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

Dissemination Of Preliminary Findings On Business Survey

IDRC | CRDI

Institute of Policy Analysis and Research - Rwanda

OUTLINE

INTRODUCTION TO THE PROJECT

METHODOLOGY

RESEARCH OBJECTIVES

IMPACT OF COVID-19 ON BUSINESSES

SUPPORT TO BUSINESSES

KEY FINDINGS

DISCUSSION QUESTIONS AND NEXT STEPS FOR SURVEY

INTRODUCTION TO THIS RESEARCH PROGRAMME

- ◊ Operating for 2 years
- ◊ Focused on the economic impact of Covid-19
- ◊ Initial business survey, with further rounds to come
- ◊ The survey covered: The impact of Covid-19 [focused on changes between February 2021 and February 2020], Responses to the shock and Support received
- ◊ Also doing a household survey
- ◊ Will have detailed policy briefs alongside, for example e-Commerce which is being presented in this event

Key partners

KIVU INTERNATIONAL

1495 UNIVERSITY OF ABERDEEN

OBJECTIVES

Objective of the study

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

Specific objectives are to:

◊ To provide up-to-date and relevant information to policy makers on the impact of Covid-19 on businesses and vulnerable households.

◊ Grounded in this evidence to also generate and propose policy solutions to the challenges faced by businesses and vulnerable households.

◊ To provide information and policy advice that is highly responsive to the changing context and demands of the Rwandan Government.

METHODOLOGY

Documents review

◊ MINECOFIN Reports

◊ World Bank Reports

◊ IFPRI Reports

◊ Other Government Reports

◊ Policy and academic papers,...

Quantitative survey

◊ **1545 businesses** from:

◊ **3 business sectors**: Agriculture, Industry, and Service.

◊ **5 Provinces** (Kigali City, East, West, North & South)

◊ **6 Secondary City Districts** (Huye, Muhanga, Musanze, Rubavu, Rusizi, Nyagatare)

◊ **3 Districts of Kigali City**(Gasabo, Nyarugenge, Kicukiro)

◊ Sampling was based on the NISR Establishment Census (EC)

◊ Further rounds of the survey will be conducted after xx months

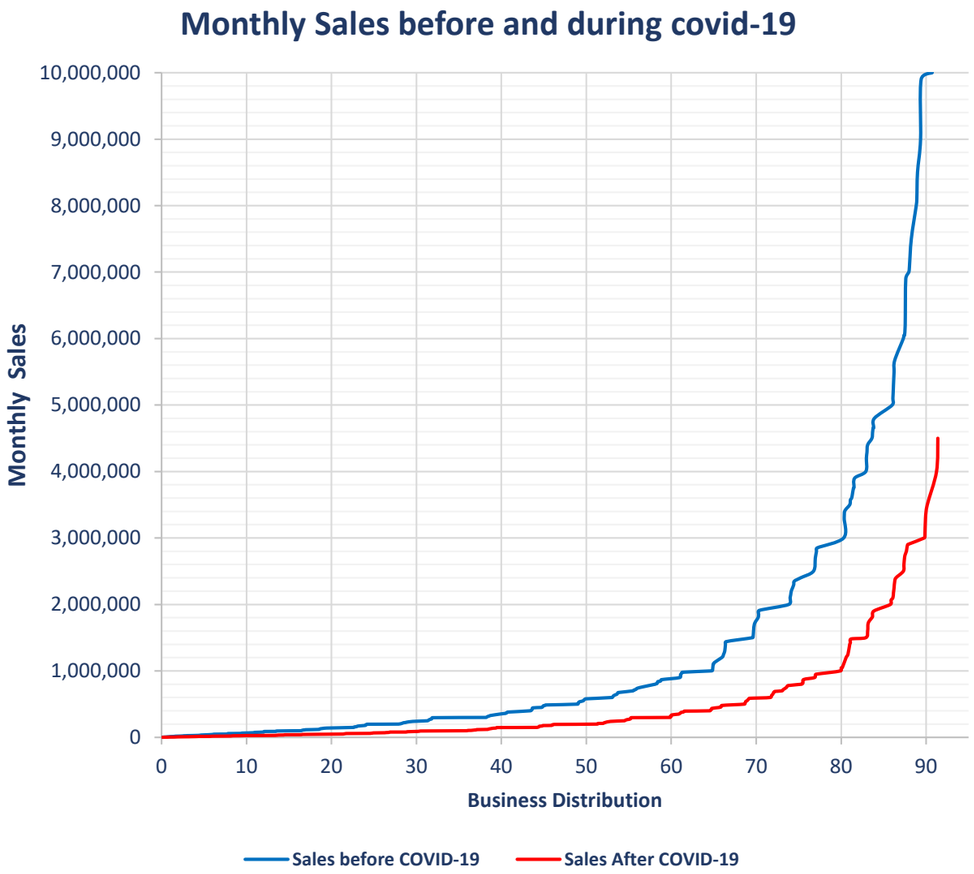
Qualitative survey

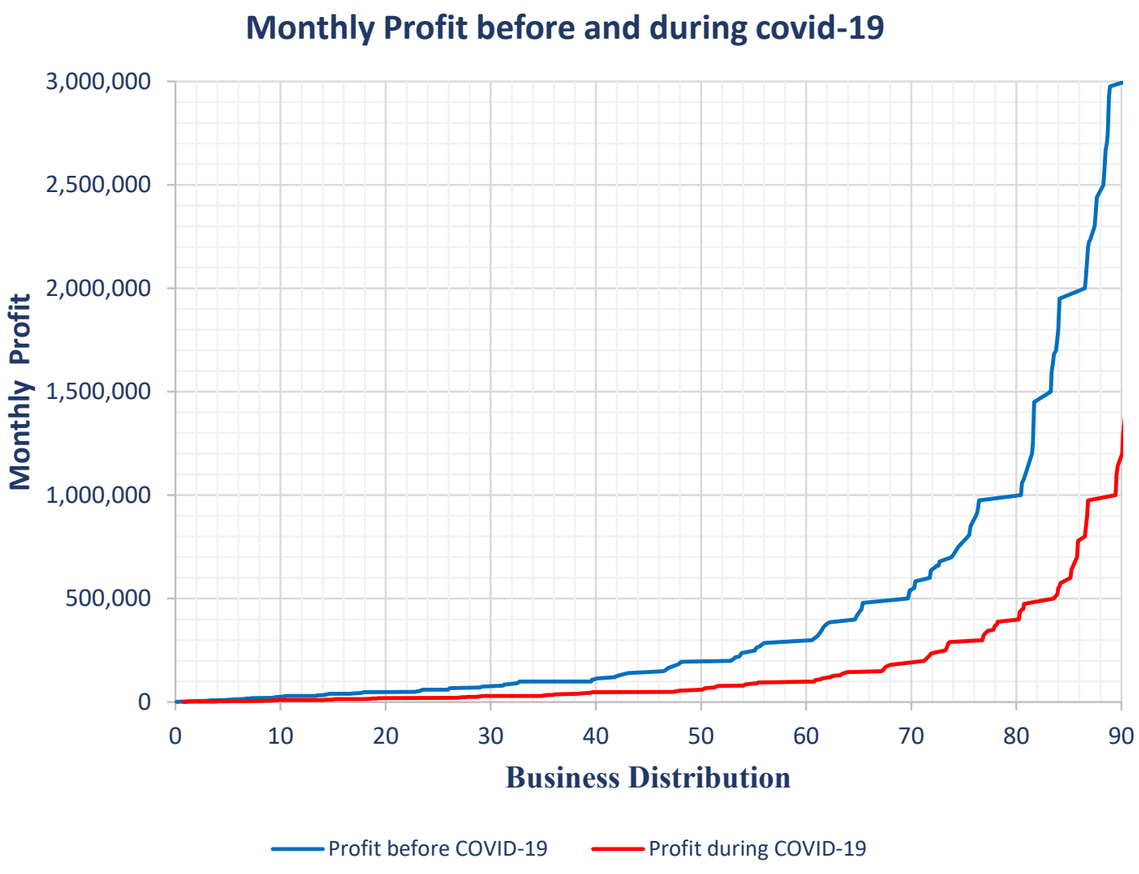
◊ Interviews will be conducted after disseminating these preliminary findings

