bank of Rwanda (BRD) provides loans which will contribute to increasing access and quality of education including loans to private investors in TVET. BRD provides loans to education investment projects at an interest rate of 16% along with a service commission and management fee; grace period for loans varies from 6 to 12 months. Initial research indicates SME loans from private banks are available at interest rates of 17-23%, tenors up to 5 years. Current and planned funding projects,

especially related to COVID 19 have not been announced publicly and this information was otherwise unavailable.

Interviews were conducted with the following:

1. Bank of Kigali - Largest bank in Rwanda and partially state owned
2. Equity Bank Rwanda - Part of the largest group of banks in the region
3. Kaizen Impact Investing
4. RIM - Microfinance Bank

An overview of financial products provided by financial institutions that participated in an in depth interviews is provided here<sup>6</sup>:

*Table 3: Overview of TVET products as per interviews*

Institution Name	Loan product name	Product purpose	Product Features	Interest rate	Eligibility requirements
Bank of Kigali	Urubuto Program	Tech solutions to facilitate school fee payments for parents and provide reporting to school	Tracks tuition fee payments, student behaviour and teacher reporting	n/A	The school must sign up for the program
Bank of Kigali	Urumuri Program	Support graduate entrepreneurs	Loans for graduate entrepreneurs	Interest free	Apply with a business plan through a competition process
Bank of Kigali	Infrastructure Loans	Support capacity building of schools and TVET Institutions	Loan		
Bank of Kigali	Consumer Loans	Personal loans used for school fee payments	48 Month Loans	18%	Min salary of 20 000 RwF (US\$20) paid to Bank of Kigali Account
RIM Microfinance Bank	World Vision Project	Assisting TVET Level 1 -3 graduates with equipment purchase	Equipment Loan	18% Annual	Graduates need to form cluster & equipment is owned by RIM till loan is paid off
Equity Bank	Consumer Loans	Personal loans used for school fee payments	1 - 12 Month Loans	18% Annual / dependant on risk	Monthly Salary to Equity Bank Account

All interview partners have a general interest in providing financial products in education however they raised concerns around collateral and risk. Generally, the demographic of students that attend TVET 1 - 3 come from vulnerable households where parents may not have a regular income or do not have assets that could act as collateral. Another concern raised was the willingness for a parent to take out an expensive personal loan to cover TVET 1 - 3 tuition fees due to the stigma linked to quality and employment opportunities.

<sup>6</sup> See Annex IV for full interviews

The design of financial products for students should seek to have all stakeholders align their incentives: Financial service providers need to be de-risked, education institutions must provide quality education that ensures students see the value in a financial investment and employers must work closely with TVET institutions to provide workplace learning opportunities and employment. CHANCEN International noted that whilst processing over 2000 applications for their student finance product, guardians and students expressed a high interest as the institutions where they were furthering their education had a good reputation in terms of graduate employment.

Other suppliers of funding include government initiatives such as the Skills Development Fund and Private Sector Federation noted earlier in this report and philanthropic initiatives highlighted further down.

### 3.1 Further Information on TVET relevant financial products

Two further education finance companies that facilitate private sector investment in education and provide innovative products were identified during interviews conducted for this assessment. They have been included in the overview below as they have both expressed strong interest in increasing their engagement in TVET Level 1 - 3. Other similar financing companies were not identified based on a market scan:

1. **Kaizenvest** is one of the largest education impact investors in India. They are currently exploring further education investment opportunities in sub-Saharan Africa, starting with investments in South Africa. They have indicated a strong interest in bringing private investment to education in Rwanda. Typically Kaizenvest invests in: education companies that can deliver critical outcomes at scale. Using innovative business models and companies that disrupt the education status quo either with new technologies or through unique, technology-enabled services. Kaizenvest has a unique approach to performance based financing and have yielded strong results around better education outcomes through their investments<sup>7</sup>.
2. **CHANCEN International** has provided Income Share Agreements. An ethical and fair financing solution for students to cover the costs of their education in Rwanda since 2018. Repayments are based on a set percentage of a graduate's income and only start once an individual is earning above 80 000 RWF (USD 80.00) per month. They have specifically targeted excluded young adults (16 - 35 yrs) and have financed over 900 students in TVET 4 - 5, 100% are women and 45% come from rural areas. They have noted a very high demand for their product, having only met 30% of the demand in the last 2.5 years. Challenges around implementation have been sourcing below commercial rate capital and low financial literacy rates of applicants. Through a blended finance SPV structure and extensive onboarding of beneficiaries they are mitigating these challenges. For example where an applicant may only sign a contract once, they have passed a test to understand the contract. The organisation will expand its investment in TVET over the next 3 years by financing up to 5,000 students at qualified partner education institutions that have a proven track record of graduate employment. CHANCEN finances students that attend TVET level institutions and Bachelor level institutions.

---

<sup>7</sup> Kaizenvest EduFinance White Paper (India)

## 4. REQUIRED FINANCING

### 4.1 TVET Institutions

As noted earlier, where feasible and logical, this assessment focused on technical vocational training levels 1-3 in alignment with USAID's Basic Education requirements. A full list of accredited TVET Institutions was obtained from the WorkForce Development Authority (WDA) and CHANCEN selected 15 institutions representing Rwanda provinces and the City of Kigali for an initial screening. Note that Level 2 programs were not identified, only TVET 1 and 3.

*Table 4: Overview of TVET Institutions*

Total Number of TVET Schools	364
Total Number of TVET 1 - 3 Schools	264
Total Numbers of TVET 1 - 3 Private Schools	104 / 5 Gov. Aided
Sample List of Subjects Taught	Welding Hair dressing Masonry Domestic Electricity Tailoring / ICT / Mechanic

Screening interviews were completed with 11 of these TVET Institutions. TVET Institutions vary in capacity based on the sources of funding the institution has for material and infrastructure. When WDA opened up registration for private TVET institutions in 2011 a large number of individuals registered schools, many starting small but then growing due to lack of financing for further infrastructure development.

