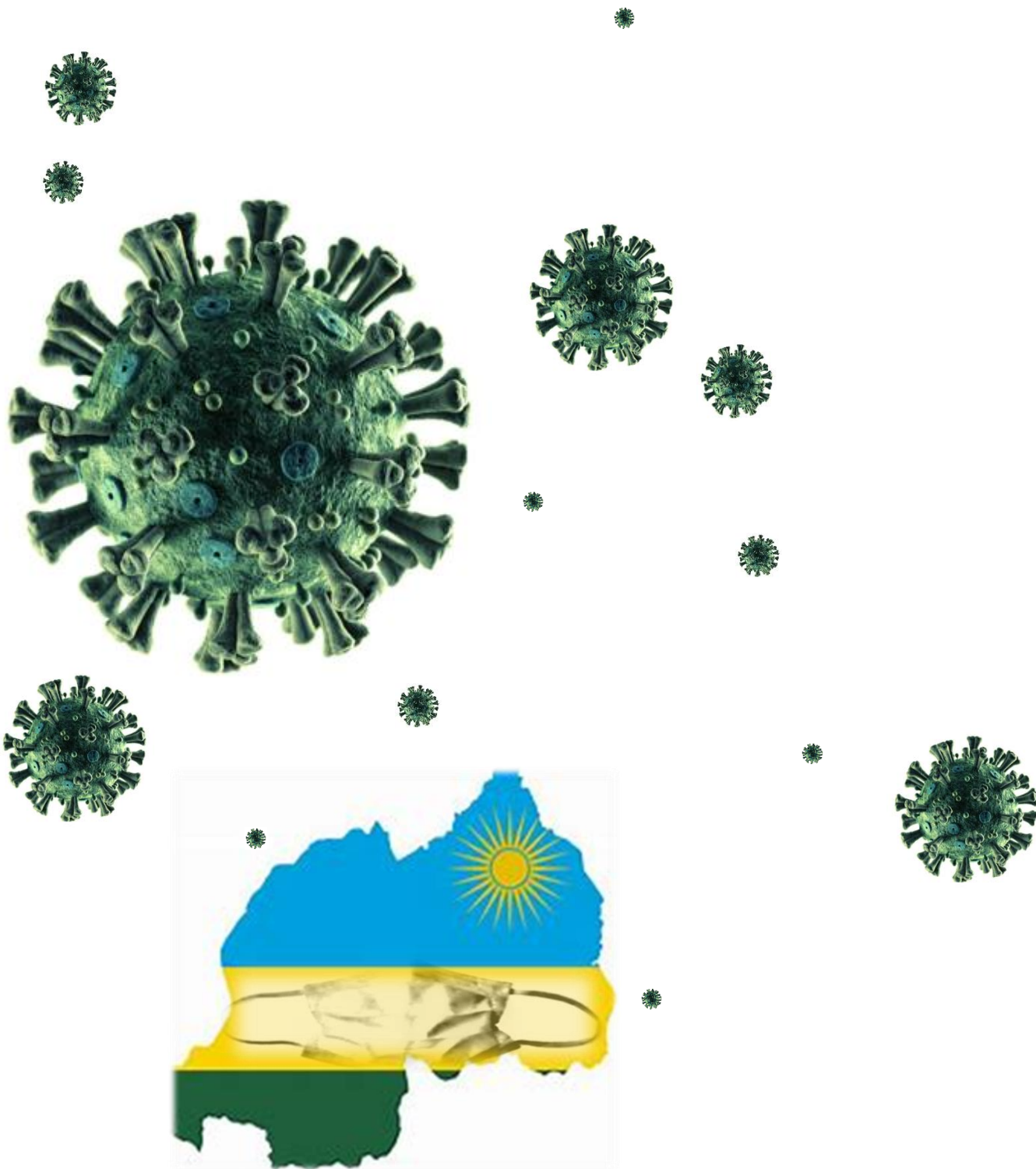


# THE SOCIO-ECONOMIC IMPACT OF COVID-19 IN RWANDA



**June 2020\***



**COVID-19  
RESPONSE**

\*This report published in June is an assessment carried out before the Government release of the Economic Recovery Plan.

## Foreword

***“We are facing a global health crisis unlike any in the 75-year history of the United Nations — one that is killing people, spreading human suffering, and upending people’s lives. But this is much more than a health crisis. It is a human crisis. The coronavirus disease (COVID-19) is attacking societies at their core.”***

*United Nations Secretary-General, António Guterres.*

The global economy has been brought almost to its knees from the severe, wide and deep impacts of the COVID-19 pandemic—placing all past development gains at risk. The COVID-19 pandemic has caused disruption to businesses, job losses and household livelihoods, resulting in increased poverty—with the poorest and vulnerable suffering the most. In addition, the resultant illness has overwhelmed health systems and social safety net responses, with the burden being proportionately higher for Africa’s weaker economies. The total impact is yet to be accurately determined through more in-depth analyses.

Rwanda was in the middle of an economic boom prior to the COVID-19 pandemic with a real economic growth of 9.4 percent in 2019, driven mostly by large public investments for implementation of the *National Strategy of Transformation*. With the advent of COVID-19, international flows of goods and services have been seriously disrupted with significant spill overs to the global economy. The services sector which accounts for over half of Rwanda’s gross domestic product has taken a strong hit amid disruption in international trade and travel. Conservative estimates for 2020 have reduced economic growth by about 7 percentage points to between 2 and 3.5 percent -- signalling the acute impact already on Rwanda.

The high level of uncertainty presented to us in the wake of COVID-19 requires us to ask ourselves how do we build back better; how do we build a more resilient global economy, institutions, systems and communities, and how do we limit the impact of future crises? Governments newly formulated Economic Recovery Plan in response to COVID-19 should equally consider the necessity to build back better and greener, in consistency with the country’s NST1 and agendas 2030 and 2063 and the overall macro-economic framework. It is important to look at the long-term sustainability of measures, as well as to enhance the dialog with all actors involved to make sure that measures set up tackle their needs and are accessible. In addition, setting up responsive blended financing modalities and an accountability, monitoring and evaluation mechanism is critical. The dialog on the assessment and the measures is also an opportunity to strengthen the social cohesion aspect given the social disruptions arising from the crisis, under the principle of leaving no one behind, promoting more equalities, more inclusion and more shared responsibility. The processes of the Voluntary national review (VNR), the Universal periodic review (UPR) and the Integrated national financing framework (INFF) could be good opportunities to improve this approach.

The aim of this joint UN assessment is to provide better informed policy responses that put people and their rights at the centre, especially those most impacted and left behind. Therefore, this report provides an evidence-based projection of possibilities given specific assumptions and scenarios in the trajectory of COVID-19 infections and recovery patterns. It reflects our best collective assessment, based on the available evidence and expertise, of the scale, nature, and depth of socio-economic impacts in Rwanda -- as such the findings remain preliminary. We recognise that many of the recommendations of this report are in line with measures that have either been already taken by the Government, or which are in the process of being implemented or considered. Our UN Joint programme to support the Government ERP will be grounded on this work.

This assessment is in congruence with the UN framework for the immediate socio-economic response to COVID-19 launched by the UN Secretary-General in April 2020. The five pillars in the guidelines for a collective

UN response – health first, protecting people, economic response and recovery, macroeconomic response and multilateral collaboration, social cohesion and community resilience, are reflected in the various chapters of the report. The work presented in this report has been a collaborative effort by all UN agencies under the overall leadership of the UN Resident Coordinator and the technical leadership of UNDP Resident Representative. We are grateful to the team in the RCO, and all the UN agencies in the socio-economic group that contributed to this effort, as well as those who provided technical inputs. We would like to particularly recognise the efforts of teams in UNDP, UNICEF, WFP, UN Women, UNECA and the assistance of the World Bank and the IMF who worked with resolve to deliver this assessment.

The UN underlines the desire to join efforts to support the Government of Rwanda to fight and end the COVID-19 pandemic and build back together to accelerate development and well-being of the people of Rwanda -- leaving no one behind.

Turi kumwe! We are together!

**Fodé Ndiaye**

**UN Resident Coordinator**

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## Abbreviations and Acronyms.

AfCTA	Africa Continental Free Trade Area
AGOA	Africa Growth and Opportunities Act
AU	African Union
BNR	National Bank of Rwanda
CBHI	Community Based Health Insurance
CBT	Cross-Border Traders
CCRT	Catastrophe Containment and Relief Trust
CFSVA	Comprehensive Food Security and Vulnerability Analysis
CGE	Computable General Equilibrium
CHWs	Community Health Workers
CIEA	Composite Index of Economic Activity
COVID-19	Coronavirus Infectious Disease 2019
CPI	Consumer Price Index
cPWs	Classic Public Works
CSOs	Civil Society Organisations
DFID	Department for International Development
DMRS	Domestic Market Recapturing Strategy
DOT	Direct Observation of Therapy
DOTS	Direction of Trade Statistics
DRC	Democratic Republic of Congo
EAC	East African Community
ECD	Early Child Development
ECF	Extended Credit Facility
EICV	Household Living Conditions Survey
EIU	Economist Intelligence Unit
ePWs	Expanded Public Works
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FNSMS	Food and Nutrition Security Monitoring System
FOREX	Foreign Exchange
FSA	Fiscal Space Analysis
FtMA	Farm-to-Market Alliance
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GMO	Gender Monitoring Office
GNP	Gross National Product
GTAP	Global Trade Analysis Project
HDI	Human Development Index
IDA	International Development Association
IFPRI	International Food Policy Research Institute
ILO	International Labour Organisation
IMF	International Monetary Fund
LFS	Labour Force Survey
LICs	Low Income Countries
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MICE	Meetings, Incentives, Conventions and Exhibitions

MINAGRI	Ministry of Agriculture
MINECOFIN	Ministry of Finance
MINEDUC	Ministry of Education
NCDs	Non-Communicable Diseases
NHDI	National Human Development Index
NISR	National Institute of Statistics Rwanda
NST1	National Strategy for Transformation
NTBs	Non-Tariff Barriers
ODA	Official Development Assistance
PBF	Performance-Based Financing
PDM	Post-Distribution Monitoring
PLL	Precautionary and Liquidity Line
PPE	Personal Protective Equipment
RCF	Rapid Credit Facility
RCWE	Rwandan Chamber of Women Entrepreneurs
RDB	Rwanda Development Board
RDHS	Rwanda Demographic and Health Survey
REB	Rwanda Education Board
RFI	Rapid Financing Instrument
SACCOs	Savings and Credit Cooperatives Organizations
SBA	Stand-By Arrangement
SCF	Stand-By Credit Facility
SGBV	Sexual and Gender-Based Violence
SOEs	State-Owned Enterprises
SSA	Sub-Saharan Africa
TB	Tuberculosis
TMEA	Trademark East Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDG	United Nations Development Group, now UNSDG: United Nations Sustainable Development Group
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations Children's Fund
USA	United States of America
USD	United States Dollars
VAT	Value-Added Tax
VUP	Vision 2020 Umurenge Programme
WB	World Bank
WDI	World Development Indicators
WEO	World Economic Outlook
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation
WTTC	World Travel and Tourism Council

## Executive Summary: key messages and policy recommendations

**The main objective of this socio-economic impact assessment report is to assist the UN and other development partners in Rwanda to target their efforts more effectively in response to the COVID-19 pandemic.** It brings together the main findings of various UN agency socio-economic impact assessments and suggests policy recommendations. It is an effort to streamline and consolidate ongoing work by various UN Agencies operating in Rwanda, as well as provide perspectives at the regional and global levels as they affect the country. The UN joint inter-disciplinary quick analysis of the likely impact of COVID-19 sheds light on macroeconomic fundamentals, trade and economic resilience, private sector, health outcomes, food security, social service delivery, household livelihoods, poverty, and vulnerabilities and gender.

**Rwanda has very strong basis to manage the crisis:** a clear vision with the National strategy for transformation grounded on Agenda 2030 and Agenda 2063, a good leadership, well-functioning institutions including the health system, good social protection mechanisms, good infrastructure and a focus on innovations, a sound macro-economic situation with a good debt management and a track-record of high level growth rate and a solid data system allowing a good analysis. Of course, the dependency on the services notably hospitality, hotels and tourism could negatively impact that capacity of resilience. This could be compounded by the negative consequences on the transportation sector and the importance of the informal sector.

**Following Rwanda's first recorded case of COVID-19 on March 14, 2020, Rwanda swiftly put into play decisive measures to contain the spread of the disease.** By March 21, a full lockdown had been implemented. This report notes that the efforts made to minimize the spread of the virus, such as containment measures, including social distancing and lockdown, the closing of schools, the prohibition of public gatherings, and closure of non-essential business and economic activities, have had and will continue having far-reaching social and economic consequences; even though the measures have positively impacted the management of the health crisis.

### Key Messages

#### Rwanda's Recent Economic Development and Outlook

1. Prior to the COVID-19 crisis, Rwanda had been experiencing very strong macroeconomic fundamentals with GDP growth averaging 7.4% in the past 5 years, and 8% in the past decade. In 2019, GDP grew by 9.4%, one of the highest rates of growth in Africa and in the world. However, the negative impact of COVID-19 is expected to drastically dampen this high performance and growth is poised to decelerate to about 2.0 percent in 2020 due to both the reduction of global and domestic demand and disruptions in supply.
2. Rwanda's external sector is likely the most severely affected by the COVID19 crisis. Lower exports are expected due to weakening global demand, disruption of the supply chains and transport challenges, affecting both prices and volumes of Rwanda's exports. The weakening global environment is expected to reduce external flows, such as remittances, Foreign Direct Investments (FDI), and service receipts, to Rwanda, resulting in a drop in external reserves.
3. Negative spillovers of the COVID19 pandemic to other sectors are expected to be detrimental to growth. The value chain disruptions on the import of inputs and capital goods are likely to create price pressures and undermine retail, transport, manufacturing, and construction activities. Although the banking

sector has been resilient so far, given its elevated exposure to hotels and import-dependent sectors, the banking sector could witness a deterioration of asset quality and profitability, with negative ramifications for private credit growth.

4. Private consumption has also been drastically curtailed for various reasons, including income uncertainties and limited options. There has been a fall in import duties and export earnings due to price shocks and disruptions in global value and supply chains. This is compounded by the loss of corporate profits and capital gains. Disrupted supply chains may create countercyclical shocks on the exchange rate and inflation/deflation pressure on several products and services.

#### Public Finances

5. The IMF Country Review 2020 states that due to the pandemic, the fiscal deficit is expected to deteriorate considerably and to jump to 10.6 percent of GDP. The Country Review also states that authorities have reported lower-than-expected revenues from international trade taxes and VAT as early as January owing to trade disruptions. Non-tax revenues, such as fees from national parks, have also declined. Pressures to further increase health spending to contain and mitigate the coronavirus spread are mounting. The pandemic will also put pressure on debt, which is projected to increase to 64.5 percent of GDP in 2020, remaining above this threshold at 66.4 percent through 2021, but is expected to marginally ease off in 2022 to 65.7 percent of GDP.

Increased public spending through monetary stimuli is needed to cushion businesses and help them weather the impact of the COVID-19 crisis and to avoid economic depression. Increased public spending will also be used for cash transfers, and food assistance to affected households as incomes and other economic opportunities are dampened. There will also be pressures on the fiscus resulting from increased health-related spending for prevention, treatment, medical supplies, and virus containment.

Decreased domestic revenues will emanate from the shutdown of the main tax-base such as the tourism sector, hotels, wholesale and retail trade, and many other service and manufacturing sectors that contribute a significant amount to domestic tax revenues.

6. A welcome development has been the IMF approval at the beginning of April of the disbursement of US\$109.4 million to be drawn down under the Rapid Credit Facility and a new approval of US\$111, which is intended specifically to provide balance of payments support. But it will not be sufficient given the gravity of the current situation. The Central Bank has undertaken a series of measures to reduce the impact of COVID-19 on the economy, but further policies to conserve, as far as possible, hard currency will need to be introduced.

#### Trade and Regional Integration

7. This crisis is unprecedented. Through no fault of its own, Rwanda and its regional neighbours find themselves confronted by a quite different international context than that was prevailing just a few months ago. By necessity, the crisis will require a re-examination of Rwanda's strategy for insertion into the global economy. Laudably, Rwanda has already placed a priority on the continental agenda. However, this is an agenda that requires greater levels of cooperation among the Regional Economic Communities (RECs) and regional neighbours.

8. The Covid19 pandemic has brought into focus Rwanda's service-led development strategy. The closure of many retail and hospitality establishments and the imposition of transport and travel restrictions are likely to result in a serious contraction of many service sector activities, which represent quite a serious

blow to Rwanda. There might also be negative knock-on effects on the agriculture sector, on which 70 percent of the population is still dependent. A decline in domestic and export consumption of agricultural produce will significantly impact segments of the rural economy and, with it, some of the most vulnerable communities.

9. Export-oriented firms are struggling both in the face of the collapse of demand for their products and all the logistical impediments associated with the measures to contain COVID-19. Some export-oriented firms will need to rapidly re-orientate their production to regional markets, as their foreign markets dry up. Measures may need to be put in place to help them adjust.

### Poverty and Human Development

10. It is likely that the loss of incomes as a result of the lockdown will lead to poor and marginalized groups staying poor and to chronic poverty being further entrenched. However, new households that were previously above the poverty line, in the "non-poor insecure" category, may move into poverty, and some who were previously non-poor may move into income insecurity, which may, in turn, lead to social vulnerability and weaken coping capacity. Kigali districts, with the most households employed in sectors outside of agriculture, are likely to be hit the hardest by the COVID-19 crisis through increased vulnerabilities and job losses.

### Labour Markets

11. Significant increases in unemployment and underemployment are expected due to the major economic contraction. Although the employment impact of COVID-19 is expected to be relatively minimal in the largest labour-intensive sector, Agriculture, Forestry, and Fishing, there will be spinoffs from the impact of COVID-19 from the other heavily impacted sectors such as the food and hospitality industry.

12. . In the transition towards recovery, livelihood, self-employment and job initiatives should also be promoted. The social protection part of the Economic recovery plan should also pay attention to those elements, important for laid off workers and micro-entrepreneurs.

### Food Security and Food Prices

13. The disruption of economic activity country-wide will most likely increase food insecurity, among the heightening of other vulnerabilities. The restrictions of movement, transport, and market operations have negatively impacted agricultural households that rely on market sales and will negatively impact households that do not have a harvest in stock to survive on.

14. Impacts for vulnerable households will range from loss of food security and nutritional issues to job and income loss and heightened probability of falling into poverty or chronic poverty. Those employed in tourism and hospitality, and the conference industry, might be furloughed or lose jobs as a result of the massive decline in tourist arrivals and subsequent decline in activity in the sector, such as reduced restaurant and hotel spending and RDB gorilla or hiking permit purchases or postponements of large conferences and meetings.

15. Food prices have been showing an upward trend. In March 2020, the CPI increased by 4 percent compared to the previous month, 24 percent compared to the previous year, and 49 percent higher than five years ago. The prices of staple commodities such as beans, maize, and salt continue to surpass their respective 5-year averages. Although the overall CPI is higher for the rural areas, the 5-year price data from NISR highlights that the prices for all staple commodities are lower in rural areas. This indicates that urban

populations will be more impacted by the upward price changes, especially those in informal sector activities, which require them to be mobile in order to earn an income.

## Gender

16. Women and girls, who account for a significant number, and in some cases the majority, of workers in high-risk sectors with a high likelihood of disruptions, face a bleak job-security prospect in the coming months. Businesses that have reduced operations and, by extension, their profit margins will be forced to lay off a significant number of workers to minimize costs. Smaller businesses and informal sector operators will face mounting challenges to survive without any source of income during the continuing COVID-19 crisis.

17. The current crisis threatens to push back the limited gains made on gender equality and exacerbate the feminization of poverty, vulnerability to violence, and women's equal participation in the labour force. Female-headed households are at a far greater risk of being impacted by the adverse effects of the COVID-19 crisis; in fact, they could fall into deeper poverty levels and even face extreme poverty. Mitigating this risk will require higher and more targeted investments as well as adequate social safety nets.

18. Before the lockdown, most of the employed population was employed in daily wage jobs for the past three years, and women were overly represented in that category. This data underscores the magnitude of the problems affecting women in the informal sector who run a greater risk of termination and losing their livelihoods.

## Social Service Delivery

19. Some social protection programs are not operating at the same pace as before the pandemic due to containment measures. Women are the majority benefiting from direct support under the VUP program (about 68%), participating in the public works (52%), and benefiting from financial services under the same program.

20. Access to services provided by community health workers at the local level, such as Directly Observed Therapy (DOT) for Tuberculosis, prevention of Non-Communicable Diseases (NCDs), and other care, have been constrained by the COVID-19 restrictions. Besides, the high transport charges, as a result of maintaining social distancing in public transport, which are unaffordable for many households in Rwanda, may constrain timely access to health services.

21. The COVID-19 pandemic has directly affected the source of households' income and opportunities for people engaged in small and medium-sized businesses and living from daily wages. These households often operate under the informal sector, implying that the population will be constrained to undertake timely payment of insurance premiums when the new fiscal year starts in July 2020, and many people may lose their jobs and hence fall out of the formal insurance schemes.

22. During the economic lockdown, low-income households have faced constraints to afford the cost of water (either water at their premises and in public taps), soaps, and other sanitation tools. In rural areas where water systems are privately managed, private operators have been experiencing significant revenue fall, which will further affect service continuity. Meanwhile, functional water and sanitation maintenance has been constrained as technical people, and spare parts are not freely moving, and hardware stores have been closed. While the economy is now reopening, there is likely to be short-term effects on household water affordability. In addition, any increases in poverty levels could mean that households will forego safe water,



usually accessed at some cost, and opt for more freely accessible unsafe water from different unprotected water sources.

## Policy Options and Recommendations

### Public Finances

- i) Strengthen community health financing to ensure adequate capacity and tools to deal with COVID-19 at the local level.
- ii) Prioritize rapid and emergency financing for social protection, including cash transfers by increasing the number of social assistance beneficiaries and topping up the size of benefits to the poorest households, increase the installation of adequate handwashing and sanitation facilities in all schools and public spaces to ensure adequate sanitation once the learning institutions reopen.
- iii) Design and implement timebound subsidies to support emerging need for social assistance to affected households and small business holders in urban areas who were affected by the lockdown and who mostly fall beyond the mainstream social protection programmes,
- iv) Design and implement an integrated fiscal and monetary stimuli package to support small and medium-sized businesses, for quick recovery such that they do not fall into bankruptcy and increase unemployment and poverty.
- v) Prioritize highly concessional loans and grant types of external financing for the COVID response to avoid short term public debt distress.
- vi) Continue strengthening fiscal and financial transparency and accountability during and after the COVID-19 emergency to avoid public funds leakages or any other form of spending inefficiency.
- vii) The measures put in place by the Central Bank to reduce the impact of COVID-19 on the economy may need to be expanded to include policies to conserve hard currency as well as ensure that the MSMEs have access to the ERF, self-employment and job creation.
- viii) Rwanda should joint other countries in the region to advocate for debt relief and a temporary suspension of debt repayments.

### Trade and Regional Integration

- i) If the crisis prolongs and there is only a weak recovery in merchandise good and services income, foreign exchange shortages will oblige a fall in imports. There may be a need to constrain consumer goods imports in favour of intermediate and capital goods, to sustain business activity, and protect economy-wide productivity.
- ii) The objective of the Domestic Market Recapturing Strategy (DMRS) is to increase domestic production for local consumption while contributing to structural transformation of the production sector and increasing international competitiveness.
- iii) At a time when global value chains are under considerable stress and disruption, African countries must use the African Continental Free Trade Area to create regional value chains for Africa to better serve its own markets.
- iv) Given that it will take much longer for international tourism to recover and that owing to social distancing measures, normalcy to the Meetings, Incentives, Conventions and Exhibitions (MICE)

sector should not be expected in the short-term, it will be crucial that Rwanda adopts pro-domestic and regional tourism development strategies.

- v) If social distancing regulations are to be followed in African countries for any length of time, alternative working methods must be promoted. Digital trade in services is admittedly a partial solution, available currently to a small share of relatively well-educated and resourced workers. Nonetheless, it could help increase the amount of African work that is socially distant.
- vi) High-speed internet connections will help workers to be productive while practicing social distancing. To ensure continuing internet services, internet service workers should be considered within 'essential services' not subject to work-from-home restrictions.
- vii) Fast-track the adoption of mobile money services. To reduce physical money as a vector for the transmission of COVID-19.
- viii) Publicize and raise awareness of digital work opportunities. This can help African workers identify and connect with digital services opportunities. African governments and their employment agencies can partner with digital service platforms to publicize digital work.
- ix) Expand access to digital work. Over the medium-to-longer term, it will be necessary to ensure that digital services trade provides opportunities not just for Africa's better educated and resourced workers. This will involve ramping up access to digital skills training and access to computers.
- x) Rwanda should reduce over-dependence on a single source of imports to reduce the risk of disruptions in supply of essential imports.

### Poverty and Human Development

- i) A comprehensive and coordinated fiscal response, including but not limited to financing for the health sector to mitigate and contain the outbreak, is required to help reduce the medium and long-term effects on households, including poverty dynamics, employment, hunger, education, health, and inequality.
- ii) Scale-up social protection programmes to respond to COVID-19 and improve targeting of existing food and essential needs distributions. Scale-up existing social protection programmes and re-purpose them to protect the most vulnerable such as the elderly, youth, the poor, women, people with disabilities, people with HIV/AIDS. These protection measures should be guided by existing protocols to enable rapid scaling and re-purposing.
- iii) Digitalise food supply chains and work with the private sector to promote industrialization, starting with staple foods to avoid an increase in food prices arising from the disruption in movement. Complementing the social protection measures, the Government should explore the potential of supporting digitalising supply chains as physical markets are increasingly under pressure due to the ongoing social distancing measures that are being used to combat the spread of the virus.

### Labour Markets

- i) The immediate policy response should include stimulating the economy and having a contingency plan for stimulating employment and protecting jobs; supporting enterprises and revamping those that might have lost businesses on account of the crisis especially in the tourism, transport and trade sectors.

- ii) Ensure better targeting of these and other vulnerable groups, including women, people living with disabilities, the elderly, and refugees.
- iii) The most vulnerable sectors and population groups, especially for populations operating from informal arrangements and own account businesses, should be targeted for immediate business resuscitation or start up.
- iv) Along with supporting workers in the informal sector, the Government is also encouraged to beef-up efforts to support formal workers and enterprises to ensure that they do not fall back into informality as a result of the crisis and erode gains made in recent years through innovations in support mechanisms and repurposing supply chains.

#### Food Security and Food Prices

- i) A remote monitoring system focused on markets and supply chain actors (transporters and logistics, retailers, wholesalers) should be set up to assess food market and supply chain functionality and propose relevant actions throughout the crisis. The system would collect primary data on the impact of COVID-19 on households' food security, nutrition, income, expenditure, livelihoods, and coping mechanism.
- ii) The food distribution programme to highly affected households should be scaled-up nationwide.

#### Gender

- i) Integrate a gender assessment in all country assessments to understand the impact of COVID-19 on women and girls, including economic impact, and how to address it effectively.
- ii) Put cash in women's hands — leverage the country's existing program that can directly place money in the hands of women, such as conditional cash transfer programs using mobile banking. Those programs should be expanded.
- iii) Special attention needs to be given to the health, psychosocial needs, and work environment of frontline female health workers, including midwives, nurses, community health workers, as well as facility support staff. Personal Protective Equipment should be the appropriate size for women. The voices of women on the front lines must be included in response planning.
- iv) Make provisions for standard health services to be continued, especially for sexual and reproductive health care with particular attention to health care services for older women, gender-based violence survivors, as well as antenatal, postnatal care and delivery services, including emergency obstetric and new-born care, as well as HIV treatment access.
- v) Expand and provide inclusive social protection for caregivers to mitigate the effects of the overload of unpaid care work.
- vi) Ensure continuity of adequate State and/or institutional care for older persons, persons with disabilities and those who recover from COVID-19.
- vii) Prepare unpaid caregivers and community health workers with information, training, adequate equipment, and livelihood support to respond to the COVID-19 pandemic effectively.
- viii) Prioritize investments in and access to basic accessible infrastructure and public services, including in rural areas, informal settlements, and refugee camps.

- ix) Include specific communications to the public that justice and the rule of law are not suspended during periods of confinement or lockdown. GBV prevention strategies need to be integrated into operational plans of the justice and security sectors for the crisis and statutes of limitations on offenses, particularly sexual violence offenses, should be applied as normal.

#### Social Service Delivery

- i) Develop operational guidelines to enable Community Health Workers (CHWs) to continue to provide the service to the community at scale of the services offered to the children and provide PPEs to CHWs during their operations and ensure adequate capacity of CHWs to cope with COVID-19.
- ii) Make transport affordable by including its coverage in community-based health insurance, reimbursing at health facilities for those in lower socioeconomic strata, subsidizing private transport means directly by the government, or by using Government transport means.
- iii) Strengthen community and proximity child vaccination programmes to ensure that individuals do not need to travel to health centres or other health facilities.
- iv) Continue investment in strengthening health communication and community sensitization to uphold health-seeking behaviours among parents and young people.
- v) Introduce payments of health insurance premiums through instalments and allow access to full health services while waiving premiums for the Ubudehe category 2 households for the first six months of 2020/2021 and include this money in the COVID-19 response resource mobilisation plan. Facilitate the insured households or individuals who were under employment-based health insurance to access Community Based Health Insurance (CBHI) services, and strengthen awareness campaigns to the general public, to ensure that the health insurance payment is considered among the priority spending list at the household level.
- vi) Design and expedite measures to facilitate low-income households and those depending on constrained daily wages to access water and sanitation services while continuing the expansion of public investments in water and sanitation projects during the lockdown period and strengthening the monitoring of water private service operators in rural areas to ensure water service continuity during and after lockdown period.
- vii) Support low-income households to access radio for children to get opportunities to follow radio learning opportunities and other communication campaigns and strengthen community awareness on handwashing with water and soap.
- viii) Develop a school reopening plan that provides remedial learning, enhanced safety measures, and back-to-school campaigns, including Early Childhood Development (ECD), to minimise drop-out.
- ix) Monitor prices to avoid food price upsurge, which negatively affects the purchasing power of low-income households, especially those receiving fixed income support. Design safe mechanisms for public works and expanded public work continuity, both in rural and urban areas, to lessen the number in need of emergency support.

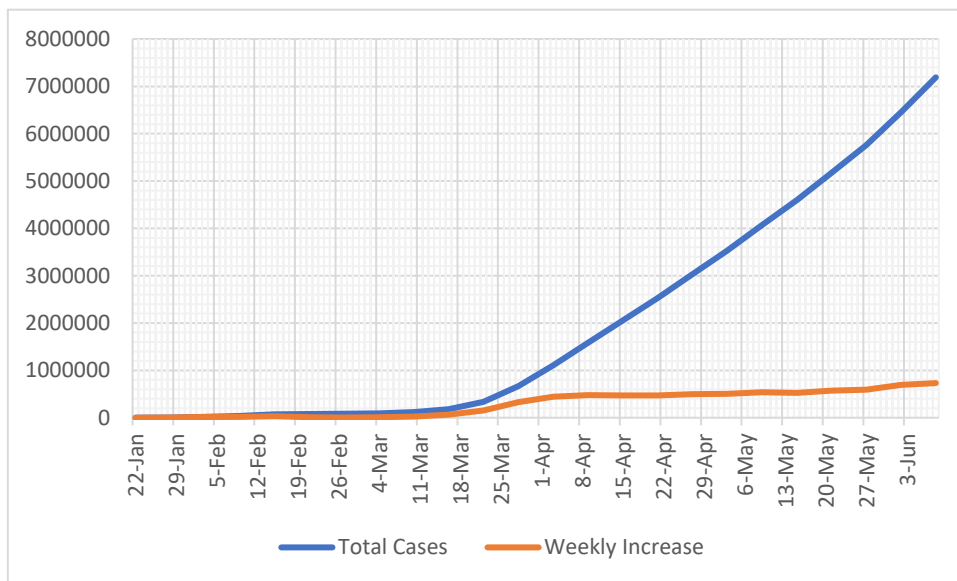
# 1

## Chapter 1: Introduction

## Background

Since the World Health Organization (WHO) declared COVID-19 a global pandemic on March 11, 2020, confirmed cases of coronavirus infections were at 7,613,578 as of June 12, 2020. The death toll stands at 424,137, with the majority of these in the United States and Europe. The John Hopkins Coronavirus Resource Centre has kept a daily record of confirmed cases, which tells a very alarming story. On January 22, there were only 555 confirmed cases, with most occurring in China. By March 26, the cases had breached the 500,000 mark, and on April 2, the 1 million mark was breached. In the two months between April and June, the number of confirmed cases reached more than 7,000,000, and these continue to rise exponentially.

Figure 1: Weekly Confirmed COVID-19 cases worldwide



Source: John Hopkins Corona Virus Resource Centre April 25, 2020, <https://coronavirus.jhu.edu/map.html>

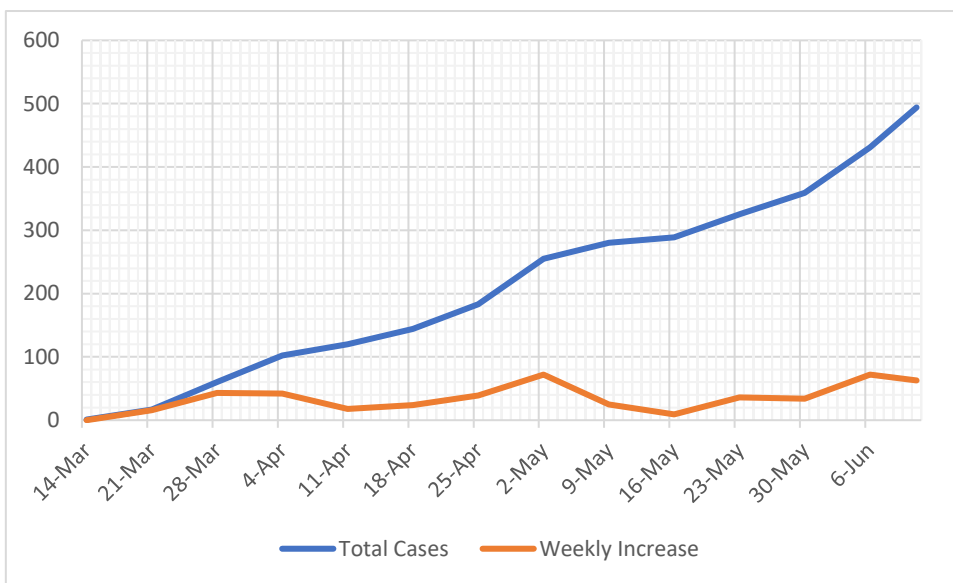
It is due to this exponential rise in confirmed cases that most countries across the world have instituted stringent measures varying in strictness from total lockdowns, travel bans, and school closures to forced physical distancing between people. The Blavatnik School of Government of the University of Oxford has developed a COVID-19 Stringency Index<sup>1</sup>, which assesses the type of responses that governments across the world have instituted to stem the spread of COVID-19. The Stringency Index has a set of indicators of types of response which are subsequently summed up to create the index. The index includes the following: Schools closing; workplace closing; cancelled public events; closing public transport; public information campaigns; restrictions on internal movement; international travel controls; fiscal measures; monetary measures; emergency investment in health care; investment in vaccines; testing policy and contact tracing. Note that the measure is not a rating of the appropriateness or effectiveness of a country's response. Similarly, a higher position in the Stringency Index does not necessarily mean that a country's response is "better" than others lower on the index.

Although the Government Response Tracker shows that almost all African countries have put in place measures to fight COVID-19, few have developed responses that are focused, clearly defined, costed, and prioritized to meet the multi-dimensional challenge of COVID-19 in the immediate, short, medium, and long-

<sup>1</sup> Oxford COVID-19 government Response Tracker (Accessed 21/4/2020): <https://covidtracker.bsg.ox.ac.uk/>

term, especially considering the limited resources at their disposal. In sharp contrast to most African countries, Rwanda was one of the first African countries to put in place measures which sought to halt the COVID-19 pandemic in its tracks. The country's first recorded case of coronavirus was on March 14, 2020, and cases have risen sharply into April. The total number of confirmed cases stands at 494, with 2 deaths reported as of June 11, 2020.

Figure 2: Weekly COVID-19 Cases and Growth Since the first case



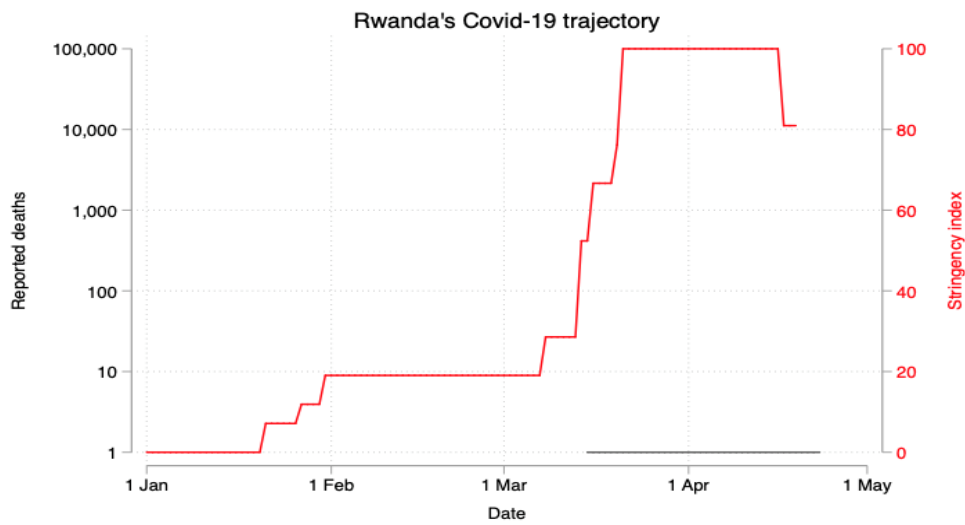
Source: Worldometers.info (Accessed 25/4/2020) <https://www.worldometers.info/coronavirus/country/rwanda/>

Containment measures were implemented swiftly such that by March 21, one week after the first recorded case and after approximately 20 cases had been confirmed, a full lockdown was implemented. This shutdown was extended on April 2 to continue initially to April 19, then further extended until April 30, 2020. The lockdown has been partially relaxed and economic activity is gradually resuming, though international borders remain closed except for goods.

According to the Stringency Index, Rwanda, South Africa, Zimbabwe, and Madagascar have the highest stringency index in Africa to contain the virus with a score of 100<sup>2</sup>. Figure 4 below shows the stringency index for Rwanda from 1 January 2020 – 1 May 2020. The red curve shows the stringency index level on the right axis, while the left axis and the black curve represents the deaths reported.

<sup>2</sup> University of Oxford, Blavatnik School of Government 2020 <https://covidtracker.bsg.ox.ac.uk/> (Accessed 25 April 2020)

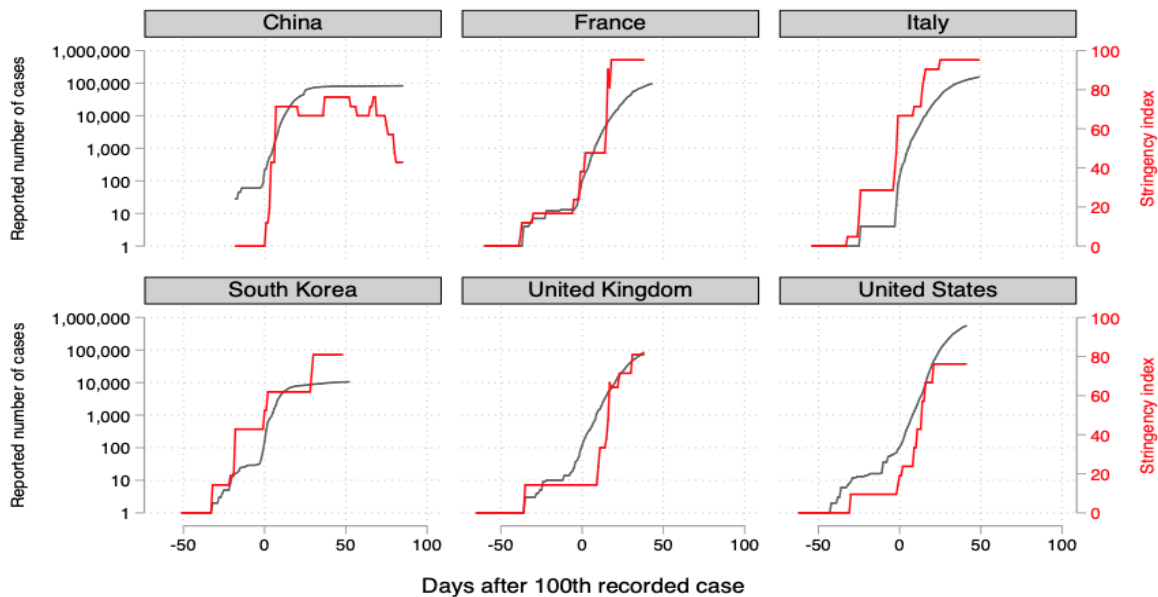
Figure 3: Rwanda response to COVID-19 as cases rise



Data from 23 April 2020. Individual countries may be several days older.  
 Source: Oxford COVID-19 Government Response Tracker. More at: [bsg.ox.ac.uk/covidtracker](https://www.bsg.ox.ac.uk/covidtracker) or [github.com/OxCGRT/covid-policy-tracker](https://github.com/OxCGRT/covid-policy-tracker)

Figure 4: Comparison with other country responses

Comparison of six country responses to COVID-19 as cases rise



Data as at 13 April 2020. Individual countries may be several days older.  
 Source: Oxford COVID-19 Government Response Tracker. More at: [covidtracker.bsg.ox.ac.uk](https://www.covidtracker.bsg.ox.ac.uk)

Figures 4 and 5 compare the responses of six countries as cases rise. It can be seen from this that countries such as France and Italy only achieved close to an index of 100 after their confirmed cases had exceeded 100,000. The situation is similar to the United Kingdom and the United States of America. In the United States, the stringency index is only at 70+, while the reported cases are closing in on the 1 million mark, and total deaths have breached 50,000.

Up until the COVID-19 crisis, East Africa was poised as one of the fastest-growing regions in the world. However, the region is also characterised by low per capita incomes and economies that are highly vulnerable



to external shocks. This crisis is certainly different from previous ones like the 2008-9 financial crisis, both because of its unprecedented global scale and the way in which it is disruptive of a whole range of economic activities. Although each East African country is taking a different approach to containment, measures to prevent the spread of the disease are slowing down economic activity across the board, already affecting livelihoods and leading to large scale job losses. It is particularly challenging because of the large size of the informal economy, with only a small majority of the population covered by [social protection measures](#). One certainty is that, whatever its magnitude, the economic shock will be substantial for the region.

At this point, it is not immediately clear whether the region will be among the worst affected in the world. What are usually considered to be structural weaknesses - low levels of urbanisation, a continued high dependence on the agricultural sector, and limited financial and trade links with the global economy – may actually turn out to be sources of resilience at the current juncture. Forecasts recently produced by the [IMF report](#) that whereas for Sub-Saharan Africa, there will be a contraction of -1.6 percent in 2020, for the East African Community member states, their economies will continue to expand (by an average of 2.0 percent), despite the harsh economic context. Rwanda's estimated growth will drop from double-digit growth in 2019, but will still be in positive territory in 2020, and with a significant bounce-back in 2021. Under the current circumstances, this is not cause for celebration - and the forecasts are, in any case, highly dependent on how the global economy starts to move out of the current economic lockdown. But it is a reminder that East Africa, and Rwanda in particular, may be well placed to recover from this crisis if the right domestic policies and the necessary external support are provided.

*Table 1: GDP Growth Rates Forecasts, 2017 – 2021 (in percentage)*

	2010-2016	2017	2018	2019	2020	2021
Rwanda	7.1	6.1	8.6	10.1	2.0	6.7
Burundi	2.8	0.5	1.6	1.8	-5.5	4.2
Kenya	6.0	4.9	6.3	5.6	1.0	6.1
South Sudan	-7.4	-5.5	-1.1	11.3	4.9	3.2
Tanzania	6.6	6.8	7.0	6.3	2.0	4.6
Uganda	4.9	5.0	6.3	4.9	3.5	4.3
SSA	4.5	3.0	3.3	3.1	-1.6	4.1
EAC-5	5.9	5.6	6.6	5.9	2.0	5.2

*Source: IMF (2020) and MINECOFIN (2020)*

Given the urgency of the need to know the potential socio-economic impact of the COVID-19 crisis and the subsequent response; the UN has undertaken a joint inter-disciplinary quick analysis of the likely impact of COVID-19 on macroeconomic fundamentals, trade and economic resilience, private sector, health outcomes, food security, social service delivery, household livelihoods, poverty and vulnerabilities. Gender dimensions are cross-cutting and appear in all the sub-elements. Equally critical to the assessment of the socioeconomic impact of COVID-19 are the recommended measures that are identified to support the Government's response to the crisis. This report brings together the main findings of the assessment and recommendations going forward.

## Rationale, Objectives, and Structure

As the coronavirus pandemic unfolds across the world, it has now been established that it is not only a public health emergency, but it is also an enormous burden on household livelihoods with far-reaching adverse consequences to national and global economy. It has disrupted production and supply chains and has resulted in an unprecedented drop in aggregate consumption. Whereas some countries with robust systems and institutions may fare better in weathering the devastating impact of the pandemic, others, especially in the developing world, will not.

This Report serves to capture the socioeconomic impact of COVID-19 on Rwanda. It is an effort to streamline and consolidate ongoing work by various UN Agencies operating in Rwanda, as well as provide perspectives at the regional and global levels as they affect Rwanda. There are many uncertainties surrounding the management of COVID-19, and most assumptions applied to the various studies are made based on judgements that are grounded on some experiences from countries which are assumed to have reached the peak in coronavirus infections and are on a downward trajectory.

The main objective of this assessment is to assist all Development Partners and the UN Agencies in particular to target their efforts more effectively in response to the COVID-19 pandemic. This report is envisaged to be one of the tools which will assist cross-sectoral development practitioners in Rwanda to contribute to and complement the Government Economic and recovery plan in order to better prepare for and protect Rwandans from the pandemic and its impacts, to respond during the outbreak, and to recover from the economic and social impacts in the months to come. These phases may happen simultaneously and are, in many ways, interlinked and interdependent. Therefore, the multisectoral, multi-actor, whole of government and whole of society approach are critical.

Specifically, the assessment of the socioeconomic impact of the COVID-19 crisis involves:

- *Assessing the different transmission channels of COVID-19 impact on key macroeconomic indicators such as growth, exchange rate, employment, poverty, inequality, human development, and social policies such as the provision of health care, food, resources, subsidies, and social safety budget.*
- *Examining the impact of COVID-19 on the trade sector and regional trade in goods and services and overall regional integration.*
- *Assessing the impact of COVID-19 on public finances, including the contraction of fiscal space, revenue shocks, emergency spending, Government re-prioritization in budget spending, and disaster risk management costs.*
- *Determining the COVID-19 effect on people's livelihoods with specific emphasis on vulnerable households including women, children and young people by looking at income and unemployment-related risks, access to social services and social protection and related costs, and impact on poverty and inequalities.*
- *Determining the COVID-19 effect on farmers and the informal sector resulting from both supply-side and demand-side shocks.*
- *Examining the gender dimension of the COVID-19 outbreak, particularly the extent to which women and men are affected both in rural and urban areas, and examine the consequences on GBV and violence on children.*
- *Generating evidence for informed programming by the Government of Rwanda and its stakeholders throughout the response to combat COVID-19 and lessening its indirect effect on people's welfare, including by mapping existing social protection systems and their potential to respond to COVID-19.*
- *Providing recommendations and interventions to address immediate, short, medium, and long term COVID-19 impacts in Rwanda to stir the economy build back greened and better and keep focus on the NST1 grounded on Agenda 2030 and Agenda 2063, cushion associated risks.*

This report consolidates the work that has been undertaken by various UN Agencies. However, it should be stressed from the onset that this report does not cover all the dimensions of the impact of COVID-19 on socio-

economic development in Rwanda. There are other actors and partners who are equally involved in assessing the impact of the COVID-19 crisis in their respective areas of focus.