◊ Interviews will include Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs)

IMPACT OF COVID-19 ON BUSINESSES

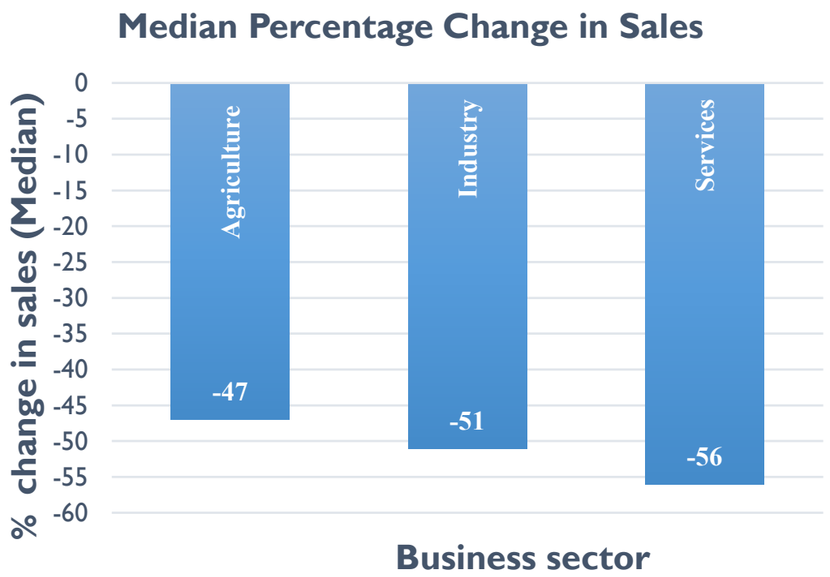
Businesses reported around 50 per cent lower sales and profit in February 2021 compared to February 2020