**Table 5: TVET Institutions Screened**

Name of institution	TVET level enrolled 1,2,3	Number of students enrolled	Average fees	Types of courses
UCC Ubumwe Community Center	1 - 3	42	366,000 RwF P/A (US\$383)	ICT Arts & Crafts
KWETU FILM INSTITUTE	1 - 3	Unknown	1,200,000 RwF P/A (US\$1,257)	Film Editing
ULK polytechnic	1 - 3	1307	750,00 RwF P/A (US\$785)	Electrician Construction Cable Laying
SHANGI TVET	1-3	160	75,000 RwF P/A (US\$79)	Culinary
Bushoki TVET	1	129	405,000 RwF P/A (US\$424)	Culinary Tailoring Agribusiness Food Processing
Nyagatare TVET	1 - 3	Program for inmates disqualified from prescreening		
Mushumbati TVET	1	53	35,000 RwF per course (US\$37)	Culinary Arts Hairdressing
Nyamirama TVET	3	456	249,000 RwF per course (US\$261)	Welding Carpentry
Center for Champions	3	252	765,000 RwF per course (US\$801)	Concrete Masonry Domestic electricity
KINIHIRA TVET Agi	1	212	150,000 RwF per Course (US\$157)	Food processing Agribusiness
FOREVER TVET	3	22	890,000 RwF per course (US\$932)	Domestic Industrial electricity

Further in-depth interviews which were conducted with institutions are featured below and key challenges that emerged from these interviews include:

- The cost of consumables used by students during practical learning is high relative to how TVET institutions can price their tuition fees and it is difficult to equip classrooms with materials and machinery that contribute to improved learning outcomes.
- Many students who apply cannot enroll because they do not have financing.
- There is a strong stigma around TVET, parents see it as a last resort for their children.
- The high costs associated with maintaining an institution while they are not making money (during COVID19)
- Personal impacts of teacher bonuses affected by Covid19
- Government does not always subsidise Private TVET institutions and it is difficult for these institutions to keep tuition fees at market rates.



With regards to financing opportunities, the interviewees noted a need for assistance with securing materials, increasing the capacity of trainers and making programs accessible by covering tuition fees.

The institutions highlighted below represent innovative institutions with a mission to reach a diverse group of students. Full case studies on each can be found in Annexure II.

**Ubumwe Community Center** allows young adults with disabilities to learn skills that allow them to build a sustainable life. The center offers Level 1 & 3 courses in computer based skills, sign language and other special courses for students with eyesight disability.

**Nyamirama TVET** is a public school for students who have finished O Levels and accepts students for enrollment into TVET Level 3, regardless of their age. The school currently has 350 students enrolled in carpentry, welding, plumbing, masonry, domestic electricity and tailoring.

**Forever TVET** is a private school which offers a variety of programs including domestic and industrial electricity, land surveying, automobile engine and body work technologies, auto electricity and electronic system, automobile transmission and control.

**The KWETU** Film Institute offers courses in digital filmmaking and creative communications. They conduct courses in English and include soft skills training to develop proficient language skills as well as critical thinking. They provide TVET 1 courses. Most graduates are employed on a freelance basis by both local and international media houses.

## 4.2 Require Financing: Students

### *Overview of a students journey for TVET 1, 2 & 3*

Students that enroll in TVET 1 & 2 courses have usually completed primary school. Some programs will accept students who have not completed primary as long as they are literate. Exceptions can also be made for students with disabilities. TVET 1 & 2 courses typically run for 6 months to one year.

Students accepted into TVET Level 3 have completed O Level exams (3 years of secondary school). Level 3 courses typically range between 1 to 3 years. Graduation from a Level 3 program is regarded as the same as gradation from Secondary (Level A exams). This means the student can continue studies at a Polytechnic or attend an Integrated Polytechnic Regional Center (IPRC) to pursue TVET courses Levels 4 - 7.

As noted earlier, TVET Level 2 is not being offered by identified organizations. A TVET Level 1 program that included an internship was also not identified. Students who are selected to attend public TVET institutions are done so based on their marks and performance in secondary school in the first few years.

The size of schools range between from 42 to 1700 students. Tuition fees range between Rwf 83 000 (USD 87) - Rwf 600 000 (USD 628) per term. These and other education costs are typically covered by parents or family members or through special programs from the Government or churches. Government programs often target specific groups of individuals like children from single parent households or women. Government tuition financing programs are restricted to public institutions only. With subsidies, the tuition fees range

between 70K - 125K per term. Parents do have the option to access personal loans from any bank or microfinance institution but they need to meet the criteria.<sup>8</sup>

## 5. FINANCIAL LANDSCAPE & INFRASTRUCTURE

Based on the desktop research conducted by Catalyze and provided as background information for this assessment, the following is important to note about the Rwandan TVET Education Sector and the financing opportunities.

Nearly 50% of Rwandans (age 15+) report having a bank account.<sup>9</sup> Half of those Rwandans are in rural areas where 83% of the total population lives.<sup>10</sup> The majority (94%) of Rwandans without bank accounts report not having a bank account due to insufficient funds. Fewer than 12% of Rwandans without accounts report any other reason. Fewer than 4% report physical distance to a bank as a reason for not having accounts, distinct from the nearby countries of Democratic Republic of Congo, Kenya, Tanzania, Uganda and Zambia where that figure is 16-30%.<sup>11</sup>

Rwanda's digital transformation over the past decade has led to a range of digital financial services. Digital transactions across Rwanda are connected through two national switches, allowing for interoperability between banks. Airtel, and MTN mobile money services are available to most of the country. Electronic payments as a share of GDP surpassed 20% by 2016.<sup>12</sup> In 2017, 40% of Rwandans (age 15+) reported making digital payments.<sup>13</sup> Initial research indicates mobile banking costs vary, but that smaller transactions attract higher fee rates than larger transactions.

Another important stakeholder in the financial landscape is Transunion. Transunion is a private company that provides credit reporting services and ratings to the financial sector. The data system integrates with the National Bank of Rwanda, all commercial banks, MFIs, Saccos, insurance companies, mobile service operators and the land registry. They are working towards integration with the Rwanda Revenue Authorities and Rwanda Social Security Board. Rwanda's plan to improve digital banking also includes expanding coverage of the registry. Rwanda's digital banking plan, Payment System Strategy, lays out a detailed path to cashless Rwanda.<sup>14</sup> The strategy focuses on promoting e-payments, driving financial inclusion, and ensuring interoperability and a secure ecosystem.

Key Policies relevant to the financial landscape are REGULATION N° 02/2016 of 24/06/2016 which determines Consumer Credit & corresponding laws and the Monetary Policy of 25/02/2020 which determines the interest rate base.

In 2020, the Rwandan financial sector included the following:

- 16 banks
- 459 MFIs
- 16 insurers
- 13 pension schemes

---

<sup>8</sup> See Financial Institutions sections for more information on the criteria for loans

<sup>9</sup> Global Findex Database, World Bank, 2017.

<sup>10</sup> Tanzania Country Dashboard, USAID.

<sup>11</sup> No data available for Burundi.

<sup>12</sup> Rwanda Payment System Strategy 2018-2024, Bank of Rwanda.

<sup>13</sup> made digital payments in the past year (% age 15+), 2017, Global Findex, World Bank.