This report assesses the impact of the COVID-19 crisis on various areas including the impact on key macroeconomic indicators, fiscal stability, trade, labour, poverty and household welfare, human development, food security, the provision of social services health systems resilience as well as the gender dimensions of the COVID-19 crisis as it impacts on all the other areas.

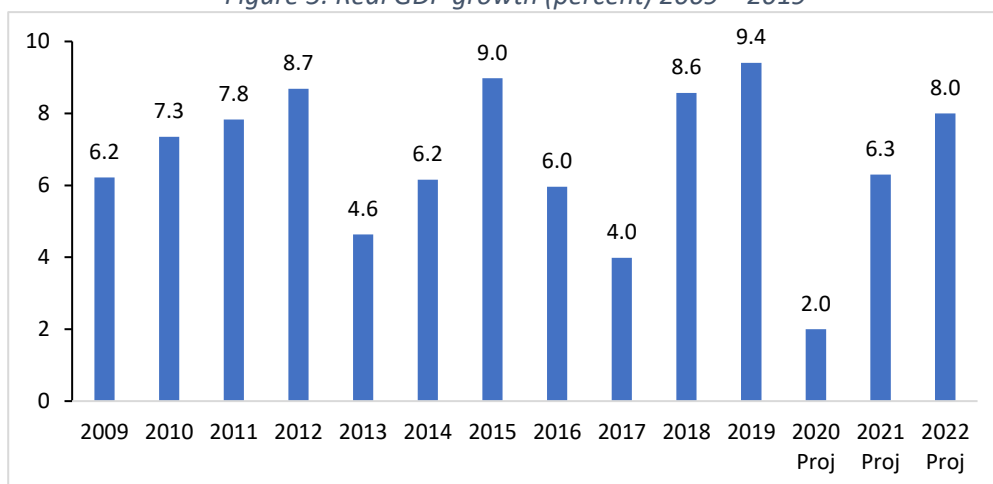
The report is presented in nine chapters organised as follows: Chapter 1 sets the context which has necessitated the impact assessment in line with the Secretary General's Report – Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19 (UN, March 2020) and the UN Framework on responding to the immediate socio-economic impact. Chapter 2 provides the macroeconomic framework, while Chapter 3 gives a brief look at the impact of COVID-19 on Rwanda's public finances. Chapter 4 examines the trade dimensions of COVID-19, and Chapter 5 examines the impact on poverty and human development. Chapter 6 provides a brief examination of the impact of COVID-19 on labour markets, followed by Chapter 7, which looks at how food prices and food security have been impacted by the crisis. Chapter 8 follows with an analysis of the gender dimensions of the COVID-19 crisis, while Chapter 9 examines the delivery of social services.

# 2

## Chapter 2: Rwanda's Recent Economic Development and Outlook

**Rwanda is a fast-growing low-income economy.** Before the onset of the COVID-19 crisis, Rwanda was among the ten fastest-growing economies in the world. In the past decade, GDP growth was consistently higher than most countries in Africa, averaging 8 percent over this period (see Figure 5). In 2019, Rwanda’s economy grew by 9.4 percent, above the 8.6 percent recorded in 2018. Although growth was broad-based across main economic sectors, the growth was mainly driven by a double-digit growth in the industrial sector, as construction activities rebounded in 2019 supported by stronger investment.

Figure 5: Real GDP growth (percent) 2009 – 2019



Source: NISR, 2020, MINECOFIN, 2020

Like other developing countries, the growth of the Rwandan economy is expected to slow sharply due to COVID-19. According to the 2020-2023 Budget Framework Paper (BFP), Rwanda's GDP growth is poised to decelerate in 2020, to about 2.0 percent, mainly due to both the dampening of global and domestic demand and disruptions in supply arising from the COVID-19 pandemic.

**Official statistics show that inflation picked up in late 2019 while the Rwandan franc continued to depreciate throughout 2019 and in the first 4 months of 2020.** The average headline inflation is estimated at 2.4 percent in 2019 compared to 1.3 percent in 2018, as a result of an increase in food prices. As of December 2019, food inflation stood at 14.9 percent up from 1.1 percent in June 2019. After peaking at about 20 percent in February 2020, food inflation has started easing, but it remains in double-digits, at 15.8 percent in April 2020. In April 2020, inflation stood at 8.0 percent while core inflation that excludes food and energy to capture underlying inflation trends, was 4.6 percent. In 2019, the Rwandan franc depreciated by 4.9 percent against the US dollar. By end-April 2020, the depreciation of the Rwanda franc was 4.7 percent year-on-year. In real terms, the depreciation of the currency against the US dollar has been more marked, reflecting Rwanda’s higher inflation rate than many of its major trading partners.

**Rwanda’s external sector is likely the most severely affected by the COVID19 crisis.** Lower exports are expected due to weakening global demand, affecting both prices and volumes of Rwanda’s export items. The weakening global environment is expected to reduce external flows, such as remittances, FDI, and service receipts, to Rwanda, resulting in a drop in external reserves. The 2020-

2023 BFP projects that gross international reserves are expected to fall to about 3.7 months of import coverage by end-2020, down from 5.7 months in December 2019.

**Negative spillovers of the COVID19 pandemic to other sectors are expected to be detrimental to growth.** The value chain disruptions on the import of inputs and capital goods are likely to create price pressures and undermine retail, transport, manufacturing, and construction activities. Although the banking sector has been resilient so far, given its elevated exposure to hotels and import-dependent sectors, the banking sector could witness a deterioration of asset quality and profitability, with negative ramifications for private credit growth. The increase of NPFL could hinder the banking sector to increase its lending capacity even if the economy resumes its activities. It could negatively impact the recovery phase.

**The fiscal deficit is expected to jump to above 10 percent due to the pandemic.** The IMF Country Review 2020 also states that authorities have reported lower-than-expected revenues from international trade taxes and VAT as early as January owing to trade disruptions. Non-tax revenues, such as fees from national parks, have also declined. Health spending pressures to contain and mitigate the Coronavirus spread are mounting. Overall, the government spending will increase by 7.5% compared to end 2020. Therefore, the fiscal deficit is expected to deteriorate considerably.

**The COVID-19 containment measures that have been undertaken by the Government of Rwanda come with difficult economic trade-offs.** In particular, the heightened uncertainty and pressure on the exchange rate translate into tightening financial conditions. Using the Composite Index of Economic Activity (CIEA) developed by the National Bank of Rwanda (BNR) and jointly updated by BNR and the Ministry of Finance and Economic Planning (MINECOFIN), the index shows a drastic drop since the imposition of lockdown. In the first week after lockdown, the Real CIEA dropped by 62.9 percent compared to the same week of the previous year. MINECOFIN also reports that weekly transactions declined by 75 percent compared to the same week in the previous year<sup>3</sup>, reflecting a massive downturn in business activity.

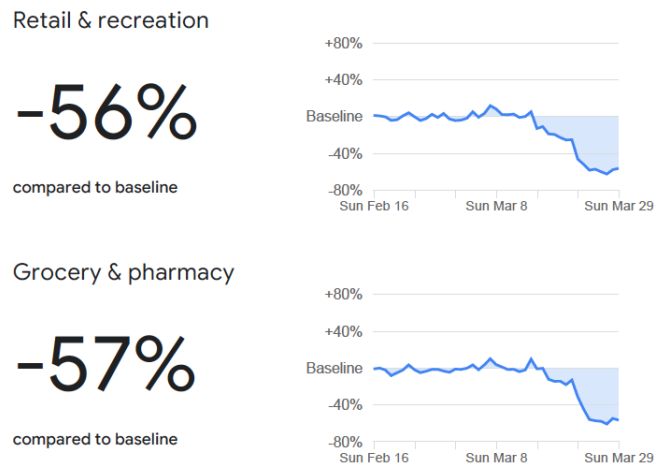
Relative to the baseline of movement to businesses and general economic activity, Google Mobility Reports estimate that visits to retail and recreation areas in Rwanda have declined 56 percent, and visits to grocery and pharmacies have declined 57 percent since measures were enacted in mid-March (Figure 7).<sup>4</sup> In general, these findings illustrate not only large-scale compliance with the lockdown measures, but also the decline in economic activity as a result of COVID-19 measures. Again, this will negatively impact household incomes and employment. Further to the decline in GDP, it is expected that there will be considerable pressure on the fiscus, with fiscal deficit deteriorating quite substantially driven by domestic revenue losses from diminished business activities and increase in spending.

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<sup>3</sup> MINECOFIN, Macro Division, April 2020. Economic Brief

<sup>4</sup>[Google \(2020\)](#). These data exhibit bias due to unclear algorithmic treatment of unplanned settlements (slum areas), large numbers of individuals without smartphones, and continued activity by informal or unregistered businesses. The figures are nonetheless useful in illustrating the immediate effect of containment measures on movement.

Figure 6: Google COVID-19 mobility report using anonymized location data



Data source: [Google COVID-19 Community Mobility Reports](#), March 29, 2020.

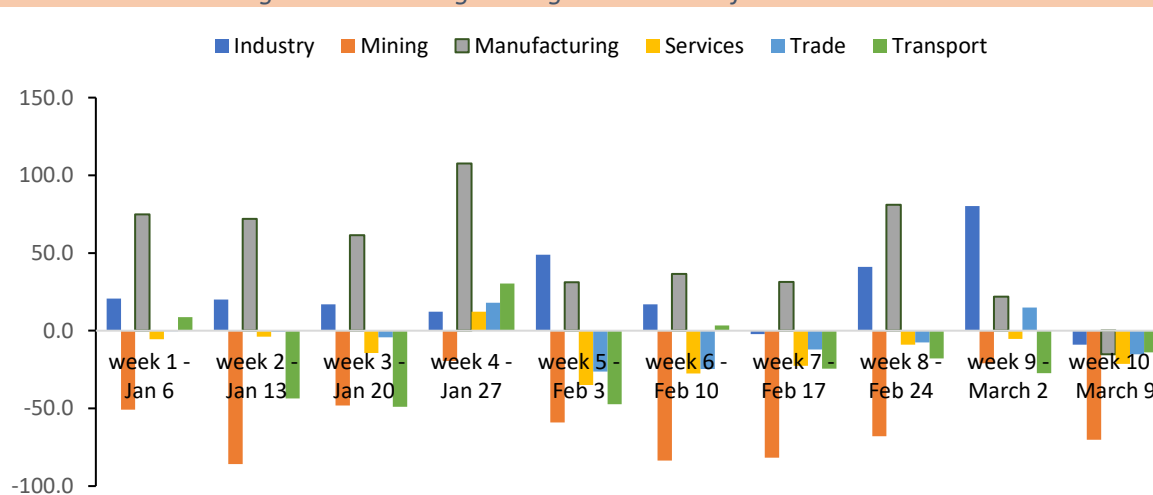
**The disruption of economic activity country-wide will most likely increase food insecurity, among the heightening of other vulnerabilities.** The restrictions of movement, transport, and market operations will negatively impact agricultural households that rely on market sales and the households that do not have a harvest in stock to survive on. Food insecurity could increase the vulnerability of households and increase overall insecurity. Additionally, pregnant women and those with pre-existing or chronic medical conditions will experience reduced access to proper nutrition and basic health services. Impacts for vulnerable households range from loss of food security and nutritional issues to job and income loss and heightened probability of falling into poverty or chronic poverty. Those employed in tourism and hospitality, and the conference industry, will likely be furloughed or lose jobs as a result of the massive decline in tourist arrivals and subsequent decline in activity in the sector, such as reduced restaurant and hotel spending and RDB gorilla or hiking permit purchases or cancellation of big conferences or meetings or exhibitions.

*Box 1: Specific key economic impacts of COVID-19 on Rwanda*

While the situation has been changing on a near-daily basis and estimates are subject to change, in late March, the MINECOFIN had already recorded a reduction in turnovers and overall performance of key sectors. As of early mid-March, mining, manufacturing; trade; and transport sectors experienced negative growth relative to 2019 (Figure 9). MINECOFIN estimated the following potential impacts:

- Mining: following the drop in mineral prices, mineral production, and export will also reduce, leading to negative growth in mining.
- Manufacturing: the difficulty of accessing raw materials and equipment could lead to lower growth in the sector.
- Construction: the difficulty importing capital or intermediate goods will have a negative impact on construction, delaying projects, and leading to much lower growth of the sector compared to 2019.
- Trade and transport services: the difficulty to import, as well as the decline in the expected growth of Rwandair activities, could lead to slower growth of the sector.
- Tourism and hospitality: the negative impact on tourism is already being felt, with the Rwanda Development Board’s (RDB) temporary suspension of gorilla and hiking permits, and temporary closure of borders, the international airport, and bars and restaurants.

*Figure 7: Percentage change in turnovers from 2019 to 2020*



Source: MINECOFIN, 2020

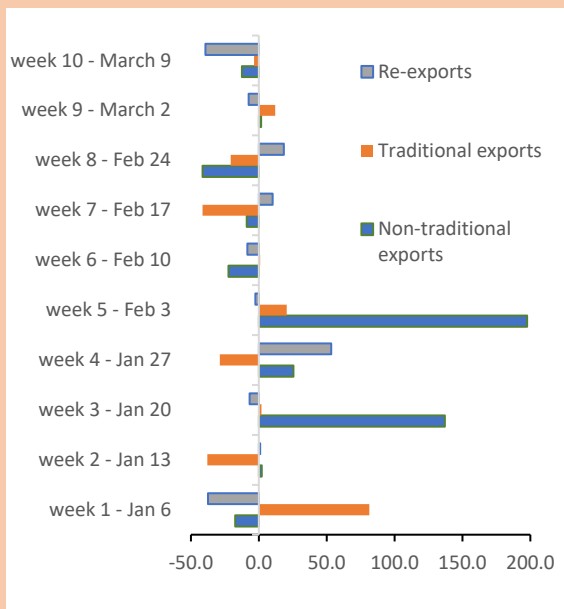
MINECOFIN also made the following preliminary findings:

- Conservative initial estimates of tax revenue loss for March- June 2020 anticipate a loss of at least Rwf 130 billion; however, the new assessment indicates that the loss could be much greater.
- FDI could reduce due to the effect on mineral prices, as witnessed in 2015.
- There is likely to be a decline in GDP growth due to the uncertain environment, which could be as significant as a 63% loss in growth, revising estimates from 8% growth to 2.0% for 2020. These figures are being revised, and new calculations could estimate an even greater loss.



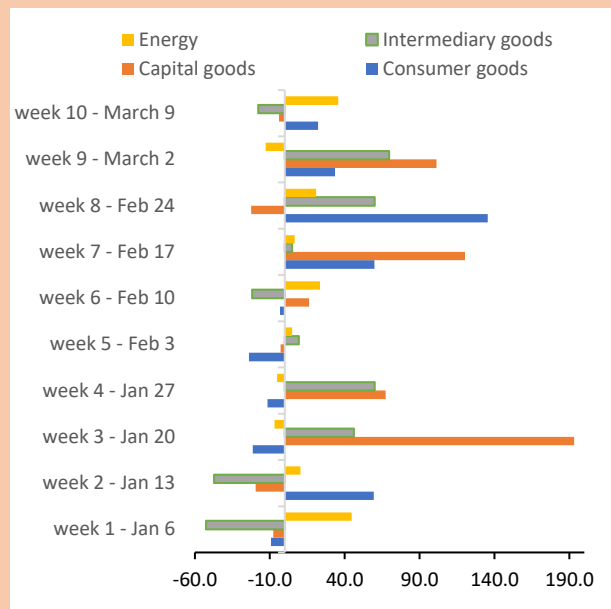
MINECOFIN also recorded that export and import losses began in early March, particularly capital and intermediate goods, which recorded negative growth starting the week of March 9 (Figures 9 and 10).

Figure 8: Percentage change in exports from 2019 to 2020.



Source: MINECOFIN, 2020

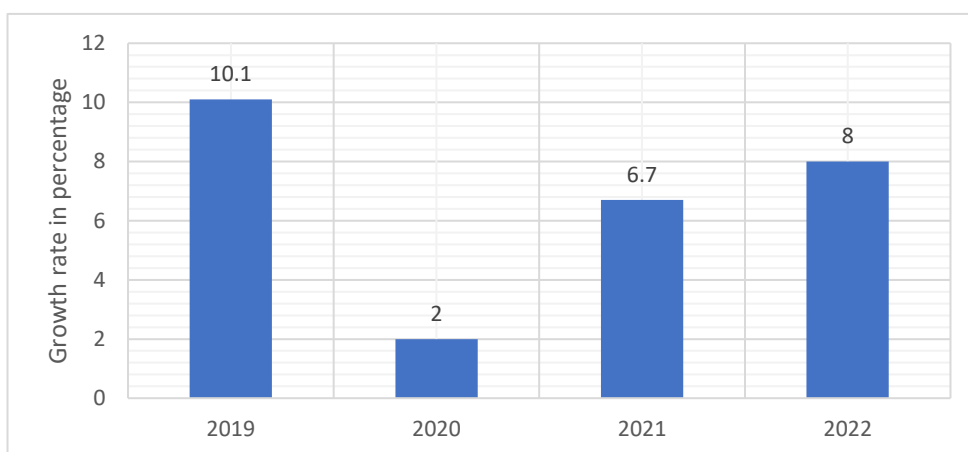
Figure 9: Percentage change in imports from 2019 to 2020.



Source: MINECOFIN, 2020

Going forward, the IMF Country Report 20/115 portrays an optimistic macroeconomic outlook for Rwanda. It postulates that the economic impact of the pandemic will be large but temporary. According to MINECOFIN (2020), Rwanda's growth is expected to decline significantly only to recover slowly from 2021 onwards, reaching pre-Pandemic levels only in 2022 see figure 11. The MINECOFIN estimate for GDP growth for 2020 is therefore expected to be of 2.0 percent, mainly bolstered by continued activity in the agricultural sector. The pandemic will also put pressure on debt, which is projected to increase to 64.5 percent of GDP in 2020, remaining above this threshold at 66.4 percent through 2021, but is expected to marginally ease off in 2022 to 65.7 percent of GDP (IMF, 2020).

Figure 10: Growth outlook 2020 – 2022 (percent)



Source: International Monetary Fund staff estimates and projections and MINECOFIN (2020)

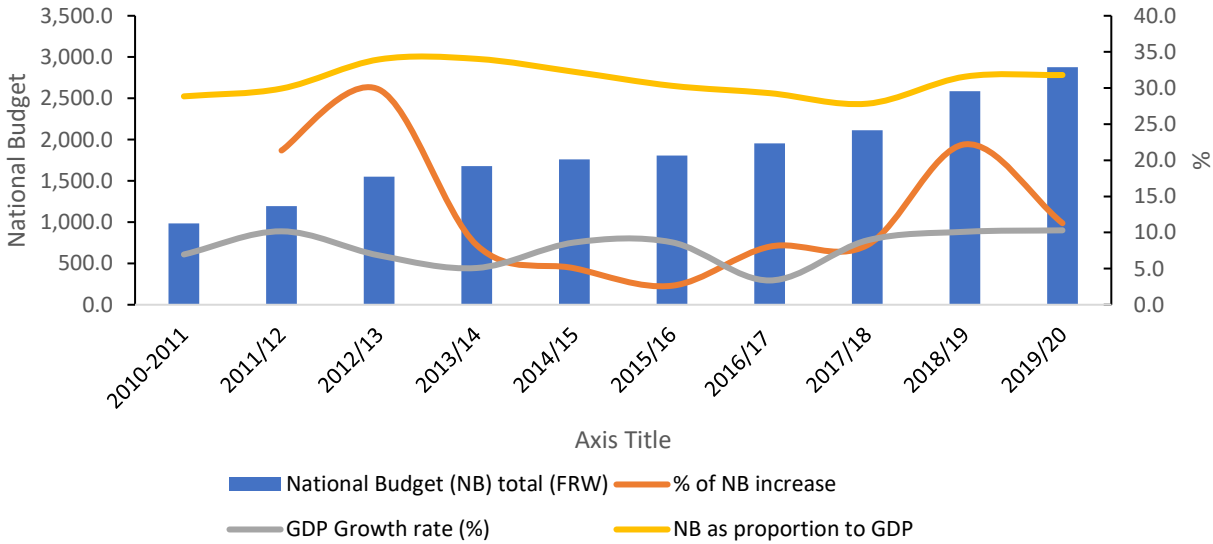
In order to provide immediate economic and health-sector relief and stimulus, MINECOFIN and other key Ministries, Departments, and Agencies (MDAs) also indicated the need to mobilize external resources, particularly the IMF Rapid Credit Facility (RCF) for countries facing immediate financing needs arising from public health disasters and emergencies. As of April 2, 2020, the IMF Executive Board had approved a US \$109.4 Million disbursement to Rwanda to address the pandemic. MINECOFIN has also identified potential support from the World Bank, EU, DFID and UN agencies. With new allocations of US \$111.0 Million and another Euro 54 Million.

# 3

## Chapter 3: The impact of COVID-19 on Rwanda's public finances

Over the past ten years, the Government budget recorded about a three-fold nominal increase from FRW 948.0 billion in 2010/2011 to FRW 2,876.9 billion in 2019/20. Annually the total national budget increased by 13 percent on average, while the average GDP growth rate for the past ten years was 8 percent. However, the national budget has been kept around 30 percent of GDP, as it was 28.8 percent in 2010/11 and registered a slight increase up to 31.8 percent in 2019/20 (Figure 13).

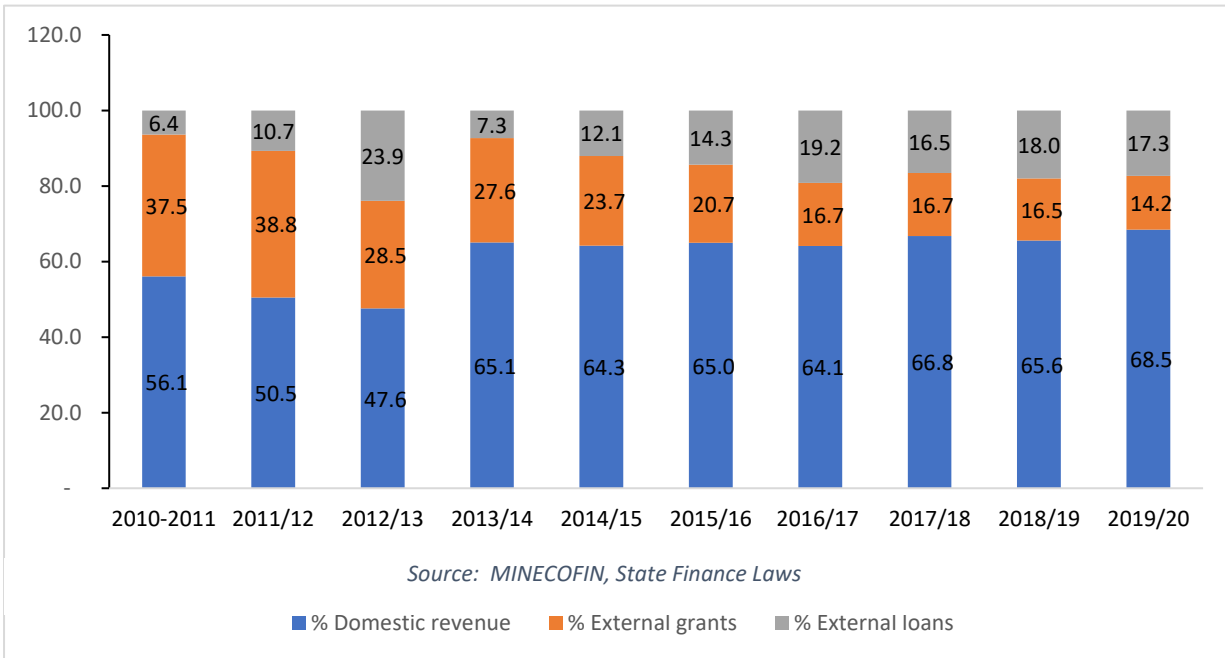
Figure 11: Overview of public finance 2010 - 2019



Source: MINECONFIN - National budget and macro-framework data

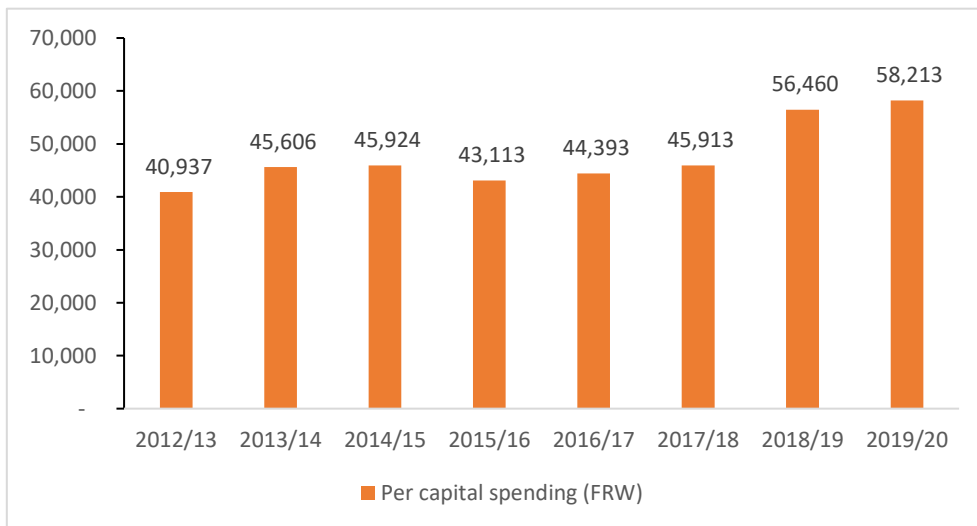
The domestic revenues as a share of total budget have also increased from 56.1 percent in 2010/11 to 68.5 percent in 2019/20. The increase of domestic revenue as a share of the national budget translates into a positive trajectory of Rwanda's economy and public finance resilience. External grants declined from 37.5 percent in 2010/11 to 14.2 percent in 2019/20, while the external borrowing has also been depicting an increasing trend (Figure 14).

Figure 12: Composition of National Budget Financing



With respect to social spending, Rwanda's commitment to quality social service delivery has been bold. Government investments in social sectors have increased as a way of translating the higher commitment into actions and consolidating the social transformation development agenda. As a result, per capita spending for social sectors recorded a steady nominal increase from FRW 40,937 in 2012/13 to FRW 58,213 in 2019/20, which reflects an increase of 42.2 percent for the period under discussion (Figure 15).

Figure 13: Per capita spending on social sectors



Source: State finance laws

The impact of the coronavirus on public finance is significantly evident and will be evaluated through the following channels.

*Channel 1: Additional pressure on public sector spending*

- Increased public spending through monetary stimuli is needed to avoid economic depression or recession
- Cash transfers and food assistance to affected households as income and other economic opportunities are depressed
- Health-related spending for prevention, treatment, medical supplies, and virus containment

*Channel 2: Decreased domestic and other revenues*

- The shutdown of the main tax base other than business activities classified under essential services
- Reduced private consumption due to income uncertainty and limited options
- Fall in import duties and export earnings due to price shocks
- Loss of corporate profits and capital gains
- Fall in an overall level of investments and employment opportunities
- Fall in tourism revenue

*Channel 3: Inflationary and exchange rate effects*

Disrupted supply chains and demand might create countercyclical aspects of the exchange rate and inflation/deflation pressure on several products and services. This could potentially further affect the monetary and fiscal components of public finance. The African Union<sup>5</sup> (2020) identified the following broad areas of economic disruption due to COVID-19: (i) the decline in remittances from African Diaspora; (ii) a fall in Foreign Direct Investment, (iii) decline in Official Development Assistance (ODA); (iv) illicit financing flows and (vi) domestic financial market tightening.

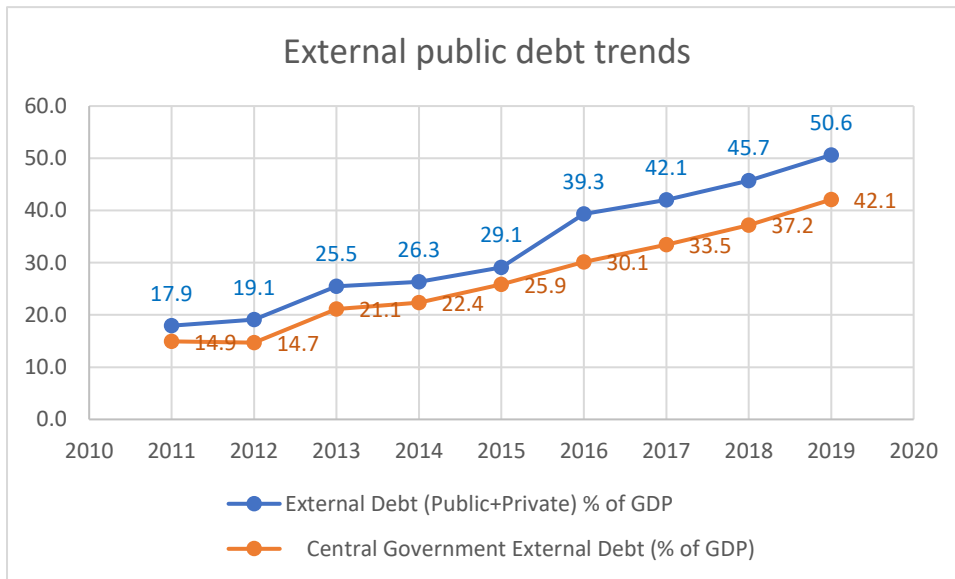
The Government of Rwanda continues to access external loans from different international financial institutions. The external debt as a share of total national budget has almost quadrupled from just 6.4 percent in 2011/12 to 17.3 percent in 2019/20. The external debt<sup>6</sup> acquired by the central Government amounted to 42.1 percent of GDP in 2019 up from 14.9 percent in 2011. When the private-owned external loans are inclusive, the debt loads increase by up to 50.6 percent (Figure 16). The increasing capacity to access external loans has been supporting the domestic fiscal space to finance Government development priorities. However, it is important to point out that the Government has some space to access more loans to finance emergency and other development needs during the pandemic period.

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<sup>5</sup> [https://au.int/sites/default/files/documents/38326-doc-COVID-19\\_impact\\_on\\_african\\_economy.pdf](https://au.int/sites/default/files/documents/38326-doc-COVID-19_impact_on_african_economy.pdf)

<sup>6</sup> Significant portion of public debt are guarantees arising from commercial loans to State Owned Enterprises (SOEs) and big Government investments projects under MICE initiative

Figure 14: External loans Trend



Source: MINECOFIN - Macro-framework data

### Effect of COVID-19 on Rwanda's fiscal space

The socioeconomic effects of COVID-19 will slow down and undermine the gains made by the Government of Rwanda to promote community resilience and enhance graduation from poverty and extreme poverty and eradicate malnutrition. The Fiscal Space Analysis<sup>7</sup> (FSA, 2018) of the child priority sectors spending is a useful tool to help illustrate how the COVID-19 will affect Government spending in the sectors that benefit children the most by comparing the business as usual scenario with the options that are available to the Government to address funding demands within a fiscally constrained framework (showing that COVID will narrow the fiscal space especially from the economic growth effect).

Baseline scenario which expresses business as usual

#### Key assumptions as per the FSA (2018)

- The average growth rates of GDP during the projection period (2018-2024) would be 6.9
- The consumer price inflation is expected to persist to around 4.2 during the projection period
- The annual population growth would be 2.2 percent during the projection period, reflecting the gradual decline.

<sup>7</sup> The analysis aimed to lay out the options for financing sources to social sectors. The analysis was sought in a response to the situation that Rwanda – like most African countries – is experiencing high demographic growth that will see its population of children under the age 18 increasing from 5.7 to 6.4 million between 2018 and 2030

Table 2: Projection findings under the base scenario

	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
<b>Priority expenditure</b>							
Percent of total expenditure	20.08	20.79	21.56	22.31	23.11	23.99	24.91
Percent of GDP	5.89	5.98	6.07	6.16	6.25	6.35	6.45
Per child in USD at 2016 exchange rate and prices	119.47	127.35	136.45	146.85	158.51	171.44	185.81
<b>Net internal financing gap (fiscal gap)</b>							
Percent of total expenditure	9.30	5.37	1.40	-2.16	-5.58	-8.78	-11.72
Percent of GDP	2.73	1.55	0.39	-0.60	-1.51	-2.33	-3.03
<b>Fiscal Deficit (surplus/deficit)</b>							
Percent of GDP	-5.45	-4.39	-3.28	-2.31	-1.37	-0.48	0.34

Source: Fiscal Space models

Taken together, the programming assumptions under the base scenario would imply rough stability in the evolution of the economy's key ratios. Under these assumptions, priority expenditure would be increasing. As the growth rate would remain high, the fiscal deficit would narrow because revenue would rise faster than expenditure. The net internal financing flow would diminish accordingly, both as a percentage of total expenditure and as a percentage of GDP (Table 2).

The base scenario thus suggests that Rwanda can realize an increase in priority expenditure (from USD119.47 per child to USD185.81 per child) without creating a fiscal gap. The overall net internal financing gap will be around zero over the projection period. The government debt-to-GDP ratio would be 42.19 percent in 2024.

Contrary to the base scenario, Rwanda's financing landscape is currently constrained by the on-going health-related shock, which will lead to a decline in growth in the short and medium-term. Building on assumptions that the external shocks will create lower GDP growth, as an effect of COVID-19, there will likely be an impact on social sector sectors spending as well as a widening fiscal deficit.

#### Key assumptions under the low growth rate as a result of COVID-19

- The real growth rate gradually declines from 5.7 percent in FY2017/18 to 4 percent in FY2023/24 (projection period),
- The consumer price index will average at 5 percent within the projection period
- Population growth will be around 2.2 percent between 2017/18 and 2023/24

The lower GDP growth would reduce the percentage of total Government expenditure spent on priority sectors (Education, Health, Social Protection, and WASH) from about 25 percent in the base scenario to 24.2 percent in FY2023/24 and per child expenditure would decrease to USD167.99 in FY2023/24 (instead of USD185.81 in the base scenario), and the fiscal deficit will improve from -5.5 percent in 2017/18 to -1.4 percent in 2023/24 (Table 3).



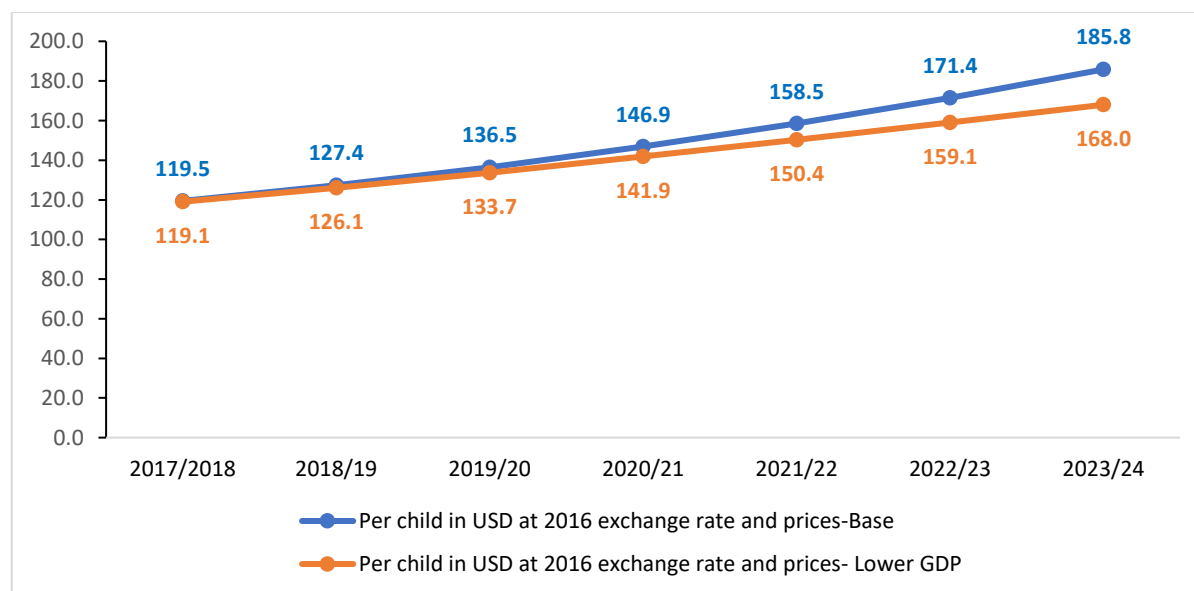
Table 3: Projection results

	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
<b>Priority expenditure</b>							
Percent of total expenditure	20.07	20.75	21.47	22.13	22.80	23.51	24.19
Percent of GDP	5.90	6.01	6.13	6.26	6.39	6.54	6.68
Per child in USD at 2016 exchange rate and prices	119.08	126.09	133.69	141.85	150.37	159.09	167.99
<b>Percent change (compared to the base scenario)</b>							
Percent of total expenditure	-0.05	-0.19	-0.44	-0.81	-1.34	-2.02	-2.87
Percent of GDP	0.20	0.55	1.03	1.60	2.25	2.94	3.67
Per child in USD at 2016 exchange rate and prices	-0.33	-1.00	-2.02	-3.40	-5.13	-7.20	-9.59
<b>Net internal financing gap (fiscal gap)</b>							
Percent of total expenditure	10.76	7.79	4.79	2.35	0.14	-1.82	-3.49
Percent of GDP	3.16	2.26	1.37	0.67	0.04	-0.51	-0.96
<b>Fiscal Deficit (surplus/deficit)</b>							
Percent of GDP	-5.53	-4.64	-3.75	-3.05	-2.42	-1.88	-1.42

Source: Fiscal Space model

Comparison of per child expenditure in the lower GDP and Base scenario shows that in 2020/21, per child expenditure would reduce by US\$ 5, and the reduction will be a fall to -US\$ 17.5 in 2023/24 if the average GDP is less than 5 percent during the projection period (Figure 17).

Figure 15: Per child expenditure trends by different scenario



Source: Fiscal Space model

## Map of international monetary commitment to support Rwanda's public finance

At the outbreak of COVID-19, international financial institutions under the stewardship of the International Monetary Fund and the World Bank stepped in to support low and middle-income countries to deal with health, social and economic effects of COVID-19. This section highlights monetary commitments for which Rwanda is eligible to bridge the financial flow gaps as the domestic financing is facing disruptions. Rwanda was already granted some funding while other applications are in the pipeline.

Table 4: Map of international financing instruments and flow for COVID-19 Response

Instrument	Country eligibility	Amount	Terms	Purpose	Rwanda Assistance
<b>International Monetary Fund (IMF)<sup>8</sup></b>					
<b>Rapid Credit Facility (RCF)</b>	Low income facing balance of payments crisis	100% of a country's quota (\$10 billion total for COVID-19)	One-off disbursement at 0% interest, with a grace period of 5.5 years and 10-year maturity	Provide rapid financial assistance to LICs facing balance of payments need, without ex-post conditionality	USD 109.4 million already approved & 109 in pipeline pending board approval
<b>Rapid Financing Instrument (RFI)</b>	Emerging market facing balance of payments crisis	100% of a country's quota (\$40 billion total for COVID-19)	One-off disbursement at the same rate as PLL or SBA to be repaid in 3.5-5 years	Provide rapid financial assistance to all member countries facing balance of payments need	-
<b>Catastrophe Containment window</b>	Low income or with <1.5m population and a per capita income <US\$2,330 experiencing a public health or natural disaster	Based on debt service obligations (\$200 million, but trying to get \$1 billion for COVID-19)	NA as government receives grants to pay off upcoming debt service to the IMF	Provide debt flow relief for two years after a country is hit by the disaster	-
<b>Standby Credit Facility (SCF)</b>	Low income that experience episodic, short-term financing needs, including	100% of a country's quota up to a cumulative of 300%; can be increased to 133% and 400% in	12-36 months of lending at a 0% interest with a grace period of 4 years and 8-year maturity period	Supports economic programs aimed at achieving, maintaining or restoring a stable and sustainable macroeconomic	-

<sup>8</sup> <https://www.imf.org/en/About/FAQ/imf-response-to-COVID-19>

Instrument	Country eligibility	Amount	Terms	Purpose	Rwanda Assistance
	those by shocks	exceptional circumstances		position; may also help catalyse additional foreign aid	
<b>Extended Credit Facility (ECF)</b>	Low income facing a protracted balance of payments problem	100% of a country's quota up to a cumulative of 300%; can be increased to 133% and 400%, respectively, in exceptional circumstances	3-5 years of lending at a 0% interest with a grace period of 5.5 years and 10-year maturity	Support economic programs aimed at moving toward a stable and sustainable macroeconomic position; may also help catalyse additional foreign aid	-
<b>Precautionary and Liquidity Line (PLL)</b>	All member countries	125% of a country's quota	6-12 months of funding, at market-determined Special Drawing Rights interest rate plus 100 basis points margin	Serve as a backstop or help resolve crises under wide-ranging balance of payments situations	-
<b>Stand-By Arrangement (SBA)</b>	All member countries, although mainly middle- and high-income countries since other instruments offer better terms for low	145% of a country's quota up to a cumulative of 435%	12-36 months of funding based on a country's need for financing, capacity to repay and track record	Respond quickly to countries' external financing needs, and to support policies designed to help them emerge from crisis and restore sustainable growth	-
<b>Catastrophe Containment and Relief Trust (CCRT)</b>	25 of the IMF's member countries under the IMF's revamped	About US\$ 500	initial phase covers the debt services of the eligible country for the six months subject to renewal	The purpose of debt relief under the CCR Trust is to free up resources to meet exceptional balance of payments needs created by	USD 11 million for the initial 6 months

Instrument	Country eligibility	Amount	Terms	Purpose	Rwanda Assistance
				the disaster and pandemics of infectious diseases rather than having to assign those resources to debt service	
<b>The World Bank<sup>9</sup></b>					
<b>Fast-track package: COVID-19 (Coronavirus) Emergency Health Support</b>	Over 40 developing countries around the world	1 <sup>st</sup> Phase: \$1.9 billion (1 <sup>st</sup> Phase)  2 <sup>nd</sup> Phase: Up to \$160 billion over the next 15 months	Country specific and contextualized to pre-existing macroeconomic condition  \$50 billion of 160 billion are on grant and highly concessional credit terms	Help countries respond to immediate health consequences of the pandemic and bolster economic recovery	USD 14.25 million
<b>G20 Countries<sup>10</sup></b>					
<b>Time-bound suspension of debt service payments for the poorest countries that request forbearance</b>	All IDA-countries that are current on any debt service to the IMF and the World Bank  All least developed countries, as defined by the United Nations, that are current on any debt service to the IMF and the World Bank.	All payments dues to G20 country members (all official bilateral creditors)	Request forbearance Suspensions May 1, 2020, until end 2020, with the possibility for extension  Payment: NPV-neutral Suspended amount to be repaid in 4 years total with 1 Year of grace period	Addressing debt vulnerabilities in low-income countries due to the pandemic.	<b>TBD</b>
<b>African Development Bank (AfDB<sup>11</sup>)</b>					
<b>COVID-19 Response Facility</b>	African governments	US \$10 billion	n/a	Bank's primary channel for its efforts to address	<b>USD 100 million</b>

<sup>9</sup> <https://www.worldbank.org/en/news/statement/2020/04/17/world-bank-group-president-malpass-remarks-to-the-development-committee>

<sup>10</sup> [https://g20.org/en/media/Documents/G20\\_FMCBG\\_Communicu%C3%A9\\_EN%20\(2\).pdf](https://g20.org/en/media/Documents/G20_FMCBG_Communicu%C3%A9_EN%20(2).pdf)

<sup>11</sup> <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-group-unveils-10-billion-response-facility-curb-COVID-19-35174>

Instrument	Country eligibility	Amount	Terms	Purpose	Rwanda Assistance
	and the private sector			the crisis and the funds will help countries to fast-track their efforts to contain the rapid spread of COVID-19.	<b>pending for approval</b>
<b>European Union (EU)<sup>12</sup></b>					
<b>EU global response to COVID-19</b>	Low- and middle-income countries International organizations,	€15.6 billion	Country specific depending on pre-existing EU programmes and portfolio	Providing immediate support to the Response Plans of international organizations including Humanitarian support to affected countries, production of personal and protective equipment and medical devices,	€52 million+ €50 million under discussion
<b>United Nations Support</b>					
UN System Support		USD 10,372		Health Systems Strengthening  Macroeconomic response, Trade and Regional Integration, ERP and the Private sector, Support to MINECOFIN, Social Protection	US\$10,372
<b>Total for Rwanda</b>					<b>USD302.622</b>

While Rwandans' public finance system has been performing well over the past years, both in terms of resource mobilization and efficiency in resource spending as indicated by the high rate of budget execution, the COVID-19 shock will take a toll on the government's budget and spending for priority sectors including for children. Therefore, the Government will need to take necessary and integrated measures aiming at lessening the economic tolls, protecting poor households including those with children and other vulnerable

<sup>12</sup> <https://ec.europa.eu/international-partnerships/system/files/eu-institutions-response-to-covid.pdf>

members, and securing financing to ensure continued access to key social services. Specifically, the following interventions need to be given priority:

- i) Strengthen community health financing to ensure adequate capacity and tools to deal with COVID-19 at the local level.
- ii) Prioritize rapid and emergency financing for social protection, including cash transfers by increasing the number of social assistance beneficiaries and topping up the size of benefits to the poorest households, increase the installation of adequate handwashing and sanitation facilities in all schools and public spaces to ensure adequate sanitation.
- iii) Design and implement timebound subsidies to support emerging need to social assistance for affected households, small business holders in urban areas who were affected by the lockdown, and mostly fall beyond the mainstream social protection programmes,
- iv) Design and implement an integrated fiscal and monetary stimuli package to support small and medium-sized businesses, for quick recovery such that they do not fall into bankruptcy and create further unemployment and poverty.
- v) Prioritize highly concessional loans and grants types of external financing, while mobilizing more resources for the COVID response to avoid short term public debt distress.
- vi) Continue strengthening fiscal and financial transparency and accountability during and after the COVID-19 emergency to avoid public funds leakages or any other form of spending inefficiency.

# 4

## Chapter 4: The Impact of COVID-19 on Trade in Rwanda

**The COVID-19 outbreak has emerged as the most significant adverse shock the global economy has experienced since the Second World War.** Containment measures to slow down the spread of the COVID-19 virus have curbed global trade by reducing international travel and disrupting global value chains (GVCs). Factories around the world have slowed or halted production due to shortages in intermediate inputs or labour. Large parts of the services sectors, an important contributor to global growth, have been closed in many countries. Countries across the world have sealed their borders and many have also implemented lockdowns and curfews on mobility. These measures reduce both domestic demand (as a major part of aggregate consumption involves public gatherings) and domestic supply (as workers stay at home). The economic consequences of domestic containment measures are compounded by several related external shocks, whereby economies face much lower commodity prices, lower demand for exports across the board and disruptions to value chain linkages, as well as a collapse in tourism and business travel.