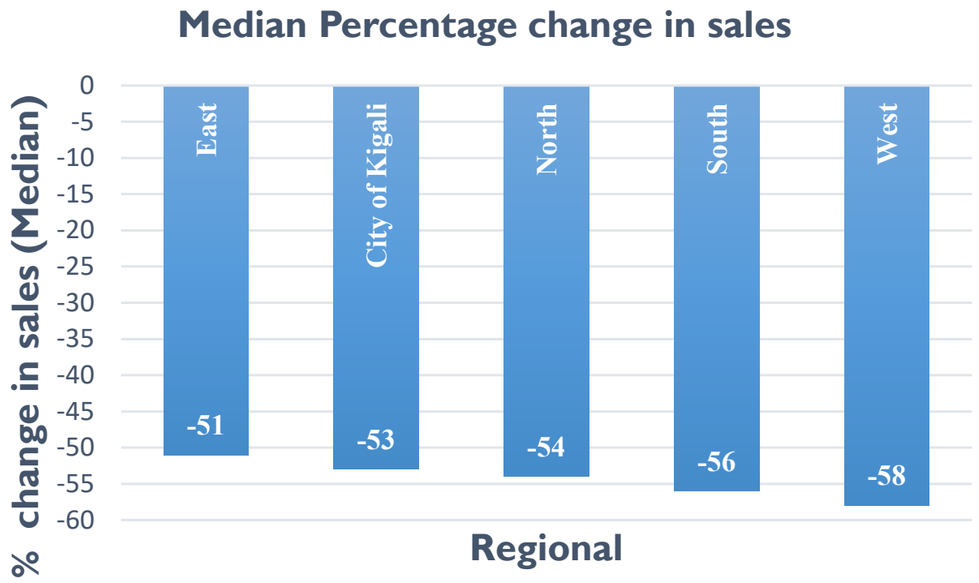


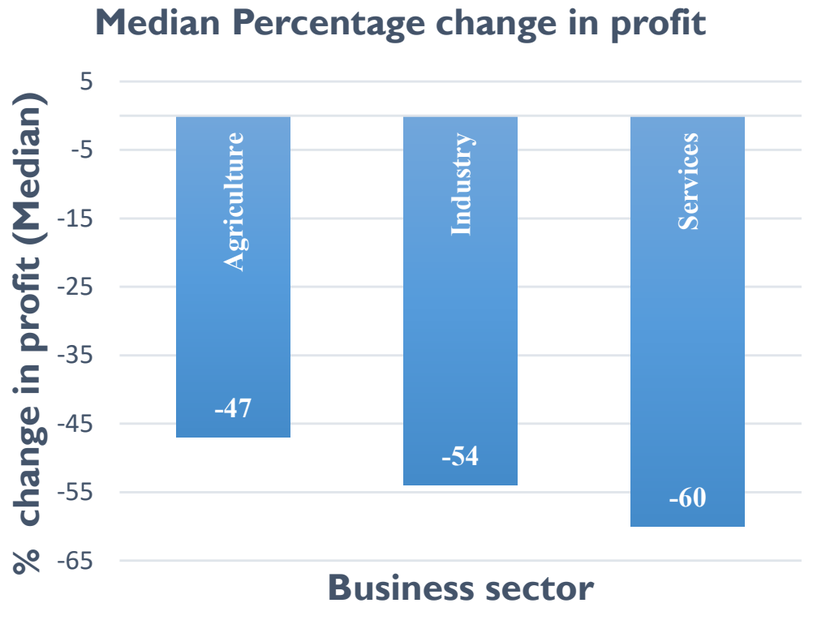


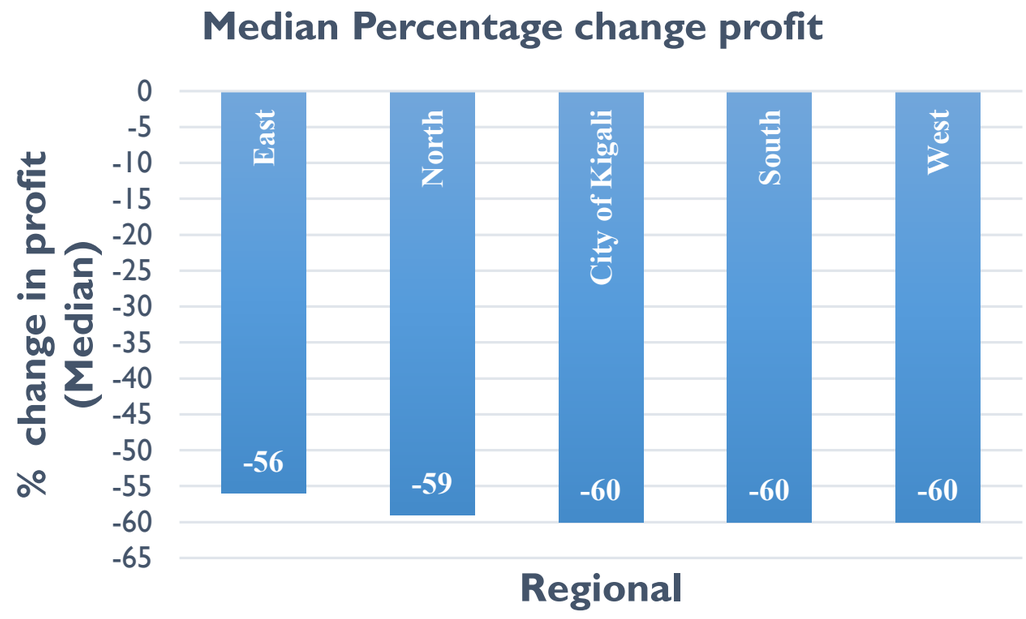
IMPACT OF COVID-19 ON BUSINESSES

Sales and profit fell across all sectors and provinces



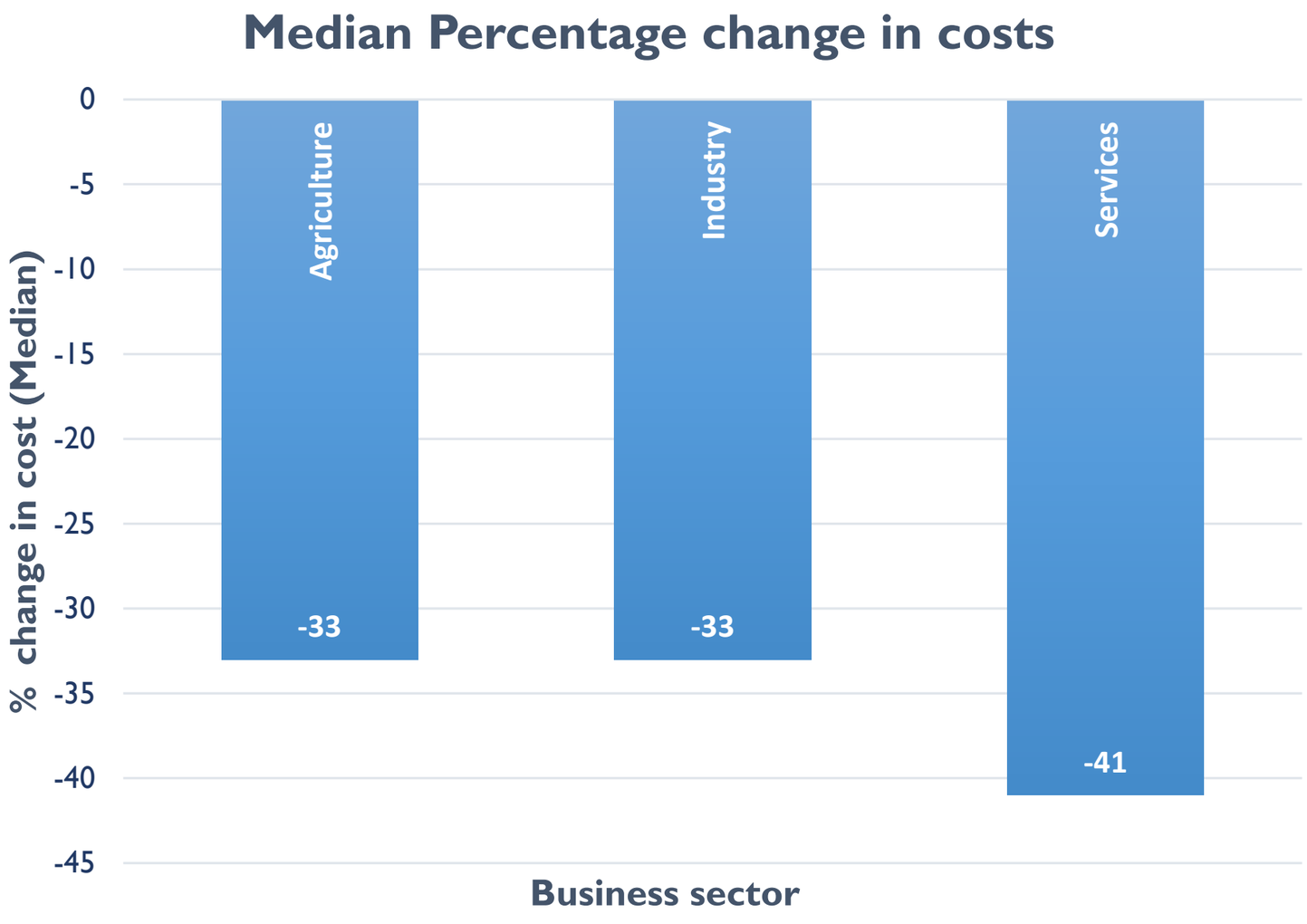