<sup>14</sup> Gov. of Rwanda Collab. with MasterCard to Meet Rwanda's 2020 Vision of a Cashless Society | Global Hub

- 400 ATMs
- 416 Savings and Credit Cooperative Societies (SACCOs)<sup>16</sup>

Bank credit to the private sector is over 21% of GDP as of 2018 which is the average for SubSaharan Africa.<sup>15</sup> For MFIs, the liquidity ratio is quite high at 80%; evidence suggests MFIs do not have enough lending opportunities.<sup>16</sup> Interest rates for small and medium enterprises (SME) loans start at around 17% (2018).<sup>17</sup> Nonperforming loan average is 5.3% (2019).

Desktop research was carried out based on atll 16 banks currently registered at the national Bank of Rwanda.<sup>18</sup> A sample was selected to analyse ability to lend, products assessment and interest in education finance.

*Table 6: Overview of Banks in Rwanda*

Bank/MFI Name	Total assets	Profitable	Liquid and able to lend	Existing Credit Guarantee partnerships	Strong Product Innovation	Existing Small Business/SME lender	Existing Education Sector Lender	Appetite to Grow Education Loans
Bank of Kigali	907,800 Billion Rwf (US\$ 952 Million)		Y	Y	Y	Y	Through SME & Consumer Loans	Y
Equity Bank Rwanda Plc	306,578 Billion Rwf (US\$ 316 Million)	Y	Y	Y				
Banque Populaire du Rwanda Plc	357,075 billion (US\$368 million)	Y	Y	Y	N	y	Y	y
Ecobank Rwanda Plc	163,861,475,000 Rwf (US\$171,942,778)	Y	Y	Unknown	Unknown	Y	Y	Unknown
I&M Bank	318,668 Billion Rwf (US\$ 328 Million)	Y	Y	Y	Unknown	Y	Y	Unknown
AB Bank Rwanda PLC	19,598 Billion Rwf (US\$ 21,848 Million)	N	Y	Unknown	Y	Y	Y	Y
RIM Microfinance Bank	Unknown	Unknown	Y	Y	Y	Y	Y	Y

## 6. OTHER IMPORTANT STAKEHOLDERS

This section focuses on organisations in Rwanda that support TVET institutions or students with funding, expertise and policy, specifically these are donors and project implementers.

<sup>15</sup> IMF, International Fin Stats, World Bank and OECD GDP estimates, 2017-2018.

<sup>16</sup> Letter of Intent, Program Statement, and Technical MOU, IMF, 20 Dec 2019, 5.

<sup>17</sup> 2 Lending Interest Rate (%), International Monetary Fund, International Financial Statistics.

<sup>18</sup> [FINANCIAL SERVICES LICENCES AND OTHER ACCREDITATION GRANTED BY THE CENTRAL BANK](#)

Generally, supporting TVET is identified as an important focus area due to the ever increasing young adults population and the need for skilled individuals in the labour market. However, there is a common understanding that when solving for this problem a demand (labour market) and supply side (skills) approach must be taken into consideration. Summaries of interviews with four of these stakeholders are included at the end of this section as well as relevant information on six additional stakeholders in the TVET sector.

Key takeaways from this group of stakeholders include:

- 1) There is still room for improvement in terms of understanding the skills needed in priority sectors to guide TVET institution planning but interviewees commented on initial efforts with two government programs, the RDB Skills Office and the Skills Development Fund under WDA (See Details on these programs in section 1.2). One interviewee noted that current tracer surveys for the Skills Development Fund provide some insights but there is no disaggregated data on how graduates are doing. It was also emphasised that a skills gap exists and there is a need to revamp the curriculum and ensure focus is placed on market relevant disciplines.<sup>19</sup> Some interviewees noted the importance of focusing on the RDB priority sectors ICT, Tourism and Construction but at least one person commented on an oversupply in tourism.
- 2) In order to support lifelong learning, transitioning from one education level to the next needs to be seamless. Over the last five years, big steps have been taken by the Ministry of Education to improve this. First, the implementation of a centralised accreditation under WDA. Secondly, the establishment of Rwanda Polytechnic as an umbrella organisation for all Government Polytechnics leading to Improved (horizontal and) vertical pathways to ensure that education paths for young adults are less disjointed.
- 3) With regards to train-the-trainer programs supported by GIZ and the Skills Development Fund, some interview participants shared that the ratio of students to trainers is very high and the overall quality of training needs to be increased.<sup>20</sup> Hiring and training more female trainers would be a good way to encourage more female students to enroll. Another important aspect mentioned is the challenge of commitment and ownership from the beneficiaries in programs. It should not be underestimated how much work it takes to change mindsets and build confidence.<sup>21</sup>
- 4) Improved coordination of TVET Initiatives and institutions is the primary driver for the creation of Rwanda Polytechnic however it is difficult to assess how effective this has been beyond the colleges that directly fall under its umbrella.<sup>22</sup> Interviewees noted that there is a need for granular data to better understand what is working and not working. At the same time, they offered that almost 70% of graduates in TVET still fall in the underemployment category and that there is an oversupply in some areas like tourism.<sup>23</sup>

---

<sup>19</sup> Jica Interview

<sup>20</sup> GIZ Interview

<sup>21</sup> Caritas Interview

<sup>22</sup> Rwanda Polytechnic Schools: IPRC Kitabi, IPRC Kigali, IPRC Ngoma, IPRC Karongi, IPRC Musanze, IPRC Huye, IPRC Tumba, IPRC Gishari

<sup>23</sup> Jica Interview

- 5) The Improvement of TVET facilities and its quality of sourcing is paramount for the practical training component which leads to higher quality of TVET education. The resources required for this are costly and need to be upgraded as industries change. It was noted in an interview that TVET facilities are often sub-standard. Many are not built as TVET classrooms and there is a challenge in securing materials and equipment.<sup>24</sup> This means courses are often heavy on theory with less opportunity for students to receive practical training. KFW, as part of the bilateral agreement between Germany and Rwanda, has been making significant structural investments in public TVET institutions and a couple of private institutions. Some TVET institutions have been able to finance equipment and other facility upgrades through small business loans from banks like the Bank of Kigali or REM Microfinance Bank.
- 6) TVET curriculum needs to be better aligned with labour market needs. JICA's work in curriculum development and re-write in collaboration with IPRC Tumba is of note here.<sup>25</sup> However, there still seems to be a lack of efficiency as the turnaround time from market knowledge to adaptation to implementation is too long.
- 7) Improving the attractiveness of TVET is an area that still needs a lot of work. In reviewing pathways to employment for TVET graduates, there is a clear glass ceiling for those that do not have a Bachelor's degree. In addition, companies often still require a Bachelor's degree for jobs where a TVET level certificate would suffice if appropriately skilled. It can be easier for HR to sort profiles based on an education qualification due to the high rate of applications. This strong preference for a BA degree feeds the stigma students and parents have around enrolling and paying for TVET.
- 8) TVET needs more private sector engagement. Interviewees proposed building out in-company training through workplace learning and internships. This requires advocacy work within companies and dedicated team members that know how to provide on the job training. It also requires students to have a basic set of skills that they first obtain from the TVET or training institutions.<sup>26</sup>

### **Interviews with key stakeholders identified working in the sector:**

#### **JICA Rwanda**

JICA works with only one institution, IPRC Tumba. Their collaboration began when Engineer Rita Clemence Mutabazi was director of IPRC Tumba. She is now Ag. Deputy Vice Chancellor in Charge of Training, Institutional Development and Research at Rwanda Polytechnic.