In recent years, Rwanda has recorded positive development in export performance and a modest degree of diversification ([World Bank, 2019:7.](#)) Rwanda has also had considerable success in promoting service sector exports, and indeed since 2018, the country became a net exporter of services. This growth is being led by tourism, transport, ICT, construction, and finance ([MINECOFIN/World Bank, 2019:98](#)). However, the country's trading performance has been exposed to significant disruptions caused by the decline in global trade, and particularly, how services like air transport and tourism have ground to a dramatic halt. Besides, for traded goods, Rwanda's merchandise imports are typically about three times larger in value terms than exports, leading to a large and persistent trade deficit which requires financing.

The current crisis is estimated by the [WTO \(2020\)](#) to result in merchandise trade to plummet by between 13 and 32 percent in 2020 due to the COVID-19 pandemic. The situation regarding services trade will be even more serious. **Through the imposition of transport and travel restrictions and the closure of many retail and hospitality establishments, there is likely to be a serious contraction of many service sector activities. For a country like Rwanda that has expressly [made service-led development part and parcel of its development strategy](#), this represents quite a serious blow.** Services are also highly interconnected. For instance, air transport enables an ecosystem of other cultural, sporting, and recreational activities. So, a downturn in one area can lead to a precipitous decline in other sub-sectors. There may also be negative knock-on effects on the agriculture sector, on which 70 percent of the population is still dependent. A decline in domestic and export consumption of agricultural produce will significantly impact segments of the rural economy and, with it, some of the most vulnerable communities.<sup>13</sup>

This chapter summarises the situation regarding Rwanda's trade performance and contextualises it to highlight the challenges that the COVID-19 crisis presupposes for the country. We also provide some tentative simulation work to estimate the impact. We start with a general overview of Rwanda's trade and international economy exposure and subsequently discuss where we believe the chief risks reside for Rwanda. We then suggest a series of policies to mitigate the negative impact of the crisis.

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<sup>13</sup> Export crops represent just under 2 percent of Rwanda's GDP, and around 7 percent of agricultural GDP, according to MINECOFIN data.



## Risks and Resilience – Channels of Vulnerabilities

Up until the COVID-19 crisis, East Africa was one of the fastest-growing regions in the world. Nonetheless, the region is also characterised by low per capita incomes and economies that are highly vulnerable to external shocks. This crisis is certainly different from previous ones like the 2008-9 financial crisis, both because of its unprecedented global scale and the way in which it is disruptive of a whole range of economic activities. Although each East African country is taking a different approach to containment, measures to prevent the spread of the disease are slowing down economic activity across the board, already affecting livelihoods and leading to large scale job losses. It is particularly challenging because of the large size of the informal economy<sup>14</sup> (over and above the fact that only a small majority of the population is currently covered by [social protection measures.](#)) One certainty is that, whatever its magnitude, the economic shock will be substantial for the region.

Nonetheless, it is not immediately clear whether the region will be among the worst affected in the world. **What are usually considered to be structural weaknesses - low levels of urbanisation, a continued high dependence on the agricultural sector,<sup>15</sup> and limited financial and trade links with the global economy – may actually turn out to be sources of resilience at the current juncture.** Forecasts recently produced by the [IMF report](#) that whereas for Sub-Saharan Africa, there will be a contraction of 1.6 percent in 2020, for the East African Community member states, their economies will continue to expand (by an average of 2.0 percent), despite the harsh economic context. Rwanda's estimated growth will drop from double-digit growth in 2019, but will still be in positive territory in 2020, and with a significant bounce-back in 2021. Under the current circumstances, this is not cause for celebration - and the forecasts are, in any case, highly dependent on how the global economy starts to move out of the current economic lock-down. But it is a reminder that **East Africa, and Rwanda in particular, will be relatively well placed to recover from this crisis if the right domestic policies and the necessary external support is provided.**

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<sup>14</sup> [ILO \(2018\)](#) estimates that outside of the agricultural sector, 78.6 percent of Rwanda's workforce is in the informal sector. This is more or less in line with regional averages, with East Africa being the second-highest sub-region in Africa, behind only Central Africa, in terms of the predominance of the informal sector labour force.

<sup>15</sup> This does not imply that the agricultural sector does not have its own set of vulnerabilities. For instance, reduced horticultural exports will filter through the value chain and affect the farmers in the supply chain. The reduction in domestic demand in particular from the tourism and hospitality industries will severely impact farmers incomes and if the situation persists it could lead to farmers shifting production to crops that are more resilient to the crisis. The supply of inputs such as agriculture will be affected and in turn will disrupt agricultural productivity. Finally, The lockdowns have in some way disrupted the agro-logistics and as a result we could see an increase in costs as transporters try to recover lost revenue

Table 5: GDP Growth Rates Forecasts, 2017 - 2021  
(in percentage)

	2010-2016	2017	2018	2019	2020	2021
Rwanda	7.1	6.1	8.6	10.1	3.5	6.7
Burundi	2.8	0.5	1.6	1.8	-5.5	4.2
Kenya	6.0	4.9	6.3	5.6	1.0	6.1
South Sudan	-7.4	-5.5	-1.1	11.3	4.9	3.2
Tanzania	6.6	6.8	7.0	6.3	2.0	4.6
Uganda	4.9	5.0	6.3	4.9	3.5	4.3
SSA	4.5	3.0	3.3	3.1	-1.6	4.1
EAC-5	5.9	5.6	6.6	5.9	2.0	5.2

Source: IMF (2020)

According to the aforementioned IMF analysis, the channels of vulnerability vary for the different EAC economies, and for Rwanda, the key risks from the COVID-19 are associated with the high level of dependency on tourism, and the ability of the health system to cope. Neither trade linkages with China and Europe, nor changes in the terms of trade, are considered as major vulnerabilities. In this document, however, we would like to dissent from this assessment and insist that, **as a small, landlocked economy sustaining a large current account deficit, the trade channel does constitute a major area of vulnerabilities – vulnerabilities that will need addressing through the adoption of the appropriate policies.**

Table 6: Channels of Vulnerability of EAC Member States to COVID-19 Shock

Burundi						
Kenya						
Rwanda						
South Sudan						
Tanzania						
Uganda						
	Global financial conditions	Trade linkages with China and Europe	Change in terms of trade	Tourism dependent	Health system quality	LIC-DSA debt rating

■ High vulnerability   
■ Medium vulnerability   
■ Low vulnerability   
■ No data

Source: IMF Regional Economic Outlook (2020)

## Five Trading Vulnerabilities

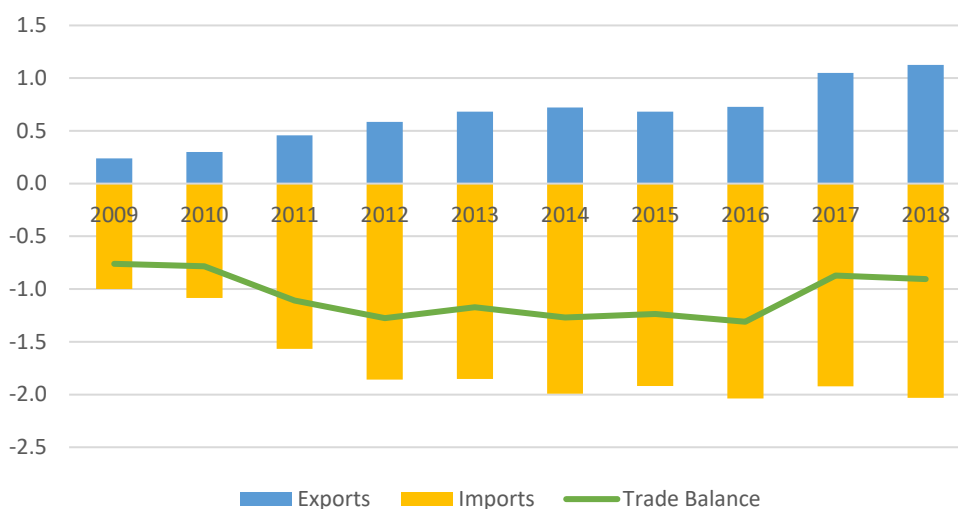
### Current Account Risks

For countries in the region, sustaining persistent large trade deficits represents a structural weakness of their economies. In Rwanda's case, in recent years, there were signs of improvements, principally due to a moderation of merchandise imports and a significantly improved export performance. Nevertheless,

[preliminary data from the BNR](#) reveal a deterioration in the merchandise trade balance in 2019, with imports increasing by 10.6 percent (driven by capital and intermediate goods imports), while exports grew by just 3.8 percent (weighed down by declining commodity prices for traditional exports).

The size of the trade deficit is such that Rwanda sustains a large current account deficit – a deficit which is likely to widen as goods and service exports decline as a result of the shock to global growth from the pandemic. Although this brief, which focusses on the trade impacts, does not carry an analysis of the prospects for these variables, other ways of financing the trade deficit, such as remittances, FDI and ODA, may all be at risk because of the crisis.<sup>16</sup>

Figure 16: Merchandise Trade Balance, 2015 - 2021 (USD billion)



Source: MINECOFIN (2020)

<sup>16</sup> On prospects for remittances, it should be remembered that in past crises, remittance flows have proven to be fairly resilient to global economic downturns (though given the severity of the economic lockdowns, this may not be the case this time). On prospects for global FDI and FDI to Africa, see [UNCTAD \(2020\)](#). On the prospects for ODA, see [ODI \(2020\)](#).

Figure 17: Current Account Balance (USD billion)

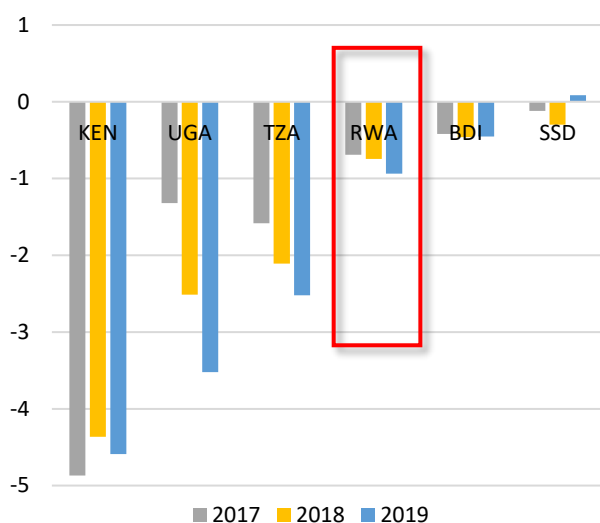
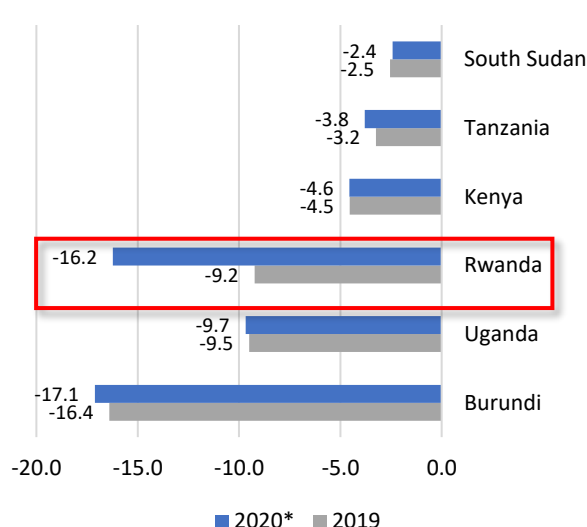


Figure 18: Current Account Balance (% of GDP)



Note: 2020 figures are IMF estimates  
Source: IMF WEO (2020)

According to recently released [NISR \(2020\) data](#), aggregate **Rwandan exports in the first three months of the year did not reflect major trade disruptions** (Table 7). On the contrary, the country recorded a higher level of aggregate exports from January 2020, compared to the same period the previous year – including a massive 38.5 percent year-on-year increase in the value of total exports from March 2019 to March 2020. Nonetheless, when analyzing trade figures broken down by sector (Figure 21), there are some other patterns which emerge for February-March, i.e., a rise in exports under the SITC category “Other commodities and Transactions, n.e.s.,” and significant increases in imports of “machinery and transport equipment” and “food and live animals,” as [the government builds up its National Strategic Reserves of food](#). Manufacturing goods exports also hold up quite well, despite other [NISR data](#) showing that there was a -13.9 percent in the index of industrial production in March.

Table 7: Rwandan Merchandise Trade, January to March 2019-2020

	Value (USD million)						Monthly Change (%)		Annual Change (%)	
	2019			2020			Jan - Feb 2020	Feb - Mar 2020	Feb 2019 - Feb 2020	Mar 2019 - Mar 2020
	Jan	Feb	Mar	Jan	Feb*	Mar*				
<b>Total Exports (f.o.b)</b>	<b>75.3</b>	<b>74.1</b>	<b>77.7</b>	<b>106.2</b>	<b>97.1</b>	<b>107.6</b>	<b>-8.6</b>	<b>10.9</b>	<b>31.0</b>	<b>38.5</b>
Domestic exports	46.56	47.67	48.24	78.89	68.91	59.46	-12.6	-13.7	44.6	23.3
Re-exports	28.76	26.42	29.48	27.30	28.15	48.17	3.1	71.1	6.5	63.4
<b>Total Imports (c.i.f)</b>	<b>213.1</b>	<b>250.2</b>	<b>241.8</b>	<b>226.7</b>	<b>252.9</b>	<b>299.6</b>	<b>11.6</b>	<b>18.5</b>	<b>1.1</b>	<b>23.9</b>
<b>Trade Balance</b>	<b>-137.8</b>	<b>-176.2</b>	<b>-164.1</b>	<b>-120.5</b>	<b>-155.8</b>	<b>-192.0</b>	<b>29.4</b>	<b>23.2</b>	<b>-11.5</b>	<b>17.0</b>

Note: (\*) preliminary figures  
Source: NISR (2020)

Figure 19: Exports of goods by category (USD million)

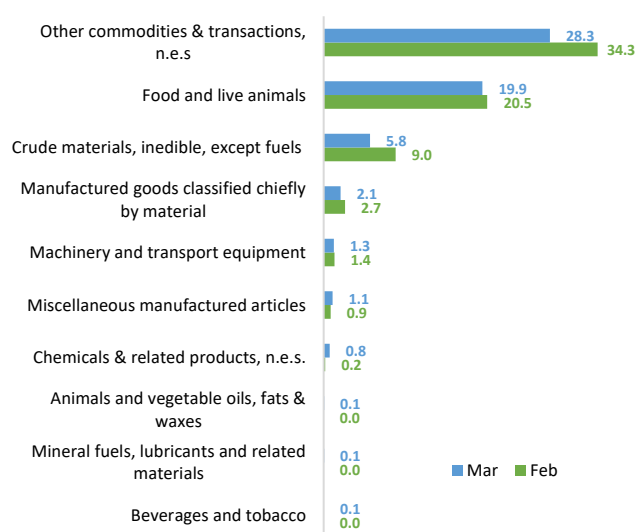
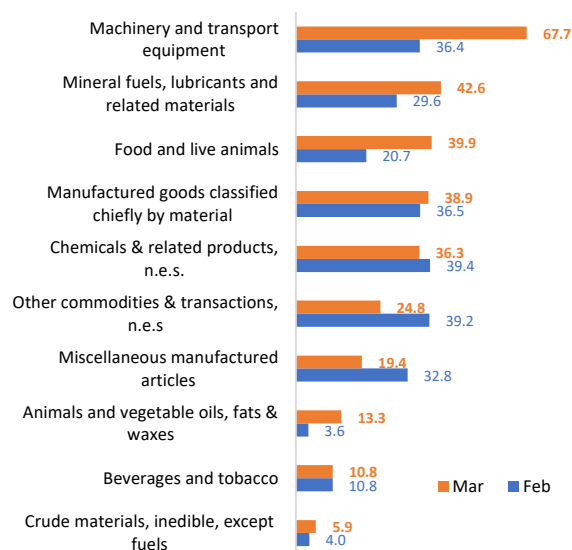


Figure 20: Imports of goods by category (USD million)



Source: NISR (2020)

It is worth stressing that preliminary data from RRA shared with ECA but not yet published for the month of April does show a rapidly changing picture – illustrating the extent to which the impact of the crisis may be delayed. The foreign exchange impacts may well take several months to manifest themselves fully. **Thus, the second quarter of 2020 will be critical in terms of making a proper assessment of the impact of the crisis. Hence the need for effective planning of how to cope with the financing issues associated with the trade deficits, particularly in the second and third quarters of 2020.**

### Exposure to Trade with COVID-19 Epicenters

At the beginning of the crisis, trade disruption from the pandemic was partially a function of the way the epicenter of the crisis had been shifting. The crisis started in China, and caused a major decline in economic activity there, with a reported unprecedented [fall of GDP of 6.8 percent](#) in the first quarter [and a 17.2 percent decline in exports](#) in the first two months of the year. Imports fell by 4 percent. However, there are reports that the pace of economic recovery in most parts of China has been quite swift.<sup>17</sup> From an export perspective, in any case, for Rwanda, China is, in fact, a relatively inconsequential trading partner (although, of course, the converse is true with regards to imports, where China is responsible for around one-fifth of all imports (Figure 23)).

**More serious are the economic disruptions now in Europe, which accounts for around 20 percent of Rwanda’s exports (it is the principal market for Rwandan tea and coffee exports) and a similar percent of imports.** The Euro area is being forecast by the [IMF](#) to suffer a decline of 7.5 percent in 2020. The epicenter has recently shifted towards the United States. However, this leaves Rwanda relatively less exposed, as its

<sup>17</sup> [Chinese exports](#) rose 8.2 percent in April year on year, following a 3.5 percent decline in March and a 15.8 percent fall in the first two months of the year, according to data released by China’s customs administration. Commodity imports are also gaining pace. Iron ore and copper imports, measured by tonnage, grew 22 percent and 14 percent respectively last month year on year, as infrastructure construction resumed.

trade share with the United States is very small. More generally, however, the pandemic has clearly become a global one, and thus impacts across the board.

Figure 21: Merchandise Export by destination, 2018

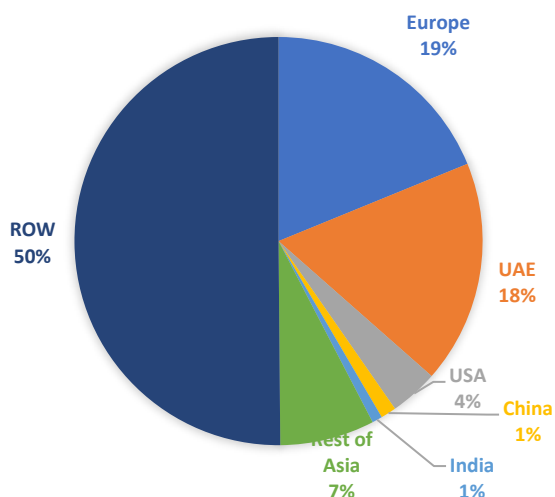
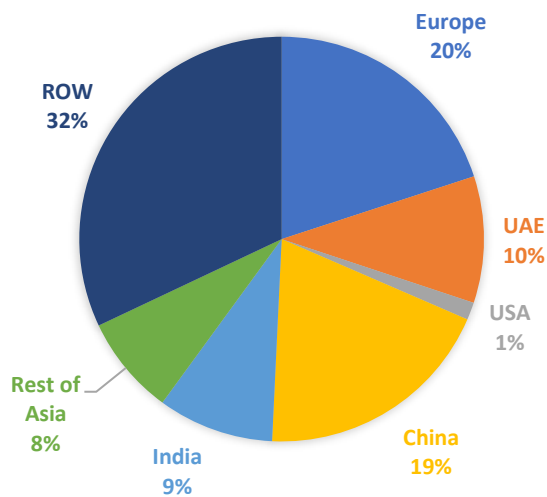


Figure 22: Merchandise Import by origin, 2018

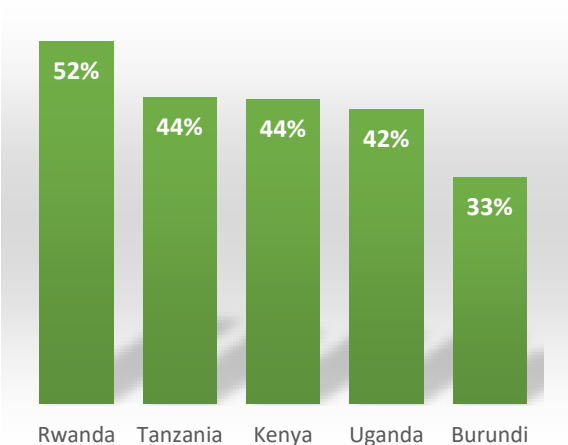


Source: IMF DOTS (2020)

### A High Dependence on Services Trade

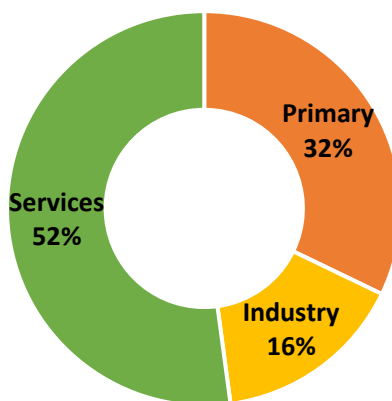
Over the last decade, Rwanda has adopted and followed a service-led strategy, resulting in the services sector now accounting for over half of its gross domestic product (GDP) and total exports between 2015 and 2017. **The service sector effectively played a major role in the country's recent economic boom and has led much resilience to the [country's trade performance](#).** In recent years, in contrast to merchandise goods balance, the services trade balance had even turned positive.

Figure 23: Services share of total exports in the EAC, 2015-2017 average (% of total exports)



Source: UNCTADStat (2020)

Figure 24: Sectors Share of GDP in Rwanda, 2015-2017 (% of GDP)



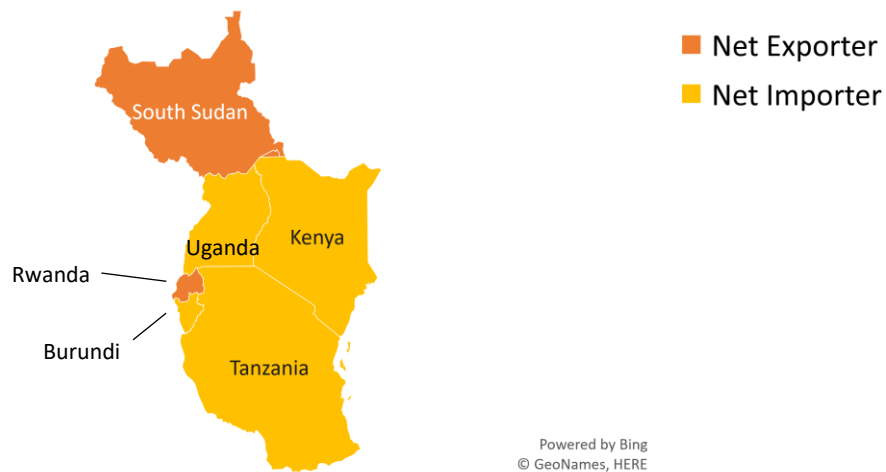
Source: MINECOFIN (2020)

## Prices of Internationally Traded Goods are shifting rapidly

Faced with the disruption to both global supply and demand, the coronavirus has sent the prices for most commodities plummeting. With Rwanda being one of the only two *net commodity exporters*<sup>18</sup> in the EAC, the country's budget stands to be affected by drops in its export revenue as a result of the fall in the price of tea (its third most exported commodity). However, this loss could be partially offset by better prices of gold and other select commodity exports. It is still early, though, and as global demand crunches, most commodity prices could record sharp declines. Consumption patterns globally are likely to change significantly due to this crisis, and with it, there will be a subsequent shift in relative prices.

On the upside, Rwanda can expect significant relief from the sharp fall in oil prices, which could persist through 2020, if not longer. The forex savings could be considerable here - Rwanda's fuel imports amounted to 308 million USD in 2018, equivalent to 13 percent of total imports.

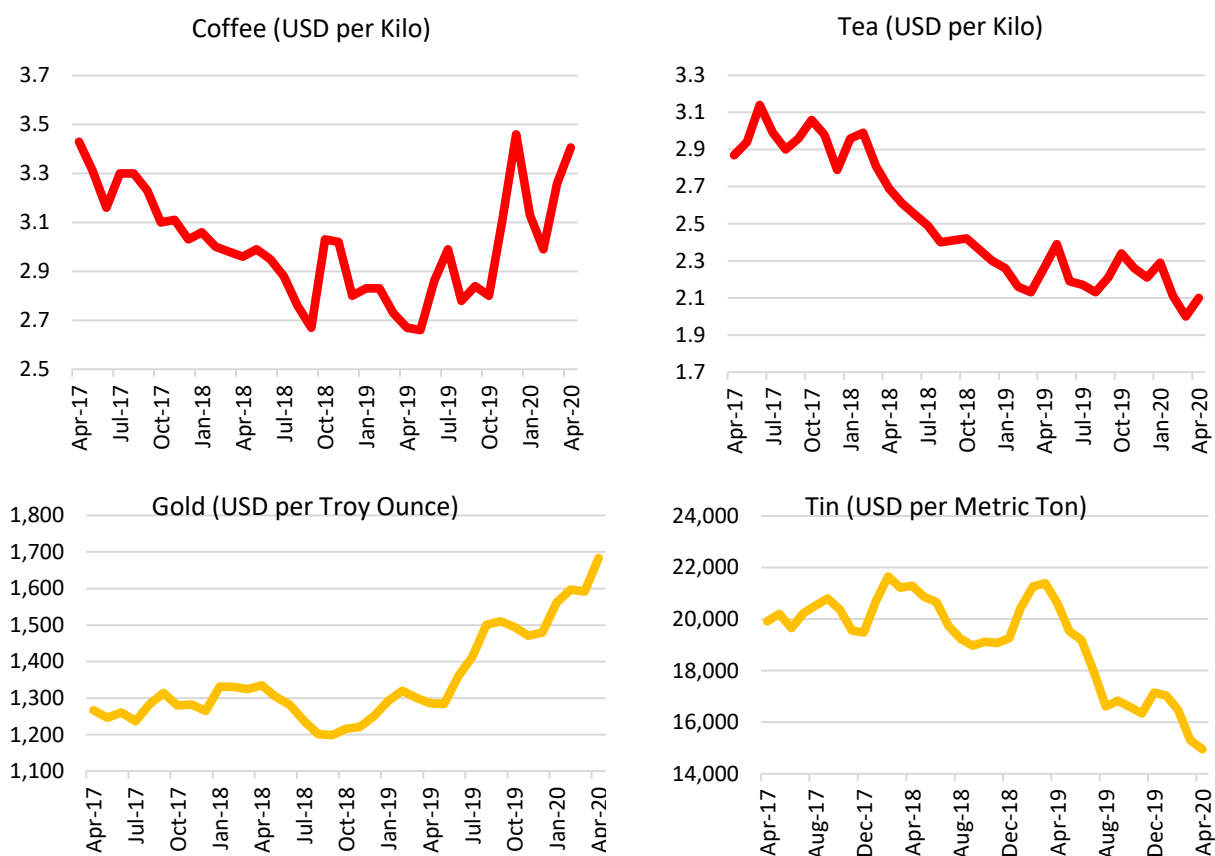
Figure 25: East African Commodities Net Trading Position



Source: UNCTADstat (2020)

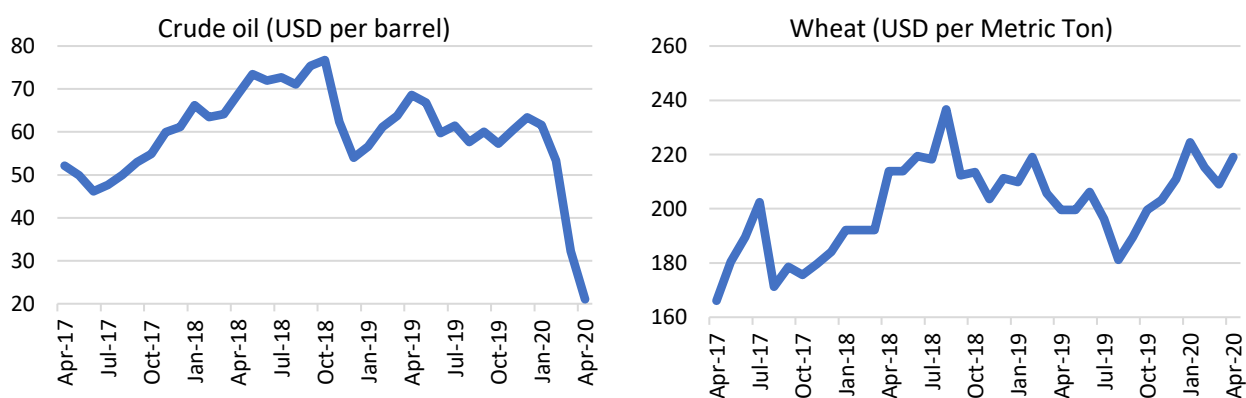
<sup>18</sup> This is calculated as total exports – total imports of commodities, classified as SITC 0 + 1 + 2 + 3 + 4 + 68.

Figure 26: Prices of selected traditional exports



Source: Indexmundi (2020)

Figure 27: Prices of main commodity imports



Source: Indexmundi (2020)

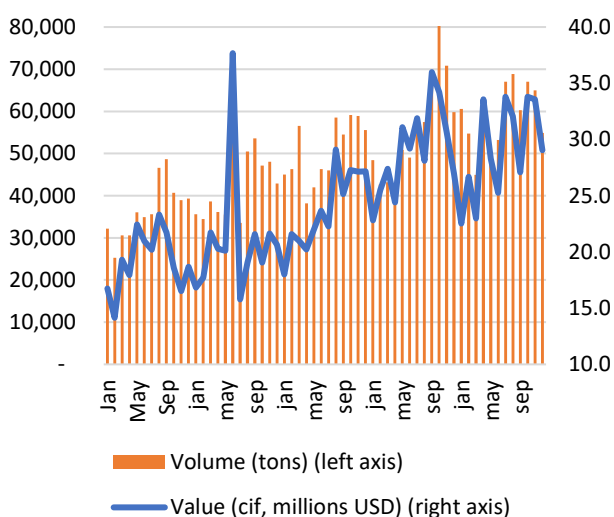


## The Structure of Imports

This section looks at the existing structure of imports. Rwanda has made important strides in improving the country’s food security situation since the implementation of the crop-intensification programme ([MINECOFIN/World Bank, 2019:Chapter 5](#)). However, **food security is still an issue for the country, particularly in the light of climate change and increasingly erratic rainfall**. It has long been recognized that East African countries are among [the most vulnerable to climatic change](#).

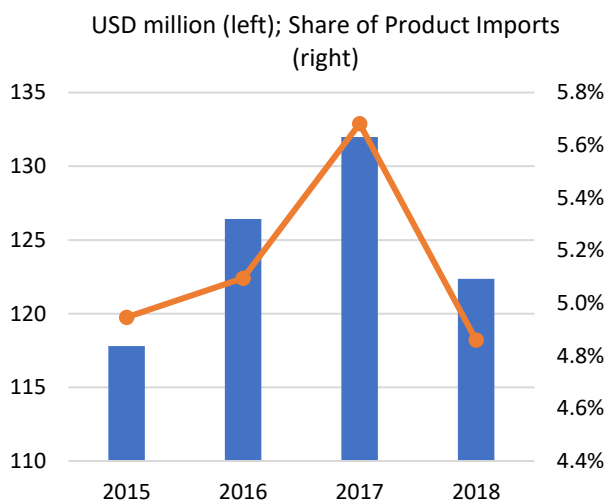
At the global level, it is not anticipated that there will be significant shortages of food supply initially, as global food production has been good over recent years. However, at the local and regional levels, there are [major concerns](#). The EAC region has received [good rains](#) since September 2019 in most of its parts, and the meteorological forecast up to May 2020 shows near normal to above normal rainfall. As a result, livestock and wildlife are thriving, and farmers are expecting good harvests. Nonetheless, **access to food will be negatively affected by income reductions and loss of employment as well as the availability of food in local markets. Sustaining a regular supply of imported foodstuffs to complement local production is thus essential.**

Figure 28: Monthly Food Imports, 2014 – 2018



Source: MINECOFIN (2020)

Figure 29: Pharmaceuticals Imports, 2014 – 2018



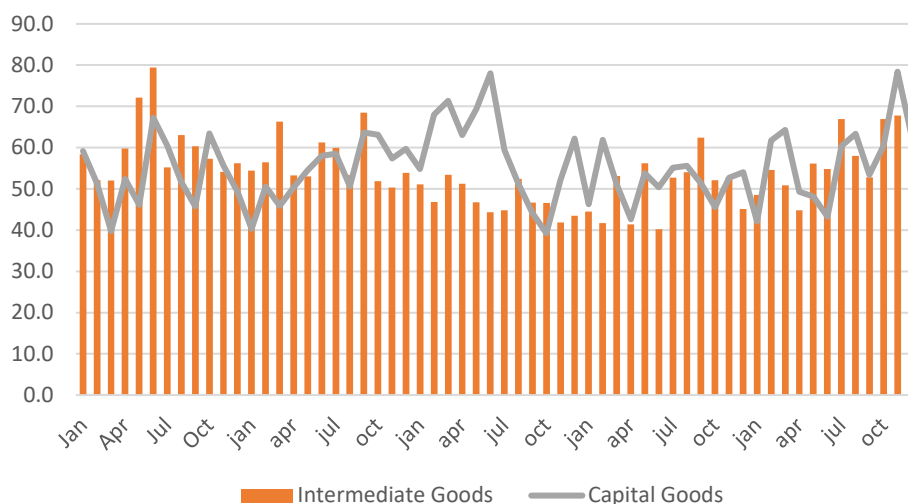
Source: UNCTADStat (2020)

Rwandan food imports have been on a rising longer-term trend, reaching around USD 350 million in 2018. This represents nearly half of all consumption good imports, or around 14 percent of total imports. Pharmaceutical imports – crucial at a time of medical crisis - also account for a significant part of total imports, at around USD 120 million, or 5 percent of total imports per year. Finally, **of vital importance for the productive health of the economy are imports of capital and intermediate goods – it will be impossible to sustain productivity in firms and industries without these essential inputs.**

We can surmise from this review of the current structure of imports that there are relatively few discretionary elements in the current basket of imported goods. Only 17 percent of imports are associated with non-food consumption goods. **The energy bill will be expected to decline significantly in 2020, due to the precipitous collapse in global oil prices.** There may be part of the imports currently classified as intermediates, which

might not strictly be considered as essential goods<sup>19</sup>, and capital goods imports may also decline as a result of the slowdown of economic activity. Finally, **among the food imports, it would be important to carry out a rapid analysis of which imports are deemed essential, and which are associated with 'luxury' items catering to the demands of relatively high-income customers.**

Figure 30: Monthly Imports of Capital Goods and Intermediates, 2014-2018 (USD million)



Source: MINECOFIN dataset (Jan 2020)

Table 8: Current Structure of Imports, 2018 (USD million and %)

	USD million	% Share
<b>Food</b>	348.7	14.3
<b>Non-Food Consumables</b>	413.2	16.9
<b>Intermediates</b>	680.8	27.9
<b>Capital Goods</b>	687.5	28.2
<b>Energy Products</b>	308.9	12.7
<b>Total</b>	2,439.1	100.0

Source: MINECOFIN dataset (Jan 2020)

This quick review is sobering, as it reminds us of the relatively small margin to reduce imports. **Essential imports must be maintained, or it risks undermining the long-term economic health of the economy.** We will make more remarks on this in the mitigation strategies.

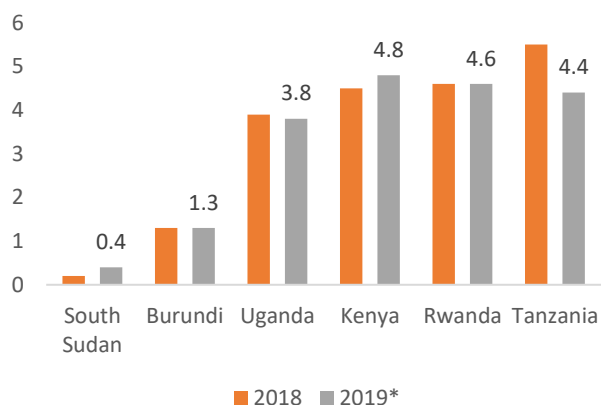
<sup>19</sup> Evidence suggests that the misclassification of imports so as to evade or reduce import duties is a fairly widespread practice globally and can only be tackled by providing revenue authorities the necessary resources to thoroughly investigate such cases.

## Four Main Risks

### Ability to pay for imports declines sharply

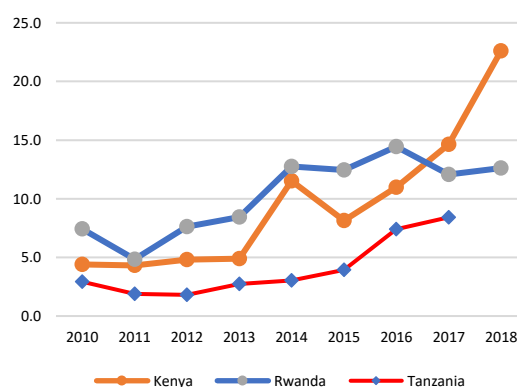
The stance of the central bank, BNR, to the management of exchange rate risks is best characterized as prudent. **Foreign exchange reserves, expressed in months of imports, are currently the second highest within the EAC, just behind Kenya, and comfortably in excess of the three-month target identified by international organisations as an appropriate minimum.** However, the circumstances presented by the current crisis are exceptional, and the sufficiency of these reserves ultimately depends on the extent to which the crisis prolongs. A welcome development has been the [IMF approval](#) at the beginning of April of the disbursement of US\$109.4 million to be drawn under the Rapid Credit Facility, which is intended specifically to provide balance of payments support. But it may not be sufficient given the gravity of the current situation. The [Central Bank](#) has undertaken a series of measures to reduce the impact of COVID-19 on the economy, but **further policies to conserve as far as possible hard currency may need to be introduced.**

Figure 31: Foreign Exchange Reserves, 2017-2019  
(Months of Imports)



Source: IMF (2020)

Figure 32: Debt Service  
as a % of Total Export Earnings



Source: World Bank WDI (2020)

One significant loss of hard currency is through debt servicing. Debt payments, as a share of total export earnings, have been rising in recent years, from around 5-6 percent in the early 2010s, to between 12-15 percent since 2015, reflecting an increase in the level of total external debt burden. This, in turn, reflects the country's significant efforts to fund major developmental projects, such as the Kigali Convention Centre and the second international airport at Bugesera. The rate of increase in debt has not been as pronounced as in Kenya, where debt servicing rises to nearly a quarter of total export earnings. But it does drive home **the importance of Rwanda and the rest of the region benefiting from debt relief, respecting the [calls made for debt forgiveness](#) and/or a temporary suspension on debt repayments.**

### Decline in Export Revenues and Essential Imports

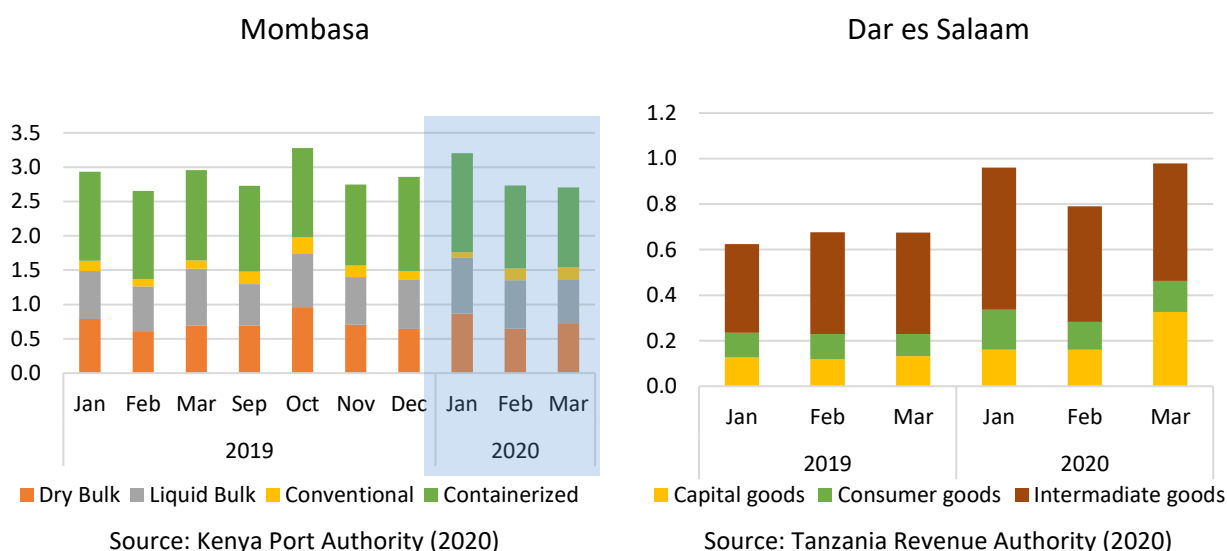
Essential imports must of course be maintained. Provisional data provided by MINECOFIN shows a sharp decline in export revenues in March from both traditional and non-traditional exports, while imports of consumer goods for the same period have continued at high levels, as businesses build up stocks and inventories to cope with demand. More worryingly for productive efficiency, **the import of both capital and**

**intermediate goods is declining quite sharply.** Import figures are likely to decline much more sharply in the coming months, due to the time-delay intrinsic in international trade.

### Bottlenecks at the Ports

Traditionally, Rwanda has received most of its trade through Mombasa port. However, in recent years, Rwanda has become increasingly dependent on Dar es Salaam, with around 90 percent of imports coming through this port. [Concerns were raised](#) at the beginning of the crisis about disruptions to the entry of goods through East African ports. At the moment, however, it appears the volumes of trade through the ports have held up fairly well. **From the perspective of Rwanda, it seems that the disruption through Dar port has not yet been appreciable. Whether this will continue is a matter for debate.** There is the potential for serious [disruption to global shipping](#) due to COVID-19.

Figure 33: Monthly cargo throughput for ports of Northern and Central Corridors (millions metric tons)



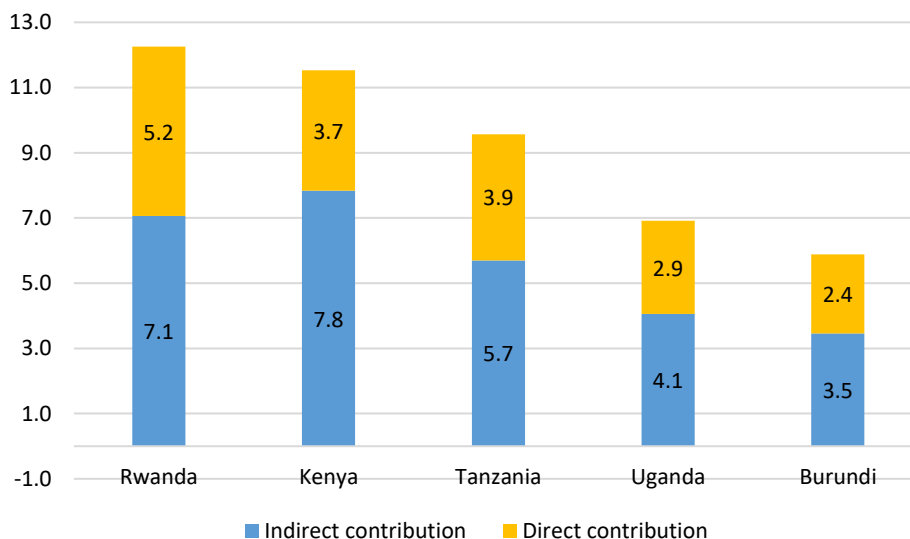
### Service income does not recover

Rwanda has the highest share within the EAC of GDP deriving from tourism. [Tourism satellite accounts](#) carried out by the Rwanda Development Board, in conjunction with ECA, found that tourism accounted for around 12 percent of GDP. Figures from the WTTC put this percentage even higher, making Rwanda even more dependent in relative terms on tourism than neighbouring Tanzania and Kenya, which have a long history in well-developed tourism sectors.

**The risks here are acute for Rwanda. The promotion of high-end tourism (which relies heavily on the elderly market segment mainly from Europe and the Americas) and MICE have been integral parts of the development strategy.** Yet prospects for these segments, going forward, are, at best uncertain. [The UN World Tourism Organisation](#) estimates that globally international tourist arrivals in 2020 could fall by 20 to 30 percent compared to last year. That translates into losses of up to \$450 billion in spending by international visitors. We know nothing of course about which countries, regions or continents will be most badly affected,

but it should be anticipated that international tourism will take much longer to recover. Perhaps tourist arrivals will drop dramatically to traditional destinations like France, Spain, and the US; while countries less directly impacted by the COVID-19 virus, like Rwanda, could pick up more arrivals. Perhaps the whole industry will suffer a permanent downturn. We can only speculate at the current juncture depending on how soon the airspace will be opened and the measures taken by airlines.

Figure 34: Travel and Tourism total contribution to GDP in EAC Member States, 2018 (% of total GDP)



Source: WTTC (2020) Note: Data unavailable for South Sudan

### Effects of the COVID-19 on trade in Rwanda: A CGE Analysis

A Computable General Equilibrium (CGE) model based on the [Global Trade Analysis Project \(GTAP\)](#) data was used by ECA to study the potential impact of the COVID-19 on the Rwandan Economy. It should be stressed at the outset that GCE models of this nature are [not in essence forecasting tools](#). Rather they are a system of equations that describes economic linkages between several global regions and sectors. In this way, **a CGE model helps throw light on the interactions between sectors of any economic shock, and how it may have wider implications on production, prices, and terms of trade.**

In the GTAP model, the closure determines which variables are exogenous and which are endogenous. Endogenous variables have values that are determined within the model. For example, prices and quantities are endogenously determined within the model. The exogenous variables have values that are fixed at their initial levels and do not change when the model is solved. For the simulations, we use the GTAP 10 database, which describes global bilateral trade patterns, production, consumption, and intermediate use of commodities and services. The underlying data in the GTAP 10 database refers to a 2014 baseline. Our modelling is based on a number of simplifying assumptions about the COVID-19's spread and how it will affect the population and industry.

Shocks in the model were calibrated to produce real GDP shocks predicted by the World Bank (2020) and the IMF (2020) (an average decline of -2.1 to -5.1 % of GDP for Africa). Specifically, we have assumed impacts through the following short-term shocks; labour market participation, labour productivity, capital

productivity and trade cost increase<sup>20</sup>. Regarding labour market participation and productivity, we assume a general reduction in labour input and productivity associated with the total economic lockdown as people are unable to work. Likewise, capital productivity is reduced due to the economic lockdown. Trade costs are expected to increase as airports and borders are partially shut down. The standard GTAP (Hertel,1997) closure is used in the simulations, but allowing for fixed wages of unskilled labour in Africa (i.e., to reflect the high levels of un- and under-employment that characterize regional labour markets).

**Our simulation results show output in all sectors impacted negatively by the lock-down, with the most affected sectors being services, processed foods, transport, and heavy manufacturing.** Regarding welfare changes (income losses), consumers in the region will suffer adverse effects as a result of the COVID-19. Rwandan consumers will suffer welfare changes of USD 200 million (Figure 38). It is important to note that because this is a static model, we are assuming a 'once-for-all' welfare impact from the crisis. Were the crisis to prolong, the welfare losses will be much larger.