IMPACT OF COVID-19 ON BUSINESSES

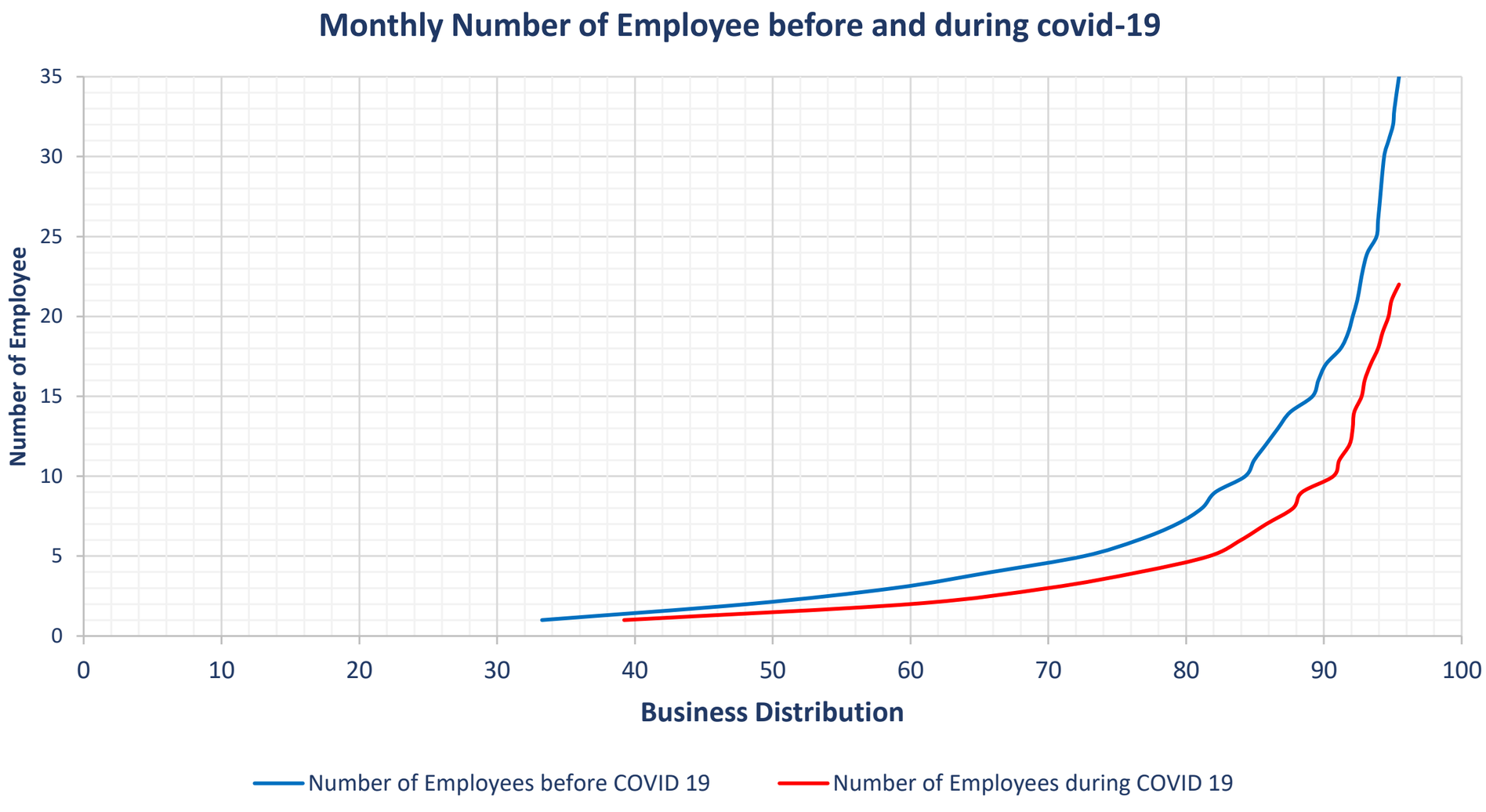
Costs to businesses also fell by 33 for Agriculture and Industry while services felt by 41, indicating businesses were able to adapt quickly to reduced volume of business