JICA supports innovation related activities, building capacity for trainers and students through three projects:

1. Research production development unit/manual. Trainers and students propose projects they think would contribute to their learning. JICA provides funding for an

---

<sup>24</sup> GIZ Interview

<sup>25</sup> For more details on Jica's work see Section 5: Other Important Stakeholders

<sup>26</sup> EDC Interview

external evaluation of the proposals and those that rank highly receive funding for implementation.

2. Train the Trainer. JICA specialists provide training programs to IPRC trainers in areas such as graphic design and entrepreneurship.
3. Ideathon. This was unfortunately delayed due to COVID-19. Students from different TVET schools will participate in an ideathon with a focus on mechanics and basic engineering that will assess and rank proposals created by students. JICA will support finalists.

JICA together with IPRC Tumba is also working on the revision of a Learning Manual/Curriculum based on the learnings and best practices JICA trainers have identified during their programs. They will continue to collaborate with Rwanda Polytechnic and advocate for the adoption of the Manual at all IPRCs.

### **Caritas Rwanda**

Caritas partnered with USAID in 2012 in the Gimbuka Orphans Vulnerable Children (OVC) project. Under this project, Caritas provided funding to children with special needs and circumstances to attend TVET programs. This project has been extended until 2022.

In another project, Caritas provided 75% of TVET tuition fees to young adults from vulnerable families to attend TVET programs and also provided equipment and materials for them to start their own jobs upon graduation. In the first three years, the project supported 70 students from 14 districts. With a two year extension and increased funding, this program was able to support 400 students in 10 districts.

CARITAS also currently supports the education of 200 female students through the USAID DREAMS project (Determined Empowered Resilient Aid free and Safe Adolescents) This project targets single mothers aged 14 to 40 years old. They previously took 540 students in Rwamagana district.

### **Education Development Centre (EDC)**

EDC launched the implementation of the USAID Akazi Kanoze project in 2009. The objectives of the program are to give young adults the basic foundation they need to be ready for the job market and assist them in the out of school program. EDC partners with local private TVET (including level 1 -3 ) institutions and other community based organisations to deliver their soft skill program called Work Ready Now. Additionally beneficiaries then go on to either complete short courses that are tailored to the specific demands of the local labor market or others enroll in TVET schools for longer courses. USAID funding covers the cost of materials and tuition fees provided directly to the implemented partners that have been contracted. Eligibility for the program is out of school young adults.

EDC has worked hard to develop a strong relationship with the Rwandan Government. Through their partnership with WDA their Work Ready Now program has been implemented at all public TVET Polytechnicons and schools as a compulsory part of TVET Level 3. EDC has recently also started focusing on Private Sector engagement, they firmly believe that

students need the opportunity to practise their skills but that the businesses in Rwanda also need to know how to train students on the job.

Program beneficiaries are orphans or come from vulnerable families. They must have completed primary but not O Levels. Approximately 30,000 have now graduated from the program and 65% of them are employed. The Employment satisfaction survey shows that participants are happy with the work they do.

## **Embassy of the Republic of Germany**

The Embassy currently works in TVET through the following initiatives and partners:

1. KFW - financing the recruitment of trainers and building schools;
2. GIZ - technical training at schools and through workplace learning;
3. Engaging policy makers from the Government of Rwanda and the Sparkassenstiftung foundation (Savings Bank Foundation for International Cooperation SBFIC) on professional training in microfinance.

There is a study being conducted with KFW and GIZ on the feasibility of providing scholarships or bursaries for students attending TVET schools in Rwanda. The study is going to inform their strategy to best support the education sector. The Republic of Germany is committed to investing 30M Euros in 2020 and the focus will likely be on Train The Trainer programs (for TVET, particularly IPRCs), supporting institutions that are addressing vulnerable students, equipment and building boarding houses for schools. The embassy has focused specifically on the film industry as well as tourism and hospitality.

The Embassy highlighted the challenges of institutions having sub-standard equipment, low skilled trainers, a lack of consumables, and the cost of TVETs for most students. They see an opportunity for the private sector to work more closely with TVETs on curricula in order to respond to the skills gap. The embassy is supporting the Rwandan Government e-learning initiative as a measure to fight Covid19.

## **GIZ Rwanda**

Eco Emploi is a GIZ initiative that collaborates with Rwanda Polytechnic (RP) and Workforce Development Authority (WDA) in funding and increasing the capacity of TVET institutions. GIZ categorizes its involvement into three levels: Macro, Meso and Micro levels.

### *1. Macro Level*

- Coordination of the Technical Vocational Education and Training Sub-sector Working Group, usually referred to as TVET STVG. The working group includes WDA, RP and relevant development partners in the TVET sector.
- Support development of Workplace Learning Framework by providing a training for trainers specifically supporting companies' employees to supporting training in Occupational Health Safety, ICT, carpentry, hospitality, tourism among the activities done at this level.

### *2. MESO Level – Workforce Development Authority (WDA) and Rwanda Polytechnic (RP)*

- Support in the development of policies and strategies
- Support in the development of accreditation and quality assurance tools. E.g. Accreditation procedures, manual and school management quality assurance handbook



- Support in the curriculum development for ICT for secondary schools' Levels 4 and 5 (former A2 level) and also for TVET school managers
- Support capacity building for Rwanda TVET Trainer Institute RTTI to deliver quality In-service school managers and trainers
- Support service delivery improvement of tourism chamber

### 3. *Micro Level*

- Supported skills upscaling in tourism, hospitality and carpentry for approximately 1000 employees through training designed to improve quality of service
- Supported two year dual training in plumbing at IPRC Kigali and seven construction companies with 15 apprentices
- Supported two years ICT – Software dual training at SOS Technical school, 13 companies with 29 apprentices
- Supported 1-year carpentry dual training 3 TVET schools, 3 ICPCs with 68 apprentices
- Support IPRC Kitabi in curriculum development for Forestry Engineering and Wood Technology department
- Technical ToT support for TVET Quality Management and Leadership
- Technical ToT support for capacity building of TVET school managers and trainers for 20 selected schools in wood (carpentry), tourism and tourism economic sectors
- Development advisors' services in ICT and Carpentry economic sectors with
- Technical support to Workplace Learning in Carpentry and ICT among selected institutions

### **Overview of Key stakeholders identified working in the sector include:**

**Mastercard Foundation:** The foundation funds a project called Hanga Azaza has the overall objective to strengthen the tourism sector in Rwanda. In terms of TVET specific aspects of the project, the foundation has contracted GIZ to support TVET level 3 training at Rwanda Polytechnic. These TVET level courses are only applicable to secondary school graduates and therefore not of relevance to the scope of this project. Over the next 18 months, the foundation will rework their Young Africa Works strategy for Rwanda and may include TVET as a focus area but they are not able to provide more details at this stage.