Figure 35: Change in output by sector (%)

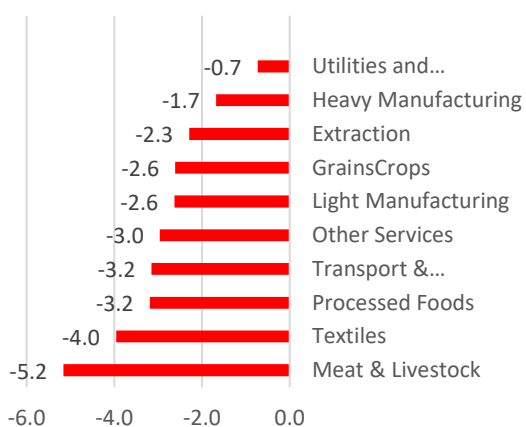
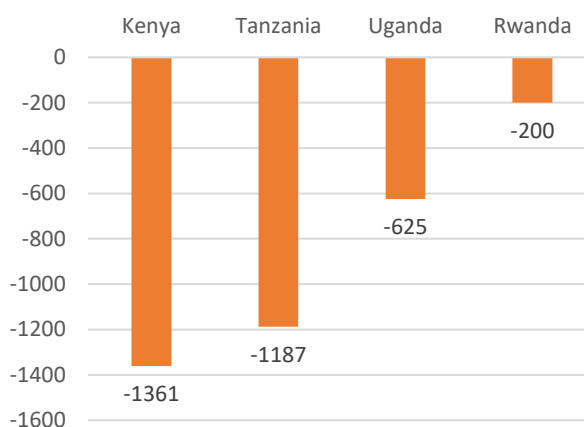


Figure 36: Welfare changes (USD, millions)



Source: ECA simulations

With respect to the trade impacts, **the simulation results show that the crisis will have a negative effect on exports across the region, with Kenya and Tanzania most adversely affected. Rwanda's yearly exports will fall by less than 1 percent** (Figure 39). While anticipating a precipitous decline in April due to the full impact of the economic lockdown, as well as logistic problems at some of the border posts, the preliminary data for January-March 2020 discussed on page certainly lend credence to the idea that Rwandan exports may hold up over the year much better than in many parts of the world. For Rwanda, the simulation suggests the decline in exports is heavily skewed towards livestock products, light manufacturing, and heavy manufacturing sectors.

<sup>20</sup> We assume labour and capital productivity shocks of -2.1 percent, transport productivity shocks of -10 percent and consumption demand shocks of -2.1 percent for Rwanda and the rest of Africa, and higher productivity shocks for USA and the EU, in line with IMF forecasts for global growth.

Figure 37: Change in exports (%)

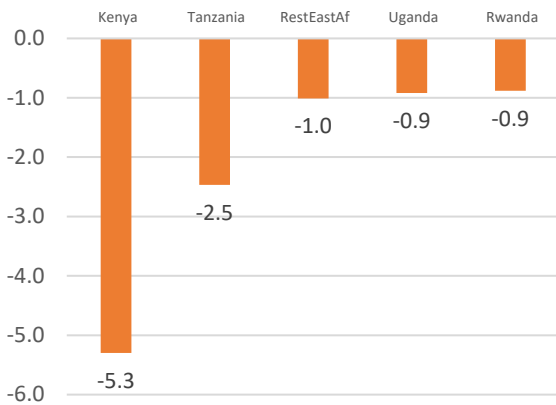
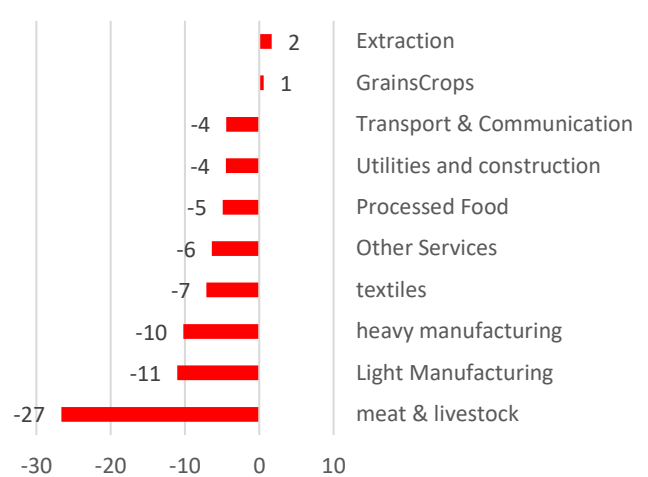


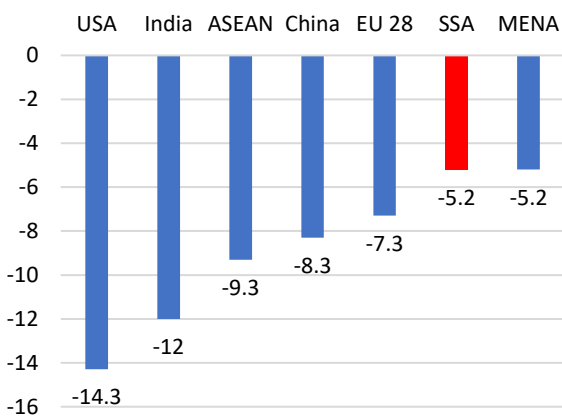
Figure 38: Change in exports by sector (%)



Source: ECA simulations

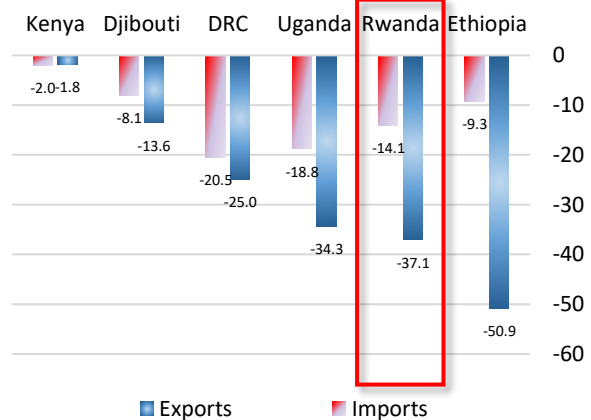
How well do these results stack up against other forecasts currently being produced? As the [IMF \(2020\)](#) has been at pains to stress regarding their own forecasts, “*there remains considerable uncertainty around the forecast, the pandemic itself, its macroeconomic fallout, and the associated stresses in financial and commodity markets.*”; reflecting the high degree of uncertainty, some organizations like the [WTO \(2020\)](#) are producing a range of forecasts. In their case, they are predicting that global trade could fall between anywhere between -13 percent and -32 percent in 2020. Their region-specific forecasts (Figure 41) do align quite well with our own GTAP simulations, where they forecast a -5.2 percent decline in exports for Sub-Saharan Africa.<sup>21</sup>

Figure 39: Predicted change in exports in selected regions, 2020 (%)



Source: WTO (2020)

Figure 40: Predicted change in exports and imports of goods in selected East African countries, 2020 (%)



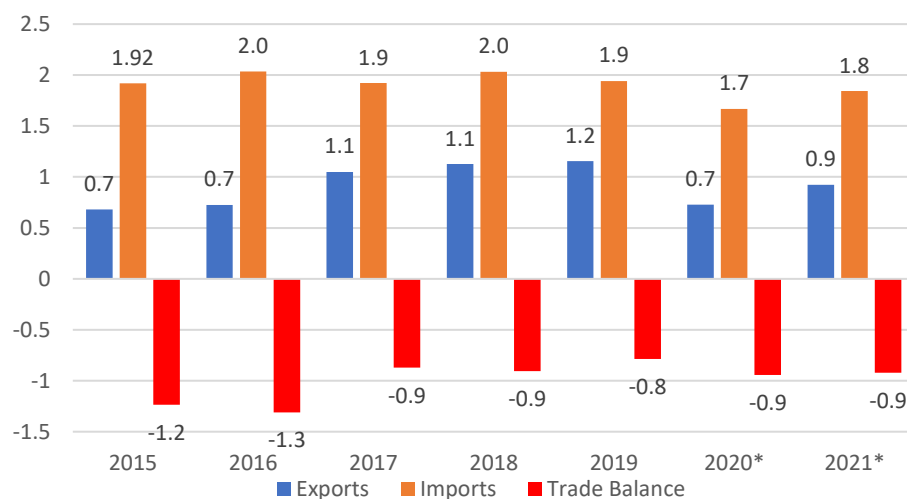
Source: EIU (2020)

However, **our ECA simulations are at odds with the far more pessimistic forecasts for some countries in Eastern Africa currently being produced by the Economist Intelligence Unit (EIU).** For the EIU, trade in Eastern Africa is going to be much more negatively impacted by the crisis, with an estimated fall of over 50

<sup>21</sup> Unfortunately, no forecasts are provided by the WTO for the whole of the African continent.

percent in exports in the case of Ethiopia.<sup>22</sup> **For Rwanda, the figures are not much more encouraging, with a -37.1 percent decline in exports and 14.1 percent in imports over the course of 2020.** However, the EIU forecast is more consistent with both the sharp deterioration in Rwanda’s current account imbalance forecast by the IMF (see again Figure 42) and the estimated rise in the fiscal deficit of about 4.4 percent of GDP per year forecast by the Government of Rwanda, due to increased expenditures to finance its Economic Recovery Plan. The EIU forecasts are predicting a partial recovery in both imports and exports for 2021 (Figure 43).<sup>23</sup>

Figure 41: EIU trade forecasts  
(USD billion)



Note: (\*) estimates  
Source: EIU (2020)

<sup>22</sup> The EIU uses a different approach from our CGE model, basing their forecasts on an econometric World Model, maintained by the UK-based Oxford Economic Forecasting. Using this model allows the EIU to forecast much of the developed world simultaneously, test scenarios, and ensure global consistency. For most developing countries, however, the EIU uses a simpler spreadsheet-based model and aligns the forecasts to the main global forecast assumptions (exchange rates, interest rates, growth and inflation forecasts for the major economies, world trade etc).

<sup>23</sup> One of the inconsistencies in the EIU forecasting is that while the IMF is indeed forecasting a quite large increment in Rwanda’s current account deficit (rising to -16.2 percent of GDP in 2020 from -9.2 percent in 2019), the EIU is actually predicting in its Second Quarter 2020 Brief on the Rwanda that there will be a narrowing of the current account deficit to just -6.1 percent of GDP over the course of 2020.



## Mitigation Strategies

Our simulation results provide some support for the proposition discussed in the opening of this document that Rwanda may not be among the most seriously impacted countries because of the crisis. Nonetheless, the scale of the crisis is unprecedented, and its longer-term trade impacts are likely to be large. **Rwanda is a small open economy and must, therefore, undertake a series of adjustment measures.** [UNECA \(2020\)](#) has produced some generic advice to African countries on trade policies to tackle the COVID-19 crisis. Some of this advice is standard in the face of external shocks, such as reducing or eliminating tariffs on essential imports. But there are also novel responses, such as fully exploiting the potential of digital trade in the face of the decline of traditional trading options. Other parts of the advice listed below are more specific to Rwanda's economic circumstances.

### Protecting Essential Imports

Although Rwanda has the necessary financial resources to finance the current account over the short-run, if the crisis prolongs and there is only a week recovery in merchandise good and services income, foreign exchange shortages will oblige a fall in imports. **There may be a need to constrain consumer goods imports in favour of intermediate and capital goods, to sustain business activity, and protect economy-wide productivity.** Food is still a major import, but there are food items which may not necessarily be classified as essential and could be considered as *luxury items*. **Assuring the smooth import of agricultural inputs like fertilizers and seeds is also essential – keeping agricultural productivity high will be a major way of mitigating the negative impacts of the crisis.**

Similarly, the correct classification of intermediate and capital goods is crucial – some goods currently entering the country as capital or intermediate goods may not be of prime necessity. Another associated measure could be the postponement of major construction projects which are heavily import-dependent. We would recommend a study is rapidly commissioned by RRA and or MINICOM to help identify essential imports.

### Reduce dependence on traditional markets

We argued at the beginning of this section that the shock from this crisis would be long-lasting. Export-oriented firms are struggling both in the face of the collapse of demand for their products and all the logistical impediments associated with the measures to contain COVID-19. **Some export-oriented firms will need to rapidly re-orientate their production to regional markets, as their foreign markets dry up. Measures may need to be put in place to help them adjust.** In the horticultural sector, for instance, in 2017, [Bella Flowers reportedly exported 13 million flower stems](#) to Europe through the Netherlands, the world's largest flower market. Although the culture of buying flowers is still low in Rwanda, the regional market is a promising one, such as DRC. Bella sold 5.15 million stems of cut roses on the local market last year. In textiles, in the face of the AGOA suspension that occurred in 2018, clothing manufacturer C&H Garments reoriented its production towards sales of police and military uniforms, immigration department, and schools. The firm employs more than 1,000 people, arguably one of the largest private-sector employers in the country.

There are also lessons to African countries on the risks of sourcing from a single market and over-dependence. China has become one of the major sources of intermediate, capital as well as some finished products for Rwanda. **There have been warnings about the excessive dependence of the East Africa Community on China**

as a source of intermediate and consumer goods ([Mold, 2016](#)). The interruption of supplies is leading to the rapid search for alternative sources by the trader, from markets such as Turkey and Egypt.

### Accelerating the 'Recapturing the Domestic Market' Strategy

Since its launch in 2015, Rwanda has achieved a degree of success in its strategy to recapture the domestic market (Domestic Market Recapturing Strategy, or DMRS). But **post-crisis, there will need to a significant double down on efforts in implementing these policies, particularly in sectors where Rwanda has a potential dynamic comparative advantage. The potential FOREX savings annually were estimated to be as much as USD 442 million.**

The objective of the DMRS is to increase domestic production for local consumption while contributing to structural transformation of the production sector and increasing international competitiveness ([MINICOM, 2015](#)). The DMRS highlights three priority sectors: *construction materials*, *light manufacturing*, and *agro-processing*. These three priority sectors include 21 specific sectors, with the selection being based on its potential contribution to import reduction; the existence of planned projects in the sector; domestic market size and export potential to neighbouring countries; the availability of raw materials; and whether projects have strong linkages to other domestic sectors.

There is a preference in the DMRS for labour- and capital-intensive sectors rather than those that are land- or skills-intensive. Cement, textiles, and garments are highlighted as high-priority sectors for the DMRS, with a large potential for recapturing the domestic market. **Complaints are commonplace from local manufacturing firms about fierce competition from imports, but local industry needs to be geared up to take advantage of the decline in imported products.** An example would be the furniture and other wood products, many of which are currently principally imported from Asia. The wood-related products that Rwanda imports include paper, board, and office furniture, all of which could be [produced locally](#) with the right training and equipment. **It should be apparent that the crisis offers some major opportunities to local and regional manufacturers to step into the gap as imports are disrupted. They are opportunities that should be seized.**

Table 9: DMRS Priority Sectors

Sector	Potential forex savings p.a., 2015-20 (USD million)	Recapturing potential	Priority for DMRS	Existing investment projects	Priority for investment proposal under DMRS
<b>Construction materials</b>	<b>206</b>				
Cement	140	High	High	Yes (cement)	Low for cement; high for substitutes (bricks, etc.)
Steel & iron	34	High	Medium	Yes (steel)	Low for iron & steel; high for substitutes (timber products)
Aluminium products	15	Medium	Medium	No	Low for aluminium structure; high for substitutes (timber products)
Paints & varnishes	7	Medium	Medium	Yes	Low
Plastic tubes / construction materials	6	Medium	Medium	Yes	Low
Ceramic/granite tiles	4	Medium	Medium	Yes	Low
<b>Light manufacturing</b>	<b>124</b>				
Textiles & garments	37	High	High	Limited	High (mosquito nets)
Pharmaceuticals	26	High	Medium	Yes	Medium
Soaps & detergents	20	High	High	Yes	Low
Reagents	12	Medium	Medium	No	Medium (reagents)
Packaging materials	10	Medium	High	Yes	Medium (paperback)
Wooden furniture	8	Medium	Medium	Yes	Low
Hand tools	5	Medium	Medium	No	Medium (hand tools)
Insecticides	4	Medium	Medium	Yes	Low
Beauty/make up preparations	2	Low	Low	Yes	Low
<b>Agro-processing</b>	<b>112</b>				
Sugar	28	High	Medium	Yes	Low
Fertiliser	26	High	High	Limited	Medium (organic fertiliser)
Edible Oils	24	High	High	Yes	Medium (soya)
Rice	21	High	Medium	Yes	Low
Dried fish / aquaculture	7	Medium	Medium	Yes	Medium (dried fish, aquaculture)
Maize	6	Medium	High	Yes	Low

\*Forex savings are gross, i.e. not including additional intermediate inputs

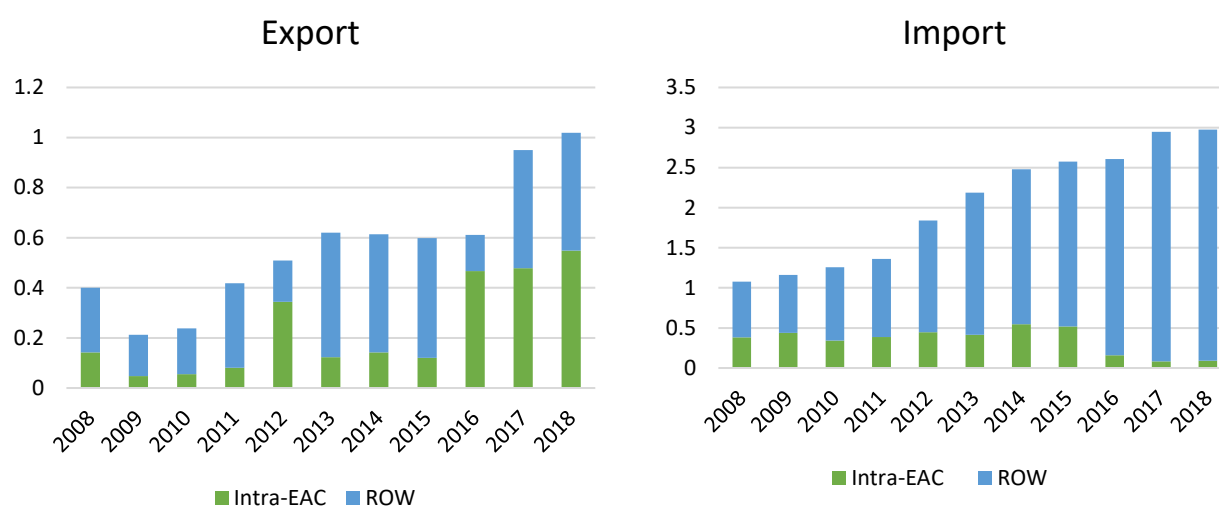
Source: MINICOM (2015)

## Move Forward Rapidly with the Regional Integration Agenda.

The East African Community is still one of the most dynamic regional blocks in Africa, sustaining consistently high growth rates over the last 15 years. However, in recent years, its trade performance has lagged significantly behind. Despite all the efforts to reduce the non-tariff barriers (NTBs) in the region over the last decade, intra-regional trade declined between 2013, when intra-EAC exports peaked at US\$ 3.5 billion, and 2017 when it fell to US\$ 2.4 billion. A small recovery was registered in 2018 but would need to be sustained over several years if intra-regional trade is to regain its dynamism. Econometric evidence provided by UNECA for the EAC Secretariat<sup>24</sup> confirms that Partner States are currently trading far below potential – **collectively, the EAC is trading with itself at half its potential level.** The report also noted a decline in intra-EAC Foreign Direct Investment (FDI), thereby limiting the opportunities for intra-firm cross-border trade in goods and services. **For Rwanda, the regional market already has greater importance than extra-regional exports – although in recent years, Rwanda’s dependence on intra-regional imports has apparently declined significantly.**

<sup>24</sup> UNECA (2019) “An Analysis of the East Africa Community’s Trade Performance” mimeo for the EAC Secretariat.

Figure 42: Rwanda's Intra-EAC trade, 2008 – 2018  
(USD billion)



Source: EAC Facts and Figures (2019)

**The COVID-19 crisis represents a unique opportunity to reinvigorate the EAC.** The areas for action flagged in the ECA report include, *inter alia*:

- i) The setting of a more ambitious objective of removing all customs formalities on intra-EAC trade within the block, establishing borderless, frictionless trade among Partner States;
- ii) The building of a greater regional consensus between government and the private sector to minimise the incidence of NTBs in the future, through an effective *EAC Elimination of NTBs Act*;
- iii) Increasing the threshold on which the Simplified Trade Regime (STR) is applied and reducing the associated requirements to help small traders;
- iv) Continued efforts to improve regional transport infrastructure and strengthen the management of ports, inland waterways, and railway transport linkages;
- v) Measures to boost intra-regional FDI, looking at both the structure of investment incentives and the removal of bureaucratic impediments to FDI;
- vi) The production of more detailed sectoral studies to identify and map out the market opportunities sectors for the rapid development of regional value chains, FDI, commodity exchange, and capital markets.

All these recommendations become more urgent in light of the COVID-19 crisis. **Africa's Regional Economic Communities should also consider setting up joint reporting mechanisms on the availability of supplies and production facilities in strategic sectors like medical supplies.** These can be accompanied by commitments to expand production with clear mutual agreements to export to each other.<sup>25</sup> A number of African countries already have medical supply capacity that can be accelerated through collaborations, including Morocco, South Africa, Tunisia, Egypt and Mauritius.

<sup>25</sup> Adam Posen. 2020. Available: <https://voxeu.org/system/files/epublication/COVIDeconomicCrisis.pdf>

## Develop a National AfCFTA Strategy and Leverage Greater Continental-Wide Cooperation.

The EAC as a regional block is currently weakly integrated into the wider-continental market. By trading more within Africa under the AfCFTA, a recently released study by [ECA/TMEA](#) shows that the EAC could increase the level of manufactured and processed commodities, providing an important boost to faster structural transformation within the region. **If fully implemented, our study estimates that EAC exports to the rest of Africa would increase by a third, with the beneficiary sectors being principally employment-intensive manufacturing sectors such as light manufacturing, processed food, and textiles.**

At a time when global value chains are under considerable stress and disruption, **African countries must use the African Continental Free Trade Area to create regional value chains for Africa to better serve its own markets** ([Mold and Mvenyange, 2020](#)). As an example of the potential, the health market alone is estimated to be worth \$259 billion annually. Negotiators should ensure that medical supplies are not restricted within their AfCFTA 'excluded lists'.

Laudably, Rwanda has been a champion of AfCFTA - and together with the support of UNECA, MINICOM is currently working on the elaboration of a national AfCFTA strategy. Although the starting date for the entry into force of the AfCFTA has been postponed now until 1<sup>st</sup> January 2021, it is important to implement the national strategy as soon as the AfCFTA is operationalized.

## Reevaluate Strategies for Tourism Development and MICE

Given that it will take much longer for international tourism to recover and that owing to social distancing measures, normalcy to the MICE sector should not be expected in the short-term, **it will be crucial that Rwanda adopts pro-domestic and regional tourism development strategies.** Already, [the country is better placed](#) than many other countries in Africa owing to the fact that in 2017, 1,397, 019, or 89%, of arrivals were from Africa, with the bulk being in the visiting friends and relatives (428,669) and business/conference tourists (424,122) categories. What is more, the domestic market remains relatively untapped, despite the *tembera Rwanda* campaign with only 94,036 Rwandans visiting the national parks in 2017. Tapping the domestic and regional tourist markets will require, among other measures, focused tourism promotion campaigns, a reorientation of the tourism product (from being Western-centric to being more Afrocentric) and a revision of the pricing strategies, e.g., for the gorilla permits and hotel rates, etc. Nonetheless, in the meantime, the Government should extend necessary relief packages to the tourism sector to ensure that jobs are not lost and that businesses remain afloat including tax relief, easing of financial obligations and having a dedicated fund for the sector.

## Policies for the Recovery of RwandAir

The dramatic decline in revenues for RwandAir, a major exporter of services and an integral part of the country's tourism and MICE strategy, is clearly a major set-back. It will also have collateral effects on the rest of the economy if it triggers cost-cutting and lower investment. It is estimated that at the continental level, African airlines have already lost [USD 4 billion](#) due to the crisis. The largest East African carrier, Ethiopia Airlines, has already reputedly made losses of USD 190 million in the first two months of the year and could see a doubling or trebling of this figure depending on the duration of air travel restrictions and the pace of the eventual pick-up in passenger traffic. Kenya Airways is likely to fare even worse, as it began the crisis with a bad balance sheet, with major losses reported again last year. But even global airlines with healthy balance

sheets are experiencing major challenges during this crisis and are requesting government support to stay afloat.

**This crisis is likely to catalyse a major reorganization of the air transport sector in Africa.** The worst-case scenario is that the crisis leads to the collapse of African carriers, and, once traffic resumes, the routes are taken over by companies in Europe or elsewhere, which have received large state subsidies to weather the storm. Maintaining a national airline in a time of such a crisis may be considered a risky liability at such a time.<sup>26</sup> But **RwandAir is a long-term strategic investment, and among regional airlines has achieved a good reputation for reliability and timeliness. It is thus well placed to take strategic advantage of an eventual upturn in the market.** In the meantime, the cargo market remains an option that RwandAir could capitalize on during the COVID-19 pandemic.<sup>27</sup>

## Leveraging Digital Trade in Services

Social distancing policies to reduce the spread of COVID-19 have already been instituted in many African countries. But for [83.2% of the African labour workforce](#) not in formal employment, such social distancing measures could have catastrophic implications for income and poverty. Realistically, **if social distancing regulations are to be followed in African countries for any length of time, alternative working methods must be promoted.**

**Digital trade in services is admittedly a partial solution, available currently to a small share of relatively well-educated and resourced workers.** Nonetheless, it could help increase the amount of African work that is socially distant. It could also take advantage of the [accelerated supply chain and retail digitization](#) already being seen in high-income economies in response to COVID-19. For instance, the use of the workplace platform [Microsoft Teams increased by 37%](#) in just one week in mid-March. In Europe, French [online supermarkets saw a 67 percent increase in website traffic](#) and a 60 percent increase in transactions between during the week between April 20-26<sup>th</sup>. By the end of March, [Portugal had registered the highest growth in internet use](#) with a 50 percent increase, with Spain and the UK following closely behind.

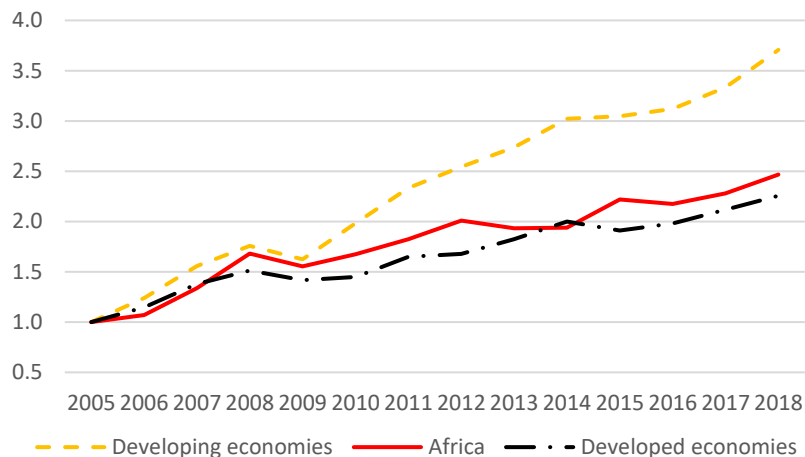
Africa is experiencing similar trends, and **because the distance is no impediment to this kind of trade, African workers could integrate into the new digital services demanded by Europe and other global markets.** Platforms like *Amazon Mechanical Turk* can facilitate mostly low-skill tasks, such as data cleaning and labeling. *Freelancer* and *Upwork* offer a range of tools for web development and marketing. *Andela* provides training for Africa's most talented software developers, before employing them remotely in tech companies around the world. As of 2018, digitally-deliverable services amounted to [\\$2.9 trillion globally](#). While such exports from Africa are currently small, they are growing rapidly (Figure 45).

Figure 43: Exports of digitally-deliverable services, 2005-2018, (index, 2005=1)

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<sup>26</sup> On a more positive note, having apparently succeeded in controlling the spread of the virus, the [Chinese aviation industry](#) is currently experiencing somewhat of a revival, and the capacity of flights has doubled since late February.

<sup>27</sup> [The East African Business Council \(2020\)](#) has provided a brief on some potential emergence policy measures to support the EAC air industry.



Source: Author's calculations using (UNStat, 2019)

The region's economic growth will need to increasingly tap such emerging digital opportunities. Among the [measures recommended by ECA](#) are:

- **Identify internet services as 'essential services'** to avoid disruption;
- **High-speed internet connections** will help workers to be productive while practicing social distancing. To ensure continuing internet services, internet service workers should be considered within 'essential services' not subject to work-from-home restrictions;
- **Coordinate with telecom operators** to remove any policies or regulation that may cause distortionary prices increases or limitations to internet speeds and reliability<sup>28</sup>;
- **Fast-track the adoption of mobile money services.** To reduce physical money as a vector for the transmission of COVID-19, Kenya's largest telecom operator, Safaricom, has implemented a fee-waiver on the popular east African mobile-money product, M-Pesa. In March, Rwanda has done likewise with its [mobile-money services](#);
- **Publicize and raise awareness of digital work opportunities.** This can help African workers identify and connect with digital services opportunities. African governments and their employment agencies can partner with digital service platforms to publicize digital work.
- **Expand access to digital work.** Over the medium-to-longer term it will be necessary to ensure that digital services trade provides opportunities not just for Africa's better educated and resourced workers. This will involve ramping up access to digital skills training and access to computers.

## Conclusions

This crisis is unprecedented. Through no fault of its own, Rwanda and its regional neighbours find themselves confronted by a quite different international context than that was prevailing just a few months ago. [Expert](#)

<sup>28</sup> As an example of the kind of policy that can be implemented to accelerate internet provision, in March 2020 Kenya signed an agreement with Google Loon to allow 'Loon Balloons' to fly over Kenyan airspace carrying 4G base stations to rapidly improve internet coverage.

**[opinions](#) concur that crisis is going to change consumption and supply patterns globally – its effects will not be short-run. It is going to require a rethink on many levels.**

By necessity, then, **the crisis will require a re-examination of Rwanda’s strategy for insertion into the global economy.** Previously, competitiveness and export ‘success’ for developing countries have tended to be measured in terms of the ability to gain a foothold in the markets of high-income countries and entering into global value-chains. The disruption caused by the COVID-19 crisis has shown the vulnerabilities of these strategies ([Mold and Mvenyange, 2020](#)). Considering these trends, governments and industries in East Africa should consider rapidly shifting from focusing on global value chains to regional ones. The time is ripe: As documented in our [recent report](#), the recently signed and ratified African Continental Free Trade Area (AfCFTA) can be the great enabler of that shift.

The crisis also presents an opportunity to source much more domestically, as per the well-articulated *Made in Rwanda* and DMRS strategies. **The disruption of imports should help provide clarity on how best to support the agriculture sector – still the bedrock of the Rwandan economy** - to fill the gap. Similarly, there is a need to improve logistics and e-commerce platforms to increase the efficiency of fully leveraging the potential domestic market. Although not the subject matter of this brief, a more permanent extension in coverage of social protection measures are clearly going to be required as workers displaced from their existing occupations search for new employment opportunities. In sum, **the crisis will no doubt provoke will a rethink of policy on many different levels.**

In a [recent piece](#) entitled “*Containing the economic nationalist virus through global coordination,*” Professor Adam S. Posen warned that

*“Economic nationalism is an opportunistic infection, seizing its moment now when the global economy is already weakened by the COVID-19 pandemic. This is partly inherent to the situation. Scared people and their politicians try to look after those closest to them, and hoard everything – medical equipment and pharmaceuticals, dollar liquidity, local markets, opportunities for exports, even aid to poorer countries. They want to keep it all for themselves and judge their friends’ worthiness of sharing with on an ever-rising standard.”*

Laudably, **Rwanda has already placed a great priority on the continental agenda under the AfCFTA. This is an agenda that requires greater levels of cooperation at many different levels – including among regional economic communities and bilaterally with regional partners.** All EAC member states should be aware of the importance of being a good neighbour during a time of crisis so that economic shocks are not passed on to neighbouring countries, and the region emerges from the economic crisis, both stronger and more resilient.



# 5

## Chapter 5: The Impact of COVID-19 on Poverty and Human Development

## Scenarios of shifting poverty dynamics at the household level

The measures being undertaken by the Government of Rwanda to address the COVID-19 crisis could have highly negative effects at the household level, particularly for the poorest and most vulnerable Rwandese. That said, the Government has also already acted to mitigate some of these impacts on households, through food distribution, utilities support and mobilizing external resources, such as from the IMF, the EU and the UN. With this context in mind, this chapter aims to:

1. Assess the effect of COVID-19 lockdown and halting of economic activity on household welfare status given different crisis/lockdown duration scenarios
2. Identify and highlight critical sectors and spatial vulnerabilities to target
3. Explore the potential implications of COVID-19 for human development
4. Identify specific policy measures, such as social protection that could cushion households and support them with financial and food security safety nets

It is clear that the COVID-19 pandemic and the necessary containment and response measures are already having an impact, and will continue to impact, on Rwanda's economy from the macro to micro levels, and from the short- to long-term. At the more microeconomic household level, there could be employment and food insecurity resulting from loss of wages and economic activity. As illustrated in Table 10 and Figure 46, while the overall trend in consumption expenditure has been increasing since 2011, improvements have not been evenly distributed, with disparities by region and by consumption quintile. For both consumption and, looking at other development indicators as well, the Human Development Index, Kigali and Northern Provinces have seen improvements since 2011/12. For consumption, the Southern, Western, and Eastern Provinces have seen a decline (Table 11, Figure 47). Low consumption quintiles, including the bottom 40 percent of the population, have seen only marginal improvements. The marginal growth and declines seen in some regions and consumption quintiles suggest persistent vulnerabilities that could be exacerbated by the Covid19 crisis. The impacts of COVID-19 response measures are also unlikely to be evenly distributed across sectors of employment, poverty status, and household characteristics. Rwanda's high population density may also elevate health-related issues by constraining efforts to apply social distancing (see Box 2.)

### Box 2: Population Dynamics

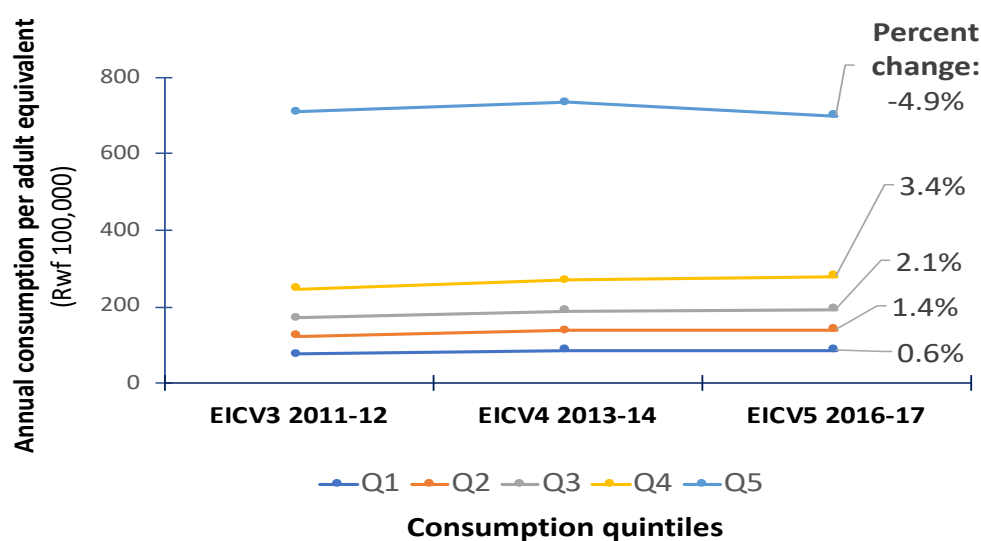
Based on the last Rwanda Population and Housing Census of 2012, the Rwandan population stood at 10,515,973 residents growing annually by 2.6 percent. The population density in 2012 was 415 persons per square kilometre. The ratio is highest at 2124 persons per sq. km in Nyarugenge district followed by 1911 in Kicukiro. Compared to neighbouring countries, Rwanda is the most densely populated country in the region. In general, urban districts have the highest densities of population. The overall population of Rwanda is still largely rural, with 83 percent living in rural areas. This population is also young, with 50 percent being under 20 years old. On the other hand, people aged 65 years and above account for only 3 percent of the population. This has consequences in that the age dependency ratio, measuring the number of potential dependent persons per 100 persons of productive age, is 93 at national level.

Table 10: Annual real consumption per adult equivalent for EICVs 3-5 (Rwf 100,000)

	EICV3 2011-12	EICV4 2013-14	EICV5 2016-17	Percent change
<b>Urban/Rural</b>				
Urban	646	607	570	<b>-6.2</b>
Rural	198	217	216	<b>-0.6</b>
<b>Province</b>				
Kigali City	588	528	597	12.2
Southern	218	264	230	<b>-13.7</b>
Western	245	246	219	<b>-11.7</b>
Northern	223	229	230	0.4
Eastern	239	259	242	<b>-6.8</b>
<b>Consumption Quintile</b>				
Q1	76	85	86	0.6
Q2	123	138	140	1.4
Q3	171	188	192	2.1
Q4	247	270	279	3.4
Q5	710	734	699	<b>-4.9</b>
<b>Total (mean)</b>	265	282	279	-1.2
<b>Total (median)</b>	169	187	191	2.1
<b>N</b>	14,308	14,419	14,580	

Source: EICV3,4,5 Rwanda Poverty Profile (NISR 2018)

Figure 44: Trends in household consumption expenditure 2011-2017 (Rwf 100,000)



Source: EICVs 3, 4 and 5

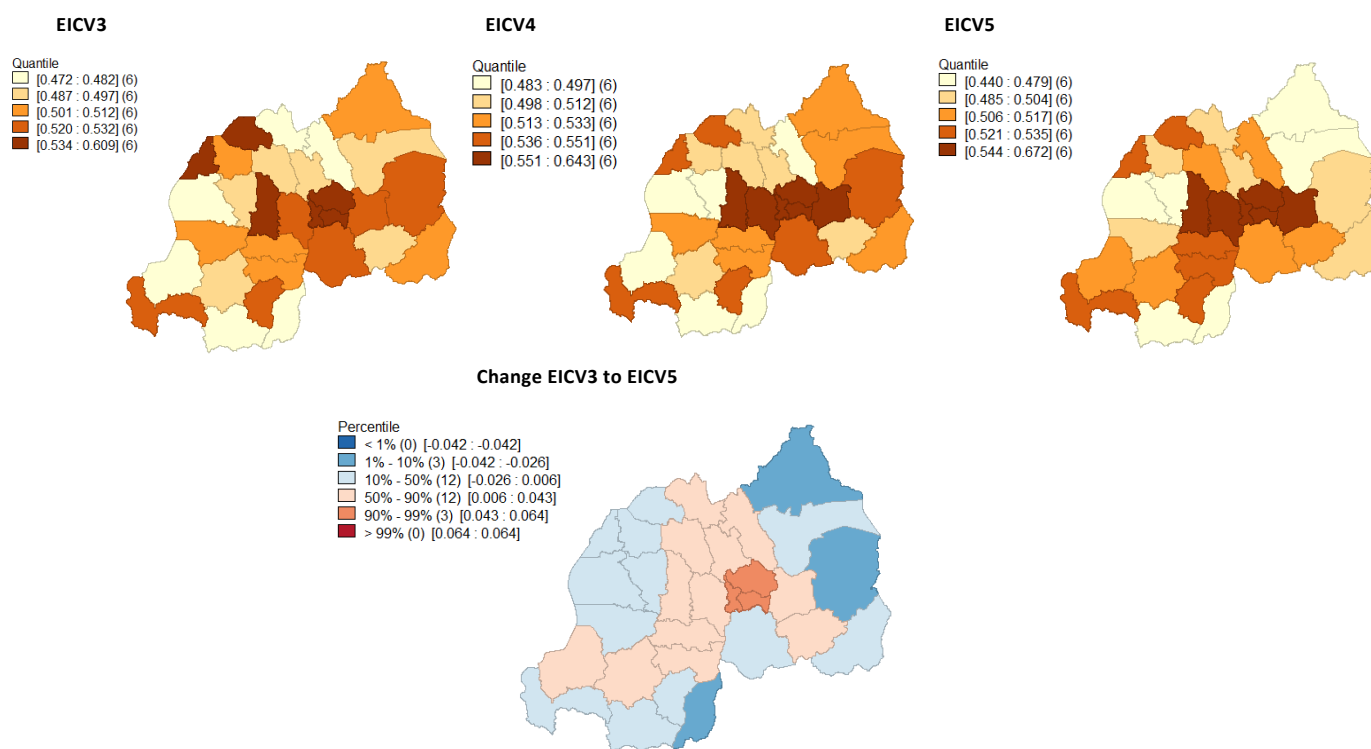
Table 11. Sub-national HDI by province. The National Human Development Index is calculated with the Standard of Living, Education, and Health dimensions using consumption, education, and life expectancy indicators. Data source: UNDP-Rwanda, 2018.

Table 12: Sub-national HDI by province.

NHDR	EICV3 2010-2011	EICV4 2013-2014	EICV5 2016-2017
Total	0.513920508	0.53068988	0.520561712
City of Kigali	0.594701592	0.623819653	0.649348997
East	0.512551102	0.527622503	0.500572311
North	0.494755466	0.512717904	0.512711694
South	0.507111027	0.524464315	0.51346154
West	0.502141029	0.513796554	0.499078201

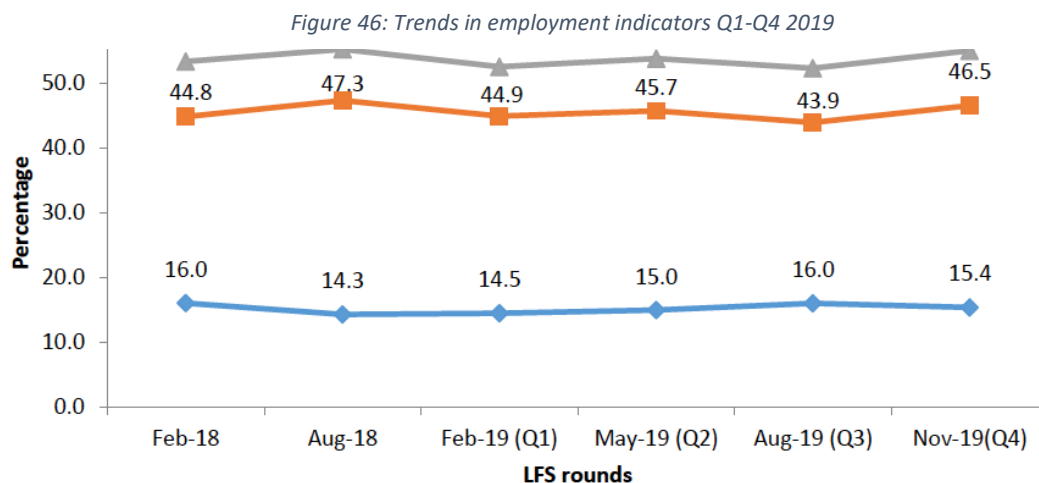
Source: UNDP-Rwanda, 2018

Figure 45: Mapping the Sub-national Human Development Index in Rwanda



Source: UNDP-Rwanda, 2018 (unpublished)

Prior to the COVID-19 crisis, labour statistics were on largely positive trends, according to the Labour Force Survey. Unemployment had declined from 16 percent to 15.4 percent, while the employment-to-population ratio and labour force participation rate were also increasing (Figure 48). However, the drastic reduction in economic activity nationally, regionally and globally is expected to have critical impacts on these trends.



Source: : NISR (2020) Labour Force Survey Q4 2019 Note: UR=Unemployment rate, EPR=Employment-to-population ratio, LFPR= Labour Force Participation Rate

## Methodology

In this analysis, we perform a rapid assessment of the potential effect of the COVID-19 response on Rwandan households by examining three potential income loss scenarios. The data used are the three most recent waves of the National Institute of Statistics of Rwanda (NISR) Integrated Household Living Conditions Surveys covering the 2011-2017 period (EICVs 3, 4, and 5). We focus on the effects around thresholds, considering the movement of households between three categories: poor, non-poor but insecure, and non-poor. Poor households are categorized using the EICV4 and EICV5 poverty rate of RWF 159,375 annual consumption per adult equivalent in 2014 prices. This headcount poverty rate for EICV5 was 38.2 percent. Non-poor but insecure households are those who have a consumption expenditure of less than double the poverty line, which is RWF 318,570. Non-poor households have a consumption expenditure per adult equivalent that is over double the poverty line. We use these categorizations to emphasize that while a household may not currently be below the poverty line, and therefore not considered "poor," that household – particularly those categorized as non-poor insecure – maybe just above the poverty line and have characteristics that make it more vulnerable to falling into poverty in the future.

There are several critical limitations to the analyses in this chapter. The scenarios are very coarse and make several key assumptions that, due to the changing nature of the COVID-19, are subject to change. These scenarios are intended to paint a broad and general picture of potential effects on households resulting from the COVID-19 crisis.

Table 13: Categorizations used in analysis and their frequencies. Poverty rate and "non-poor but insecure" rate in EICV5 based on survey weights

Poverty Status Category	Population	Freq.	Cum.
Poor	4,477,921	38.22	38.22

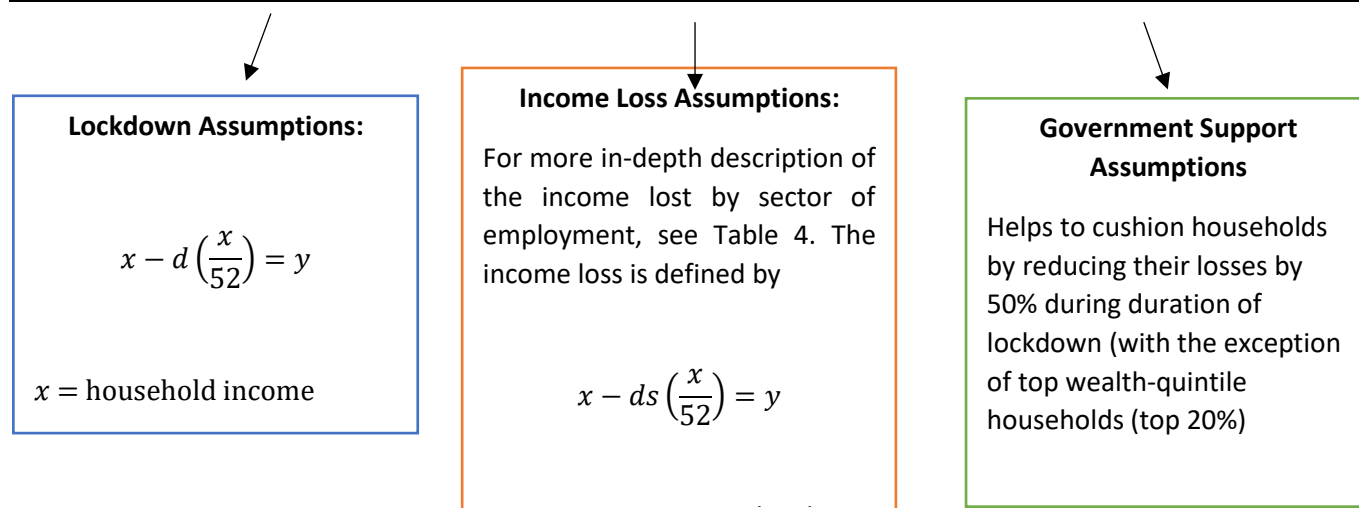
<i>Non-poor but insecure</i>	4,494,839	38.36	76.58
<i>Non-poor</i>	2,744,258	23.42	100.00
<i>Total</i>	11,717,018	100.00	

Source: NISR EICV5

The scenarios for this rapid assessment included situations where (i) households lost income based on the duration of lockdown and the sector in which households primarily work (see Table 13); (ii) households lost income based on the duration of lockdown, as in the first set, but household consumption needs were reduced by food support from the Government.<sup>29</sup>

Figure 47: Lockdown scenarios

	Lockdown Duration	Percentage of annual income lost (by primary income source)	Government essential needs support
<b>Scenario 1</b>	March 21-April 21 Duration = 4 weeks	See Table 13	Targeted to 20,000 households in Kigali districts Sub-scenario: Targeted nationally
<b>Scenario 2</b>	March 21- May 21 Duration = 8 weeks	See Table 13	Targeted to 20,000 households in Kigali districts Sub-scenario: Targeted nationally



Employment was coded as demonstrated in Table 13, based on COVID-19 impact classifications from ILO (2020). In addition to these two scenarios, a third scenario extending the lockdown to 12 weeks is briefly explored. Categorizations are based on ILO (2020). Actual percentages of income lost is speculative for the

<sup>29</sup> <https://www.ktpress.rw/2020/03/rwanda-how-COVID-19-relief-distribution-will-work/>

purposes of the scenario analysis, and does not take into consideration those with formal contracts, who may not lose any income.