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

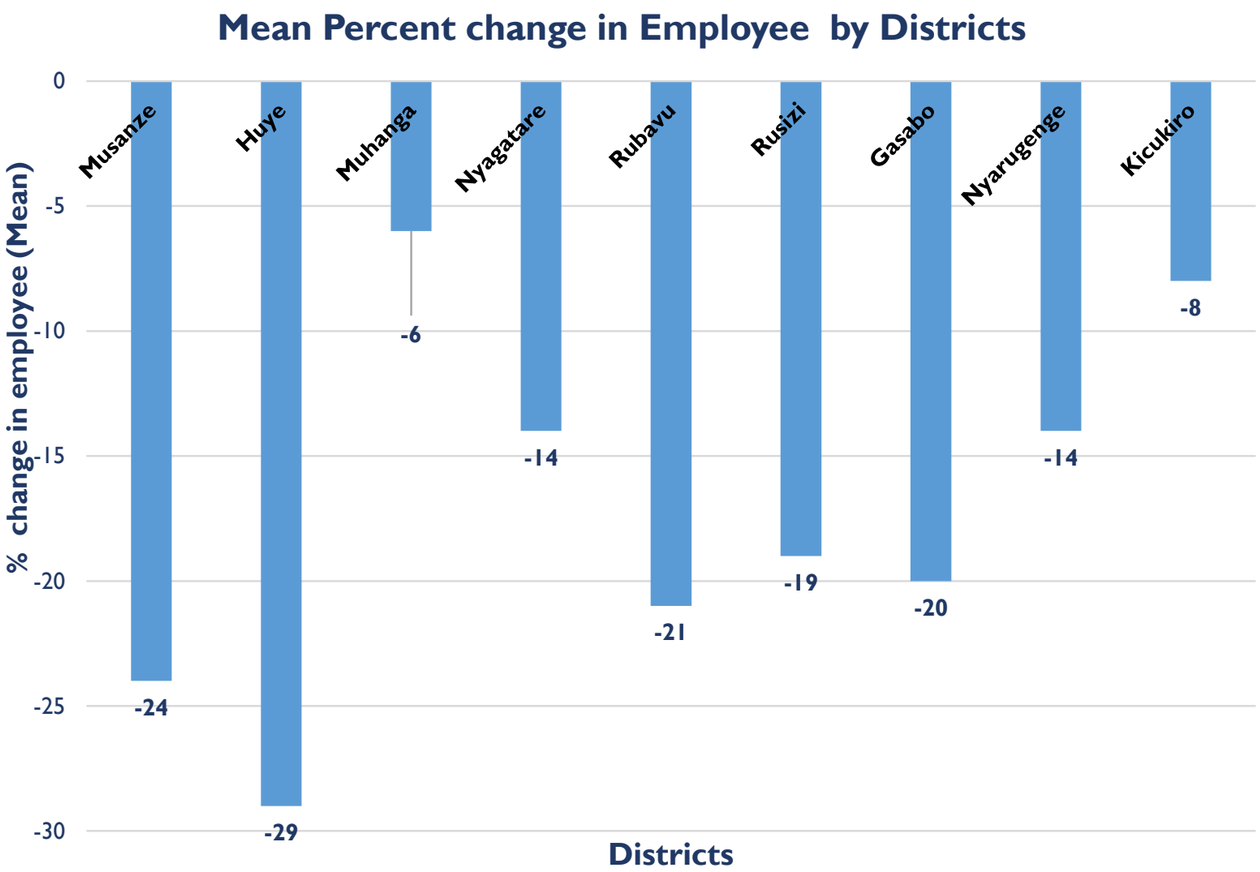
IMPACT OF COVID-19 ON BUSINESSES

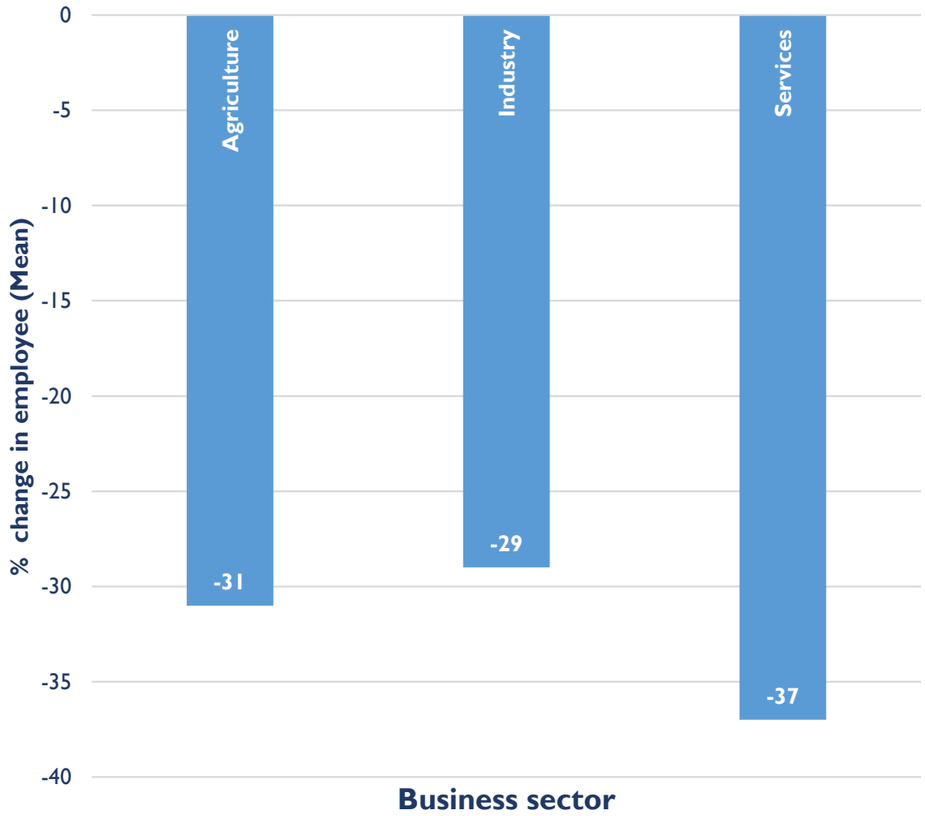
From the graph below we could say that on average businesses tended to reduce the number of employees. For example the 90th percentile reduced from 17 to 10 employees.



IMPACT OF COVID-19 ON BUSINESSES

On average, the reduction in employees was 31, 29 and 37 employees within the agriculture, industry and services sectors respectively. Huye (29) Musanze (24) have more reduction in employees than other districts.





IMPACT OF COVID-19 ON BUSINESSES

These are in line with other studies on the impact of Covid-19 on businesses

◊ Comparing these findings to other evidence, we see that figures are broadly in line with other analysis

» For example **IFPRI reported** the 6-week lockdown in March 2020 was associated with a 39 per cent reduction in GDP. For the Industrial sector this figure was 57 per cent and for Services the fall was 48 per cent.

» **MINECOFIN reported** very high changes in turnover when looking at specific weeks in 2020 compared to 2019. For example the mining sector faced 50 per cent reductions for many weeks

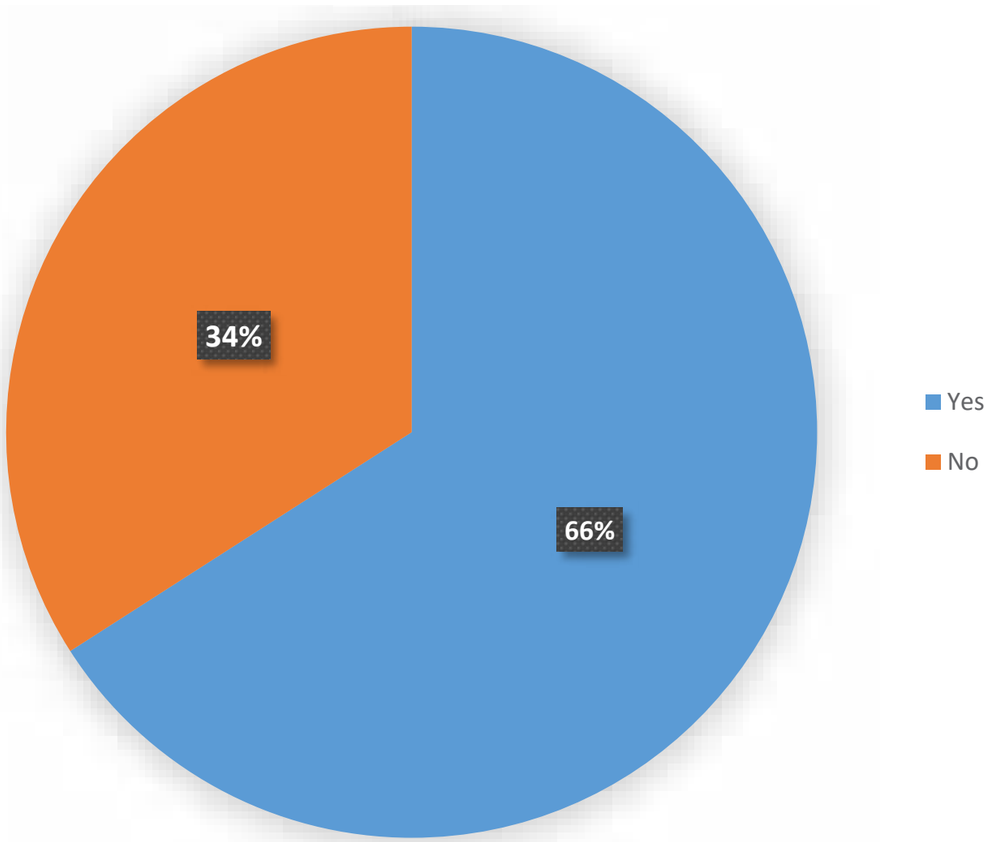
◊ This makes the focus on economic recovery by the Government of Rwanda important and justified

◊ The impact from Covid-19 will be less extreme when looked at over a whole year compared to month to month comparisons. For example the **World Bank** estimated that GDP reductions due to Covid-19 were equivalent to around 8 per cent of annual GDP

◊ Potentially businesses also over-estimated the reductions during Covid-19 when responding to the survey