**KOICA:** Korean International Cooperation Agency supports the Government of Rwanda in three main sectors which are Agriculture, Education and ICT. In education, KOICA supports the Ministry of Education in capacity building of teachers in using ICT in education and in developing the TVET sector. The agency provides interactions between professors from Korean universities and Rwandan universities. The agency also offers masters programmes at 15 Korean universities. KOICA also supports promoting science in secondary schools by organizing competitions.

**Swisscontact:** Is an organisation which promotes inclusive economic, social and ecological development to economically and socially disadvantaged people. In Rwanda, SwissContact supports the Kigali entrepreneurial hub through Kigali Innovation City project. Their PROMOST program has developed apprenticeship and entrepreneurship training.

**APEFE:** Association pour la Promotion de l'Education et de la Formation a l'Etranger (Association for the Promotion of Education and Training Abroad) is a Belgian association which promotes professional and artisanal education in South-East Asia, Middle East, Latin America and Africa. In Rwanda, they support learning at a workplace through IGIRA KU MURIMO program in collaboration with Private Sector Federation PSF and Ministry of Labour MIFOTRA.

**EU:** The European Union supports Rwanda through a variety of programs including private sector development and job creation. Last June, the EU gave the Ministry of Finance € 10 million to address the needs to create employment opportunities for young adults. The programme will be implemented through two projects :

1. MarketSkills4tourism (MS4T) i) improve institutional and managerial capacity of Technical Vocational Education and Training (TVET) schools and reinforce linkages between TVET schools and Private sector, (ii) improve quality and relevance of the training offer, (iii) increase access to business and professional advisory services to TVET graduates in the Tourism and Hospitality Sector in Rwanda. The project will focus on forging a dynamic connection between TVET schools and the industry, improving TVET curricula and teaching practices.
2. The Tech Innovation/Incubation Hubs project will increase digital-based employment opportunities in high potential sectors through innovation/incubation hubs in four secondary cities in Rwanda, namely Rusizi, Rubavu, Nyagatare and Muhanga. The programme will focus on: (i) setting up and equipping innovation/incubation hubs, (ii) incubation for innovative ideas (from ideation stage to expansion stage) through coaching in business development, marketing, legal and financial training; (iii) increasing of access to finance mechanisms for most promising incubated projects.

## SUMMARY OF OBSERVATIONS

This assessment was designed to expand on the initial desktop research conducted by Palladium in May of 2020. In this initial research, the team completed the USAID 5-point framework diagnostic tool and highlighted additional research questions. Under the framework, Rwanda was assessed as 3.5 out of 4.5 for Finance Providers and Enabling Environment. Facilitators and Disruptors were awarded maximum scoring of 4.5 out of 4.5. However, Finance Seekers and Financial Infrastructure scored lowest as 3.0 and 2.5 respectively. The following is a summary of observations with respect to key research questions which provide additional context and confirm the scores of the 5-point Framework.

Overall, the key barriers for educational investing can be summarised as the following:

- Liquidity for TVET institutions
- Collateral insecurity amongst TVET institutions needed for SME finance
- Risk of consumer lending for tuition fees as target market is very vulnerable
- Limited focus on education finance products

However, there are opportunities that merit further exploration :

- Financial institutions and microfinance institutions expressed interest in education products if support to de-risk investments is provided

- Supporting TVET Level 1 - 3 will contribute to Rwanda Vision 2050
- Increase in digital financial services provide opportunity for financial innovation
- Centralised data systems and good credit score management with Transunion
- High interest from TVET institutions to increase capacity and align more with the private sector - but need financing to do so

### What are the enabling conditions in the TVET sector and the finance sector in Rwanda?

The enabling conditions of the TVET sector are dependent on quality education and funding to support the government's 2050 vision. The Ministry of Education (MINEDUC) has oversight of six key government bodies and works to ensure cohesion and collaboration in advancing towards the 2050 vision. These departments provide financial incentives for employers and students alike. MINEDUC's mission is to transform Rwandan citizens into skilled human capital for the socio-economic development of the country. They will do this by ensuring equitable access to quality education, focusing on combating illiteracy, promotion of science and technology, critical thinking and positive values. Rwandans would like their children to be educated if it means they will have more opportunities as adults. The key stakeholders are a combination of government departments, banks and private sector finance companies. A strong collaboration is required between all sectors for success.

### Who provides financing in the TVET sector and how do they do so?

There are a limited number of finance providers, including Banks and MFIs, that have products accessible to TVET institutions. In order to be more successful, there needs to be more products available and the TVET offering to be made more attractive to encourage investment from the relatives of students. There are no sustainable innovative financing mechanisms or any type of cost sharing products identified for TVET Levels 1-3. Private TVET institutions are not subsidized by the government and their tuition fees are not affordable for many students. Scholarships do not meet the current need so additional financing solutions are required.<sup>27</sup>

There are financial products for TVET 1 - 3 tuition fees available from banks through personal or consumer loans but the interest rates are very high. Many parents are unwilling to take on this risk due to the stigma linked to quality and employment opportunities. In addition to aligning with quality programming, banks should actively promote their products with positive messaging and statistics.

### Who are the key stakeholders and what role do they play?

The key stakeholders in the TVET landscape include students and their families, TVET institutions, government and the private sector. Key funders in addition to USAID include

---

<sup>27</sup> EDC Interview

KFW, Mastercard Foundation, KOICA, Swisscontact, APEFE and the EU, all of which support Rwanda through a variety of programs including tourism, agriculture, education (ICT), private sector development, job creation, social and ecological development. Transunion is another important stakeholder in the financial landscape. Transunion is a private company that focuses on promoting e-payments, driving financial inclusion ensuring interoperability and a secure ecosystem.

Stakeholders noted the importance of matching skills to the labor market monitoring supply and demand to ensure graduates have employment opportunities once they graduate. A multi-stakeholder approach is important here. TVET institutions that stood out in this study are Ubumwe, Esther's Aid School, Kwetu Film Institute and Bushoki. Subject to securing fees, schools could increase capacity.