Table 14: Categorization of COVID-19 impact on sectors of primary employment of household head.

Household head's primary employment	COVID-19 impact category	Freq.	Percent
D: Electricity, Gas and Air Conditioning (Utilities)	Low *Losing 25% of income	14,873	0.13
E: Water Supply, Gas, and Remediation (Utilities)		13,683	0.12
J: Information and Communication		16,210	0.15
M: Professional, Scientific, and Techni		60,502	0.54
O: Public Administration and Defense		178,081	1.60
P: Education		188,349	1.69
Q: Human Health and Social Work Activities		101,940	0.92
U: Activities of Extraterritorial Organ		32,828	0.29
A: Agriculture, Forestry, and Fishing	Low-Medium *Losing 25% of income	7,809,347	70.14
B: Mining and Quarrying	Medium *Losing 50% of income	117,249	1.05
F: Construction		658,183	5.91
K: Financial and Insurance Activities		33,024	0.30
S: Other Service Activities		133,263	1.20
T: Activities of Households as Employer		98,711.	0.89
H: Transportation and Storage	Medium-high *Losing 75% of income	408,772	3.67
R: Arts, Entertainment, and Recreation		26,851	0.24
C: Manufacturing	High *Losing 90% of income	265,948	2.39
G: Wholesale and Retail Trade, Repair		848,327	7.62
I: Accommodation and Food Service		51,376	0.46
L: Real Estate Activities		4,731	0.04
N: Administrative and Support Service		72,180	0.65
<b>Total</b>		<b>11,134,433</b>	<b>100.00</b>

Source: NISR EICV5

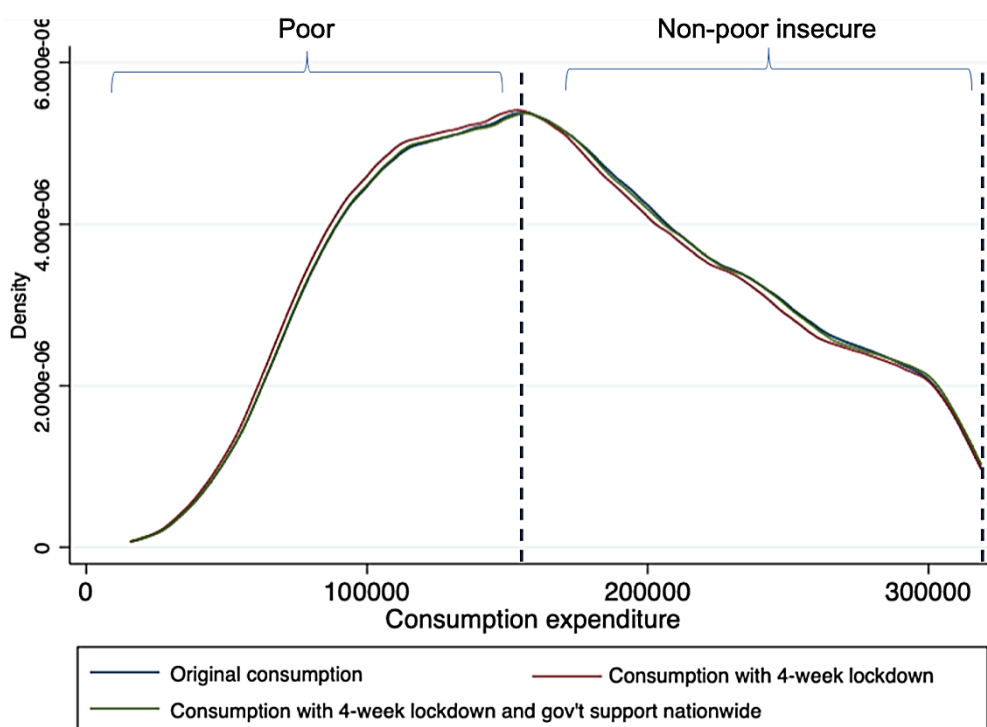
## Findings

It is likely that the loss of incomes as a result of the lockdown may lead to poor and marginalized groups remaining poor, and chronic poverty may be further entrenched. Additionally, households that were previously above the poverty line, in "non-poor insecure," may now move into poverty, and some who were previously non-poor may move into income insecurity, which may, in turn, lead to social vulnerability and weaken coping capacity.

## Scenario 1

Figure 50 illustrates the effect of the four-week lockdown on the movement of households relative to the poverty line. The green line is the sub-scenario where Government support is scaled up from the initial food distribution in Kigali to be nationwide. Without Government support, a higher density (in other words, greater number) of households will move below the poverty line, as the red line is above the blue. Tables 15 and 16 also illustrate this effect.

Figure 48. Scenario 1 – Kernel density estimate illustrating number of households poor and non-poor insecure after 4-week lockdown, with and without government distribution of essential needs to cushion income losses.



Source: EICV 5

Table 15: Results of Scenario 1 analysis

Poverty Category	Base		4 Week Lockdown		GoR support Kigali		GoR support all	
	Population	Freq.	Population	Freq.	Population	Freq.	Population	Freq.
Poor	4,477,921	<b>38.22</b>	4,656,681	<b>39.74</b>	4,641,101	39.61	4,508,569	<b>38.48</b>
Non-poor insecure	4,494,839	38.36	4,453,305	38.01	4,452,292	38.00	4,517,945	38.56
Non-poor	2,744,258	23.42	2,607,032	22.25	2,623,625	22.39	2,690,503	22.96
Total	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00

Source: Author's calculation from EICV5



Table 16: Movement from base poverty status to a new poverty status following the four-week lockdown scenario

Base Poverty Category	Poor 4-week lockdown		Non-poor insecure 4-week lockdown	
	Population		Population	Total
Poor	4,477,921 100%		0 0%	4,477,921 100%
Non-poor insecure	178,760 4.0%		4,316,079 96.0%	4,494,839 100%
Non-poor	0 0%		137,226 5.0%	2,744,258 100%
Total	4,656,681 39.7%		4,453,305 38.0%	11,717,018 100%

Source: Author's calculations from EICV5

As a result of the four-week lockdown, Tables 15 and 16 illustrate that it is possible that the poverty rate could increase as much as 1.52 percent. However, with Government support for essential needs, particularly support that is more widespread than only the initially-targeted districts in Kigali, this could be cut to approximately 0.26 percent, roughly maintaining the status quo. Meanwhile, an additional 1.17 percent of the population that was non-poor could become insecure. The four-week lockdown could, therefore, cause as many as 178,760 Rwandans to fall into poverty and 137,226 to become insecure from the non-poor category. However, widespread Government support through the distribution of essential needs, which lessens the consumption burden during a time of income loss, could prevent approximately 315,986 Rwandans from becoming worse-off in terms of poverty status and effectively cushion the impact of COVID-19.

In this scenario, the effect on the poorest is greater than the effect on the non-poor, as no non-poor fell below the poverty line after the 4-week income loss scenario. Of the non-poor that moved to insecure, 41.3 percent are engaged in agriculture, while 19.2 percent are engaged in retail. Of the insecure that became poor after the 4-week income loss scenario, 68.1 percent are engaged in agriculture. This might seem counter-intuitive as many might think that agriculture is least affected by COVID-19. While this is in part indicative of the fact that agriculture is the largest sector of employment, meaning that there are simply more people shifting in and out of poverty in this sector, this result is also despite the fact that agriculture experienced the lowest percentage of income loss in the scenario, losing 25 percent of income per week relative to other sectors which lost up to 90 percent, illustrating that many agricultural Rwandans are on the threshold of poverty, and even a relatively small shock will push more over the edge of poverty relative to other sectors.

Tables 17 - 18 also present household poverty status after 4-week lockdown by rural and urban, and by province. Table 17 shows that for those that were previously non-poor insecure but became poor following the 4-week lockdown, 86 percent were rural. However, the non-poor that became insecure were relatively more urban and accounted for 32.0 percent, while 67.9 percent are rural. While vulnerable urban populations in Kigali, where all of Rwanda's cases are currently located, will, of course, be hit hard by COVID-19, it cannot be forgotten that the lockdown measures are nationwide. There are large rural populations on the threshold of insecurity or poverty that will be pushed over the edge by the shock. Annex III presents these results for the movement from insecure to poor by district.

Table 17: Poverty status after 4-week lockdown by urban and rural

4-week lockdown movement	Rural	Urban	Total
Insecure became poor	154,119	24,641	178,760
	86.22%	13.78%	100.0%
Non-poor became insecure	93,192	44,034	137,226
	67.91%	32.09%	100.0%
	55.12%	44.88%	100.00%
Total	9,632,548	2,084,470	11,717,018
	82.21%	17.79%	100.00%

Source: Author's calculations from EICV5.

Table 18: Worsening in poverty status as a result of 4-week lockdown by rural and urban

4-week lockdown	Rural	Urban	Total
Poor	4,302,297	354,384	4,656,681
	92.39%	7.61%	100.00%
Non-poor insecure	3,893,223	560,082	4,453,305
	87.42%	12.58%	100.00%
Non-poor	1,437,028	1,170,004	2,607,032

Source: Author's calculations from EICV5.

Further, as Table 18 illustrates, of the insecure that became poor following the 4-week lockdown, the highest proportion came from Southern Province, followed by Western. Compared to the base in Table 19, these are also the provinces where the highest proportion of poor are located, although the highest proportion of insecure are in Eastern. To this point, Table 19 also interestingly shows that the highest proportion of those who are nonpoor who became insecure following the 4-week lockdown are in Eastern province, at approximately 29 percent, followed by Kigali at 24%. This indicates that many "nonpoor" in Eastern province are on the threshold of insecurity, and the shock from COVID-19 and the crisis containment measures are enough to push more of those households over the edge than in Kigali, which has a higher base percentage of nonpoor than Eastern, as illustrated in Table 19.

Table 19: Base distribution of poverty status by province, for comparative purposes with Table 16

Base	Eastern	Kigali	Northern	Southern	Western	Total
Poor	1,107,204	215,192	773,303	1,124,065	1,258,157	4,477,921
	24.73%	4.81%	17.27%	25.10%	28.10%	100.00%
Non-poor insecure	1,249,442	405,764	761,038	1,098,228	980,367	4,494,839
	27.80%	9.03%	16.93%	24.43%	21.81%	100.00%
Non-poor	603,423	924,218	294,613	490,876	431,127	2,744,258
	21.99%	33.68%	10.74%	17.89%	15.71%	100.00%
Total	2,960,069	1,545,174	1,828,954	2,713,170	2,669,651	11,717,018
	25.26%	13.19%	15.61%	23.16%	22.78%	100.00%

Source: EICV5

Table 20: Worsening in poverty status as a result of 4-week lockdown, by province

4-week lockdown movement	Eastern	Kigali	Northern	Southern	Western	Total
Insecure became poor	36,843	20,891	31,881	47,537	41,609	178,760
	20.61%	11.69%	17.83%	26.59%	23.28%	100.00%
Non-poor became insecure	39,642	33,156	18,472	23,375	22,580	137,226
	28.89%	24.16%	13.46%	17.03%	16.45%	100.00%
Total	2960069	1545174	1828954	2713170	26696501	11,717,018
	25.26%	13.19%	15.61%	23.16%	22.78%	100.00%

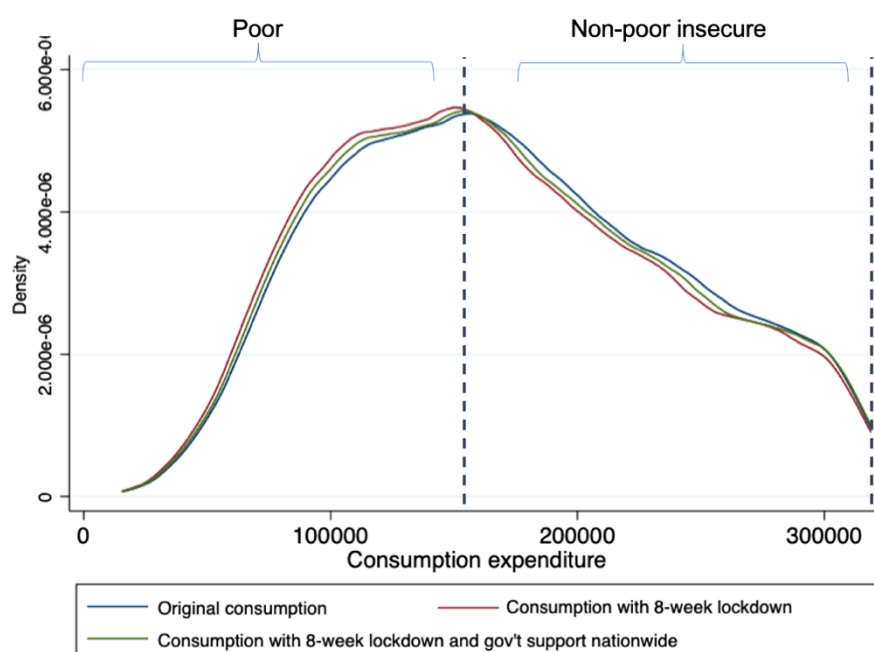
Source: Author's calculation from EICV5

## Scenario 2

Not surprisingly, the effects of the eight-week lockdown simulated in Scenario 2 are greater than for Scenario 1. As demonstrated in Tables 19 and 20, extension of the lockdown without further support to households such as income support or food distribution could cause 400,064 Rwandans to fall into poverty. Doubling the length of the lockdown has an outsized impact on households, where the four-week lockdown has the potential to increase poverty rates by approximately 1.5 percent, as the eight-week lockdown may increase the poverty rate by approximately 3.4 percent if Government intervention is not scaled up. However, widespread Government support through the distribution of essential needs throughout the extended eight-week lockdown could prevent approximately 208,019 Rwandans from falling into avoidable poverty and 674,392 Rwandans in total from becoming worse-off, including the 3.4 percent of nonpoor who become insecure due to the 8-week lockdown impact.

The red line in Figure 51 illustrates the effect of the eight-week extended lockdown on the movement of households relative to the poverty line. Without Government support, the green line, more households will move below the poverty line. While the Government support will not entirely alleviate the shock for households, it will reduce the numbers pushed into poverty.

Figure 49: Scenario 2 - Kernel density estimate illustrating number of households poor and non-poor insecure after 8-week lockdown, with and without government distribution of essential needs to cushion income losses.



Source: EICV5

Table 21: Results of Scenario 2 analysis.

Poverty Category	Base		8 Week Lockdown		GoR support Kigali		GoR support all	
	Population	Freq.	Population	Freq.	Population	Freq.	Population	Freq.
Poor	4,477,921	38.22	4,877,985	41.63	4,843,563	41.34	4,669,966	39.86
Non-poor insecure	4,494,839	38.36	4,369,102	37.29	4,401,768	37.57	4,459,183	38.06
Non-poor	2,744,258	23.42	2,469,929	21.08	2,471,687	21.09	2,587,868	22.09
Total	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00

Source: Author's calculations from EICV5

Table 22: Movement from base poverty to new poverty status following the 8-week lockdown scenario

Base Poverty Category	Poor 8-week lockdown Population	Non-poor insecure 8-week lockdown Population	Nonpoor 8-week lockdown Population	Total
Poor	4,477,921 100%	0 0%	0 0%	4,477,921 100%
Non-poor insecure	400,064 8.90%	4,094,775 91.1%	0 0%	4,494,839 100%
Non-poor	0 0%	274,328 10.0%	2,469,929 90.0%	2,744,258 100%
Total	4,877,985 41.6%	4,369,103 37.3	2,469,929 21.1	11,717,018 100%

Source: Author's calculations from EICV5

According to the data available in various studies, those employed in retail are more affected in the extended lockdown than in Scenario 1, and those employed in agriculture are less effected; this is the case for both the insecure that became poor and the rich that became insecure in agriculture and retail. For example, the proportion of insecure that became poor who are employed in retail almost doubled between the four- and eight-week lockdowns, moving from approximately 8 percent to 14 percent, while the insecure who became poor that are employed in agriculture shifted down from roughly 68 percent to approximately 59 percent. On the other hand, over the four-week lockdown, the nonpoor were not left worse off, indicating that while many nonpoor may be on the threshold of insecurity, many of these households may have the resilience to utilize coping mechanisms that do not necessarily result in dipping below the poverty line.

Tables 21-22 also present the movement in poverty status due to the 8-week lockdown by rural and urban, and by province. Similar to Scenario 1, the majority of those worsening in poverty status due to the 8-week lockdown are rural, as many rural agricultural households are on thresholds of poverty and insecurity and lack resilience to shocks – particularly the multifaceted shock resulting from the halting of economic activity as a result of COVID-19. In the longer lockdown, however, Kigali does see a relative increase in the number of nonpoor that become insecure compared to Eastern Province, indicating the longer duration of the crisis and economic shutdown begins to erode the resilience even of Kigali's "nonpoor."

Table 23: Poverty status after 8-week lockdown by urban and rural

8-week lockdown	Rural	Urban	Total
Poor	4,490,924	387,061	4,877,985
	92.07%	7.93%	100.00%
Non-poor insecure	3,802,227	566,876	4,369,103
	87.03	12.97	100.00
Non-poor	1,339,397	1,130,532	2,469,929
	54.23	45.77	100.00
Total	9,632,548	2,084,470	11,717,018
	82.21	17.79	100.00

Source: Author's calculation from EICV5

Table 24: Worsening in poverty status as a result of 8-week lockdown by rural and urban

8-week lockdown movement	Rural	Urban	Total
Insecure became poor	342,746	57,318	400,064
	85.67%	14.33%	100.00%
Non-poor became insecure	190,823	83,505	274,328
	69.56%	30.44%	100.00%

Source: Author's calculations from EICV5:

Table 25: Worsening in poverty status as a result of 8-week lockdown, by province

8-week lockdown movement	Eastern	Kigali	Northern	Southern	Western	Total
Insecure became poor	102,698	42,358	72,881	89,326	92,802	400,064
	25.67%	10.59%	18.22%	22.33%	23.20%	100.00%
Non-poor became insecure	70,665	72,579	29,264	42,749	59,071	274,328
	25.76%	26.46%	10.67%	15.58%	21.53%	100.00%
Total	2,960,069	1,545,174	1,828,954	2,713,170	2,669,651	11,717,018
	25.26%	13.19%	15.61%	23.16%	22.78%	100.00%

Source: Author's calculations from EICV5

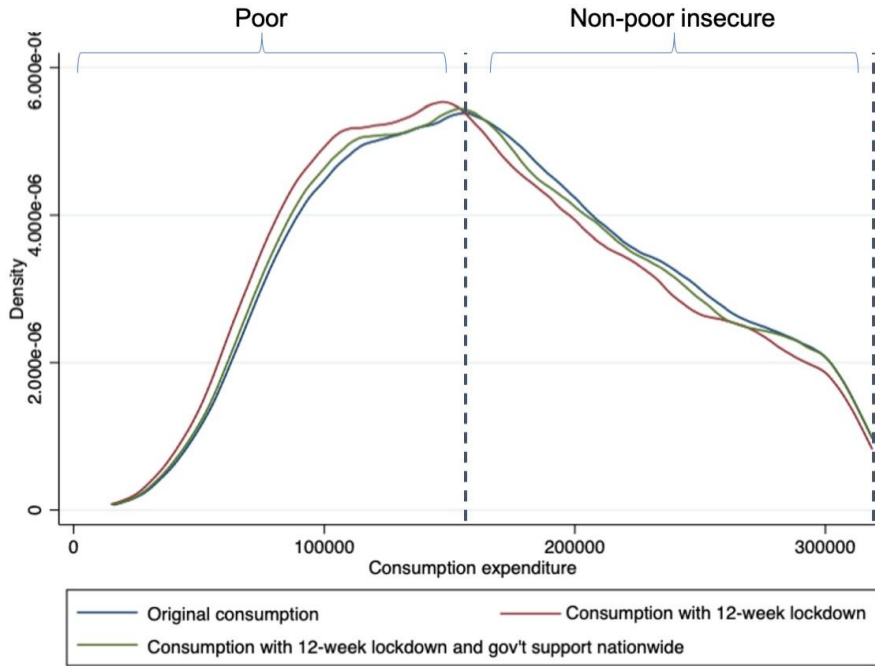
Therefore, from these simulations, particularly Scenario 2, we find that the longer the period of a lockdown, the worse the implications for poverty, vulnerability, and income insecurity in Rwanda (Figure 52). We also illustrate this in Table 26, where we further extend Scenario 2 to a 12-week lockdown. The lockdown extension into June could potentially result in an increase in poverty by 5.4 percent, again leading to hundreds of thousands of Rwandans moving from insecurity into poverty. However, it is also clear from both scenarios that with Government support, and particularly Government support that is more widespread than the initially Kigali-focused food distributions, many Rwandans could be cushioned from a major shock.

Table 26: Results of extending scenario 1 and 2 analysis, to be a 12-week lockdown

Poverty Category	Base		12 Week Lockdown		GoR support Kigali		GoR support all	
	Population	Freq.	Population	Freq.	Population	Freq.	Population	Freq.
Poor	4,477,921	38.22	5,110,446	43.62	5,054,396	43.14	4,688,684	40.02
Non-poor insecure	4,494,839	38.36	4,270,668	36.45	4,321,973	36.89	4,447,840	37.96
Non-poor	2,744,258	23.42	2,335,903	19.94	2,340,650	19.98	2,580,494	22.02
Total	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00

Source: Author's calculations from EICV5

Figure 50: Kernel density estimate illustrating number of households poor and non-poor insecure after 12-week lockdown, with and without government distribution of essential needs to cushion losses



Source: EICV5

As shown above, there are several critical factors to consider when assessing the impact of COVID-19 on the welfare of the population. The duration of the COVID-19 crisis and the containment measures taken are clearly important considerations but not the only ones. It is also critical to note that different households are experiencing the effects of the severity of the shock of COVID-19 and subsequent lockdown measures in different ways. While these scenarios take into account the different effects of the COVID-19 crisis and response measures on various sectors of employment, this does not take into consideration whether formal contracts exist, which would make it more likely that income streams would continue despite the lockdown and other measures. Further, many Rwandans involved in tourism and hospitality might be furloughed, placed on leave without pay, or be outright fired, but may have the opportunity to quickly regain those jobs following the crisis and lifting of containment measures. However, there may be wider economic and social impacts that are not considered in these scenarios, as they focus on income lost. It is, therefore, difficult to develop generalized scenarios and to assess the medium- and long-term impacts of these results in terms of the medium-term poverty implications in Rwanda.

Critically, these scenarios also assume an immediate recovery, essentially a "v-shaped" shock recovery whereby household incomes bounce back immediately following the end of lockdown. However, some sectors may be slower to recover, and household incomes may not immediately revert to their pre-COVID-19 levels. Therefore, we present one final sub-scenario, based on the 8-week lockdown scenario. Using the 8-week lockdown as a base, we assume a more gradual, 12-week recovery period. During this time, households lose half of the income that they were losing during the lockdown period. For example, if a household's primary income comes from a sector that was assumed to lose 50 percent during the lockdown, such as construction, (as indicated in Table 26) for the 12-week gradual recovery that household will still lose 25 percent of their income after the 8-week lockdown ends. This means that, if lockdown lasts from March 21 to May 21, then households will be recovering into August. However, household incomes then return to the pre-March 21 levels.

For this gradual lockdown scenario, the ultimate poverty impact outcome is presented in Table 27. Ultimately, in this gradual lockdown scenario, the poverty impacts are greater than in the extended 12-week full lockdown case, which resulted in an unmitigated poverty rate of 43.6 percent, rather than the 44.3 percent

poverty rate indicated in this gradual recovery scenario (see Annex V for a breakdown of these poverty classifications for the gradual recovery scenario by employment sector).

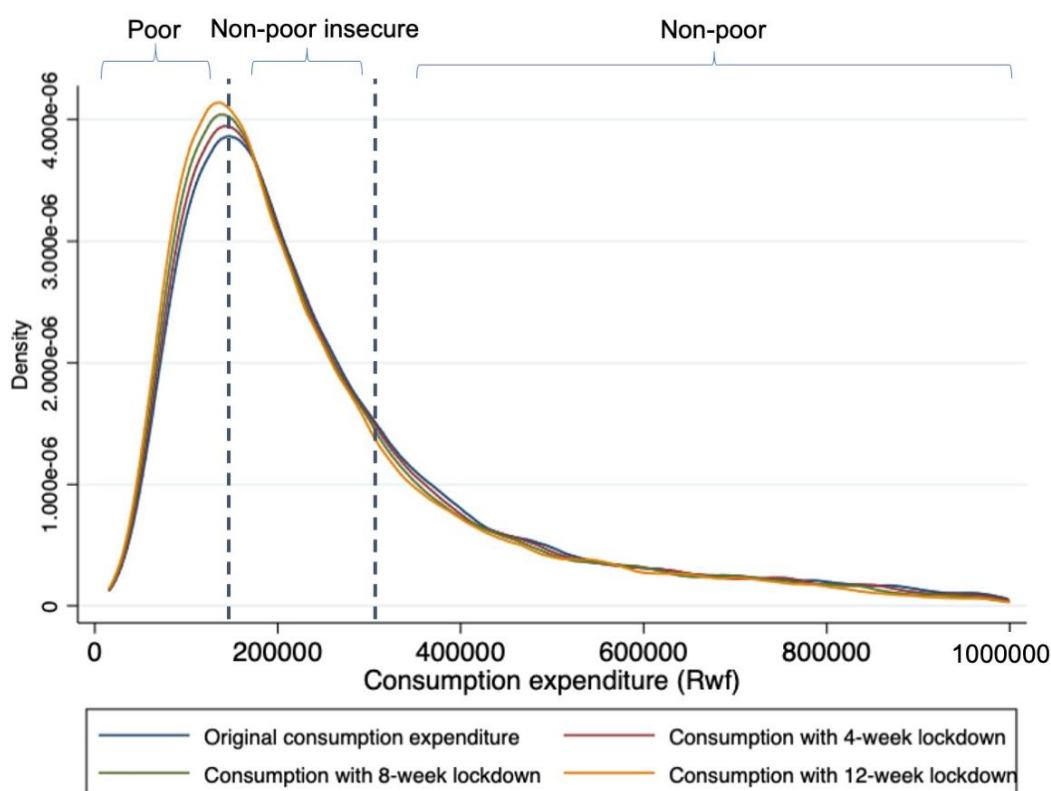
Table 27: Results of sub-scenario assuming a gradual 12-week recovery post lockdown, rather than an immediate recovery.

Poverty Category	Base		8 Week Lockdown		8 Week Lockdown + 12 Week Recovery	
	Population	Freq.	Population	Freq.	Population	Freq.
Poor	4,477,921	<b>38.22</b>	4,877,985	<b>41.63</b>	5,194,054	<b>44.33</b>
Non-poor insecure	4,494,839	38.36	4,369,102	37.29	4,244,735	36.23
Non-poor	2,744,258	23.42	2,469,929	21.08	2,278,228	19.44
Total	11,717,018	100.00	11,717,018	100.00	11,717,018	100.00

Source: Author's calculations from EICV5

Therefore, it is clear that the lockdown exit strategy must be carefully considered. Without continuing post-lockdown support to households in hard-hit sectors and areas beyond Kigali, the poverty impacts maybe even worse.

Figure 51: Kernel density estimate showing the distribution of consumption in EICV5 relative to lockdown scenarios, cutting off outliers at 1,000,000 Rwf



Source: EICV5

In conclusion, as Figure 53 illustrates altogether, the potential shift in the number of households moving into poverty as the duration of the COVID-19 crisis and economic shutdown extends. While it is difficult to ascertain as of April 2020 the exact impacts that COVID-19 will have on households, and the exact duration of the containment measures is unknown at the time of this assessment, we can state the following with

greater degree of certainty: *(i) the effects will be widespread, and worsen with the extended economic shutdown and will depend on the time necessary to recover; (ii) rural households in the Southern, Western provinces will be pushed into poverty, while Eastern and Kigali provinces will experience heightened insecurity and poverty and hence, efforts to alleviate the stress of this shock should not focus only on Kigali but also include other regions that may be indirectly impacted; and (iii) Government support in this critical time is key to reduce the impact on the welfare of the population.*

Finally, while the above three scenarios are illustrative of what the potential impact of COVID-19 could be on the welfare of households, it is not precise as the approach taken does not capture the dynamic and systemic impact of COVID-19. However, the analysis provides some comparable figures with a [dynamic model estimate from IFPRI](#). See Box 3.



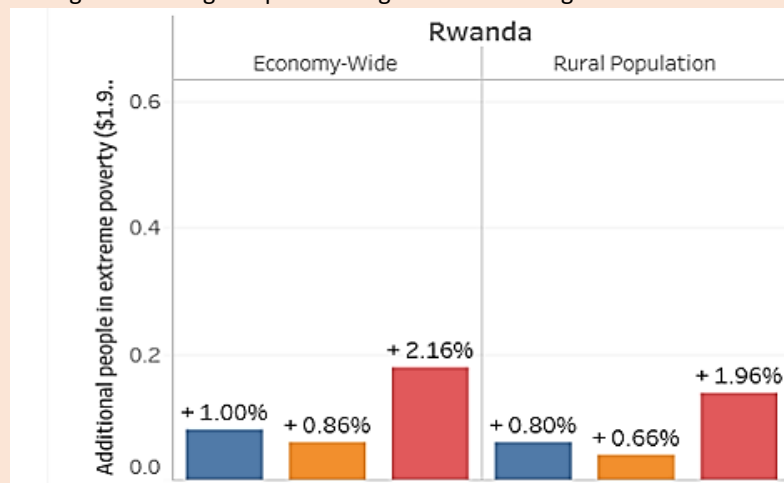
### Box 3: IFPRI's projection of the impact of COVID-19 on Welfare

The International Food Policy Research Institute (IFPRI) recently made projections on the impact of the COVID-19 on welfare by using scenario analysis for countries and regions. It assumes containment measures will prove effective in slowing the spread of the virus over the coming months, so that its main economic impact is a major, but short-lived disruption of global economic activity. A rebound would likely follow, once movements of people, goods and services begin to return to normal. This scenario resembles that underlying OECD's projected global economic growth slowdown of between 0.5 and 1.5 percentage points in 2020. It also made some critical assumptions with regard to the duration of the pandemic and transmission mechanisms. On the duration, the optimistic assumption is that the global spread of the virus is be contained within the next few months, so the global economy need not fall into a deep recession, but slow by one percentage point during 2020. We represent the economic impacts through three possible scenarios colour coded as follows:

**Labour productivity shock:** Major impacts come from workers unable to do their jobs. resulting in an average decline in labour productivity of 1.4% during 2020. (This would be equivalent to a 1.4% drop in labour supply).

**Total factor productivity shock:** Impacts are felt through a temporary paralysis of domestic economic activity caused by disruptions to distribution channels, inability to provide inputs and services due to quarantines for workers. We simulate this through an average reduction in total factor productivity growth that can significantly reduce global GDP by 1%.

**Trade shock:** Impacts are felt through international trade disruptions leading the cost of doing trade to increase by almost 5% on average and enough to provoke a global economic growth cost of 1%.



The scenarios were run with IFPRI's global general equilibrium model, MIRAGRODEP, to generate impacts on income, wages, and key commodity prices across countries, and calculate the poverty impacts at the household level. The result for the global analysis shows that poverty could increase between 1.6% to 3%. The greatest regional poverty impact would fall on Africa south of the Sahara, where 40-50% of the global poverty increase would be concentrated. In relative terms, the impact of a trade shock would affect Africa's poor more. In terms of impact for Rwanda, IFPRI shows that within the three scenarios poverty, as measured by USD1.90 a day, will increase in Rwanda as a result of COVID-19 between the range of 1% to 2.16%. It also indicates that rural poverty will increase between the range of 0.8% and 1.96. While the IFPRI model is not comparable with the above analysis directly, the trend that is emerging from these scenarios is indicative in that poverty and vulnerability are on the rise in the case of Rwanda and policy measures to protect the poor are critical.

Source: IFPRI: How much will global poverty increase because of COVID-19? March 20, 2020

## Socioeconomic impacts of COVID-19 from a human development perspective

In addition to the effects on income alone, the COVID-19 crisis will have effects that extend into broader human capital development. Table 28 presents the original National Human Development Index for Rwanda by district and its dynamics from 2011 to 2017. In contrast, Table 29 presents the effects of COVID-19 income loss from the scenarios in the previous section, a four-week lockdown, and an eight-week lockdown on the broader Human Development Index relative to the EICV5 2016/17 NHDl figure.

Table 28: National Human Development Index (NHDl) for Rwanda from the National Development Report 2018

District	EICV3	EICV4	EICV5	Change
Bugesera	0.520	0.536	0.516	-0.004
Burera	0.482	0.498	0.501	0.019
Gakenke	0.488	0.511	0.517	0.029
Gasabo	0.590	0.615	0.637	0.046
Gatsibo	0.497	0.513	0.472	-0.025
Gicumbi	0.479	0.497	0.511	0.032
Gisagara	0.472	0.483	0.440	-0.032
Huye	0.531	0.543	0.521	-0.011
Kamonyi	0.531	0.551	0.554	0.023
Karongi	0.509	0.522	0.504	-0.005
Kayanza	0.527	0.546	0.501	-0.026
Kicukiro	0.609	0.643	0.672	0.064
Kirehe	0.501	0.515	0.485	-0.016
Muhanga	0.534	0.555	0.553	0.019
Musanze	0.536	0.551	0.535	-0.001
Ngoma	0.497	0.511	0.515	0.018
Ngororero	0.487	0.496	0.468	-0.019
Nyabihu	0.501	0.512	0.490	-0.011
Nyagatare	0.512	0.521	0.470	-0.042
Nyamagabe	0.490	0.511	0.506	0.016
Nyamasheke	0.473	0.483	0.513	0.040
Nyanza	0.509	0.528	0.526	0.017
Nyarugenge	0.585	0.614	0.639	0.054
Nyaruguru	0.480	0.492	0.479	-0.001
Rubavu	0.540	0.550	0.524	-0.017
Ruhango	0.510	0.533	0.530	0.020
Rulindo	0.490	0.508	0.499	0.010
Rusizi	0.528	0.545	0.530	0.002
Rutsiro	0.477	0.488	0.465	-0.012
Rwamagana	0.532	0.551	0.544	0.012
National	0.5139	0.5306	0.5205	

Source: UNDP-Rwanda, 2018

A four-week lockdown results in an average loss of -1.25 percent of the HDI across districts, while the eight-week lockdown results in an average loss of -2.75 percent HDI. As Table 29 illustrates, the districts of Kigali

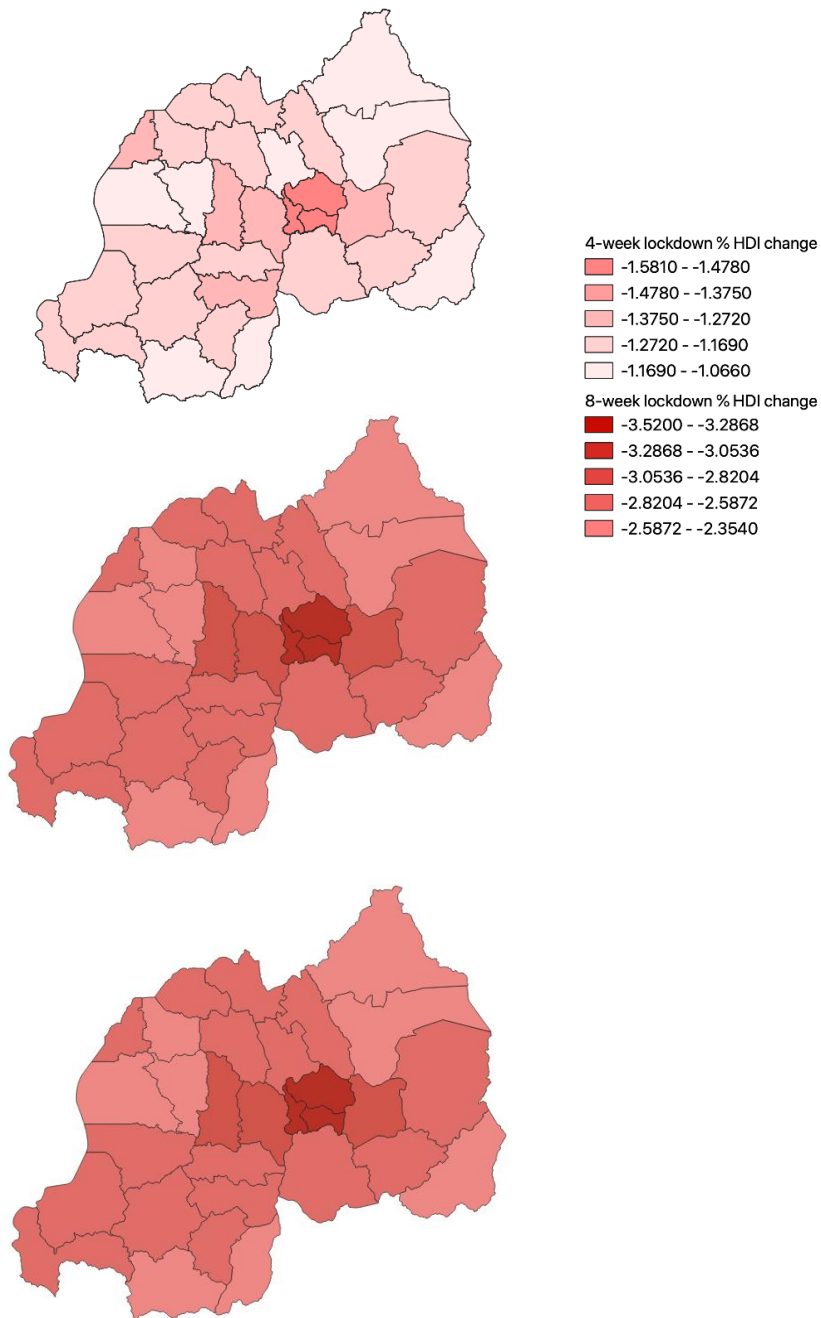
are the hardest hit in terms of human development resulting from the COVID-19 crisis. However, it is clear that in terms of human development, even primarily agricultural districts experience a decline in human development. This is despite the fact that those employed in agriculture felt the lowest relative level of impact in terms of income loss in the scenarios. However, as the scenarios in the previous section also indicate, the agricultural sector is the largest sector of employment, which large numbers living in poverty or at the threshold of potential poverty, and therefore when this is aggregated to the district level, it demonstrates a clear impact.

Table 29: Effect of loss of income during 4-week and 8-week lockdown on the overall National Human Development Index. Sort by the highest effect of 8-week lockdown

Province	District	EICV5 HDI	4-week lockdown	4 week %Change	8-week lockdown	8 week %Change
Kigali	Kicukiro	0.672	0.656	-1.581	0.637	<b>-3.520</b>
Kigali	Gasabo	0.637	0.621	-1.555	0.603	<b>-3.390</b>
Kigali	Nyarugenge	0.639	0.624	-1.515	0.605	<b>-3.358</b>
Southern	Kamonyi	0.554	0.540	-1.363	0.524	-2.959
Southern	Muhanga	0.553	0.540	-1.293	0.524	-2.888
Eastern	Rwamagana	0.544	0.531	-1.280	0.516	-2.849
Northern	Musanze	0.535	0.522	-1.266	0.507	-2.809
Southern	Ruhango	0.530	0.517	-1.269	0.502	-2.797
Western	Rubavu	0.524	0.511	-1.286	0.496	-2.796
Southern	Nyanza	0.526	0.513	-1.275	0.498	-2.791
Western	Rusizi	0.530	0.517	-1.263	0.502	-2.791
Southern	Huye	0.521	0.508	-1.269	0.493	-2.771
Northern	Gakenke	0.517	0.504	-1.264	0.489	-2.754
Western	Nyamasheke	0.513	0.500	-1.266	0.486	-2.744
Eastern	Ngoma	0.515	0.503	-1.247	0.488	-2.731
Eastern	Bugesera	0.516	0.504	-1.207	0.489	-2.696
Southern	Nyamagabe	0.506	0.494	-1.233	0.479	-2.691
Northern	Gicumbi	0.511	0.499	-1.204	0.484	-2.678
Western	Karongi	0.504	0.492	-1.204	0.477	-2.657
Eastern	Kayanza	0.501	0.489	-1.181	0.475	-2.626
Northern	Burera	0.501	0.489	-1.180	0.475	-2.625
Northern	Rulindo	0.499	0.487	-1.158	0.473	-2.598
Western	Nyabihu	0.490	0.478	-1.171	0.464	-2.584
Eastern	Kirehe	0.485	0.473	-1.168	0.459	-2.566
Southern	Nyaruguru	0.479	0.467	-1.161	0.454	-2.541
Western	Ngororero	0.468	0.457	-1.138	0.443	-2.487
Eastern	Gatsibo	0.472	0.461	-1.106	0.447	-2.467
Eastern	Nyagatare	0.470	0.459	-1.085	0.446	-2.442
Western	Rutsiro	0.465	0.454	-1.066	0.441	-2.408
Southern	Gisagara	0.440	0.429	-1.087	0.416	-2.354
National		0.521	0.508		0.493	

Source: UNDP-Rwanda 2018

Figure 52: Mapping of percent change in National Human Development Index due to potential lockdown scenarios



In summary, the COVID-19 crisis has clear and far-reaching implications for human development as a whole. Kigali districts, as those with the most households employed in sectors outside of agriculture, are likely to be hit the hardest. This is particularly true of an eight-week lockdown. Whilst it is anticipated that districts that are primarily agricultural, which was not a sector indicated among those to be the most heavily impacted, the sector will still feel the shock. Further, in Southern and Western Provinces, insecure rural households may be pushed over the threshold into poverty by the shock of COVID-19 and the nationwide containment measures. In Eastern Province, there are also households that are currently considered "nonpoor" but are on the edge of insecurity. These households may also be pushed over the edge if not supported. Again, the impacts worsen with time, so the longer the containment measures last, the worse-off many households may become throughout the country. This also has potentially lasting implications for human development and

the country's overall development objectives. These results provide further evidence to support the finding that Government support to Rwandan households should be scaled up nationwide, rather than focusing only on Kigali and urban areas, to avoid leaving anyone behind.

## Policy implications and recommendations

The results of this rapid scenario analysis demonstrate that the Government of Rwanda could negate many of the negative impacts of the COVID-19 response on poverty by scaling up efforts to distribute food and essential needs to Rwandans, even outside of Kigali. This assessment, therefore, recommends the following:

(A) A comprehensive coordinated fiscal response, including a health sector response to mitigate and contain the outbreak, is required as soon as possible. This is already ongoing with very encouraging results. Acting now and fast will help reduce the impact on medium- and long-term on households, including poverty dynamics, employment, hunger, health, and inequality. Specific actions include:

- Government should *increase spending for immediate health-related expenditures such as supplies including masks, gloves, other personal protective equipment*, in addition to ICU beds
- Mass testing is necessary to address the pandemic and treat the sick. Without this being done, the economic and social impact is going to be prolonged and compound the problem. Innovative approaches could be used, such as applications of artificial intelligence in high risk/high traffic sites to enhance COVID-19 detection efficiency while protecting medical staff and the general public from cross-infections.
- Ensure that some of this health sector spending is also earmarked to support non-coronavirus health concerns, from basic to emergency healthcare

(B) Scale-up social protection programmes to respond to COVID-19- Improve targeting of existing food and essential needs distributions. Scale-up existing social protection programmes and re-purpose them to protect the most vulnerable such as the elderly, youth, poor, women, people with HIV/AIDS. These protection measures should be guided by existing protocols to enable rapid scaling and re-purposing. Mapping of social protection should be complemented with rapid assessment by Local Government to identify the most vulnerable using the Ubudehe categorization.

### *In the immediate term:*

- VUP Direct could be used concurrently with Food and necessities support for most vulnerable could be targeted using a combination of Ubudehe category, poverty category, primary sector of income, and district of residence.
- Household income support using mobile money transfer. In some instances, cash transfer should be considered to allow market forces to rebound and operate as normal.
- The Government plans to use SACCOs with automated systems. # of them meet the requirement. However, the support should be to increase the digital capacity and automation of those not meeting requirements.
- Paid leave support for households who are working in the formal sector.
- Decreasing interest rates and increasing access to loans and financial services.
- Enact measures to prevent price gauging for food and necessities.

*In the medium-term social protection measures which could be implemented for the COVID-19 response to support vulnerable Rwandans could include:*

- Scale-up Direct Supports for VUP beneficiaries guided by the above targeting approach;
- Scale-up Girinka, supporting agricultural households who may have difficulties as a result of price fluctuations and drastic reductions in sales;
- Expand VUP Financial Supports and Public Works to support those left unemployed by COVID-19 once containment measures are lifted.

(C) Digitalize food supply chains and work with the private sector to promote industrialization. This should start with the staple foods to avoid an increase in food prices arising from the disruption in movement. Food security in East African countries has already been negatively affected due to the outbreak of the locusts. Complementing the social protection measures, the Government should explore the potential of supporting digitalising supply chains as physical markets are increasingly under pressure due to the lockdown measures that are institutionalized to combat the spread of the virus. While there are no indications regarding the timeline for the lockdown, which largely depends on success in controlling the spread of the virus, the lockdown period could be prolonged, or reimposed after relaxation if there is another outbreak of the virus<sup>30</sup>.

Specific actions include:

- Work with the private sector to ensure the country has an adequate food supply. Coordination with the East African countries is key in ensuring the adequacy of food supply.
- Work with East African Ministry and commission, to ensure the smooth flow of goods and services – especially food.
- Specifically, mapping of the supply chain actors within specific areas should be done, and it will be necessary to link these actors via digital platforms such as mobile.
- Support selected key industries that have significant potential for import substitution through made in Rwanda context.
- Work with the private sector involved in service delivery, including companies such as Jumia, Kasha Rwanda, and other HeHe-owned platforms to ensure that Rwandans have access to market products.

(D) Protect basic service delivery. Support the respective ministries, agencies, and private sector to ensure Rwandans continue to have access to basic social services, including water, electricity, and health services in this difficult time.

- Government should work with utility companies to reduce the burden of the households in paying bills while getting to work is increasingly difficult, particularly for those in the informal sector. A long-term payment scheme should be identified for households that could utilize mobile systems as advance credit for households to continue to have access to basic social services.
- Prioritize the most important government agencies and ministries to provide electricity, water, etc., to benefit from e-governance platforms.
- Support other governance activities to ensure adherence to the rule of law and best governance practices during a time of unprecedented pressure on police and law enforcement.
- Work with the private sector on innovative ways to ensure basic services to cater to the poorest and vulnerable, for example, as a public-private partnership (PPP).