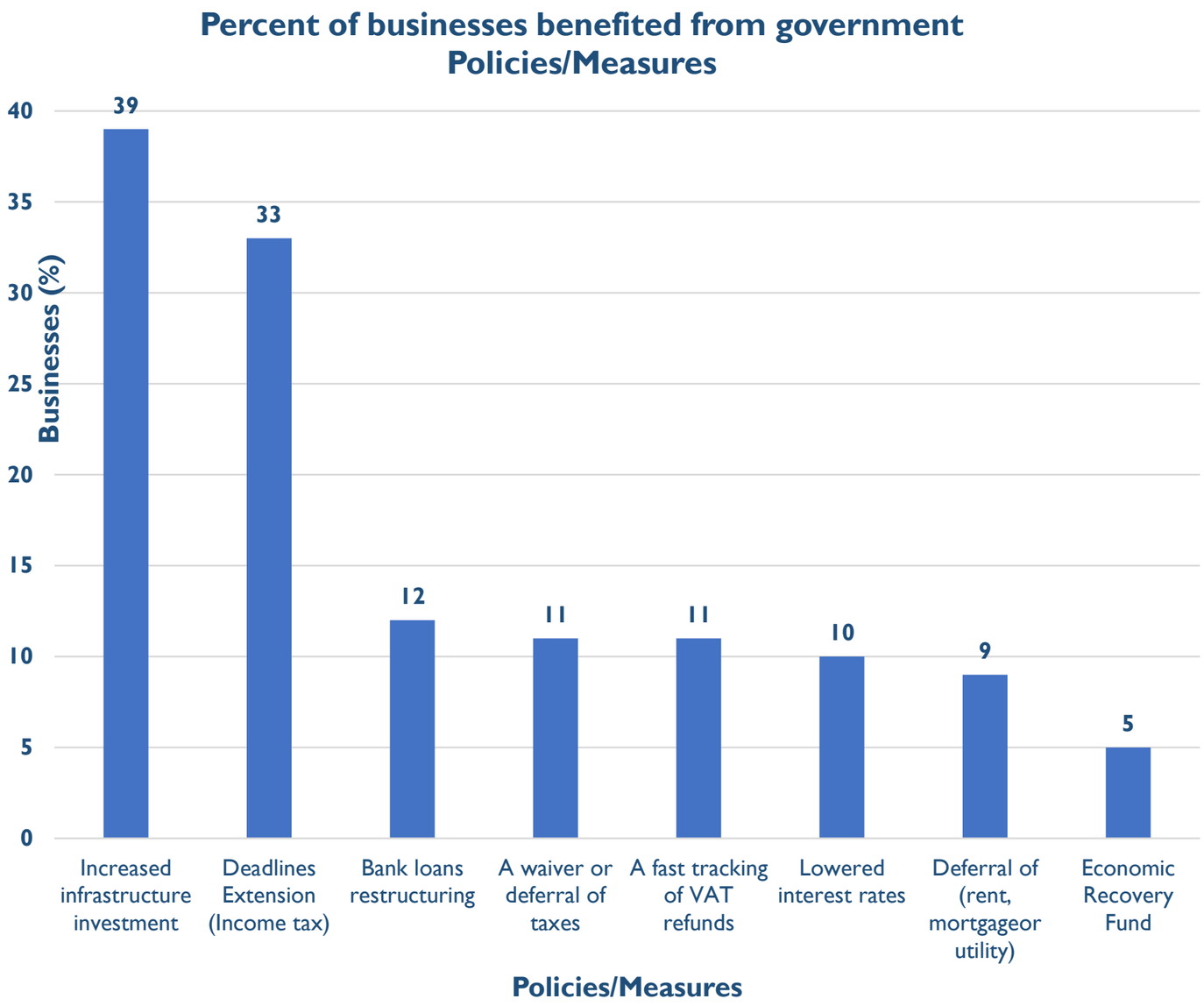
SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Overall 66 per cent of businesses reported receiving national or local government measures issued in response to the Covid-19 crisis. This shows that policy support was effectively distributed to a large part of the economy.



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Businesses benefitted from the various government policies



Businesses benefitted most from the respective policies:

◊ Extended deadlines for completing corporate income tax (33%) .

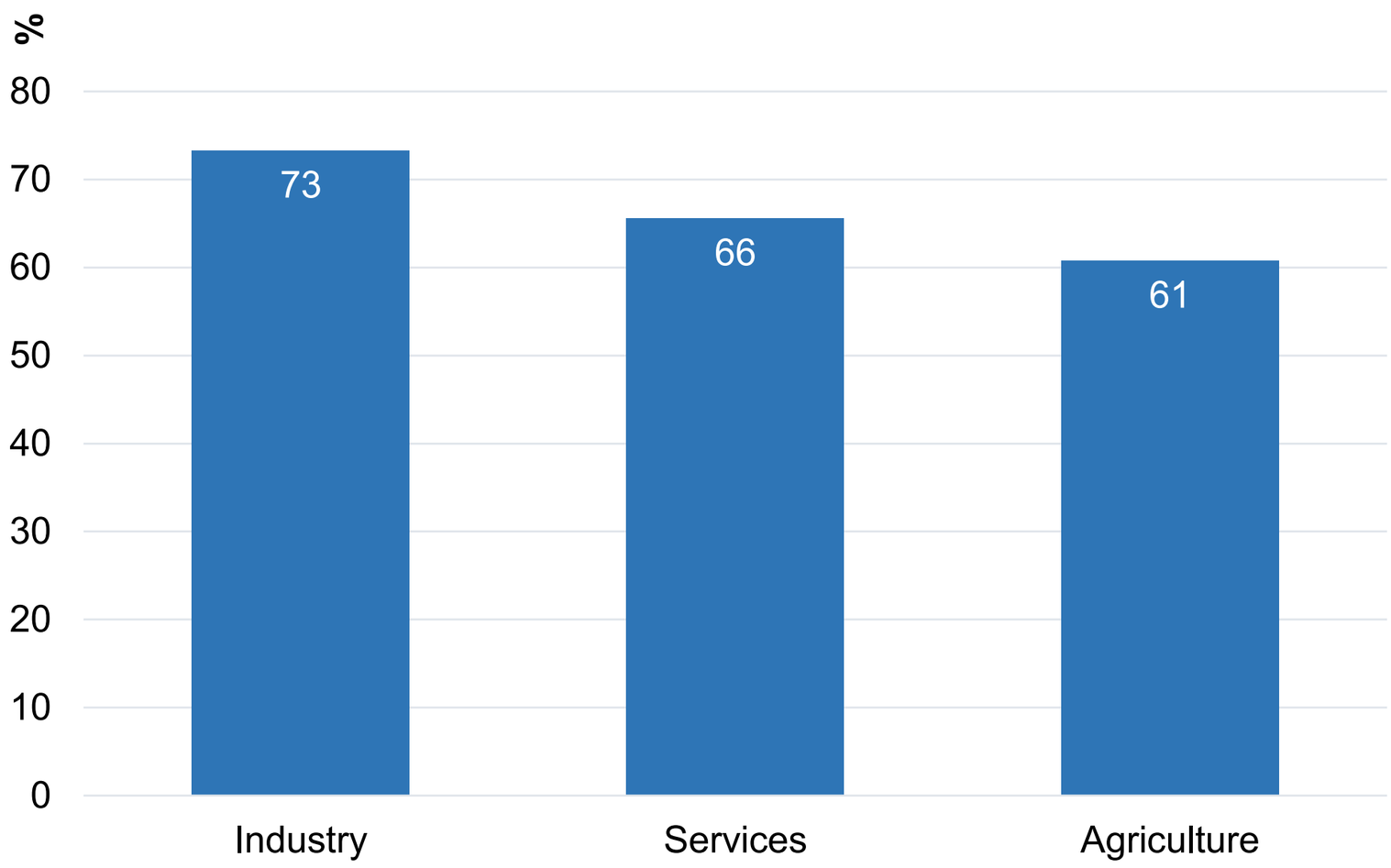
◊ Increased infrastructure investment (39%)

◊ These policies are therefore an effective way to reach a wide group of businesses.

SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

A higher proportion of business in the Industry sector received some measures of policy support when compared to the Services and Agricultural sectors.