It was difficult to assess how TVETs are doing with regards to equity and inclusivity. Whilst there is evidence that the number of female students has increased, there is little data on those with disabilities. One of the private TVET schools interviewed works exclusively with young adults who have disabilities, a group that have been historically marginalized.

#### What type of financing is required and what is important when structuring financial products for this sector?

There are different types of financing required to make TVET initiatives and institutions a success. Government incentives and bank credit to the private sector are key.

TVET Institutions provide vocational training, all of which are fee paying. The parents and relatives of the students pay the fees or alternatively are reliant on donations and sponsors. Prospective employers may provide sponsorship in some regions, in others revenue is generated by implementing projects. There is evidence that centres registered as NGOs are highly successful with their graduate employment rate due to sponsorship gained from foreign programmes.

There is currently a deficit between the maximum fee structure and the cost of resources required to run the programs. A solution could be for a financial package to be put in place for key stakeholders to solely fund equipment rather than fees.

When structuring financial packages, it is advisable that the provider tailors options to suit the current education level of the student as these vary from primary to A Level. Interviews confirmed parents are using personal loans to finance their child's education. However only 50% of Rwandan adults have enough funds to open a bank account. It is important for the graduate employment factor to be part of the loan structure and the financial products.

The assessment suggests that two financial products could be developed to increase the quality of TVET education and link to the private sector.

1. A TVET institutional lending product that helps small, high performing, private TVET institutions improve their infrastructure. A performance based financing mechanism should be included to encourage TVET institutions to focus on private sector linkage, employment opportunities for graduates, as well as support for micro-entrepreneurs and cooperatives that support graduates.

2. Fair, ethical student finance solutions should be developed to ensure more low income young adults can access good quality TVET schools. The student finance product must assess the cost of education in relation to future potential income. Due to the fact that employment for many TVET graduates is still informal, managing loan repayments can be difficult. One solution could be to work through established companies located in industrial zones and integrated business centres (UDUKIRIROs), creating a formalised marketplace where labourers such as welders and carpenters can work from. By registering the workforce through an automated payment system as detailed in section 5 of this document (Financial Landscape & Infrastructure) their finances could be tracked to facilitate repayment and subsequent savings.

Financial products should be developed with knowledge sharing and ecosystem building activities. Basic level TVET institutions could learn from other higher education institutions that have built strong relationships with the private sector. These have high rates of successful graduate employment and graduates that are entrepreneurs. An example of this is Kepler College who currently assists post-secondary students in Kiziba refugee camp and in Kigali. Kepler has a 90% employment rate of graduates, including refugees. Kepler's focus on soft skills development, English and digital skills could be shared with basic level TVET institutions to improve these aspects. EDC also has a workplace learning project that could be incorporated into ecosystem building activities.

Overall there are strong opportunities for collaboration and innovation to align with USAID'S Development Objective 3. It is recommended that the design of interventions focus on increased finance and digital literacy; improved market links and demand driven skills building for young adults and women in particular. Together this will create a prosperous future for Rwanda.

## ANNEXURES

### ANNEXURE I

#### Case Studies: Students and Alumni

<b>Case Study 1: Umutesi Adda</b>	<b>Place of Work: Adarwa</b>
<b>Age: 22</b>	<b>Location: Gisozi</b>

Adda Umutesi completed her primary and first few years of secondary school at Musambira. In 2015 she joined Kabuga Technical Secondary school. Kabuga Technical Secondary School offered courses in computer science, construction, carpentry and joinery. Adda shared that she had applied to study motor vehicle mechanics but her grades were not high enough to be accepted into this program. She was offered a spot in the carpentry and joinery program. Tuition fees of 98,000 Rwf (US\$103) by semester and all other costs were covered by her parents.

There were 12 females and 12 males in Umutesi's program. All 24 graduated but only three of her classmates received grades high enough to go to IPRCs and complete higher levels of TVET training. Adda believes that only four of her classmates are still employed in their field of study.

Adda was passionate about her studies and happy to have time to pray. Getting access to equipment and machinery was not easy since it required authorization. Adda said many of her classmates would get discouraged by this but she persevered and was able to practice. Over time, she mastered skills and began helping her classmates.

After graduation Adda secured a job in a carpentry shop in Bushenyi. Her boss was friendly and helped her further develop her skills and knowledge of machinery she had not been able to use at school. After three months, she was hired in Gakinjiro Adarwa--a hub for carpenters who work in cooperatives. After 12 months, Adda was able to save enough money to buy her own machine. She still lives at Ruyenzi in Kamonyi district with her parents and siblings.

Adda shared that people were not used to seeing a woman in this job but she was able to build their trust through her work and now has many clients coming to her for furniture like bed, chairs, tables etc. It has been two years since she joined Gakinjiro Adarwa Cooperative where she pays a contribution of 20, 000 Rwf (US\$21) per year for the space she occupies. She also pays other taxes on a monthly basis. Adda's average monthly income is around 270,000 Rwf (US\$283) which allows her to support her family.

<b>Case Study 2: Nizeyimana Simon</b>	<b>Place of Work: Gakiro Adarwa</b>
<b>Age: 26</b>	<b>Location: Gisozi</b>

At the age of 21 Simon Nizeyimana completed O Level at GS Zaza and enrolled in ETO Kibungo as a private student paying full tuition fees and covering his own accommodation. He studied Carpentry for one year between 2015 and 2016. After completing his course, he applied for an internship at ADARWA and was selected by Muvura Wood for a 2-month apprenticeship. At the conclusion of his apprenticeship, he returned home to the Eastern province Ngoma.

Simon liked his carpentry course and particularly enjoyed the practice vs theory. He stated that his greatest challenge was finding affordable accommodations during the program. He rented a room for 20,000 Rwf/month (US\$21). His parents covered this expense along with 130,000 (US\$136) total course fees.

Simon's first job with a subcontractor working with the Muvura shop paid him 120,000 Rwf/month (US\$126). He eventually switched to getting paid by the pieces he produced. For example he has been paid 4,000 Rwf (US\$4) for a single cupboard. Simon stated that he once made six in one day and thus earned 24,000 Rwf (US\$25) that day.

Simon shared that he earns between 250,000 Rwf (US\$262) and 300,000 Rwf (US\$314) per month and that he has opened a savings account and joined a savings group.



## ANNEXURE II

### Case Studies: TVET Institutions

#### Case Study 1: Ubumwe Community Center

Ubumwe Community Center is a center founded by Frederick Ndabaramiye and Zacharie Dusingizimana in Rubavu district as a place where young adults with disabilities can learn skills that allow them to build a sustainable life. The center offers Level 1 & 3 courses in computer based skills, sign language and other special courses for students with eyesight disability.