(E) Finalize and implement a recovery plan by working with all the Development partners including UN, bilaterals and International Financial Institutions to avoid spillover effects of the COVID-19 response to the wider economy, including through financial sector transmission channels. The COVID-19 crisis is truly unprecedented and requires unprecedented action. The response, as described in this brief, has the potential

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<sup>30</sup> The lockdown has been eased with the exception of Rusizi

to create complex challenges into the medium and long term. The above policy recommendations have the potential to mitigate, at the household level, some of the future negative effects and spillover effects of the actions that must be taken now. However, maintaining macroeconomic and financial sector stability is key. In this regard, immediate support, both technical and financial, to the authorities is needed to combat these effects.

Specifically, the following are key activities to take forward:

- To help ensure that the fiscal response plan is effective, a multisectoral team should be established and work with the whole of government to respond to direct health impacts and indirect but severe economic impacts.
- In addition to the health sector, the most directly affected sectors, such as tourism and trade, should be provided priority to receive a fiscal stimulus to protect employment within those sectors. The supply chains should be mapped to link with the appropriate Government response plan.
- Private sector support should consider the needs of the SMEs that form a large segment of the private sector and bedrock of the Rwandan economy and government own drive under the Made in Rwanda. The Micro-enterprises should also be included in the response.

# 6

## Chapter 6: Labour Market and Employment Effects of COVID-19



The International Labour Organization (ILO)<sup>31</sup> states that an initial assessment of global job losses due to COVID-19 could be as high as an estimated 25 million. The ILO further says that the effects of the COVID-19 pandemic will push millions of people into unemployment, underemployment, and working poverty. However, there is a caveat to this – ILO states that the impact could be significantly lower if there is an internationally coordinated policy response similar to the one that happened during the 2008/2009 global financial crisis. Based on different scenarios for the impact of COVID-19 on global GDP growth, the ILO said its estimates indicate a rise in global unemployment of between 5.3 million ("low" scenario) and 24.7 million ("high" scenario) from a base level of 188 million unemployed people in 2019. The ILO report further asserts that underemployment was also expected to increase significantly as the economic ramifications of the virus outbreak translate into reductions in working hours and, by extension, wages. Meanwhile, the predominance of self-employment in many developing countries, which often serves to cushion the impact of changes, may not do so this time due to restrictions on the movement of people and goods.

In particular, the supply side will likely experience a direct and sharp reduction in the supply of labour emanating from the lockdowns and quarantines which lead to a drop in capacity utilization and underemployment. There will be severe disruptions in supply chains for those firms which rely on these, while the cost of business will rise, constituting a negative productivity shock. On the demand side, forced isolation and lockdowns will result in loss of income for many who depend on physically being located at their place of business or work. The fear of being infected and rigorous lockdown regulations and increased uncertainty result in people spending less. In small or fragile businesses, many workers will be laid off, as firms struggle or are unable to pay wages and salaries, particularly in sectors such as transport and tourism.

Further, the impact will differ between male and female members of society, with more burden falling on females as they are usually in more vulnerable employment, as will be discussed later. There are numerous transmission channels for the COVID-19 pandemic to impact countries negatively. This segment of the report focusses on the impact of COVID-19 on the labour market in Rwanda. It aims to identify the workers in the labour market who are most vulnerable to the initial effects of the pandemic. It is now an established fact that lockdowns disproportionately affect low-income workers<sup>32</sup> mainly workers in the informal sector and earning their wages daily

The Labour Force Survey Report for the last quarter of 2019 by the National Institute of Statistics states that the total working-age population 16 years old or more stood at 7,320,999 in November 2019, out of which 4,025,992 were in the labour force while 3,295,007 were outside the labour force (not employed nor unemployed). The group outside the labour force comprises workers in subsistence agriculture (58.8%), exclusively students (19.5%), and others (27.7% including the elderly, people with disabilities, and discouraged job seekers). This group will not form part of this analysis.

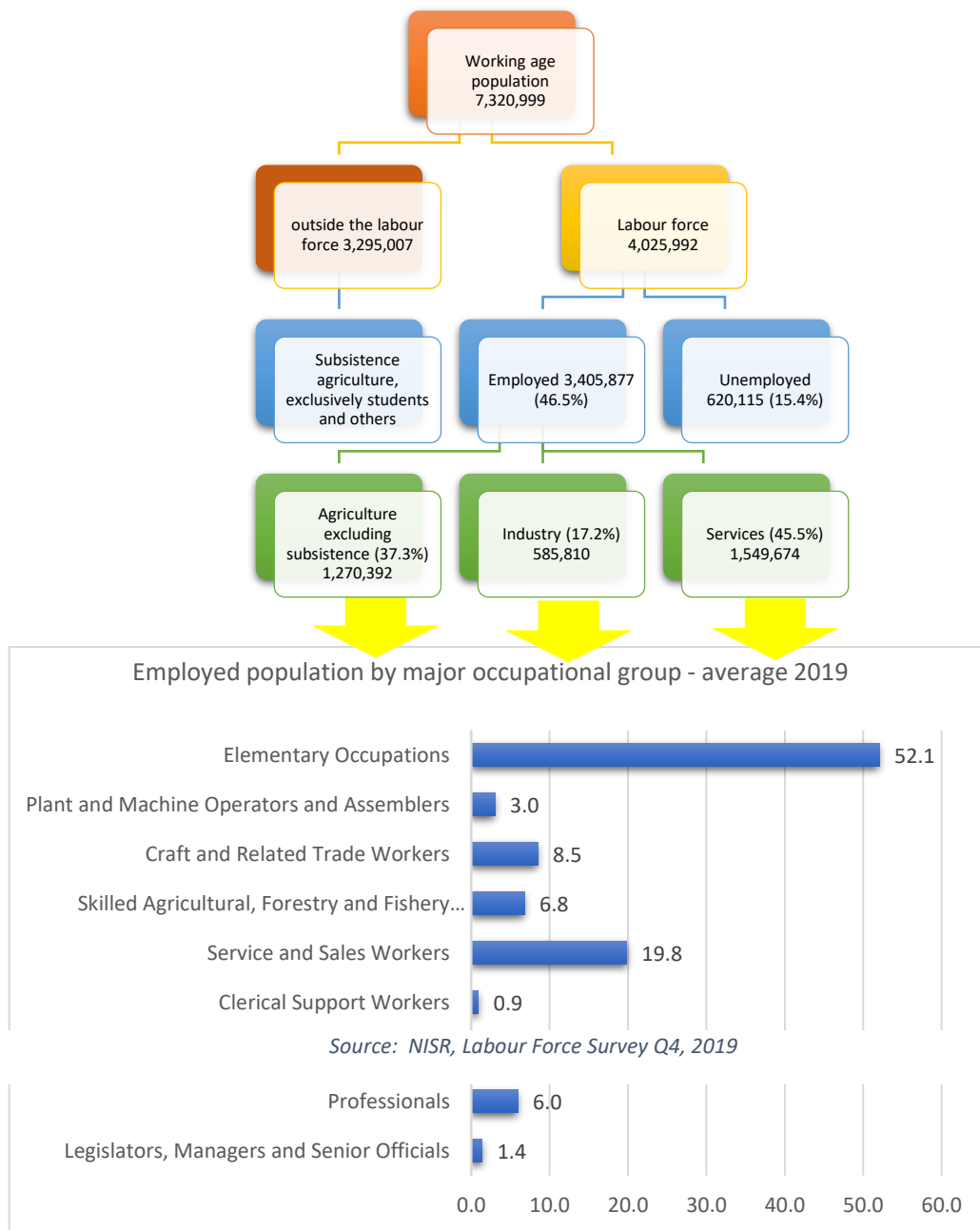
In this chapter, we try to estimate the number of workers in the labour force who could be classified as vulnerable and are likely to bear the brunt of the crisis. Vulnerable jobs are subject to furloughs, layoffs, or have been rendered unproductive (workers on payroll but not working due to lockdown or physical distancing).

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<sup>31</sup> ILO March 2020. COVID-19 and the world of work: Impact and policy responses

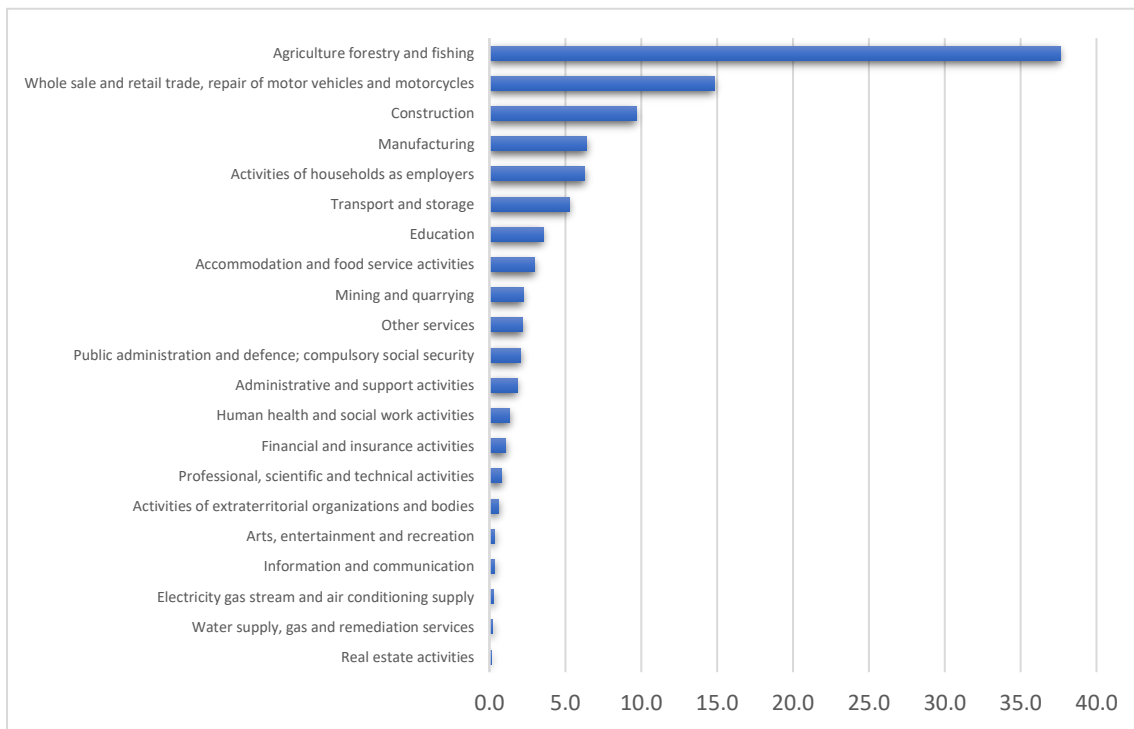
<sup>32</sup> Mckinsey: <https://www.mckinsey.com/industries/public-sector/our-insights/lives-and-livelihoods-assessing-the-near-term-impact-of-COVID-19-on-us-workers>

Figure 53: Structure of the labour force and employment in Rwanda



Of the 3,405,877 employed, the majority (52.1%) are in elementary operations, followed by service and sales workers, all in vulnerable employment. In the figure above, the bottom four categories, representing 10 percent of the total working population, would be classified as non-vulnerable leaving 90 percent of the working population as vulnerable. When we consider the sectors where the entire working population is located, the following picture emerges.

Figure 54: Percentage distribution of employed population by branch of economic activity - Average Q1-Q4 2019

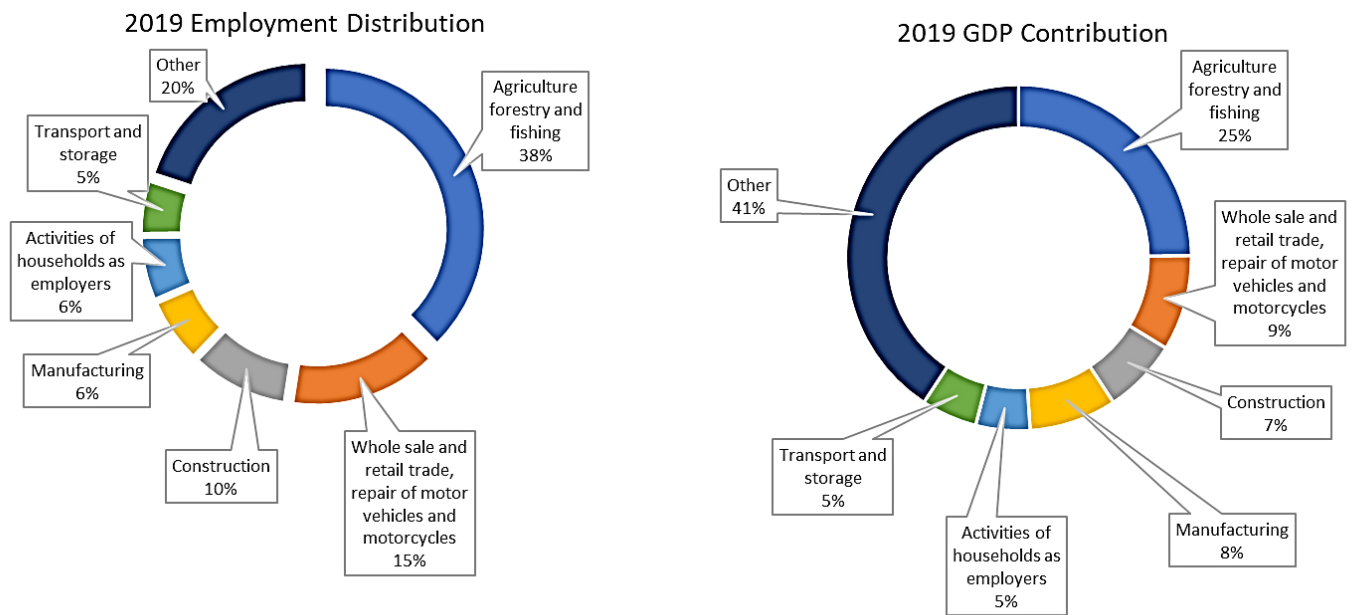


Source: NISR, Labour Force Survey, November 2019 Q4

Most of the working population will be found in agriculture, forestry and fishing, education, transport and storage, construction, electricity real estate, mining and quarrying, and a few other service industries. When the two preceding graphs are juxtaposed, it is clear that the majority of the working population are in elementary operations, service and sales, trades, predominantly in agriculture, education, transport and storage, construction, electricity and accommodation, and food services. These are categories of workers who will be severely affected by lockdowns and quarantines as they depend on "hands-on" type of work.

In 2019, GDP at current market prices was estimated to be Frw 9.105 billion, up from Frw 8.291 billion in 2018. The services sector contributed 49 percent of GDP, the Agriculture sector contributed 24 percent of the GDP, Industry sector contributed 18 percent of GDP while 9 percent was attributed to adjustment for taxes less subsidies on products. This implies that some sectors in the economy will be hard hit by the lockdown on account of the COVID-19 crisis. Just two sectors – services and agriculture, account for 73 percent of GDP, and these form the bulk of vulnerable jobs. Although many restaurants are using takeaway sales, they may need fewer employees to do so, and some may find it difficult to meet all their financial obligations in the coming months. Shops deemed non-essential have been closed while travel has ground to a halt, with many flights cancelled. Hotels and tourist attractions remain empty. These factors will further compromise GDP levels. Consumer spending drives around 73 percent of GDP in the Rwandan economy, so a fall in consumption will have far-reaching repercussions on aggregate demand and cascade into other areas of GDP, including investments as well as public sector consumption.

Figure 55: Employment Distribution and Contribution to GDP 2019



Source: NISR Labour Force Survey 2019 Q4

Figure 57 above illustrates one important point – that the top 5 employers in the economy, accounting for 75 percent of the employed population in Rwanda, accounts for only 41 percent of GDP. Most of the workers in the top 5 employment sectors are assumed to belong to the vulnerable employment group, which ultimately disproportionately bears the brunt of the COVID-19 outbreak. On the other hand, a significant portion of the GDP (59%) is produced by sectors that employ 25 percent of the working population, many of whom may be assumed to be in the non-vulnerable category.

The ILO Monitor 2<sup>nd</sup> edition published on 7 April 2020 states the worsening coronavirus crisis comes with devastating effects on the world of work through massive economic disruptions. The report further states that sharp and unforeseen reductions in economic activity are causing a dramatic decline in employment, both in terms of numbers of jobs and aggregate hours of work. In the report, the ILO has used global real-time economic and financial data to ascertain which sectors will be most affected by economic contraction. We apply the ILO global assessment to the case in Rwanda to estimate the number of workers in vulnerable sectors. The ILO analysis classifies sectors that will likely face a fall in output as a result of the crisis. These sectors are labour intensive and employ a significant number of often low-paid, low-skilled workers. Of the top five sectors employing the highest number of workers in Rwanda, two sectors are in the "low" category of sectors with minimal impact from the COVID-19 crisis (education with 15% of total employment and electricity, gas steam and air conditioning supply with 6%). The largest sector, agriculture, forestry, and fisheries are moderately at risk – this sector alone accounts for more than a third of all employed workers in the country (38%). Transport and storage, which accounts for 10% of total employment, are in the high impact area, alongside the 25% "other" sector, which appears in the medium, medium-high and high-risk categories.

Table 30: Sectoral perspective of the impact of the COVID-19 crisis on workers

Economic sector	Impact of crisis on economic output	Level of employment	Share in national employment	Share of women
Water supply, gas and remediation services	Low	7,663	0.2	48
Electricity gas stream and air conditioning supply	Low	9,366	0.3	8
Activities of extraterritorial organizations and bodies	Low	20,435	0.6	51
Human health and social work activities	Low	45,979	1.4	56
Public administration and defence; compulsory social security	Low	70,672	2.1	23
Education	Low	120,909	3.6	44
Agriculture forestry and fishing	Low-medium	1,281,461	37.6	54
Financial and insurance activities	Medium	36,613	1.1	37
Mining and quarrying	Medium	75,781	2.2	7
Activities of households as employers	Medium	213,719	6.3	58
Construction	Medium	329,519	9.7	19
Information and communication	Medium-high	11,921	0.4	35
Arts, entertainment and recreation	Medium-high	11,921	0.4	25
Professional, scientific and technical activities	Medium-high	28,098	0.8	31
Transport and storage	Medium-high	178,809	5.3	4
Real estate activities	High	4,257	0.1	42
Administrative and support activities	High	62,157	1.8	29
Other services	High	74,929	2.2	47
Accommodation and food service activities	High	101,325	3.0	47
Manufacturing	High	217,976	6.4	45
Wholesale and retail trade, repair of motor vehicles and motorcycles	High	504,070	14.8	54

Source: ILO, 2020: COVID-19 and the world of work

This assessment will follow Okun's law, which provides a general notion that when unemployment falls, the production of a country will increase. This measure can, therefore, be used for estimating both GNP and GDP. In other words, it must hold true that when unemployment rises, the country GDP falls, and the opposite is true. The percentage increase by which GNP changes when unemployment falls by 1 percent is the Okun coefficient.

In examining the relationship between unemployment and GDP in Rwanda, we will use the elasticity approach which mathematically relates Okun's law to actual data, using employment elasticity, which is a measure of the percentage change in employment associated with a one percentage point change in economic growth. The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as percent of its growth (development) process. In the analysis of the impact

of the COVID-19 crisis on employment and the labour market, we will use the GDP projections that have been generated by the IMF and the World Bank to determine the extent to which labour markets will be affected using the elasticity approach expressed below:

$$e = \frac{\Delta L/L}{\Delta Y/Y} \text{ i.e., } \frac{\% \text{ change in employment}}{\% \text{ change in GDP}}$$

Available reports from the National Institute of Statistics of Rwanda suggest that the first Labour Force Survey in the current series of reports dates from 2016, so we calculate growth rates in employed Rwandans from 2017. From the data available, we estimate the following:

Table 31: Employment elasticities

	2017	2018	2019	Average
Employment growth	9.5	8.4	6.2	8.02
GDP growth	4.0	8.6	9.4	7.33
Elasticity of employment	2.4	1.0	0.7	1.33

Source: National Institute of Statistics (NISR), Labour Force Surveys, 2019 (Q4) and National Accounts 2019

This means that for every 1 percent increase in GDP, employment should grow by 1.33 percent, given the trend in the past three years. This is, of course, purely on the assumption that the relationship between GDP growth and the growth of employment is linear and that the sectoral sources of growth have constant labour to capital ratio.

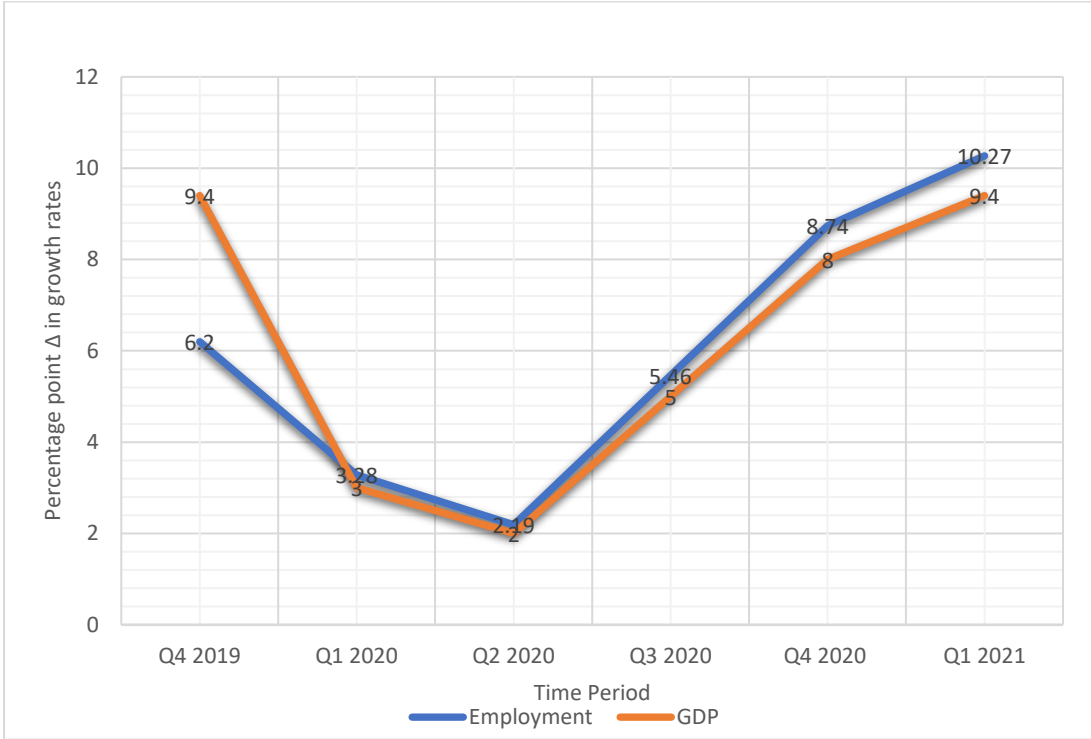
## Findings

On the basis of the limited data available, we use the labour elasticity of GDP growth and apply this to the projected GDP for 2020, 2021, and 2022 from the IMF and the World Bank. First, we establish the normal trend in the relationship between employment and GDP over a period, taking into account the extraordinary growth trajectory that Rwanda has achieved over the years, and its impact on employment.

**Scenario 1:** As described above, the measures which have been put in place to contain COVID-19 work within 8 weeks, and there is no resurgence from the region, and abroad, we would expect a J-curve resumption in economic activity. In this scenario, growth declines from 9.4 percent in 2019 Q4 to 3.5 percent in 2020 Q1 (6 percentage points) and further declines by a percentage point to a low of 2 percent in Q2. With COVID-19 contained, growth surges back up to 5 percent in Q3 and 8 percent in Q4. A further assumption here is that the Agricultural sector, which takes the bulk of the working population, will not be affected as much by the containment measures as it falls in the low-medium category of risk. There will, however, be adverse disruptions in the sector due to the value-chains that the sector has with the rest of the economy, most notably the wholesale and retail sector, which lies in the high-risk category. The fall in demand for agricultural products in the trade and food-service sectors will have some impact on agricultural activity. Further, the proportion of female workers in agriculture, fisheries, and forestry is at 54 percent, meaning that it will also be critical to ascertain the gender dimensions of job losses. A quick look at the high-risk, medium-high, and medium risk sectors reveals that females make up a significant proportion of the workforce in these sectors. For instance, females account for 54 percent of the workers in the second largest employing sector in the economy, wholesale and retail trade, repair of motor vehicles, and motorcycles. This sector will probably be the worst hit by the COVID-19 Crisis. In the figure below, a reduction in growth from 9.4 percent to an

assumed 3 percent in the first quarter and to 2 percent in the second quarter will result in reduced employment of the magnitudes in percentage points shown. It implies, all else being equal, that unemployment will increase by the same proportions.

Figure 56: Scenario 1: Quick recovery from COVID-19



From a total employment level of employment of 3,405,877 in Q4 of 2019, the following may occur given the assumptions:

Table 32: Scenario 1- Labour Volumes

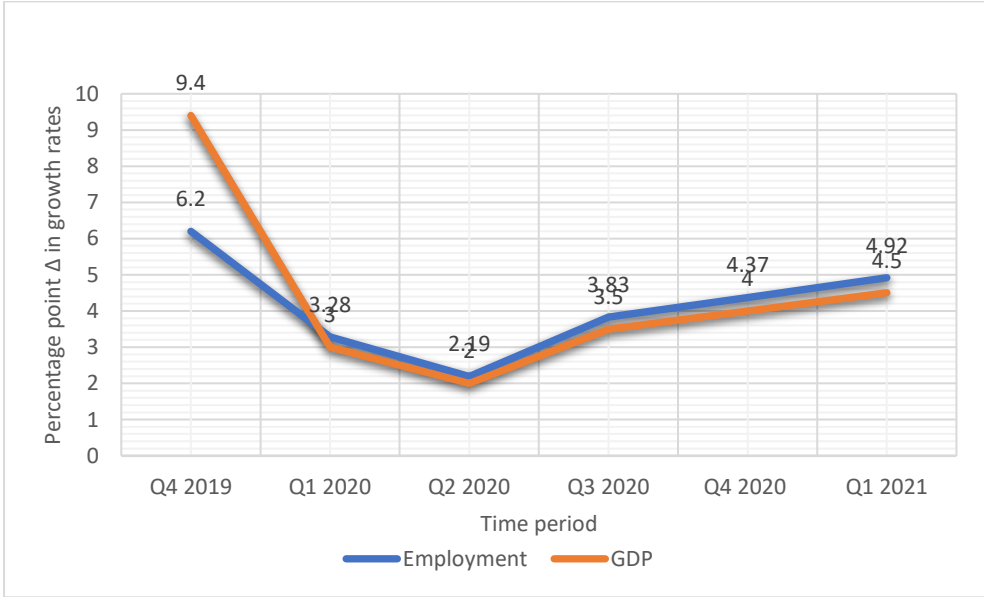
Time period	Employment	GDP	Original working pop		3,405,877
Q4 2019	6.2	9.4	% points	% change	Δ in employment
Q1 2020	3.28	3	-2.92	0.529	1,801,819
Q2 2020	2.19	2	-1.09	0.668	1,203,044
Q3 2020	5.46	5	3.27	2.493	2,999,369
Q4 2020	8.74	8	3.28	1.601	4,801,188
Q1 2021	10.27	9.4	0.18	1.175	5,641,670

This scenario shows a sharp decline in the working population in the first two quarters, followed by a sharp recovery after restrictions are lifted, reaching last year's levels and surpassing those in the first quarter of 2021.

**Scenario 2:** Modest recovery from COVID-19. In this scenario, we assume that the recovery of growth in the economy will not be as immediate as desired. GDP growth will remain somewhat sluggish in the medium-to-

long-term. Increased unemployment will linger for much longer than in the first scenario. This will put pressure on social protection initiatives that the government has already instituted to ease the burden of economic inactivity and restricted mobility.

Figure 57: Modest recovery from COVID-19



With continued restrictions on the activities of some sectors, operational pressure will force some business closures while those that continue to operate will do so at reduced levels. Once some more stringent measures are eased, there may be a return to business on a reduced basis. The employment recovery will not be that steep, and many people will continue to depend on increased Government social protection mechanisms, further putting pressure on the fiscus.

Table 33: Modest recovery from COVID-19

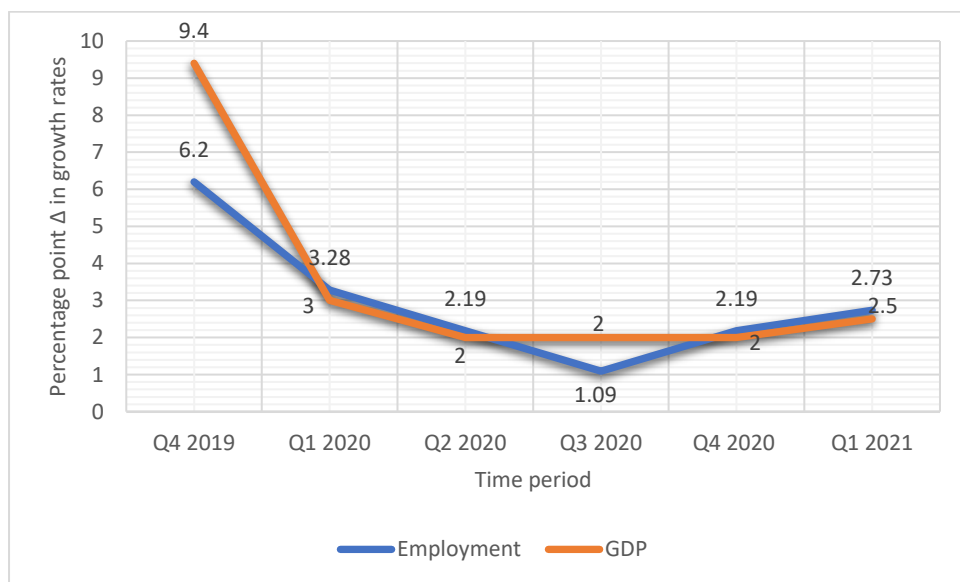
Time period	Employment	GDP	Original working pop		3,405,877
			% points	% change	
Q4 2019	6.2	9.4	% points	% change	Δ in employment
Q1 2020	3.28	3	-2.92	0.529	1,801,819
Q2 2020	2.19	2	-1.09	0.668	1,203,044
Q3 2020	3.83	3.5	1.64	1.749	2,103,953
Q4 2020	4.37	4	0.54	1.141	2,400,594
Q1 2021	4.92	4.5	0.13	1.126	2,702,728

The challenge under this scenario will be to absorb the inactive labour force, which will invariably rise. A substantial stimulus package will have to be developed to address unemployment with a special focus on women in the high-risk sectors.



**Scenario 3:** This is the worst-case scenario in which the COVID-19 pandemic persists for a much longer period, there are sporadic resurgence cases which forces the majority of Governments across the world to restrict the movement of citizens and goods and services. The disruption in global and cross-frontier value chains forces many businesses to close or lay off more workers. Those who are still operational are doing so with a skeleton staff. The recovery prospects for Rwanda are tested, and her resources are strained to the limits.

Figure 58: Slow recovery from COVID-19



From the table below, it can be seen that the initial shock will persist and reach a point where the number of workers employed will reach its lowest levels in Rwanda's history. Such a scenario would have enormous consequences for the people of Rwanda and their development partners. This scenario may be unlikely as several factors point to a much subtler situation. The mitigating factors include the early reaction time that it took the authorities to put in measures to nip the crisis in the bud. Rwanda was one of the first countries to institute measures aimed at stopping the spread of the coronavirus. Additionally, the Government has put in place support packages covering most of the country, thereby cushioning many Rwandans from the shock of COVID-19.

Table 34: Scenario 3

Time period	Employment	GDP	Original working pop		3,405,877
Q4 2019	6.2	9.4	% points	% change	Δ in employment
Q1 2020	3.28	3	-2.92	0.529	1,801,233
Q2 2020	2.19	2	-1.09	0.667	1,200,822
Q3 2020	1.09	2	-1.09	0.500	600,411
Q4 2020	2.19	2	1.09	2.000	1,200,822
Q1 2021	2.73	2.5	0.25	1.250	1,501,028

## Policy implications and recommendations

It is obvious that the COVID-19 crisis will carry with it some very unpleasant options for policy makers to adopt. Over and above the immediate challenge of minimizing morbidity and mortality from COVID-19, there are several mutually reinforcing challenges to the possibility of increasing unemployment, especially among vulnerable groups of society. Women and girls, who account for a significant number, and in some cases, the majority, of workers in high-risk sectors with a high likelihood of disruptions, face a bleak job-security prospect in the coming months. Businesses that have reduced operations, and by extension, their profit margins will be forced to lay off a significant number of workers to minimize costs. Smaller businesses and informal sector operators will face mounting challenges to survive without any source of income during the continuing COVID-19 crisis.

The immediate impact will be on several streams of workers in the economy. The number of workers in the informal sector, as well as those in subsistence agriculture, will be among the first to be affected negatively. These will include workers and economic units that are not covered or are insufficiently covered by formal arrangements – street vendors and domestic workers. The majority of these may be women and youth. The Government's social protection initiative, such as the food distribution effort, should be enhanced and be more encompassing as more and more Rwandans fall into the poverty trap as a result of job losses.

The immediate policy response should include stimulating the economy and having a contingency plan for stimulating employment; supporting enterprises and revamping those that might have lost businesses on account of the crisis especially in the tourism, transport and trade sectors; a business protection fund to protect fragile but important businesses that might have lost the ability to operate as a result of COVID-19; and a social protection fund for new entrants into the unemployed labour market. In the transition towards recovery, livelihood, self-employment and job initiatives should also be promoted. The social protection part of the Economic recovery plan should also pay attention to those elements, important for laid off workers and micro-entrepreneurs.

Immediate identification of the most vulnerable sectors and population groups, especially for populations operating from informal arrangements and own account businesses, should be targeted for immediate business resuscitation. This might include social cash transfers in the months immediately following the crisis, supplemented by the current food distribution programme. Along with supporting workers in the informal sector, the ILO also encourages countries to beef-up efforts to support formal workers and enterprises to ensure that they do not fall back into informality as a result of the crisis and erode gains made in recent years.

Fiscal policy will have to be re-engineered to provide for these pressing demands in the short-to-medium-term. With the deep erosion of the domestic resource envelope, Rwanda will have to work with multilateral and bilateral partners to close the financing gap to undertake all these measures

# 7

## Chapter 7: Effects of COVID-19 on food prices and food security

Preliminary information from traders report that Government restrictions on movements have resulted in a reduced level of transactions, especially in the case of small-scale retailers who play an important role in the retail sector. Prior to the onset of the crisis, these retailers were either using public transport means or taxi motorbikes to transport their goods. As motorbikes are only allowed to carry goods, they have, in some cases, increased their fares, due to reduced demand. At the same time, public buses are not operational within or between cities and towns. This has resulted in bottlenecks for small retailers to obtain stock. Some retailers also reported difficulty in traveling to and from Kigali to purchase food at more favourable prices and restock. Some areas also reported production factories either being closed or reducing production rates. Another constraint shared by some retailers is the daily limits on the cash transaction amounts, which also leads to concerns during the business.

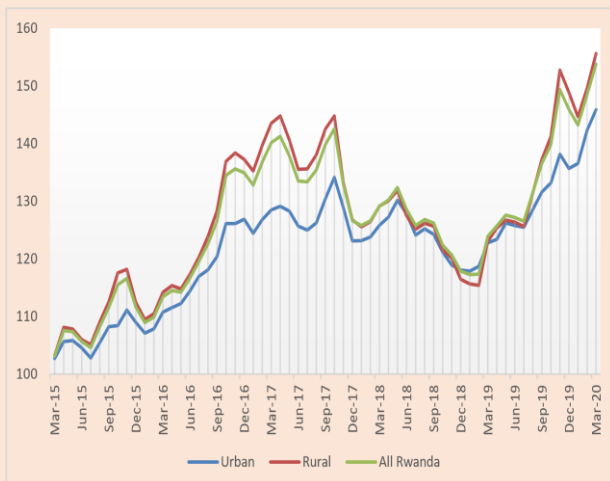
To manage the aforementioned, the Government has intensified coordination support at both the local and central levels. In addition, the Ministry of Agriculture and Animal Resources and the Rwanda Agriculture Board are allowing all agriculture-related staff and work to continue in the field to ensure an uninterrupted supply of key food commodities.

Maize and beans sales by cooperatives to agro-processors and off-takers are continuing with minimal interruption despite earlier challenges (in the midst of confusion regarding inter-district transport restrictions not clear on approvals for agriculture and food processing related travel). All off-takers/buyers that the World Food Programme (WFP) engages under its Farm to Market Alliance (FtMA) programme have attained all the necessary approvals and authorizations from local authorities to finalize purchases from farmers. Ministry of Trade also reinforces avoiding unreasonable price increase and following fixed pricing for key commodities, which helps regulate prices (see Box 4 for the trend in prices and production).

### Box 4: Rwanda Consumer Price Index and Production

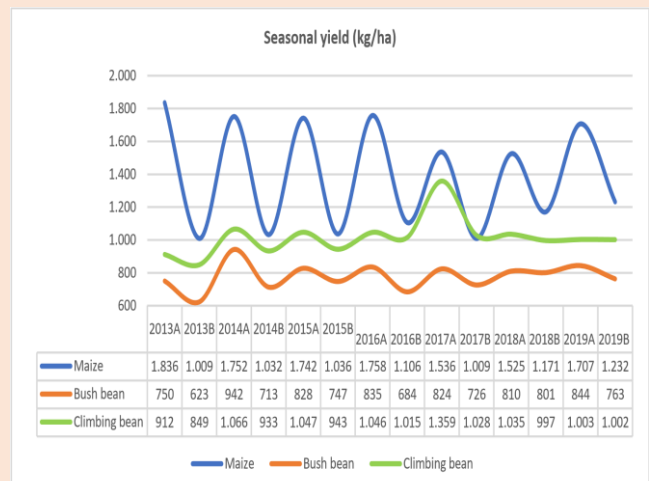
The Rwanda food and non-alcoholic beverages consumer price index (CPI) reported by the National Institute of Statistics of Rwanda (NISR) has been showing an upward trend. In March 2020, the CPI increased by 4 percent compared to last month, 24 percent compared to last year and 49 percent higher than five years ago. The prices of the staple commodities such as beans, maize and salt continue to surpass their respective 5-year averages. Some of the reasons for this recent atypical increase in prices is due to the localized limited seasonal harvests after flooding in some areas and the continued trade restrictions between Rwanda and Uganda. Some evident atypical peaks and slumps in the long-term CPI also reiterate how the prices in the country are highly dependent on external factors including trade.

Figure 59: Food and non-alcoholic beverages CPI by rural and urban



Source: NISR, Consumer Price Index 2020

Figure 60: Seasonal yield of Maize, Bush bean and Climbing bean



Source: Based on seasonal agriculture surveys, NISR

The data from the seasonal agriculture surveys by National institute of Statistics Rwanda highlights that yield of key staples remains low over time in the country. The long term averages show that Maize yield is 1.7 mt/ha in season A and 1.23 mt/ha in season B. For bush beans, the yield is 0.8 and 0.76 mt/ha, respectively in season A and B 2019. Similarly, yield for climbing beans stands at 1.1 and 0.9 mt/ha on average, respectively in season A and B. 2020 Season B planting is completed in most districts. According to the 54th Greater Horn of Africa Climate Outlook Forum (GHACOF) statement, Rwanda will most likely experience above normal rainfall during March to May 2020 period. The outlook is relevant for seasonal time scales and only relatively large areas, hence the need to closely monitor local and month-to-month variation remains critical.

The first 20 days of March were up to 80 percent wetter than normal, while the last was near normal. The first 10 days of April were near normal, with the central-western part having a slight trend of above normal, and the east having a slight trend of below normal. Wetter than normal rainfall at planting stage might have resulted in localized side effects; which will be confirmed at a later stage. COVID-19 containment measures exclude agriculture and livestock activities, and these are progressing smoothly.

## Price monitoring in and around refugee camps

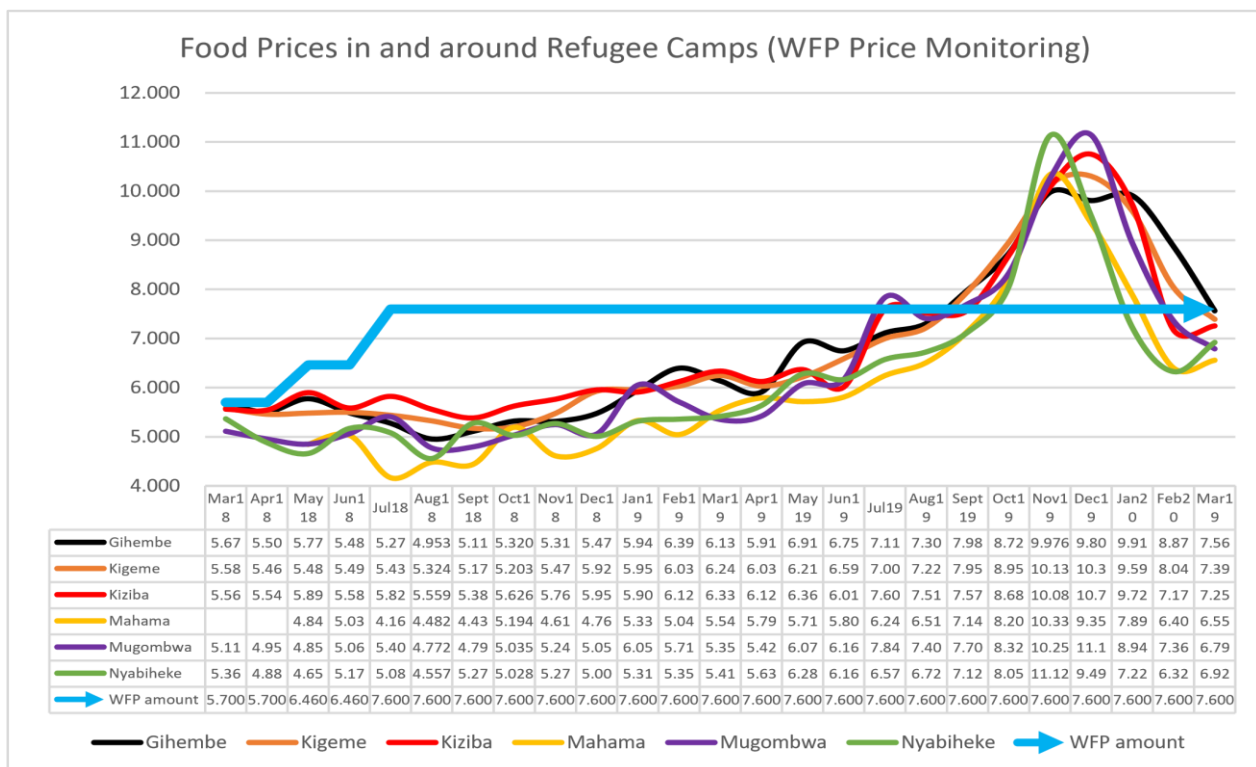
The WFP system for price monitoring in and around all refugee camps in Rwanda has continued uninterrupted amidst the crisis, collecting monthly data on prices and availability of key food commodities. Although an increase in some prices was being observed for a few months, an analysis of the price changes immediately after the COVID outbreak showed that the prices for most of the key staple commodities, including imported rice, oil, maize flour, maize grain, salt, and beans were increased. These price increases are likely stemmed from challenges reported by supply chain actors and transporters.

**The data from the week 30 March – 3 April highlighted decreasing prices for rice, oil, and maize flour. As highlighted below, a persistent increasing trend in prices for some commodities, including salt and beans, is because of reasons other than the outbreak (discussed in the next section).**

The following figure highlights the trend of the market food prices for the nominal food basket estimated for WFP cash assistance in the refugee camps. WFP provides a monthly cash assistance of 7600 Rwandan Francs per person per month estimated for 12.3 kg of maize grain, 3.6 kg of beans, 0.90 kg of oil and 0.15 kg of iodized salt. Overall the market price of the food basket in March 2020 was, on average, 7,081 RWF, which is 4 percent less than the previous month and 7 percent less than the WFP transfer amount.

Nonetheless, it was 21 percent more than the same time last year and 30 percent higher than two years ago.

Figure 63: Food Prices in and around Refugee Camps



Source: WFP Price Monitoring

- When compared to February 2020, the price of the cooking oil stabilized.
- The price of maize grain reduced on average by 14 percent in March 2020 owing to the seasonal harvests. However, the recent weekly reports of early April show an increase of 7 percent since the

outbreak. This is reported both through the retailer price monitoring as well as by farm gate. This may be attributed to an increased demand for the commodity during the current situation.

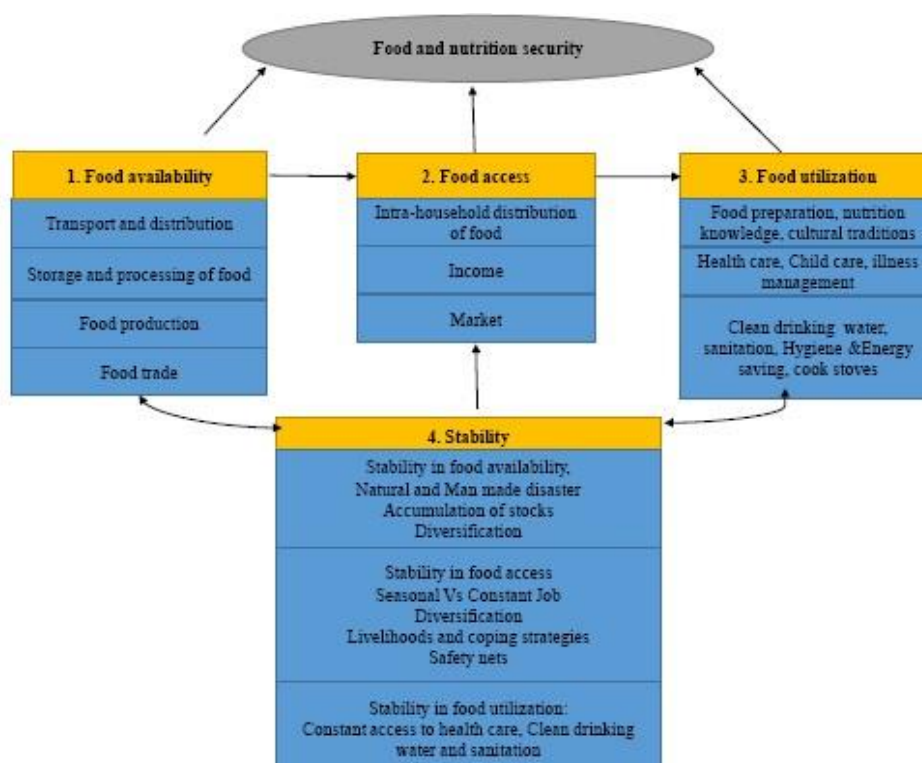
- The price for salt increased by around 10 percent in March 2020 as compared to last month. This is linked to disruptions incurred by heavy rainfall in production areas in Kenya, which is the major source country for Rwanda.
- Another staple commodity showing an increasing trend in price is beans. An increase of about 20 percent was reported in March, which is mainly due to seasonal stock depletion, compounded by localized lower than normal production induced by heavy rainfall over the last quarter of 2019.

The system also gathers trader's perception around commodity availability, and most of them shared concerns on reduced availability of both beans and maize in the upcoming months.

According to various food security analyses, including the Comprehensive Food Security and Vulnerability Analysis (CFSVA, 2012, 2015, 2018), household food security is shaped by several factors. These include household demographics, dependency ratio, income, savings, and access to markets. The dimensions of food security, as demonstrated in figure 66, encompassing food availability, food access, food utilization, and food stability.