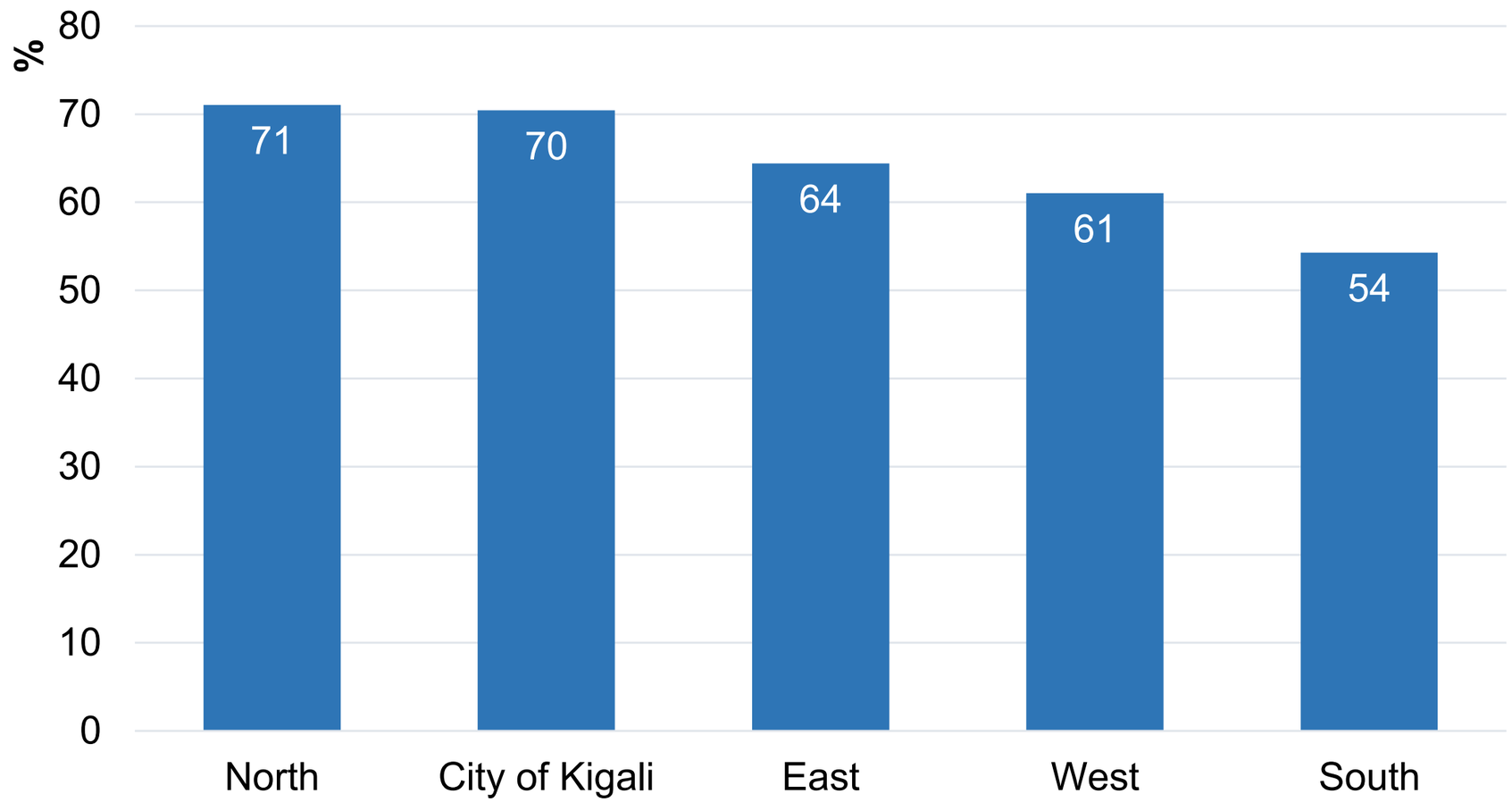
Percentage of businesses that have received any national or local government measure issued in response to the crisis since March 1st 2020



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

The Northern province and Kigali have the highest proportion of businesses that have received support at around 70 per cent. Around 54 per cent of businesses in the Southern province have received support

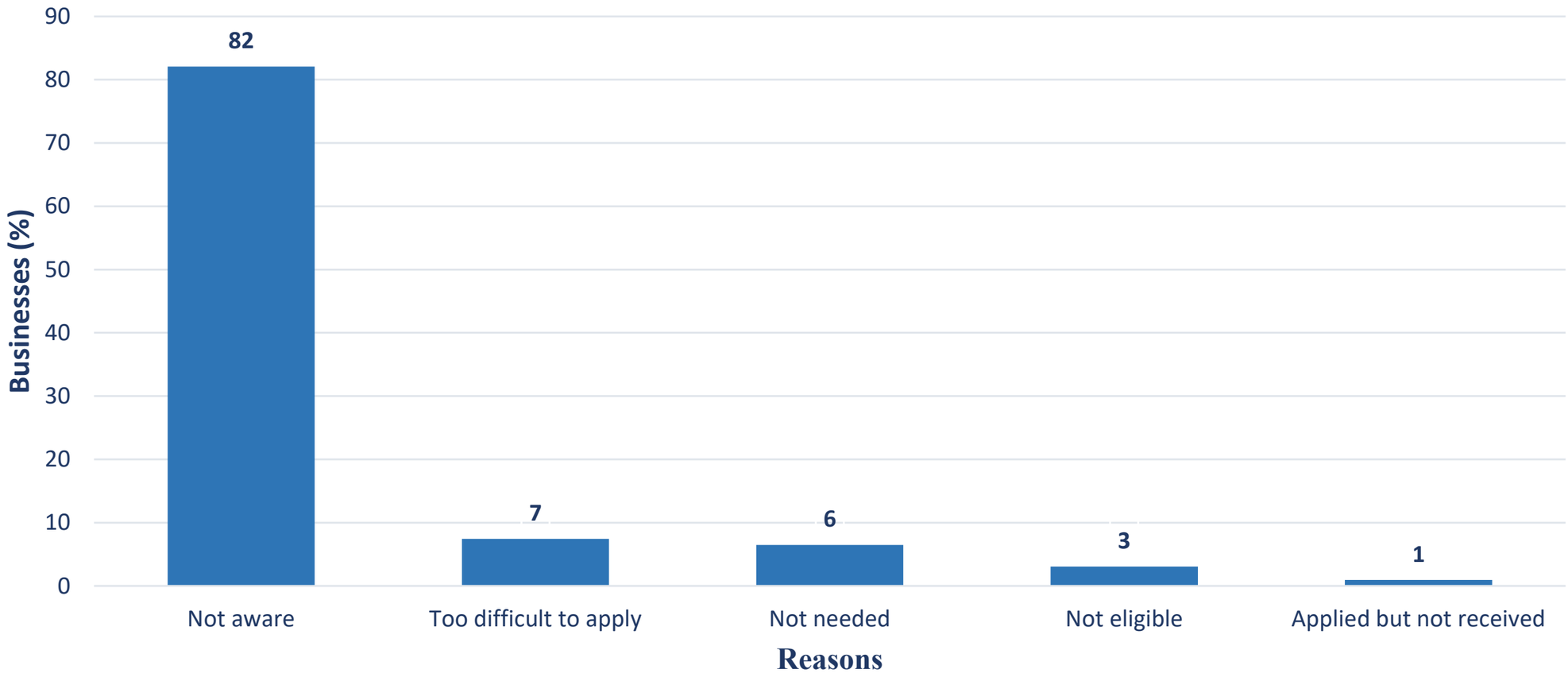
Percentage of businesses that have received any national or local government measure issues in response to the crisis since March 1st 2020