Ubumwe currently serves 42 students and has 180 graduates to date. Ninety-eight percent of students who graduate from the center have transitioned to employment within an average of six months. The Moving Into Action program builds cooperatives and supports transition to employment. The center also employs some graduates directly.

The center is registered as an NGO and has philanthropic support through a sponsorship program in the US that covers the full cost of 366,000 Rwf/year (US\$383) per student. The average income for a graduate of the Ubumwe Community Center is around 70,000 Rwf (US\$73) per month.

Due to Covid-19 the center has suspended classes and courses already taught will have to be retaken.

#### Case Study 2: Nyamirama TVET

Nyamirama TVET is a public school located in Kayonza district in the East of Rwanda. The school accepts students who have finished O Levels for enrollment into TVET Level 3. For TVET level one the institution only accepts students over the age of 18 who have not completed secondary school. The school currently has 350 students enrolled in carpentry, welding, plumbing, masonry, domestic electricity, and tailoring.

Nyamirama charges tuition fees of 83,000 Rwf (US\$87) per semester for students in TVET Levels 3-5 and it takes 3 semesters to complete each level. Through a partnership with the SOS Skills Development Fund, tuition fees are covered for students enrolled in Level 1. For TVET Level 3 tuition fees and education costs are covered by parents or relatives. Nyamirama also receives funding through a partnership with WDA and the SDF. The current level of this funding is 1,600,000 Rwf (US\$1,675) for feeding and 1,800,000 Rwf (US\$1,885) for functions each semester.

Over 90% of those who graduate Level 1 transition to employment. Most graduates of Level 3 also secure employment after graduation but the exact figure was unknown. Most students find jobs in road construction, due to a road being constructed near the schools. Other graduates go to carpentry cooperative Udukiriro in Kayonza. It is unclear where plumbing and electricians work, many are self-employed.

Graduates in carpentry earn approximately 200,000 Rwf per month (US\$209) and 100,000 Rwf (US\$105) for welders. Graduates who work in construction earn 300,000 Rwf (US\$314) per month.

#### Case Study 3: Forever TVET

Forever TVET is a private TVET school operating in Gasabo district for three years. The school accepts students who have completed O levels. School fees vary between 535,000 Rwf (US\$535) and 890,000 Rwf (US\$932) per year. These costs are generally covered by parents with contributions from students who manage to secure part time jobs. The school offers a variety of programs including domestic and industrial electricity, land surveying, automobile engine and body work technologies, auto electricity and electronic system, automobile transmission and control. The programs involve heavy machines so it does not seem to attract female students. Forever TVET assists students in securing employment and internships. 20% of interns have been hired by the organization of their placements. The school meets once a year with their graduates to discuss the challenges related to employment and how the school can assist them.

Currently they have 26 students enrolled and they have served 180 individuals to date. Forever TVET believes graduates can earn up to 400,000 Rwf (US\$419) per month but the average earner is currently at 250,000 Rwf (US\$262) per month.

#### **Case Study 4: KWETU FILM INSTITUTE**

The KWETU Film Institute offers courses in digital filmmaking and creative communications. They conduct courses in English and include soft skills training to develop proficient language skills as well as critical thinking. They provide TVET 1 courses. Most graduates are employed on a freelance basis by both local and international media houses earning between 45K Rwf - 90K Rwf /day (US\$47 - \$94). When fully employed, the most successful can earn between 900,000 Rwf - 1.35M Rwf / month (US\$942 - \$1,361). Their fields of work and expertise include photography, design, entrepreneurship, sound, tour guiding, actors, producers, directors and also writers.

The Institute is not fully funded and does not receive any financial assistance from the government. They generate some revenue from projects and have received donations from partners, mentors and alumni, particularly in support of equipment. Tuition is 640,000 Rwf (US\$677) / semester. A full course is 4 semesters. There are also short programs designed for special training in camera, sound, camera photo, editing and lighting and also acting.

Most students rely on their parents for tuition fees. Some receive sponsorships from their places of work or other programs with international partners such as Germany and Sweden to support the most vulnerable students. KWETU is currently putting forth efforts to encourage more women to apply and they are eager to work with students who have disabilities. They have students from Kigali City and the provinces as well as international students, exact numbers of students were not shared with us at this time.

#### **Case Study 5: KINIHIRA Agi TVET**

Kinihira Agi is a public TVET school located in the North province, in the district of Rulindo. The school teaches students Agri-processing, agribusiness, carpentry and construction. The school empowers them with entrepreneurship skills like marketing and application for loans that match their products. The school attracts a few female students using role models and offering complimentary courses sponsored by the Skills Development Fund. The school has boarding students who pay 768,000 Rwf (US\$82) per year and day scholars who pay 150,000 Rwf (US\$159) per year.

Graduates from this school will earn between 150,000 Rwf (US\$159) to 90,000 Rwf (US\$95) per month and work on seasonal contracts. Industries which require tools and equipment such as carpentry are harder to graduate into than construction.

## ANNEXURE III

### Interview Partners

	Institution	Representative	Position
	<b>Financial</b>		
1	Bank of Kigali	Benjamin Mutimura	Chief Commercial Officer
2	RIM	Gatera Damien	Director General
3	Cogebanque	Gilbert Muhire	Branch Manager
4	Access Bank	Simon Mugisha	Head of Public Relations
5	Equity Bank		
	<b>Funders</b>		
6	GIZ Eco Emploi	Ezechiel Ngoboka	
7	JICA Rwanda	Norihide Furukawa	Education Program
8	MasterCard Foundation	Diane Dusaidi	Program manager
9	EDC	USAID Implementer	Steve Kamanzi
10	Caritas Rwanda	USAID Implementer	Jean Ntakirutimana
	<b>Government</b>		
11	Rwanda Polytechnic	Leonard Imanirambona	TVET Assessment Division
	Workforce Development		
12	Authority	Gatabazi	Director
	Rwanda Development		
13	Board	Amos Mfitundinda	Chief Skills Officer
	<b>Employers</b>		
14	UTEXRWA	Antoinette Umuhoza	Human resource
15	Inyange Industries	Mugisha R. James	Human resource
16	Adarwa	Jotham	Entrepreneur
	<b>TVET schools</b>		
17	Center for champions	Theoneste Uwitonze	Headmaster
18	Nyagatare TVET	Xavier Niyoniringira	Headmaster
19	Kwetu Film Institute	Eric Kabera	Headmaster
20	Forever TVET School	Fan Ziyi	Headmaster
21	ULK Polytechnics	Kayijamahe Patrick	Headmaster

22	Nyamirama TVET school	Noel Muvunyi	Headmaster
23	Kinihira TVET Agi	Nkusi	Headmaster
24	Bushoki TVET	Richard Uwineza	Headmaster
25	Shangi TVET	Emmanuel	Headmaster
26	Mushumbati TVET	JMV Basabose	Headmaster
27	UCC TVET Ubumwe community center	Justin Nshimiyimana	Headmaster

## Annex IV

### Details on Banking Products

#### Bank of Kigali

Bank of Kigali (BK) shared a number of ways in which they support education financing. An overall description of each program was shared but detailed data requires a further data gathering process with permission from executive board members at the banks.