The Comprehensive Food Security and Vulnerability Analysis (CFSVA) 2018 showed that 18.7 percent of Rwandan households are food insecure; out of these, 1.7 percent are severely food insecure. Food insecure households were among the poorest (32 percent of households in Ubudehe 1 and 19 percent of households in Ubudehe 2). They have few active members and mainly depend on agriculture daily labour, on their own agricultural production (low-income farmers), unskilled daily labour, or on external support for their livelihoods. Food insecure households engaged in agriculture have no land or a land smaller than 0.5 ha and which is likely not included in the land consolidation programme.

Figure 64: Food and nutrition security - possible implications of prices and purchasing power



**Food access** alludes to physical and economic access to available food and, thus, to be in possession of sufficient resources to obtain appropriate foods for a nutritious diet. Market prices play the role of a key determinant here, particularly in Rwanda, where there is a high household dependency on the market for food needs, as highlighted in the CFSVA 2018.<sup>33</sup>

The post-distribution monitoring (PDM) studies conducted by WFP in 2019 in the refugee camps clearly showed a decreasing trend in food security of the households during the same period when market prices were reported to be increasing at an alarming trend. Furthermore, the findings also highlighted a decreasing trend in dietary diversity and increased use of negative coping mechanisms to meet the basic food needs by respondents.

In order to further explore these linkages, WFP undertook a basic modelling exercise in February 2020 to dive deeper into the relationship between Food security outcomes and food prices.<sup>3</sup>

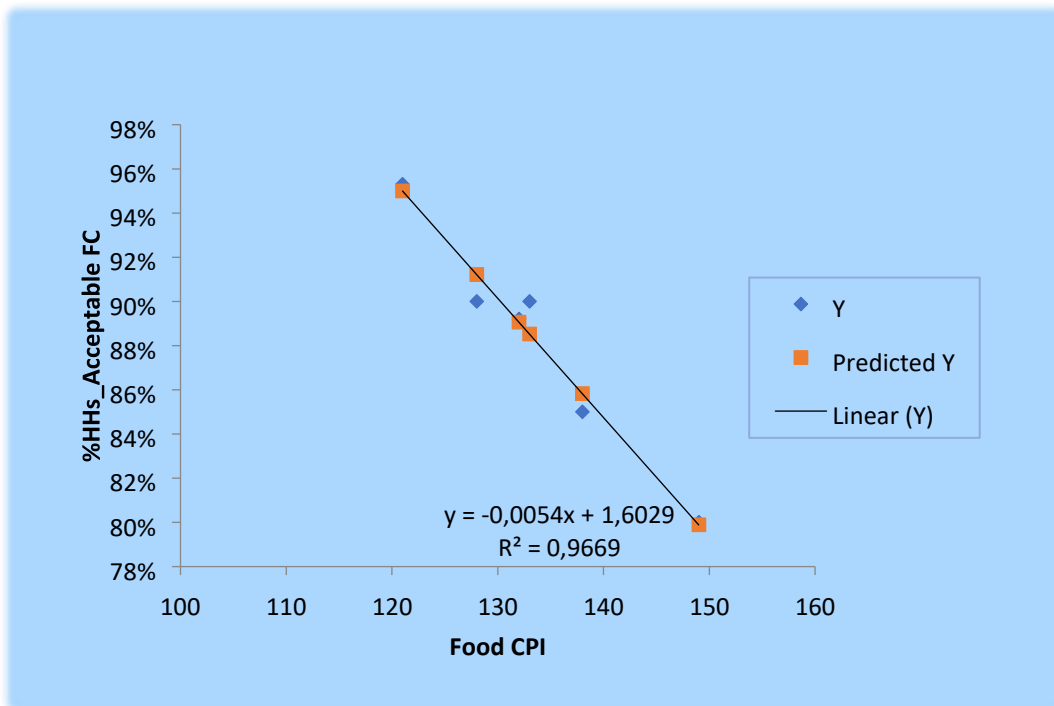
As highlighted below, an ordinary least squares regression model shows that there is a statistically significant (P-value=0.000415) negative relationship between food consumption and food prices. Food prices result in a change in food consumption score by 96 percent, and for every additional unit increase in prices, the proportion of HHs having acceptable food consumption score decreases by 0.01 on average, other variables kept constant. For instance, CPI in November 2018 was 121 and increased by 29 units in November 2019. Consequently, the proportion of households with acceptable food consumption Score was 80 percent compared to 95 percent.

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<sup>33</sup> CFSVA 2018 showed that on average, 65 percent of food consumed by a household came from the market, 31 percent from own production, and 4 percent from other sources including fishing, gathering, hunting, exchange, borrowing, gifts, and food aid. Even though the percentage of food from own production was higher in farming households, these households still sourced between 50 and 60 percent of their food needs from the market. This implies that there is limited diversification of the agricultural production system as well as a lack in post-harvest and storage management at household level.



Figure 65: Food consumption versus food prices based on PDM and CPI data series



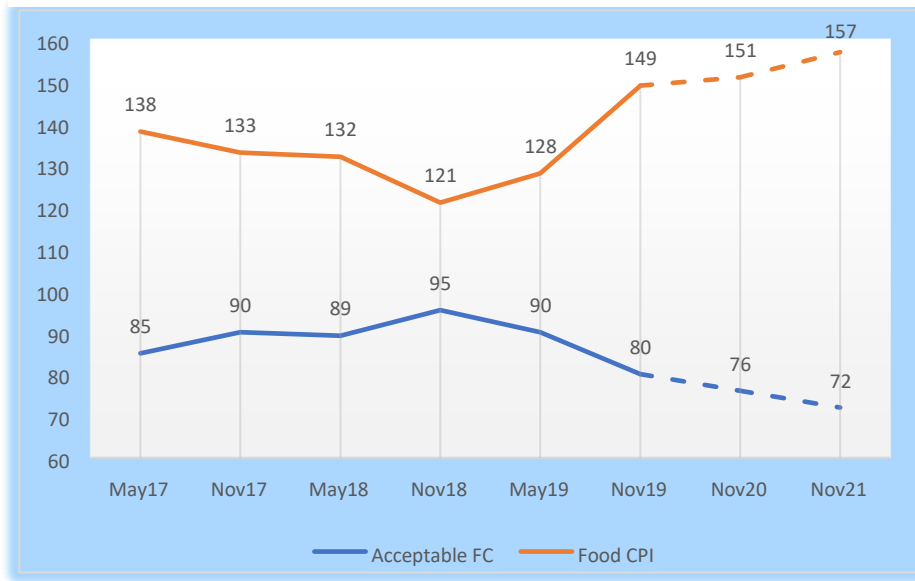
In terms of future perspective, two scenarios were explored:

The key assumptions considered are:

- The proportion of households with acceptable food consumption since 2017 has been identified as the dependent variable.
- 2017 was taken as the start of data series, given that majority of camps were in CBT programme from that time
- The overall Food and non-alcoholic Consumer Price Index was identified as the independent variable, in line with the corresponding post-distribution monitoring data collection month.

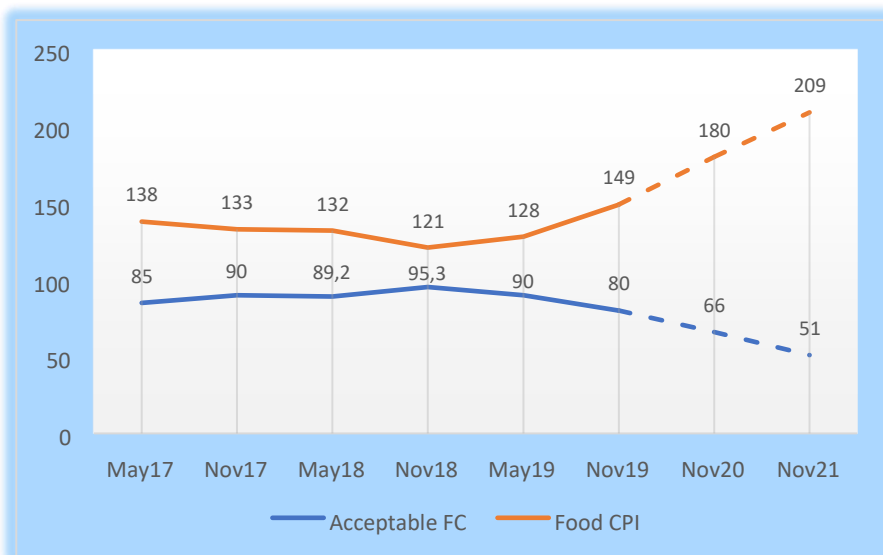
**Scenario 1- Best case scenario:** This scenario considered that the trade conditions will stabilize as trade flows from Tanzania grow to fill the gap left by Uganda, and the production normalizes for the upcoming seasons and predicts the average increase of CPI in November 2021 by 8 points based on the last five years, and November 2020- 2021 CPI forecasted. The proportion of households with acceptable food consumption score would reduce from 80 percent in November 2019, to 76 percent in November 2020 and to 72 percent in November 2021.

Figure 66: Proportion of households with acceptable Food Consumption vs CPI Best case scenario (based on PDM and CPI data series)



**Scenario 2-Worst case Scenario:** This considered the recent atypical hike continues through the forecast period (border closure with Uganda persists, low domestic production, limited flows from Tanzania, etc.) and predicts an increase of the CPI in November 2020 compared to last year, by 29 points, and the same for November CPI 2020-2021. The proportion of households with acceptable food consumption score would reduce from 80 percent in November 2019, to 66 percent in November 2020 and to 51 percent in November 2021.

Figure 67: Proportion of households with acceptable Food Consumption vs CPI worst case scenario (based on PDM and CPI data series)



**This analysis already predicts a likely worsening food security situation in both best as well as worse case scenarios, even without considering the pandemic effects. When we add nutrition considerations here, the situation seems even more bleak.** The Fill, the Nutrient Gap study, conducted by WFP in collaboration with

the National Early Childhood Development Programme and UNICEF in 2019, estimated that on average, 55 percent of the population of Rwanda can afford to purchase a nutritious diet. The study also noted that it would cost a household twice as much to purchase a nutritious diet than a diet that only meets kilocalorie needs. Economic inability was reported as a major challenge.

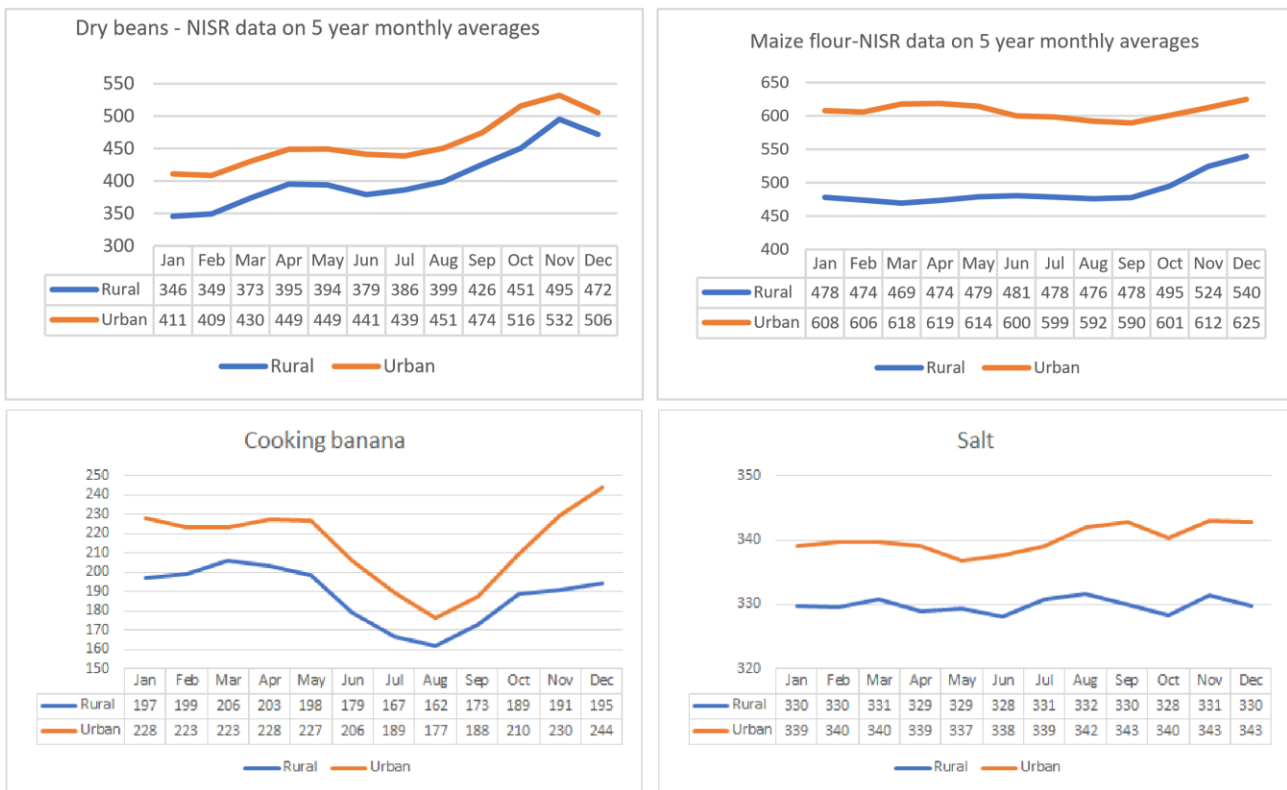
**When coupled with assumptions on the reduced purchasing power of the households due to reduced labour opportunities owing to the current [COVID-19 preventive measures](#) with restrictions on the movement of people and goods, except for essential services, the model clearly indicates that the situation will exacerbate in the future.** WFP has also done modelling to gauge the percentage of households likely to be unable to afford a nutritious diet if prices increase. In Kigali, the baseline is that 28% of the population does not afford a nutritious diet; with a 10% price increase and 30% food expenditure decrease, this percentage would climb to 52%; and with a 20% price increase and a 30% food expenditure decrease, this would rise to 55%. The baseline for rural areas is that 59% of households do not afford a nutritious diet; with a 10% price increase, this percentage would rise to 64% and with a 20% price increase to 70%.

This increased non-affordability of nutritious diets means that many people will not meet their nutritional needs, which increases their risk of malnutrition, including micronutrient deficiencies and its consequences. Adolescent girls and pregnant or breastfeeding women are particularly vulnerable because their nutritional needs are very high, and therefore deficiencies will be more severe amongst them. This has long-lasting consequences for their own health and productivity as well as that of their (future) children. The analysis is based on Fill the Nutrient Gap (FNG) analyses carried out in four countries in the RBN region (Burundi, Rwanda, Somalia, and Uganda) between 2017-2019.

**Some further conclusions:** In the absence of existing household-level data on the impact of COVID-19, some other considerations that can be drawn from the price data are;

- **Although the overall CPI is higher for the rural areas, the 5-year price data from NISR highlights that the prices for all staple commodities are lower in rural areas.** (figures show price data based on 5-year averages from 2015 to 2019). This indicates that urban populations will be more impacted by the price challenges
- Rwanda Integrated Household Living Conditions survey 2016-2017 showed that agriculture activity is higher in rural areas while more people rely on elementary occupations in urban areas. The level of income estimated through consumption quintiles showed that people relying on elementary occupation and agriculture are the main ones to be in the low-income category. **It is also known that while those involved in agriculture are facilitated to continue their activities but those having elementary occupations (involving the performance of simple and routine tasks) or being employed in informal sectors in urban areas may be one of the highly affected income sources under the current scenario. This, when coupled with higher prices, may indicate increased challenges for the urban population.**

Figure 68: Five-year average prices for staple commodities



Source: NISR data

Need for additional assessments, analysis, and monitoring:

- **Follow up on data from the Food and Nutrition Security Monitoring System:** after being on hold for a period, the nationwide FNSMS survey was relaunched in March 2020. The survey was conducted by NISR (on the request of MINAGRI) with technical support from WFP. The FNSMS collects data nationwide on key indicators, including income sources, expenditure, food security, and coping capacity. The data collection for this round was halted mid-way due to the COVID-19 outbreak. However, WFP is following up with NISR for access to the collected data to support preliminary analysis on the key indicators. The results will not be representative based on the agreed sampling methodologies but still useful to indicate trends, serve as baseline information for future impact studies, and help inform programmatic responses through the income and expenditure information.
- **A monitoring system focused on markets and supply chain actors (transporters, retailers, wholesalers):** WFP considers it timely to set up a remote monitoring system to assess food market and supply chain functionality and propose relevant actions throughout the crisis. The objectives of the system are to:
  - Estimate the level of availability of food, especially key commodities across main markets and link existing supply chain arrangements to the final consumer's ability to access food;

- Assess the supply chain from wholesaler/farmer to distribution sites, to determine the factors which may influence the final price of commodities;
- Understand how the level of competition has evolved owing to the current situation and its effects on prices;
- Analyse market's potential to respond to an increase in demand, looking at storage facilities, duration of stocks, stock replenishment lead-time, and expected price changes;
- Understand any bottlenecks in supply lines affecting current and future supply of commodities;
- Understand any bottlenecks in the available financial services such as credit facilities affecting re-stocking at retailer level; and
- Assess the health risks of the retailers and whether adequate mechanisms are in place to follow hygiene practices and social distances and to assess the feasibility of food delivery mechanisms to reduce contact.

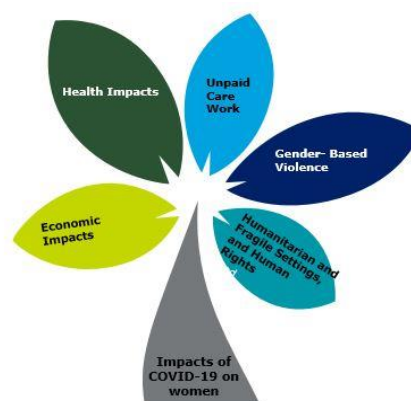
**Remote monitoring system to collect primary data on the impact of COVID-19 on households'** food security, nutrition, income, expenditure, livelihoods, and coping. Although extensive secondary data is available and various useful analytics being drawn, we believe it is very important at this time to reach out to the households and get an accurate picture of the effects of the crises. This will inform how the impact varies with respect to the household income source, geographical area, and other demographics. Having in-house skills and remote monitoring systems coupled with the long-term agreements that we have at the corporate level with firms offering remote research services, these assessments can be quickly rolled out provided resources availability and relevant support from all partners.

# 8

## Chapter 8: Socio-economic Impact of COVID-19 crisis – Gender Dimensions

## Global assessment of the socioeconomic impact of COVID-19

The current crisis threatens to push back the limited gains made on gender equality and exacerbate the feminization of poverty, vulnerability to violence, and women's equal participation in the labour force. The situation is worse in developing economies where most of the women's employment (70%) is in the informal economy and service sectors with few protections against dismissal and limited access to social protection. From past experience and emerging data, it is possible to project that the impacts of the COVID-19 global recession will result in a prolonged dip in women's incomes and labour force participation, with compounded impacts for women already living in poverty. For those who, as a result of recent economic growth, managed to escape from extreme poverty, they are likely to fall back into vulnerability.



Moreover, the COVID-19 global crisis has made starkly visible the fact that the world's formal economies and the maintenance of our daily lives are built on the invisible and unpaid labour of women and girls. With children out of school, intensified care needs of older persons and ill family members, and overwhelmed health services, demands for care work in a COVID19 world have intensified exponentially. The unpaid care economy is, therefore, a critical mainstay of the COVID-19 response with real impacts on the formal economy, and women's lives.

There are gross imbalances in the gender distribution of unpaid care work. Before COVID-19 became a universal pandemic, women were doing three times as much unpaid care and domestic work as men. In the context of the pandemic, the increased demand for care work is deepening already existing inequalities in the gender division of labour. The less visible parts of the care economy are coming under increasing strain but remain unaccounted for in the economic response.

Violence against women and girls is increasing globally as the COVID-19 pandemic brings with it economic and social stresses and measures to restrict contact and movement. Crowded homes, substance abuse, limited access to services, and reduced peer support are exacerbating these conditions. Before the pandemic, it was estimated that one in three women would experience violence during their lifetime. Many of these women are now trapped in their homes with their abusers. While it is too early for comprehensive data, there are already many deeply concerning reports of increased violence against women around the world, surging upwards by 25 percent<sup>34</sup> in countries with reporting systems in place. In some countries, reported cases have doubled. These numbers are also likely to reflect only the worst cases. Without access to private spaces, many women will struggle to make a call or to seek help online. Alongside the increase in numbers, violence against women is taking on new complexity: exposure to COVID-19 is being used as a threat; abusers are exploiting the inability of women to call for help or escape; women risk being thrown out on the street with nowhere to go. At the same time, support services are struggling. Judicial, police, and health services that are the first responders for women are overwhelmed, have shifted priorities, or are otherwise unable to help. Civil society groups are affected by lockdown or reallocation of resources. Some domestic violence shelters are full; others have had to close or have been repurposed as health centres.

Health pandemics also make it more difficult for women and girls to receive treatment and critical health services. The provision of sexual and reproductive health services, including maternal health care and gender-based violence related services, is central to the health, rights, and well-being of women and girls. The

<sup>34</sup> UN Women Brief on "COVID-19 and Ending Violence Against Women and Girls"

diversion of attention and critical resources away from these provisions may result in exacerbated maternal mortality and morbidity, increased rates of adolescent pregnancies, HIV, and sexually transmitted diseases. Moreover, women may be at risk of exposure due to the occupational sex-segregation as globally, women make up 70 percent of the health workforce. They are more likely to be front-line health workers, especially nurses, midwives, and community health workers, as well as health facility service-staff – such as cleaners, laundry, catering – and as such, they are more likely to be exposed to the novel coronavirus.

### Socioeconomic impact assessment of COVID-19 in Rwanda

The sections below discuss the socioeconomic impact of the crisis from a gender perspective. Our analysis is structured around: 1) Poverty and vulnerability 2) Services disruption analyzed through four angles: access to finance, economic activities, health services and Gender-Based Violence. The analysis is based on the latest national survey data that serve as a reference in measuring all the dimensions mentioned above.

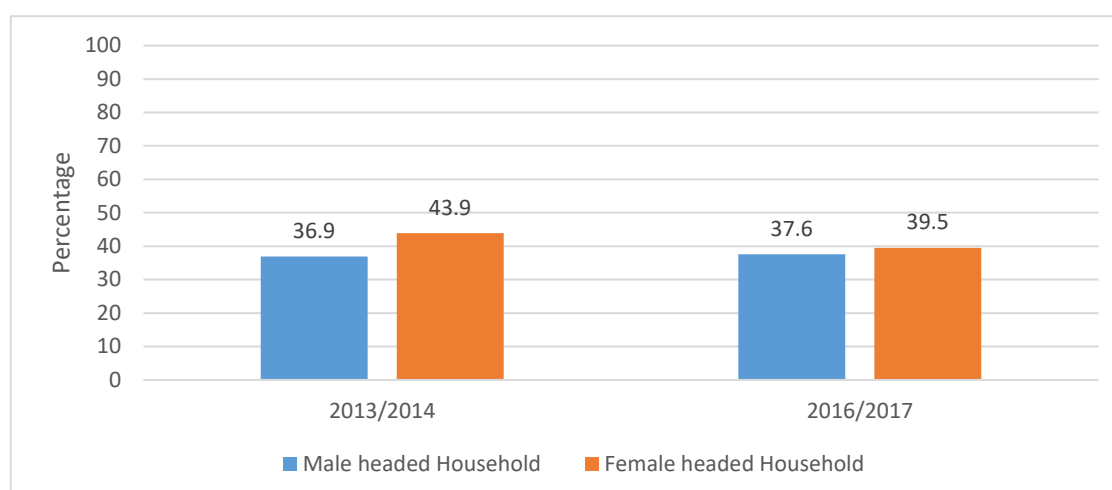
#### Gender assessment of households' poverty and the impact of COVID-19

The Integrated Households Living Conditions Survey (EICV) provides poverty measures across households in Rwanda. The two latest EICV surveys (EICV4 of 2013/2014 and EICV5 of 2016/2017) show that, although poverty levels have declined, female-headed households were more likely to be poor compared to male-headed households, with 39.5 percent of female-headed households being poor compared to 37.6 percent of male-headed households in 2016/17 (figure 71).

These results suggest that female-headed households are at a far greater risk of being impacted by the adverse effects of the COVID-19 crisis; in fact, they could fall into deeper poverty levels and even face extreme poverty. Mitigating this risk will require higher and more targeted investments as well as adequate social safety nets. Similarly, as the lockdown and its negative effects on households' income and living conditions extend to a longer period, a high number of households and individuals, the majority of the daily wage workers where women are overly represented as vendors and domestic workers might slide into Ubudehe category 1 and have to rely on food distribution and cash transfers for their survival. There is, therefore, a need to consider gender aspects while formulating economic risk mitigation strategies, social protection programmes in response to the COVID-19 crisis, and the same appeal would also apply for the recovery period.



Figure 69: Poverty levels disaggregated by sex of the head of household



Source: NISR, EICV-5 (2016/2017): Gender Thematic Report, December 2018

In times of economic shocks, people react differently, but data from the FinScope survey in 2016 shows that during hardships, more than 50 percent of women revert to financial rationality by cutting down non-priority expenses (table 35). These findings suggest that entrusting the management of any social protection funds or other risk mitigation allocations to women would be more effective in mitigating the impact on poverty.

Table 35: Coping mechanisms used by female-headed households in 2016 to mitigate the crisis

Coping mechanisms used by female-headed households in 2016 to mitigate the crisis						
Risk or hardship	Leveraging savings %	Contracting debt %	Insurance %	Selling asset %	Cutting down on expenses %	Nothing/Other %
Increase in household size	34	14	0	5	42	4
Household not getting cash anymore	19	12	0	4	56	8
Pay unforeseen expenses	30	33	14	13	7	3
Unexpected rise in food prices, fuel	25	13	0	5	50	6
Running out of money to meet household expenses	10	36	0	6	41	6
Harvest/ livestock loss	14	15	0	7	53	12
Loss of an asset/household/land	27	15	2	11	23	23
Illness in your household that required medical expenses	30	21	17	17	3	11

**Source:** Women and Financial Inclusion in Rwanda: FinScope 2016

Furthermore, due to some of the Governments' restrictions, some social protection programs are not operating at the same pace as before the pandemic. Women are the majority benefiting the direct support

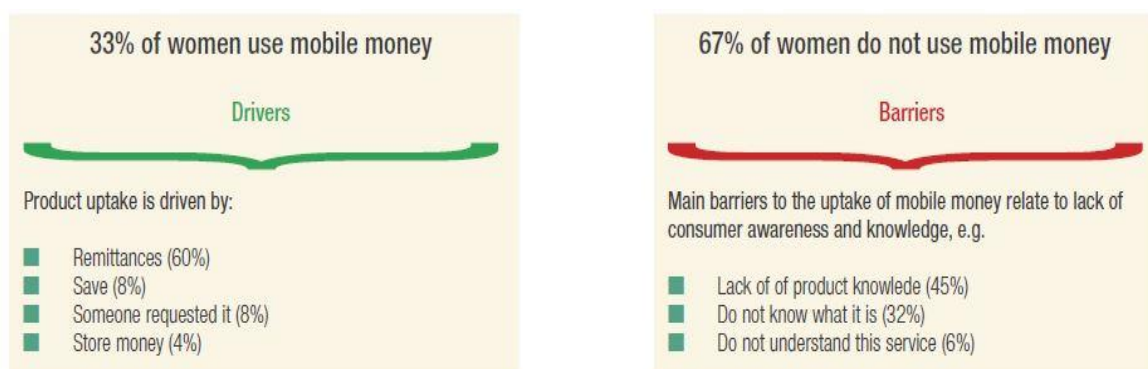
under the VUP program (about 68%), participating in the public works (52%), and benefiting from financial services under the same program<sup>35</sup>. It is anticipated that the number of women to be supported under these categories will increase.

## Mobility restrictions and gender-differentiated impact of services disruption

### Access to financial services

As part of the lockdown to prevent new COVID-19 infections, citizens have been advised to limit unnecessary movements, including going to banks, handling cash, etc. The National Bank of Rwanda agreed with Banks and mobile phone operators to waive service fees on digital financial transactions. In this context, having a mobile money account, credit, or debit cards became essential. While the strategy bolsters the Government's endeavor to promote a cashless economy, it may constitute a limiting factor for the 67 percent of women who, according to FinScope 2016, do not use mobile money due to factors such as the limited knowledge and awareness of the product (Figure 72). The inability to use mobile money and other cashless modes of payments, therefore, reinforces men's decision-making power over financial resources and is likely to deepen gender inequalities. Besides, daily wage workers, women in the informal sectors, and women who do not own a mobile phone, will face greater difficulties in collecting income or cash transfers that might be channeled through banks or any other digital solution.

Figure 70: Women's uptake of mobile money services



Source: Women and Financial Inclusion in Rwanda: FinScope 2016

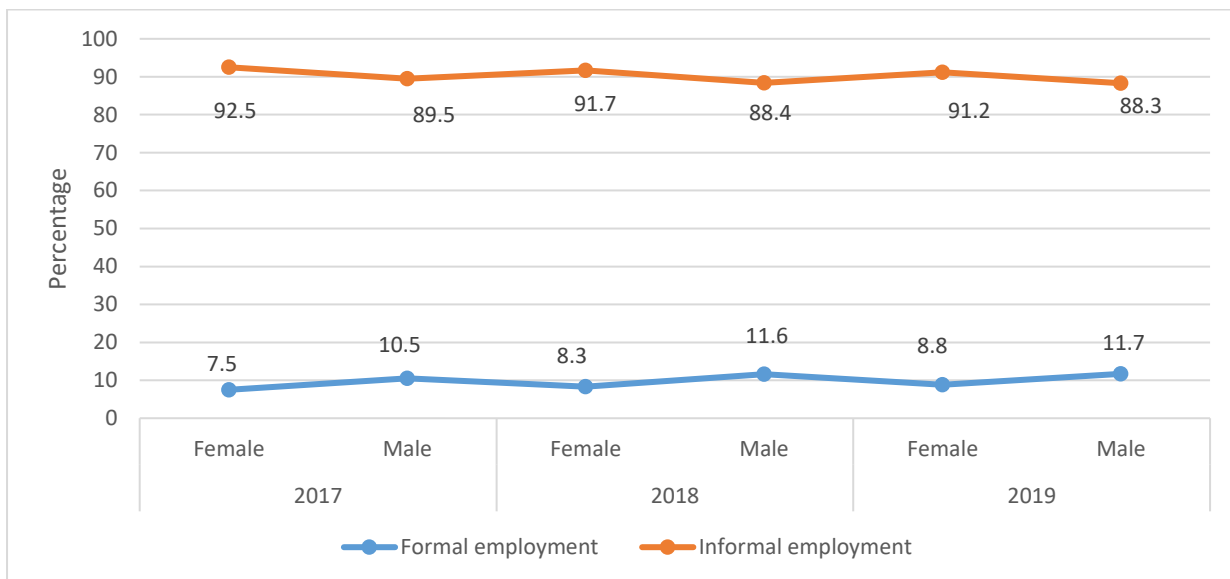
Similarly, any support to the financial sector should factor in gender disparities in accessing and using services from formal financial institutions such as banks versus informal institutions such as savings groups, SACCOs, and MFIs. For instance, the 50 billion Rwandan Francs injected by the National Bank of Rwanda in the early days of lockdown would need to consider that according to FinScope 2016, 65% of women financially included use informal financial mechanisms. Reaching informal groups of women would, therefore, require working through Umurenge SACCOs and other Micro-Finance Institutions that are serving the low-income population. The Government social protection plan suggests using automated SACCOs.

<sup>35</sup> These are statistics of 2017/18 on VUP and Ubudehe

## Formal and informal employment

The majority of the employed Rwandan population is employed in the informal sector. Findings from the Labour Force Survey (LFS), (Figure 73) indicate that over the past three years, more females were informally employed with 92.5 percent in 2017 to 91.2 percent in 2019, compared to males with 89.5 percent in 2017 to 88.3 percent in 2019. It should be noted that the opposite trend is observed in formal employment in favour of males over the same period. In addition, prior to the COVID-19 crisis, the LFS states that unemployment had declined among females from 22.7 percent in 2016 to 17 percent in 2019, while the employment-to-population ratio and labour force participation rate were also increasing. However, the sudden mobility restriction is expected to have a critical impact on these trends.

Figure 71: Distribution of population by Formal/Informal employment for main job by sex (percentage)



Source: NISR, Annual Labour Force Surveys, 2017 - 2019

Prior to the lockdown, the majority of the employed population was employed on daily wage jobs for the past three years, and women were overly represented in that category. The findings in table 36 below show that the proportion of females on daily wage had slightly reduced from 64.1% in 2017 to 60.9% in 2019 but remained high compared to men. The results also show that only 23.9% of females had a permanent contract in 2017 and 27.5% in 2019. This data underscores the magnitude of the problems affecting women in the informal sector who run a greater risk of termination of employment and losing their livelihoods.

Table 36: Percent Distribution of employees by duration of contract and sex

Duration of Contract of Employment	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Day	55.9	64.1	57.0	63.5	52.6	60.9
Week	4.0	2.7	2.9	1.7	1.9	1.1
Month	7.2	5.1	6.4	5.0	7.4	5.8
Less than one year	2.2	2.1	2.1	2.0	2.3	2.4
One year or more	3.3	2.1	3.5	2.5	3.3	2.4
Permanent	27.5	23.9	28.1	25.2	32.5	27.5

Source: NISR, Labour Force Surveys, 2017 - 2019

## Women in business

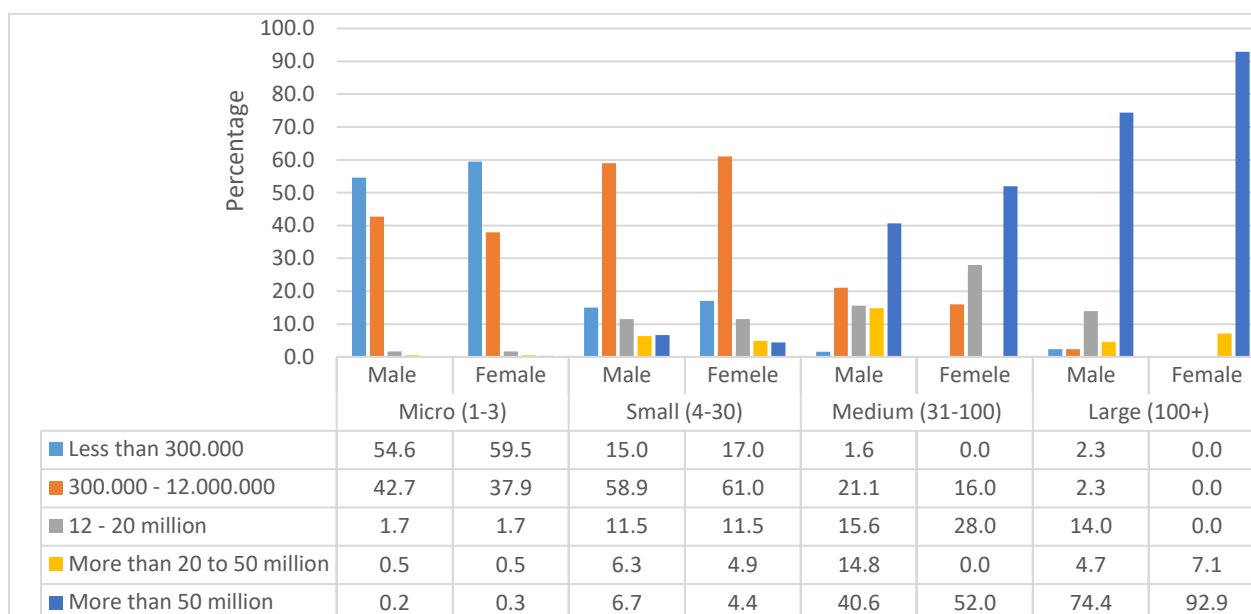
The 2017 establishment census results show that women-owned 32.7 percent of businesses/establishments in Rwanda. However, the findings in Figure 74 and Table 36 reveal differences in the size and profitability of female-owned compared to male-owned establishments/businesses. For instance, 59.5 percent of female-owned micro establishments (employing 1 to 3 workers) reported they had an annual turnover of less than Rwf 300,000 in 2017 compared to 54.6 percent of male-owned businesses.

More recently, a quick assessment conducted by the Rwandan Chamber of Women Entrepreneurs (RCWE)<sup>36</sup> in April 2020, through a survey of its members, points to a lot of distress among women business owners regarding reduced income, loss of business opportunities, net loss on investments made before the crisis, challenges with liquidity and loan repayment as well as managing their employees, or dealing with the overall economic uncertainty. Service sectors with significant numbers of female employees such as food, hospitality, and tourism-related businesses and retail and wholesale services are among those facing the harshest economic effects of the measures to contain the spread of the pandemic. In addition, budding women producers, processors, and exporters are also suffering from restrictions to air travel.

The results of the RCWE survey call for targeted and more innovative approaches to support women-owned businesses in the COVID-19 response and recovery. For instance, among the 26 companies recently approved to produce protective masks and personal protective equipment (PPE), nine (9) are led by women, it would be important to encourage all of these companies to provide equal employment opportunities to women tailors. Similarly, market women must be targeted with capital, hygienic supplies, and market linkages to maintain their small business afloat, and women farmers must be supported with agricultural inputs as part of efforts to mitigate the potential food security crisis that could be triggered by the COVID-19 pandemic.

<sup>36</sup> Premier institution offering targeted services to women entrepreneurs across different economic activities as well as in different partners of the country. The RCWE contributes to the twin goal of promoting entrepreneurship and gender equality, all critical pillars of the country's development goals.

Figure 72: Distribution of establishments by Annual turn-over (percentage)



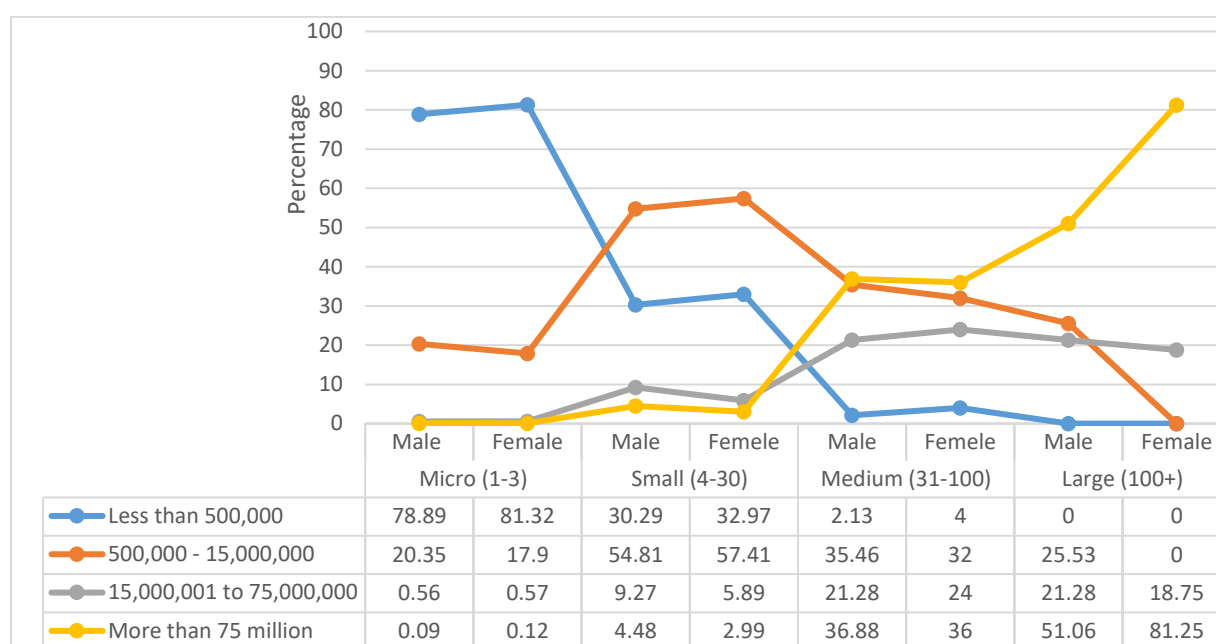
Source: NISR, Establishment Census Report, 2017

The capital employed (or working capital) is referred to as the value of the assets that contribute to an establishment's ability to generate revenue. The higher the employed capital, the higher the income generated. In Rwanda, 95 percent of establishments are micro-businesses, with 81.3 percent of women-owned establishments and 78.8 percent of men-owned establishments reporting a working capital of less than Rwf 500,000 (Figure 75).

Women-owned micro-businesses with a working capital between Rwf 500,000 and Rwf 15,000,000 represent 17.9 percent of all establishments compared to 20.3 percent for men-owned establishments. Micro, small and medium enterprises mostly run by women are far less prepared to cope with the negative impact of the COVID-19 crisis and will require targeted interventions to recover from COVID-19 induced shock quickly.

It is also estimated that between 70 percent and 80 percent of **cross-border** traders (CBT) are **women**, and 90 percent of these **women** traders rely on CBT as their sole source of income. With the countrywide lockdown, their activity has been brought to an abrupt halt. While there is no official estimate of the economic losses at this point, informal cross-border exports yielded USD125.3 million in 2018. Since women account for 74 percent of traders operating between the very lucrative Rusizi-Bukavu and Rubavu-Goma border crossings, the loss is likely to be significant for the country and the women in CBT.

Figure 73: Distribution of Establishments by employed capital and size (percentage)



Source: NISR, Establishment Census Report, 2017

## Maternal Health services

As the majority of health workers, communities and decision-makers turn their attention to COVID-19, there is a risk of health-facility phobia for non-COVID-19 patients including for maternal and childcare which can setback the progress registered by the country over the last 15 years namely the reduction of maternal deaths from 1071 deaths per 100,000 live births in 2000, down to 210 deaths per 100,000 live births in 2015 (RDHS 2014/15). On March 27, 2020, the Rwanda Social Security Board (RSSB), in its public announcement about the temporary measures governing social security services and benefits during the lockdown, suspended all new applications for maternity leave benefits. The application of this provision should be investigated closely so that it does not jeopardize the enormous gains that Rwanda has registered by ensuring adequate social protection measures for women through 12 consecutive weeks of paid maternity leave.

According to the Rwanda Gender Monitoring Office (GMO), gender profile for the Health Sector based on 2018 data, 66 percent of nurses in all health facilities in Rwanda are women<sup>37</sup>. They are the ones who carry the heavy responsibilities of patients care at health facilities and consequently highly exposed to infections, including COVID-19 as an on-job risk.

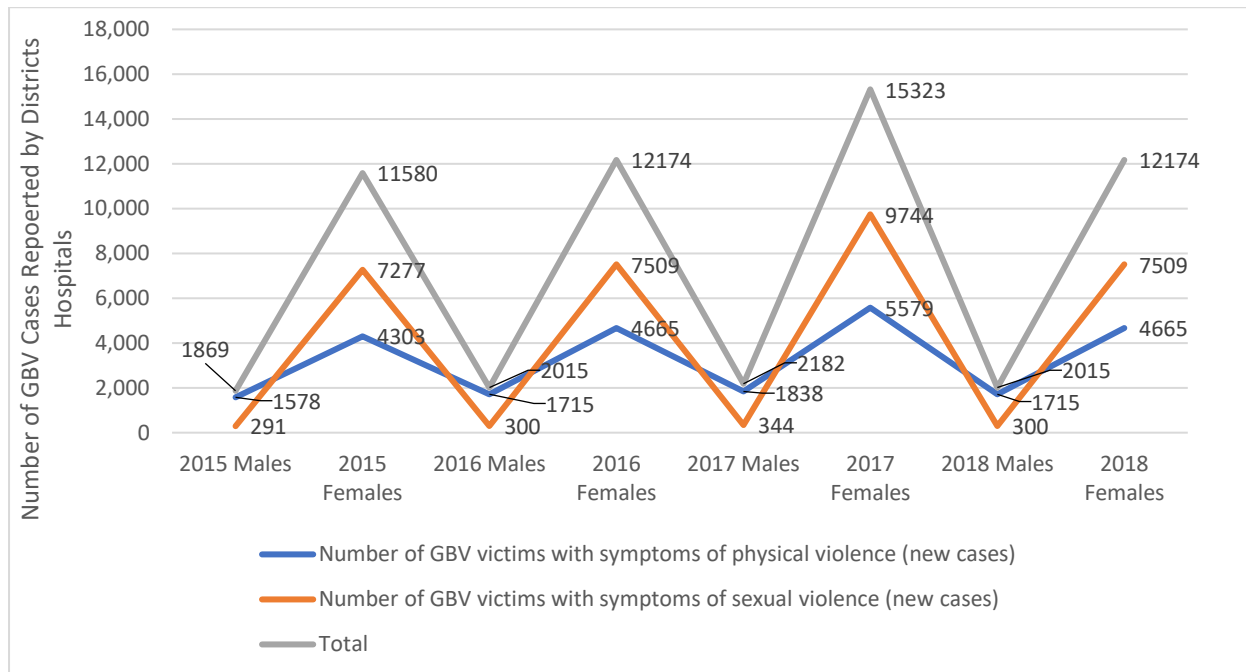
## Gender-Based Violence

Data recorded by district hospitals from 2015 up to 2018 (Figure 76) shows an increase in the number of cases of physical violence against women from 4,303 cases in 2016 to 5,579 new cases in 2017 before declining

<sup>37</sup> Republic of Rwanda. Gender Monitoring Office (GMO): Gender Profile in the Health Sector (October , 2018)

slowly to 4,665 in 2018. The number of cases of sexual violence against women increased from 7,277 in 2015 to 9,744 new cases in 2017, then down to 7,509 new cases in 2018.

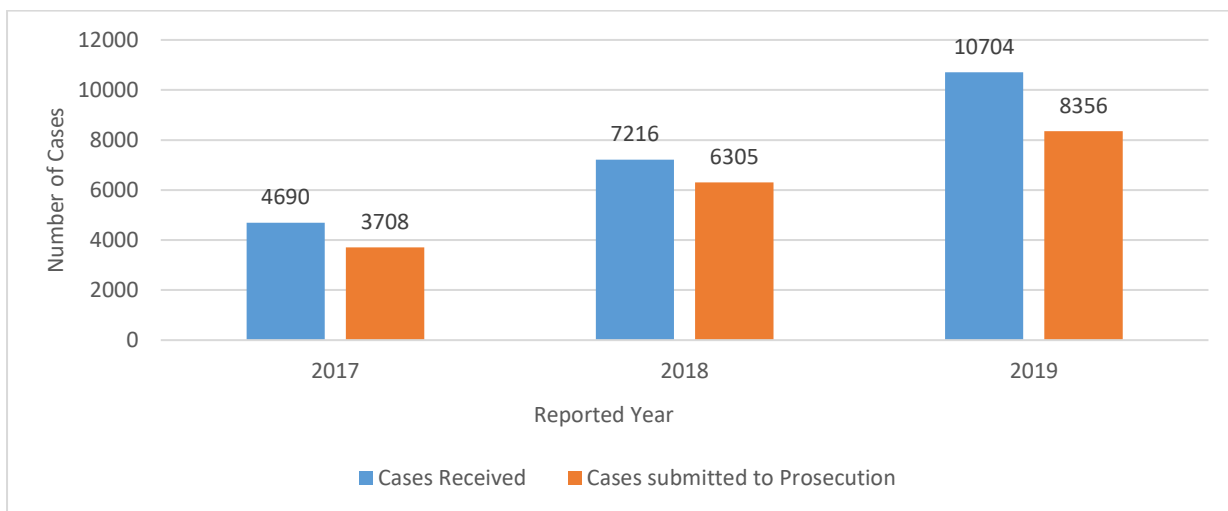
Figure 74: Number of Gender-based violence (GBV) cases reported by District Hospitals from 2015 to 2018



Source: NISR, Rwanda Statistical Yearbook 2019

Data in figure 77 shows that the number of GBV cases reported to the Rwanda Investigation Bureau (RIB) has been increasing over the past three years. In 2017, RIB received 4690 cases of GBV, but only 3708 were submitted to the Prosecution, while in 2019, it received 10704 (which is more than twice the cases received in the two preceding years). Still, only 8356 cases were submitted to the Prosecution in 2019, which is about two and half times the cases prosecuted in the two preceding years. The variance between reported cases and those prosecuted largely results from difficulties in preserving evidence which is likely to be more difficult during the confinement with only the oppressors and victims confined at home

Figure 75: GBV Crime received by RIB and submitted to Prosecution from 2017 up to 2019 (Number)



Source: Rwanda Investigation Bureau, February 2020

In Rwanda, there is so far no comprehensive data about GBV prevalence during the lockdown but national institutions supported by several development partners have stepped up efforts to raise awareness on the risk of increased violence during the lockdown and to provide additional hotlines and mobile police services to prevent and or address the issue.