The **Urubuto program** facilitates parents to pay tuition fees through technology payment which provides both the schools and parents an opportunity to keep a record of payments.

The program features:

- Student behaviour management such as attendance, discipline and permission request
- Academics management including timetable management and report card generator
- Fees management for online payment to eliminate the need for physical payslips
- Staff management
- Finance and accounting
- School library management
- Communication
- Advanced analytics

Another program -- the **Urumuri program**-- supports young entrepreneurial graduates with business plans by providing interest-free loans. Applicants enter a competition and a few are selected and supported with the loans as well as mentorship provided by BK.

BK also supports education through capacity building loans. Credit agents meet with schools and propose loans that they can use to buy vehicles, develop their infrastructure and buy equipment and materials.

The bank also supports parents who are BK clients by giving consumer loans to pay for students' tuition fees. The interest rate is 18% and the agreement is made directly between the bank and the parent. To be eligible for these loans, applicants must:

- not request a loan amount in excess of 12 times the monthly salary
- be above 18 years of age at the time of the application and not older than 70 years at the the time the facility matures,
- earn a minimum monthly salary of Rwf 20,000 assigned to their BK account

These loans are repayable over a maximum of 48 months. The maximum size of the loan in this category is 15M Rwf (US\$15,000). By law, the maximum monthly payments cannot exceed one-third of monthly basic salary and the duration of the loan is usually tied to the employment contract. Up to 5M Rwf (US\$5,300) can be unsecured but security may be requested for lower amounts depending on purpose and borrower records. Loans exceeding 5M Rwf are expected to be secured. Clients can qualify for a top up loan after a minimum of three installments and normal fees apply.

BK is very committed to advance quality education in Rwanda and work with partners who share the same commitment. They are open to new initiatives and have explored credit lines and loans to CHANCEN over the last year. Their current interest rate base is 16%. They are open to discussing a grace period for repayments until students have graduated if there is a sufficient guarantee.

COVID-19 has impacted the bank as it has impacted its clients. BK has been able to develop and offer more digital services in lieu of clients physically coming into the banks. The 2020 portfolio target was originally to grow by 20% but they have adjusted the target to maintain 2019 levels.

## **RIM - DG Gatera**

**RIM: Reseau Interdiocesain de Microfinance** is a microfinance organization created by the Catholic church of Rwanda in May 06<sup>th</sup>, 2004. It's 11 shareholders are one archdiocesan, eight diocesans, Caritas Rwanda and CORAR (Compagnie Rwandaise d'Assurance et de Réassurance). RIM has 11 agencies covering 78 catholic parishes located in 28 country districts.

RIM works with World Vision on a TVET program in Nyamasheke and Rusizi districts in the form of leasing. Graduates form clusters (a minimum of three graduates) and are given loans based on business plans they have prepared. The project has around 30 clusters with a total of approximately 217 participants. Some clusters have already repaid the first loans. The loan size depends on the members of the cluster and sector of activity but typically ranges between \$2300 and \$3000. The clusters that graduates form and equipment they are given are sufficient for the bank as collateral. The interest rates for this project are 18%. World Vision CORE project, a partner in this program, provides guarantee funds to RIM in the form of a grant. First equipment owned by graduates is used as collateral and then the grant is used to further cover losses.

In 2017 RIM started a project supporting IPRC graduates to obtain the equipment and materials they needed to work. Students were required to form clusters - an association of three or more TVET graduates who would submit a joint application to RIM for the loans.

In 2018, RIM began implementation on a similar concept targeting unemployed young adults (not TVET graduates) in the Muhanga and Nyamagabe districts through the Duhuguke Dukore USAID project. Both of these projects struggled to mobilize as a SWISSContact program providing materials for free began operating in the same time frame. Interest rates were also viewed to be high and the students had difficulty forming clusters.

RIM also supports TVET institutions through loans for school renovations as well as loans to staff. They have provided some loans to parents who can't afford tuition if they have strong credit with the bank (having previously paid back 70% of another loan). RIM shared that in their experience most TVET graduates work in: carpentry, tailoring, ICT (internet café), and handcraft.

RIM received funding from the Central Bank to provide interest relief to clients due to COVID-19. The overall lending portfolio for 2019 was 3,800,000,000 Rwf (US\$4 million) with a target to reach 6 billion Rwf in the next 12 months.

## **Annex V**

### **Profiles of Employers Interviewed**

#### **UTEXRWA**

Utexrwa is a large garment factory with an extensive assembly-line producing protective clothing and accessories from cotton, synthetic and blended fabrics. The factory opened its doors in 1984 and employs over 500 staff, 75% of which are female. Utexrwa provided researchers with basic information rather than a full interview.

When the tailors join UTEXRA they are given a one year renewable contract. Often new starters do not have the necessary skills and require a few months training at the start of their employment. Esters aid school produces the highest skilled graduates. The starting salary for graduates in tailoring is 45,000 Rwf (US\$46) per month which can increase up to 300,000 Rwf (US\$310) per month. The plant takes interns as well but noted that it was challenging as their work could be interrupted by school assignments or exams.

#### **Inyange Industries**

Inyange is a food processing company in Rwanda manufacturing a variety of products since 1997. In 1999 it began extended operations to include processing pasteurized milk and yoghurt. In 2001 the plant introduced a mineral water product line.

Inyange employs mechanical and electrical engineering graduates. Salaries start at 55,000 Rwf (US\$55) and can increase to double that per month. Inyange take on five interns per month, three mechanical engineers and two electricians. All interns in 2020 were male.

New starters arrive with a good basic theoretical and little practical experience. There is a requirement for training and workshops as they lack confidence in operating machines. Overall TVET graduates perform well compared with those from other institutions where no practical training has been done.

#### **ADARWA**

Adarwa is a cooperative with 100 members, who own shops in Adarwa market, and 3000+ welders and carpenters. The board of directors match applications from interns to appropriate shops, one of which, Muvura Wood, which takes an average of five interns each year. TVET students who are interned at Muvura Wood need to be supervised by senior carpenters as they arrive with 60% of the skills required which is a challenge for the shop as this is very time consuming. Last year two TVET interns were offered permanent employment at the end of their internship.

Graduates who can afford to buy their own tools join the Adarwa cooperative and rent a space in the market to make and sell their wares.