## Policy Recommendations for Government

### On Economic Impacts

- Integrate a gender assessment in all country assessments to understand the impact of COVID-19 on women and girls, including economic impact, and how to address it effectively.
- Put cash in women's hands — leverage the country's existing program that can directly place money in the hands of women, such as conditional cash transfer programs using mobile banking, those programs should be expanded.
- Introduce measures that can either be implemented with low transaction costs (such as temporarily eliminating electricity bills for poor consumers).
- Use pre-existing national social protection programs and adapt targeting methodologies to ensure income for groups affected by COVID-19, especially where women are heavily represented and impacted
- Extend basic social protection to informal workers.
- Introduce measures to alleviate the tax burden on women-owned businesses.
- Use women's networks and CSOs, including microfinance and savings groups, women entrepreneurs and women business leaders to communicate on the socioeconomic response to the crisis and opportunities they could leverage to mitigate the impact



- Support e-commerce for women-owned businesses.

#### On Health Impacts

- Ensure health care response facilitate the development and dissemination of targeted messaging on public health to the different contexts and concerns of women and girls, including in culturally appropriate local languages
- Special attention needs to be given to the health, psychosocial needs, and work environment of frontline female health workers, including midwives, nurses, community health workers, as well as facility support staff. Personal Protective Equipment should be the appropriate size for women. The voices of women on the front lines must be included in response planning.
- Make provisions for standard health services to be continued, especially for sexual and reproductive health care with particular attention to health care services for older women, gender-based violence survivors, as well as antenatal, postnatal care and delivery services, including emergency obstetric and newborn care, as well as HIV treatment access.

#### On Unpaid Care Work

- Expand and provide inclusive social protection for caregivers to mitigate the effects of the overload of unpaid care work
- Ensure continuity of adequate State and/or institutional care for older persons, persons with disabilities and those who recover from COVID-19
- Ensure access to sufficient and affordable water, sanitation, and hygiene services for vulnerable groups of women, including in informal settlements, rural areas, and refugee camps.
- Expand the reach and benefit levels of social assistance programmes that target women, such as cash transfers and social pensions, and suspending all conditionalities for the duration of the COVID-19 crisis.
- Prepare unpaid caregivers and community health workers with information, training, adequate equipment, and livelihood support to respond to the COVID-19 pandemic effectively.
- Prioritize investments in and access to basic accessible infrastructure and public services, including in rural areas, informal settlements, and IDP and refugee camps,

#### On Gender-Based Violence

- Include specific communications to the public that justice and the rule of law are not suspended during periods of confinement or lockdown. GBV prevention strategies need to be integrated into operational plans of the justice and security sectors for the crisis and statutes of limitations on offenses, particularly sexual violence offenses.

- Integrate prevention efforts and services to respond to violence against women into COVID-19 response plans;
- Designate domestic violence shelters as essential services, and expand the capacity of shelters by repurposing other spaces, such as empty hotels, or educational institutions, to accommodate quarantine needs, and integrating considerations of safe access for all;
- Designate safe spaces for women where they can report abuse without alerting perpetrators, e.g., in grocery stores or pharmacies;
- Expand online SGBV services;
- Stepping up advocacy and awareness campaigns, including targeting men at home.

### Recommendations for the United Nations and Development Partners

- Provide gender analysis and sex-disaggregated data to inform national policies, including those related to COVID-19 response programs and policies
- Support the strengthening of health systems from a gender perspective to respond to the pandemic as well as avoid interruption of other health services. This includes both policy advice, as well as procurement of health equipment and supplies, including personal protective equipment for health workers.
- Advocate for policy measures to alleviate the burden of unpaid care and domestic work, redistribute it between women and men and between families and public/market services. Similarly, advocate for sufficient and affordable water, sanitation, and hygiene services as well as electricity supply to rural and remote areas to support women's productive and unpaid care and domestic work
- Include measures to protect women from violence as a standard part of their immediate response to the COVID-19 pandemic, and in longer-term recovery packages.

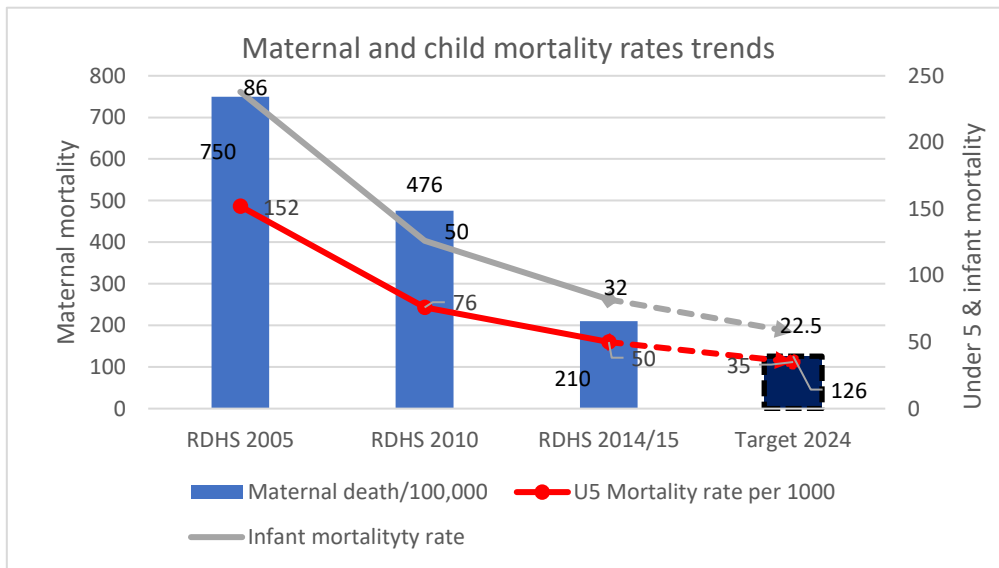
# 9

## Chapter 9: Direct and Indirect Impact of COVID-19 on Social Service Delivery

## Background

Over the past two decades (2000-2020), Rwanda has achieved significant transformation in the delivery of basic social services in dimensions such as access, equity, and inclusion, as well as sustainable financing. Rwanda's health system has undergone a series of reforms and innovations over the past fifteen years, which include, among others, the Performance-Based Financing (PBF), Stronger Community Health Workers (CHWs), and Community Health Insurance and Health sector modernization investments. Rwanda is recognized to have achieved most of Millennium Development Goals (MDGs), including Goal 4 on reducing child mortality and Goal 5 on improving maternal mortality. Between 2005 and 2014, the maternal mortality rate decreased by more than three times (from 750 per 100,000 births in 2005 to 210 per 100,000 in 2014/15) and infant mortality fell from 152 per 1,000 live births to 50 per 1,000 in 2014/15 and Rwandan children enjoy quasi to universal access to vaccination services (93 percent) while 91 percent births are attended by skilled health staff in health facilities. Rwanda had also successfully contained the HIV rate at the lowest rate (around 3%) over the past decade, indicating a stronger and successful health policy response. In addition, the Health Sector Strategic Plan (2018-2024) aims to ensure universal accessibility (in geographical and financial terms) of equitable and affordable quality health services (preventative, curative, rehabilitative and promotional services) for all Rwandans<sup>i</sup> as a way of sustaining the achieved gains and toward acceleration of achieving SDGs under health.

Figure 76: Maternal and child mortality rates trends



Source: DHS Data and HSSP IV Targets

Through the national strategy for transformation NST1 (2017-2024), Rwanda has committed to increasing the quality of health services by expanding health infrastructure such as construction and upgrading health facilities with adequate equipment and ensuring that health posts are expanded countywide with the targets of having a Health post in each cell to improve access to primary health care services.

Through the indirect or secondary effect of social and economic lockdown, we estimate that access to health services is being constrained in the following ways:

#### Limited access to services provided by community health workers at local levels

- Rwanda has one of the strongest community health systems in Africa, with about 60,000 community health workers country wide where each village (lowest administrative entity) has three (3) community health workers providing household and community level health services. However, during the lockdown period, health services provided or supported by CHWs are facing a number of challenges including follow up during and after pregnancy, which may lead to delays in women accessing health facilities to give birth with the assistance of skilled health workers
- Constrained mechanisms for community health workers to undertake early assessment, classification, and treatment or referral of diarrhoea, pneumonia, malaria, and malnutrition in children younger than 5 years of age),
- Inability to deliver community-based provision of contraceptives, DOT for TB, prevention of NCDs and other preventive care,
- Reduced participation in growth monitoring sessions of children under five years.

Many households in Rwanda are not able to afford the high transport charges, which are induced by maintaining social distancing in public transport, and may constrain timely access to health services. In several instances, for example, children will be likely to miss essential vaccination/immunization, which puts them at risk of contracting other diseases in the future. The population projection for (NISR, 2020) shows that Rwanda has 1,036,141 children under the age of 24 months in need of certain types of vaccination. Also, the health-seeking behaviour of parents for children under five years suffering from diarrhoea and fever may diminish due to the restrictions and fear for health facilities during the COVID outbreak, which can have severe effects on the health status of children.

In the absence of customised guidelines to allow the CWHs to continue operations while complying with the required safety measures during the lockdown period, we estimate<sup>38</sup> that

- 35.5 percent of children below 24 months from low-income households, will be severely constrained from accessing the vaccination,
- 266,414 children of less 12 months from low-income households are at risk of not being able to access the screening services for malnutrition to benefit from early interventions.

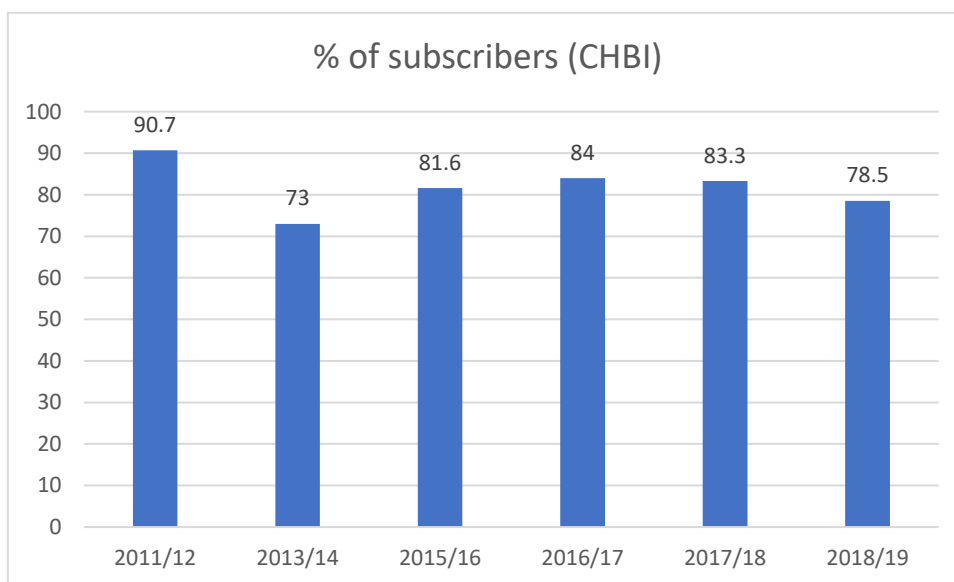
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<sup>38</sup> Estimates was compute using the Population by NISR (2020) times the poverty rates (38.2%), the underlying assumption is that households in middle- and higher-income categories will continue to seek for health services of their children

## Health insurance and lockdown

Over the past years, the Community Based Health Insurance (CBHI) subscription rate has been maintained above 70 percent despite some variation per year. The available data show that for 2018/19, the subscription rate was 78.5 percent, slightly down from 83.3 percent in 2017/18. However, health insurance increases up to 90 percent if other private and publicly supported health insurances are included.

Figure 77: Health insurance subscription



Source: Social Protection Joint Sector Reviews (JSR) MINECOFIN

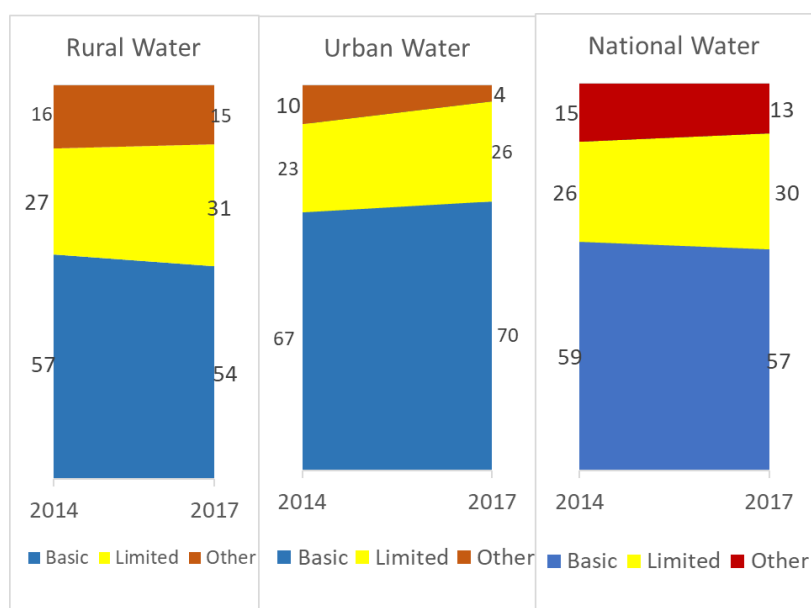
As the lockdown affects directly the source of households' income and opportunities for people engaged in micro, small and medium-sized businesses and living from daily wages, which often operates under informal sector, the population will be constrained to undertake timely payment of insurance premiums when the new fiscal year starts (July 2020) and many people will lose their jobs and hence fall out of the formal insurance schemes. With the income shock likely to significantly impact most households, the subscription to health insurance will be affected for at least the first half (July-December) of 2020/2021 while the formal health insurance will decline in the medium term.

## Access to Water and Sanitation services

Water and Sanitation are among the critical services which, in principle, continue to be availed. Rwanda has achieved MDGs level of Water and Sanitation, with increased access to water and sanitation both in rural and urban areas. However, the COVID-19 and its effect on the economic situation as well as on the public finance, pose a serious risk to the Government of Rwanda's efforts for the achievement of the SDGs targets for Water and Sanitation, which include, as opposed to the MDG's, ambitious targets not only on access but on the quality of water and sanitation services. Figure 80 shows the latest state of access to basic, limited, and no water services and sanitation.

## Coverage of basic drinking water services in rural areas is significantly lower than urban areas

Figure 78: Trend of drinking water services



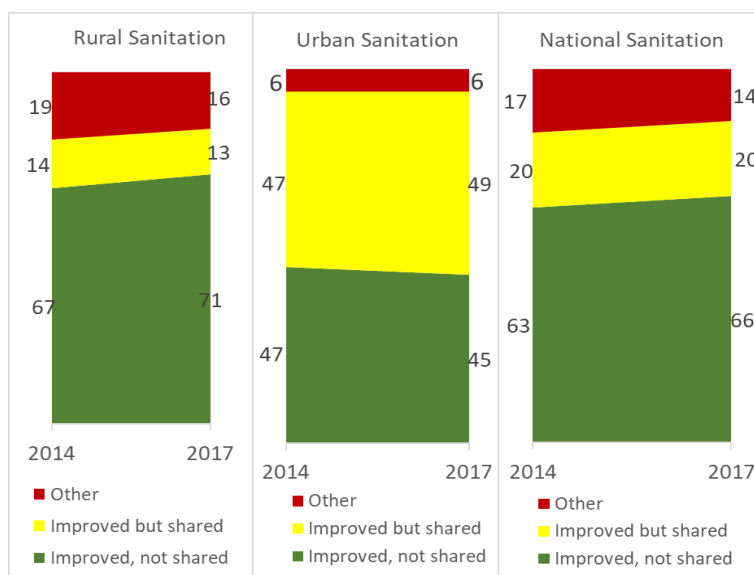
Source: NISR - EICV4 and 5

While access to *limited* water services (improved water sources) marginally increased from 85 percent to 87 percent between 2013/14 and 2016/17, *basic* water services (improved water source within 30 minutes collection time) declined marginally from 59 percent to 57 percent. This trend demonstrates that, despite significant investment (FRW 35.4 billion annual), progress in coverage is barely keeping up with population growth. Coverage of *basic* drinking water services in rural areas reduced from 57 percent in 2013/14 to 54 percent in 2016/17, while coverage in urban areas increased from 67 percent to 70 percent during the same period. The *limited coverage* of water services in rural areas (85 percent) is 11 percentage points lower than in urban areas (96 percent) (Figure 80).

### Overall, sanitation is improving slowly

Households using *limited* sanitation services (improved sanitation facilities which are shared between two or more households) marginally increased nationally by 3 percent, from 83 percent to 86 percent. *Basic* sanitation services (improved facilities, not shared) – also increased by 3 percent from 63 percent to 66 percent nationally. Between 2013/14 and 2016/17, there was an increase in coverage of both *limited* and *basic* sanitation in rural areas, from 81 percent to 84 percent, and from 67 percent to 71 percent respectively. However, the coverage of *basic* sanitation services in urban areas declined from 47 percent to 45 percent, while the coverage of *limited* sanitation services remained constant at 94 percent (Figure 81)

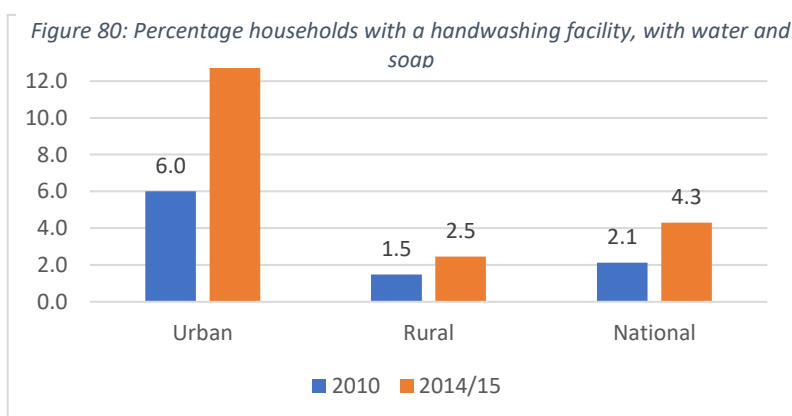
Figure 79: Trend of sanitation services



Source: NISR - EICV 4 and 5 reports

### Handwashing with soap in Rwanda is still low

The latest data (2014/15) show that only 4.3 percent of households have an observed handwashing facility with soap and water. While urban coverage (13 percent) is higher, the coverage remains low (Figure 82). Handwashing with soap in Rwanda remains a challenge for both the government and communities and will require further investment in the coming years. In November 2019, the Ministry of Health launched the National Handwashing Sub-Strategy, aiming to foster a culture in which 100% of all people in Rwanda practice handwashing at critical moments by 2024, which is costed at FRW 12 billion.



Source: 1Rwanda Demographic and Health Survey, 2014/15



During the economic lockdown, low-income households will be constrained to afford the cost of water (either water at their premises and in public taps), soaps, and other sanitation tools.

- In rural areas, water systems are privately managed, and private operators will be experiencing significant revenue fall, which will further affect service continuity and, in the worst-case scenario, could result in a unilateral water price increase.
- Functional water and sanitation maintenance is also constrained as technical people, and spare parts are not freely moving, and hardware stores are closed.
- The imports of essential products for Water and Sanitation will also experience a supply chain shock not only at the country level but also at the international global market, which will contribute to the price increases.

When we estimate the likely short-term effects on household water affordability, basing on increasing poverty levels, we found out that households will offset safe water, usually accessed at some cost to unsafe water to be freely accessed from different unprotected water sources. The data<sup>39</sup> show that more than half (65.3%) of the population living below the national poverty line, spend very little on water, and not adequately ensure minimum level required quantity of water for hygiene and other water use. With increasing poverty level from 38.2 percent to around 43 percent as a result of lockdown, access to safe water will worsen among low-income households, and the effect will extend to those who were under the non-poor category but insecure.

Households are requested to wash hands several times a day to maintain a high level of sanitation and hygiene as one of the measures of containing COVID-19 spread. However, the increasingly limited access to water and soap as a result of declining income and other economic opportunities, the effectiveness of proper handwashing at household levels is uncertain.

### Access to Education services

The education sector, across the world, felt most of the COVID-19 effect with most of the Governments shutting the schools to avoid the spread of the virus. Some evidence confirms that closing schools significantly reduce the virus spread at a very high rate ranging between 29 percent to 37 percent<sup>40</sup> (Matt, 2020 and Kawano<sup>41</sup> & Kakehashi, 2015). In Rwanda, since mid-March 2020, all schools are temporally closed. Before the school lockdown, Rwanda has achieved universal primary education and has been realizing a significant improvement in ensuring access to pre-primary education. With reference to the latest statistics (MINEDUC and NISR, 2019), (i) net enrolment in pre-primary education was 20.8 percent, and the Government of Rwanda aims to reach 45 percent of net enrolment rates by 2024; (ii) The primary school gross enrolment was 137.5 percent, and net enrolment was 98.3 percent, (iii), the transition rate from primary level to the second level of education was 71.6 percent. Besides, the education sector capacity (human, financial, infrastructure) has recently increased.

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<sup>39</sup> Computation was based on EICV 5 poverty profile data, and on average, those under poverty line spend 6609 to safe water. We estimated that households that spent below the average household expenditure on water, do not have access to minimum acceptable quantity of water per households to ensure adequate sanitation and hygiene.

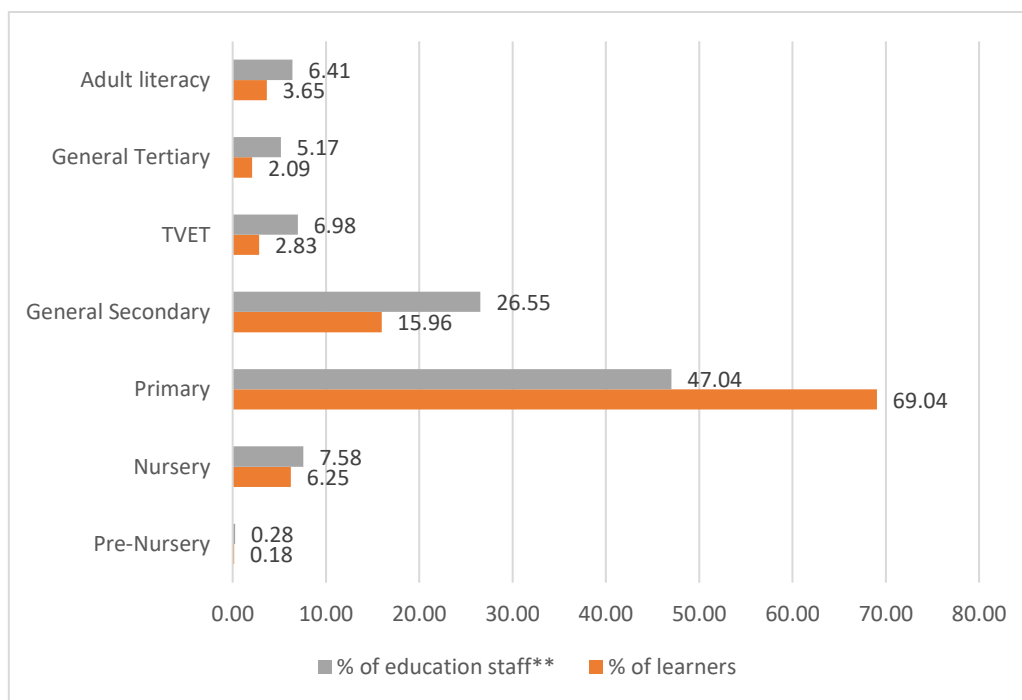
<sup>40</sup> <https://chalkbeat.org/posts/us/2020/03/09/coronavirus-school-closures-research/>

<sup>41</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4682869/>

However, the lockdown measures are severely affecting the education sectors in several ways. We estimate that:

- 3,626,362 learners of different categories are out of education institutions, and this number represents about 30 percent of total Rwandan population (MINEDUC, 2019),
- 94,699 teaching and administrative staff in education centres and institutions are temporarily out of work until September 2020.

Figure 81: Affected Learners and education staff by levels of education



Source: Analysed data from the Education Statistical yearbook 2019.

\*\* include teachers and non-teaching staff

About three out of four learners out of school (75.5%) are children of pre-primary and primary, and about 16 percent of the student in secondary schools and the children from low-income households and large families are not able to usefully benefit from radio or e-learning platforms established by the Government. (MINEDUC)

While it still is early to predict the outcome of school closure on educational outcomes, the evidence from other studies (UNDG, 2015) suggests that the following adverse effects could occur, when school closure takes longer time:

- Children from poor households who were significantly depending on school feeding programme as core subsistence source are deprived of this service,
- Children will be more involved in supporting income-generating activities for the household, such as in farming and other household productive works,
- Reduction in school attendance and drop-out as the school reopening time may take longer,
- Increased learning time may result in losing out on education and fatigue.

Furthermore, after the lockdown period, some parents may not directly bring their young children back to ECD centers (out of fear) or because of financial constraints in the aftermath of COVID, thus reverse the positive increase of ECD services that Rwanda observed over the past years.

The Government of Rwanda, through the Rwanda Education Board (REB), is highly recognized for strengthening the e-learning and radio/TV supported approaches. These efforts will increase the availability of learning opportunities among Rwandan children assisted by their caregivers. However, the challenges remain;

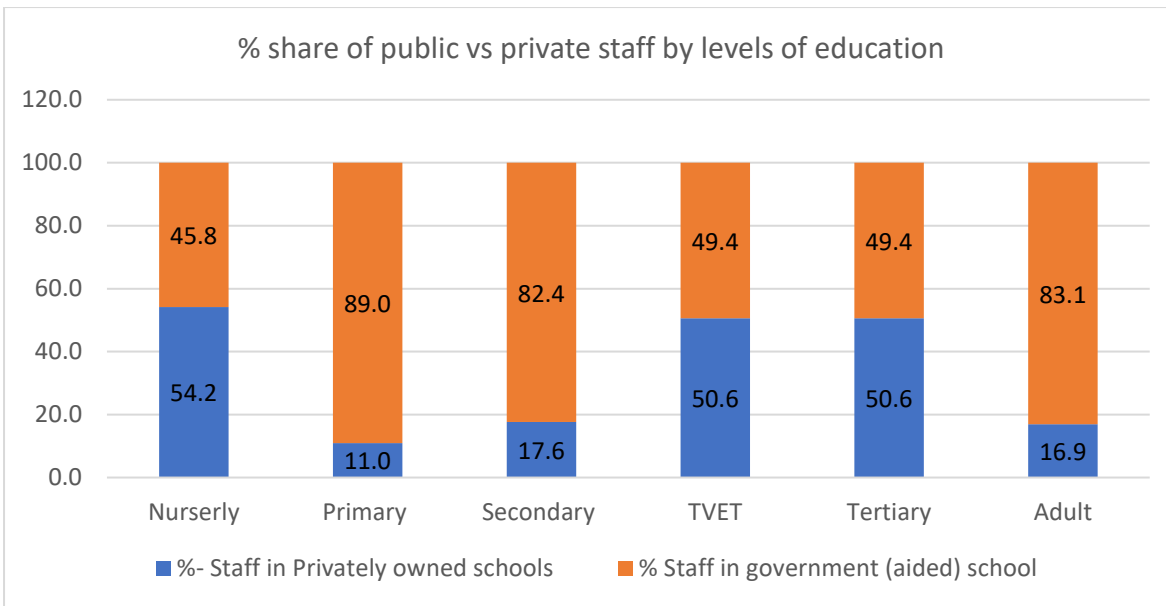
- Most households are not conversant with the teaching and learning approach to ensure adequate support to their children at home
- Households with many children find it difficult to use the e-learning platforms at home, given the limited instruments and equipment
- Assessment of the progress and feedback is also a challenge for online provided learning to the children

While the government-owned and government-subsidized schools' staff will continue to be paid their salaries and other entitlements during the lockdown period, the staff (teach and non-teaching employees) of privately-owned schools are at risk of being temporarily laid off. Using the available data (MINEDUC 2019), we estimate that about 21,640 or 21.5 percent of staff (teachers and non-teaching staff) at different levels of education were employed in private schools and are at risk of unemployment as the private school will not be able to sustain the monthly payments. During a meeting with them, banks raised the issue of private schools not being able to pay their loans back. This could negatively impact their ability to provide services when schools reopen unless specific measures are taken.

Caregivers and teaching staff in Early Childhood Development Centers (ECDs) depend on their salaries on parents' therefore, during the lockdown period, they do not receive the payments. This add to other casual workers from public schools such as cleaners, genitor, etc. who work under short term contracts or those depending on daily wages are losing their income.

The government of Rwanda will need to improve education sector infrastructure and water connection during the school closure period in order to prepare for safe re-opening. The Rwanda Education Board will need to explore innovative mechanisms of ensuring productive and efficient home environments to encourage home-learning among children from low income households and those located in remote areas. Figure 84 shows the share of private and public-school teachers by their categories.

Figure 82: Percentage share of education sector staff in public and privately-owned education institutions

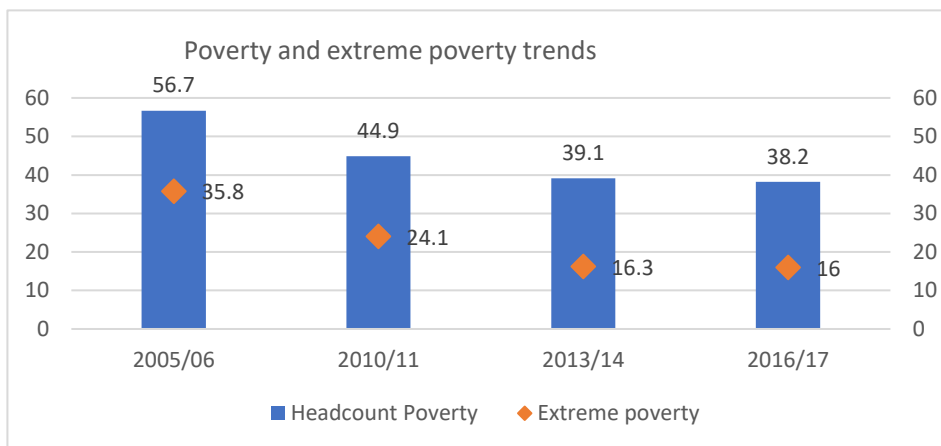


Source: MINEDUC Data - 2019 Analysed

## Social protection Services

Over the past decade, Rwanda's economy registered stronger and more inclusive economic growth, which resulted in a reduction in poverty levels. The latest statistics indicate that between 2005/06 and 2016/17, the population living below the poverty line declined from 56.7 percent to 38.2 percent, while those living in extreme poverty reduced by more than a half from 35.8 percent to 16 percent (Figure 85). Income inequality, as measured by the GINI Coefficient,<sup>42</sup> has also gradually reduced from 0.552 in 2005/16 to 0.449 in 2016/17.

Figure 83: Poverty and extreme poverty trends in percentage

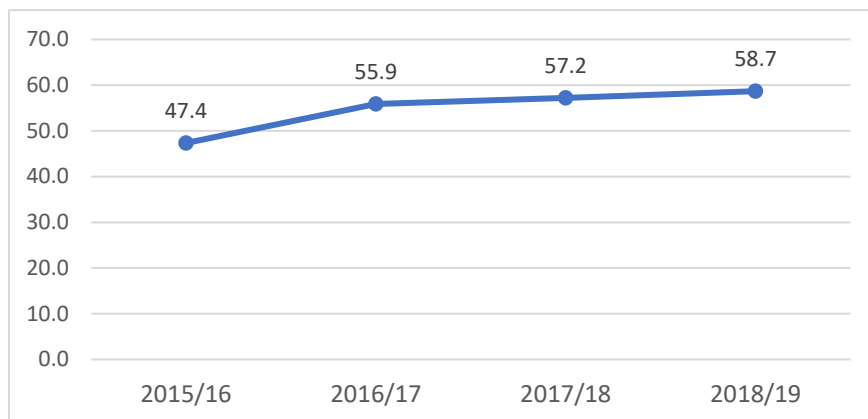


Source: EICVs report - NISR

<sup>42</sup> [http://www.fao.org/docs/up/easypol/329/gini\\_index\\_040en.pdf](http://www.fao.org/docs/up/easypol/329/gini_index_040en.pdf)

The African Development Bank economic outlook report (2019)<sup>43</sup> indicated that Rwanda is among the few (8) countries in Africa, which have achieved, pro-poor and inclusive growth. It is believed that the performance is not due only to macroeconomic stability but also to increased focus and effort to strengthen and scale-up of the social protection programmes or services. The administrative data indicate that the eligible population covered by core social protection schemes increased to 58.7 percent in 2018/19 up from 57.2 percent in 2017/18 (Figure 86).

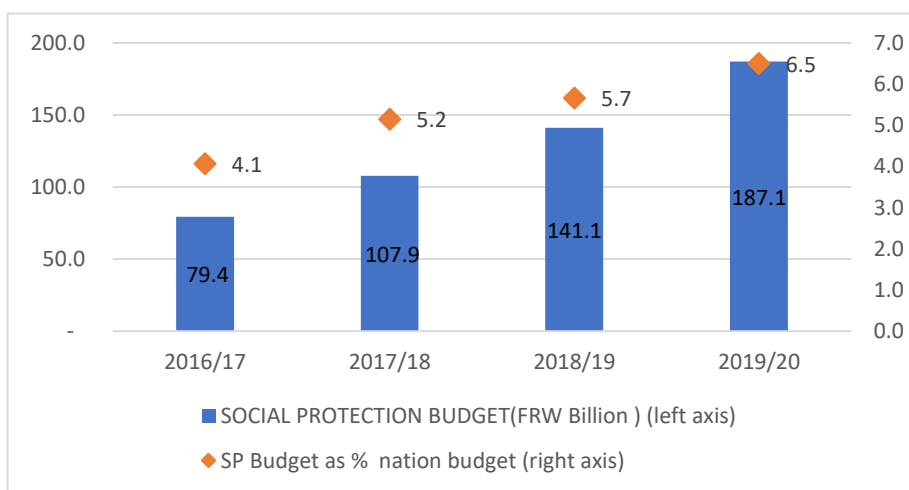
Figure 84: Population covered by core social protection schemes



Source: Calculations based on SP JSR Reports and IMIHIGO data

To ensure that citizens are socially protected from different shocks and vulnerabilities, and their graduation from poverty is accelerated, the Government of Rwanda has put in place robust social protection policies and strategies. The overarching guiding framework for social protection is clearly outlined in the National Strategy for Transformation (NST1) under the second Pillar of "Social Transformation," and further reflected within the National Social Protection Policy and Sector Strategy (2018-2024). The development strategies are guiding the public efforts and investment in strengthening social sectors and ensuring the acceleration of graduation from poverty.

Figure 85: Social protection budget and percentage share to national budget



Source: State finance laws

<sup>43</sup> <https://www.afdb.org/en/documents/african-economic-outlook-2020>

The public investment allocations to the social protection sector have steadily increased over the past years. In 2019/20, the Government of Rwanda allocated FRW 187.1 billion to the Social Protection sector<sup>ii</sup>. This reflects a 33 percent increase from FRW 141 Billion in 2018/19 to FRW 187.1 billion in 2019/20. (Figure 87). Social protection budget as a share of the national budget increased from 4.1 percent in 2016/17 and to 6.5 percent in the 2019/20 budget.

Under the lockdown measures, the major social safety net programmes and livelihood enhancement programmes of VUP, such as financial services, asset grants, and other measures, are also put on hold as they involve people's mobility. It is important to note that the social protection schemes under VUP take about 40 percent of total government expenditure for social protection and employ mainly rural households in Ubudehe category one and category two. Longer-term lockdown of VUP programmes has a severe effect on households' wellbeing, which were solely dependent on wages, and the options for income adjustment are very limited. Taking a reference to the latest available data (2019/20) on different beneficiaries of VUPs, the following are the beneficiaries by categories

Table 37: Beneficiaries of VUPs

Programs	Beneficiaries in 2019/2020
Classic Public Works (CPW)	157,852 HHS
Expanded Public Works (EPW)	40,454 HHs
Direct Support (including expanded direct support for People living with severe disability)	116,240 HHs
Nutrition Sensitive Direct Support (NSDS)	30,000 individuals
Financial Services (FS)	39,971 individuals
Assets grants (productive assets)	5,044 HHs

Household poverty levels measure in monetary terms, offer important insights into the level of resilience that exists when households are faced with shocks. UNICEF (2020)<sup>44</sup> reports that low-income households do not have enough savings to cope with income shocks. Therefore, the coping strategy of low-income households is to sell out the accumulated assets, livestock, and other things that have values or borrowing from neighbors for consumption needs as most households under social protection programme barely make saving for medium-term support.

Therefore, in a situation where the lockdown measure is kept for more than two months, and by taking into consideration the fact that VUPs beneficiaries work 70 days per annum, their annual income from VUPs will decline by 24.3 percent.

Social protection assistance is needed more than before during the lockdown, not only to extremely poor households but also among individuals working in the informal sectors or owning small businesses as they are likely to be hard-hit by COVID 19 measures.

<sup>44</sup> UNICEF (March 2020) Responding to the Socioeconomic Impacts of COVID-19: The Role of Social Policy in Saving Lives and Building Resilience in Eastern and Southern Africa, Kenya, Nairobi

## Effect of COVID-19 on Multidimensional Child poverty

The Multidimensional child poverty (also called the Multiple Overlapping Deprivation Analysis, or MODA) acknowledges that children face different types of poverty than adults, based on their specific developmental needs. The MODA analysis, therefore, refers to different levels of deprivation on access to selected social services, which are important for a child to reach its full potential. Those services are clustered under what is called “dimensions.” A child passes through different development stages and has different specific needs per each stage. Therefore, the MODA analysis is tailored to the specific dimensions that are important for children throughout their different developmental phases: for children 0-23 months, 24-59 months, 5-14 years, 15-17 years. The MODA analysis is also tailored to the Rwandan context. The NISR EICV 5 thematic Multidimensional Child Poverty report (2018), emphasizes that MODA puts emphasis on overlapping dimensions and age-appropriate “lifecycle” constructs for children and youth. For children 5-14 years, for example, the MODA evaluates five dimensions (i) health, (ii) water, (iii) sanitation, (iv) education, and (v) housing, with a total of 11 indicators. Deprivation thresholds are set for each indicator, and a child is considered multidimensionally poor if she/he is deprived in at least three dimensions.

Rwanda is a youthful population, with children under the age of 18 representing 44.5 percent of the total population in Rwanda (NISR, 2020), this presents a strong case of understanding why the poverty persists, and how poverty is inter-generationally transmitted beyond the mainstream monetary poverty measures.

To strengthen her human capital base, Rwanda has made significant strides in reducing the multidimensional deprivations among children. Looking at the proportion of children with at least three deprivation, the NISR (2018) reported that the multiple deprivations among children with 5-14 years old have declined from 39.3 percent in 2010/11 to 25.3 percent in 2016/17. There are no clear-cut gender differences (25.4 percent of boys and 25.2 percent of girls are multidimensionally poor). However, only 14 percent of children 5-14 years experience no deprivation, with slight gender differences, with 15.1 percent of girls and 13.1 percent of boys experiencing no deprivation. For the age-group 15-17 years, however, 40.0 percent is multidimensional poor in at least three dimensions. This time with more significant gender difference: 38 percent of girls and 42 percent of boys. The previous MODA report<sup>45</sup> using the EICV 5 combined with the DHS 5 data-set shows that 51 percent of children 0-23 months, 32 percent of children 24-59 months are facing three or more deprivations in reference to their basic needs, to the extent they are considered multi-dimensional poor. The highest deprivation amongst children in Rwanda is the lack of access to improved sanitation both in urban and rural areas. In the 0-23 months age group, a high percentage of children (66%) are deprived in the nutrition dimension, with more than 6 in 10 children failing to meet the requirements for infant and young child feeding practices. An important factor that enhances the prevalence of multi-dimensional child poverty is if a household is female-headed. In addition, the level of education of the head of household has a significant influence on the deprivation levels of a child. The rates of multidimensional poverty are generally higher in rural areas than in urban areas. However, it is important to realize that urban settings are a challenging environment for vulnerable households to address the basic needs of children. Constrained access to social services will undermine the effort made by the government to deter the multidimensional deprivation among children.

The COVID-19 secondary effects have potentially a high impact on the multiple deprivations of children, but specifically through education and ECD, with all education services being put on halt until at least in September 2020, and nutrition for the younger age-groups. Table 38 shows a prediction of the potential severity of COVID-19 secondary effect on the different indicators of the MODA. Out of the 20 projected MODA indicators, 10 (50%) indicators will be highly affected by COVID-19 and lockdown measures, seven

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<sup>45</sup> 2018, NISR and UNICEF, Multidimensional Child Poverty in Rwanda

indicators representing 35% will confront low effects, two indicators will be moderately affected, and only one indicator is considered not applicable for analysis under COVID-19 situation.

Table 38: MAP OF COVID-19 predicted severity of impact on different dimensions of deprivations for children 0-18 years

Dimension	(Indicators) A child is considered deprived in (dimension) if	Current status*	Level of COVID-19 impact
Nutrition	1. Child is not exclusively breastfed (children 0-5 months); and/or	12.9	Low
	2. Child does not meet requirements for meal frequency and diversity (children 6-23 months)	66.2	High
Child protection	3. Child is left alone or left with another child under 10 yrs. for more than one hour during the previous week (children 24-59 months)	42.1	Low
Child Development	4. Child not attending any early childhood learning (34-59 months); and/or	87.2	High
	5. Child has no access to books/ toys (children 24-59 months); and/or	26.7	High
	6. Low parental engagement (children 24-59 months)	19.6	Low
Health	7. Child's birth was not assisted, or only assisted by an unskilled birth attendant (children 0-23 months); and/or	7.9	High
	8. Child has not received all basic vaccinations on time (0-23 months) and/or.	4.6	High
	9. Child did not sleep under a mosquito net (children 0-23 months)	24.8	High
	10. Child is not covered by health insurance; and/or	27.9	High
	11. Child lives in a household where the time needed to go to the health facility is more than 1 hour on foot	47.3	Low
Education	12. Child does not attend school; and/or	6.32	High
	13. Child did not successfully complete primary education (children 15-17 years); and/or	30.5	High
	14. Child cannot read and write a simple letter or note and cannot make a simple calculation (children 15-17 years)	17.4	High
Water	15. Child lives in a household where the main source of drinking water is unimproved; and/or	13.4	Moderate
	16. Child lives in a household where the distance to the nearest water source is more than 500m for rural areas or more than 200m for urban areas	47.3	Low
Sanitation	17. Child lives in a household which uses unimproved toilet facility	13.1	Low
Housing	18. Child lives in household where main lightning source is unimproved; and/or	14.9	Moderate
	19. Child lives in a household where mode of rubbish/garbage disposal is unimproved; and/or	46.6	Low
	20. Child lives in a household affected by floods, mountain slides, destructive rains, or other environmental destruction during the last 12 months.	14.8	N/A

\* The indicated status refers to children 4-15 years, except otherwise indicated

Source: NISR-EICV 5 Thematic Report Multidimensional Child Poverty (2018), and 2018 NISR and UNICEF, Multidimensional Child Poverty in Rwanda



## Policy Options

### **To ensure the continuity and sustainability of health services and access to health services for all, the Government of Rwanda will need to:**

Develop operational guidelines to enable CHWs to continue to provide the service to the community at scale of the services offered to the children,

Make transport affordable by including its coverage in community-based health insurance, reimbursing at health facilities for those in lower socioeconomic strata, subsidizing private transport means directly by the government, or by using government transport means,

Strengthen community and proximity child vaccination programmes to ensure that individuals do not need to travel to health centres or other health facilities,

Provide protectives to CHWs during their operations and ensure adequate capacity of CHWs to cope with COVID-19,

Strengthen monitoring of participation rate of growth monitoring sessions through Ministry of Health Monitoring information System,

Use innovative approaches like provision of HIV drugs for pregnant women and children, including adolescents living with HIV for a period of 6 months (instead of the current norms of 3 months) and expanding self-testing for HIV to other groups, especially adolescents,

Continue investment in strengthening health communication and community sensitization to uphold health-seeking behaviors among parents and young people.

### **To ensure affordable access to health services with large of the population insured under community-based health insurance, the Government should consider:**

Introducing payments of health insurance premiums through instalments and allow access to full health services

Waiving premiums for the Ubudehe category 2 households for the first six months of 2020/2021 and include this money in the COVID-19 response resource mobilisation plan,

Facilitate the households insured households or individuals who were under employment-based health insurance to access CBHI services.

Strengthen awareness campaigns to the general public, to ensure that the health insurance payment is considered among the priority spending list at household level.

### **By ensuring Water and Sanitation services strengthening amid reducing household's income and constrained economic opportunities, the government and other stakeholders should consider the following set of actions:**

Design and expedite measures to facilitate low-income households and those depending on constrained daily wages to access water and sanitation services,

Continue expanding public investments in water and sanitation projects during the lockdown period,

Strengthen the monitoring of water private service operators in rural areas to ensure water service continuity during and after the lockdown period,

Develop and implement an accelerated WASH action plan in schools to contribute to safe school re-opening in September,

Strengthen community awareness on handwashing with water and soap.

Support low-income households to access radio for children to get opportunities to follow radio learning opportunities and other communication campaigns,

Explore and implement a mechanism to ensure the continuity of child feeding practices during the school closure period,

Encourage parents to engage more with children during the lockdown period and increased stimulation of young child to maintain the ECD gains,

Develop a school reopening plan that provides remedial learning, enhanced safety measures, and back-to-school campaigns including ECD to minimize drop-out,

**The Government in collaboration with stakeholders should implement a set of actions to protect extremely poor households from devoting to negative coping mechanisms and prevent those above the extreme poverty line from falling into extreme poverty**

Consider expanding the social protection cash transfer programmes to cover all Ubudehe category 1 and 2 households who are most affected by the crisis,

Ensure different available payments methods that fit with the needs of the situation as well as the abilities of the households,

Fast-track the option of digitized electronic payment to ensure safe and timely cash transfers to beneficiaries

Monitor the prices, to avoid food price uproar which negatively affects the purchasing power of low-income households especially those receiving fixed income support

Design safe mechanisms for public works and expanded public work continuity, both in rural and urban areas, to lessen the number in need of emergency support.

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<sup>i</sup> Rwanda Health Sector Strategic Plan (HSSP IV)2018-2024

<sup>ii</sup> This refers to general social protection as classified in Budget Law Annex VIII and includes the following budget lines: sickness and disability, genocide survivors, family and children, unemployment, social protection not classified elsewhere. It excludes nutrition in the health and agriculture sectors to avoid duplication in the total budget.