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

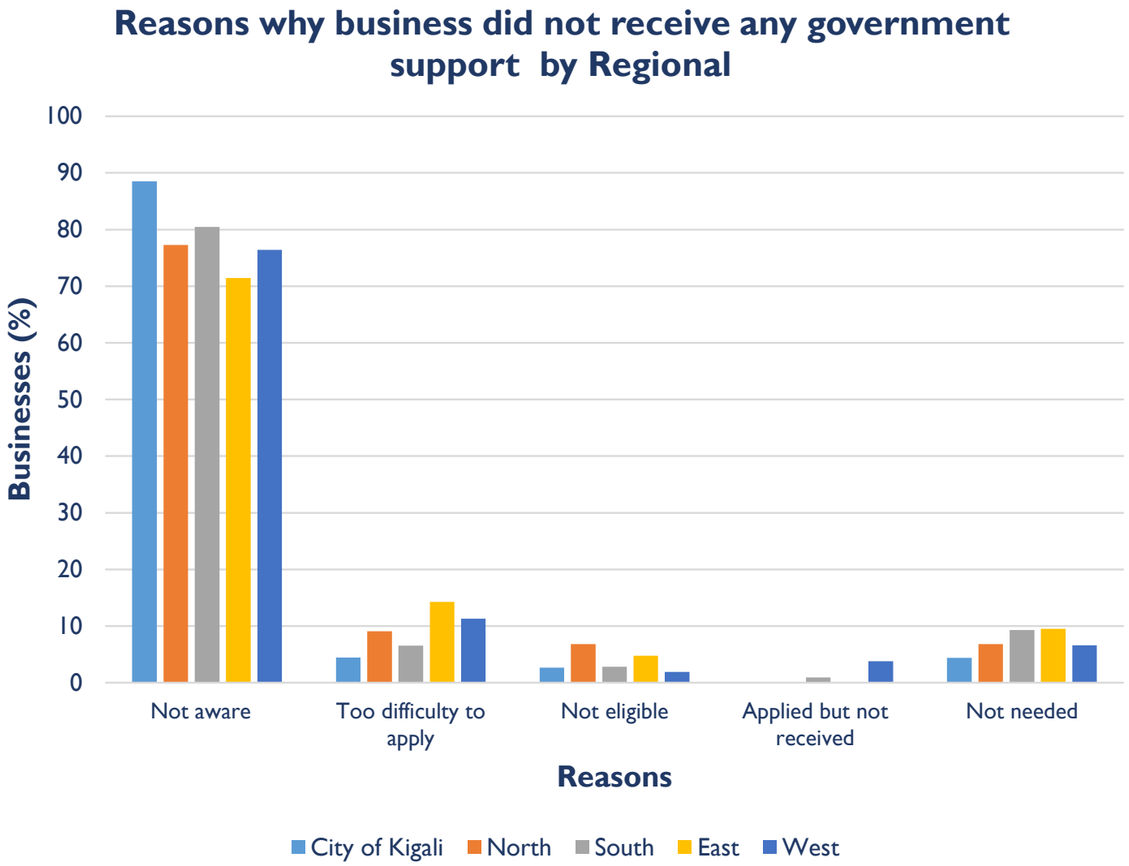
For businesses that did not receive support, the main reason is not being aware. Almost no businesses applied for support but didn't receive it, which shows the mechanisms for distributing support are highly effective. Equally, very few businesses found it too difficult to apply for support, suggesting the application process is efficient.

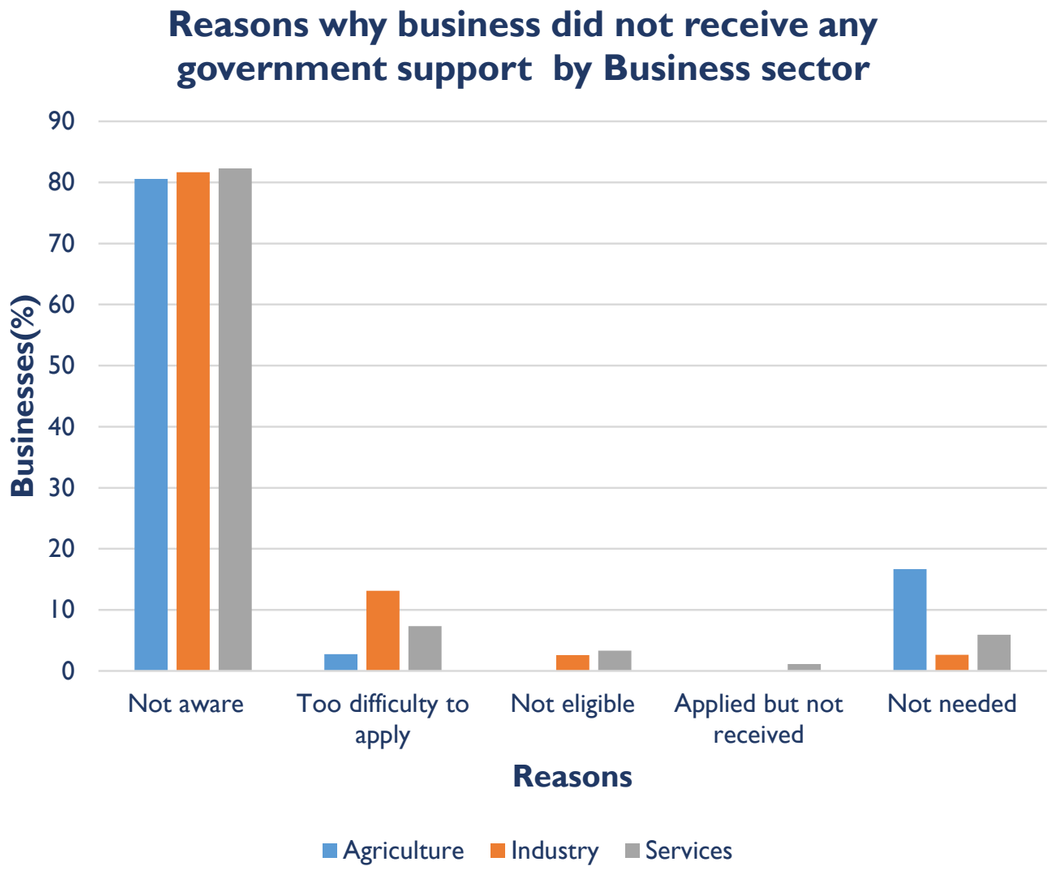
For businesses that have not received support, what was the reason for not receiving support?



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

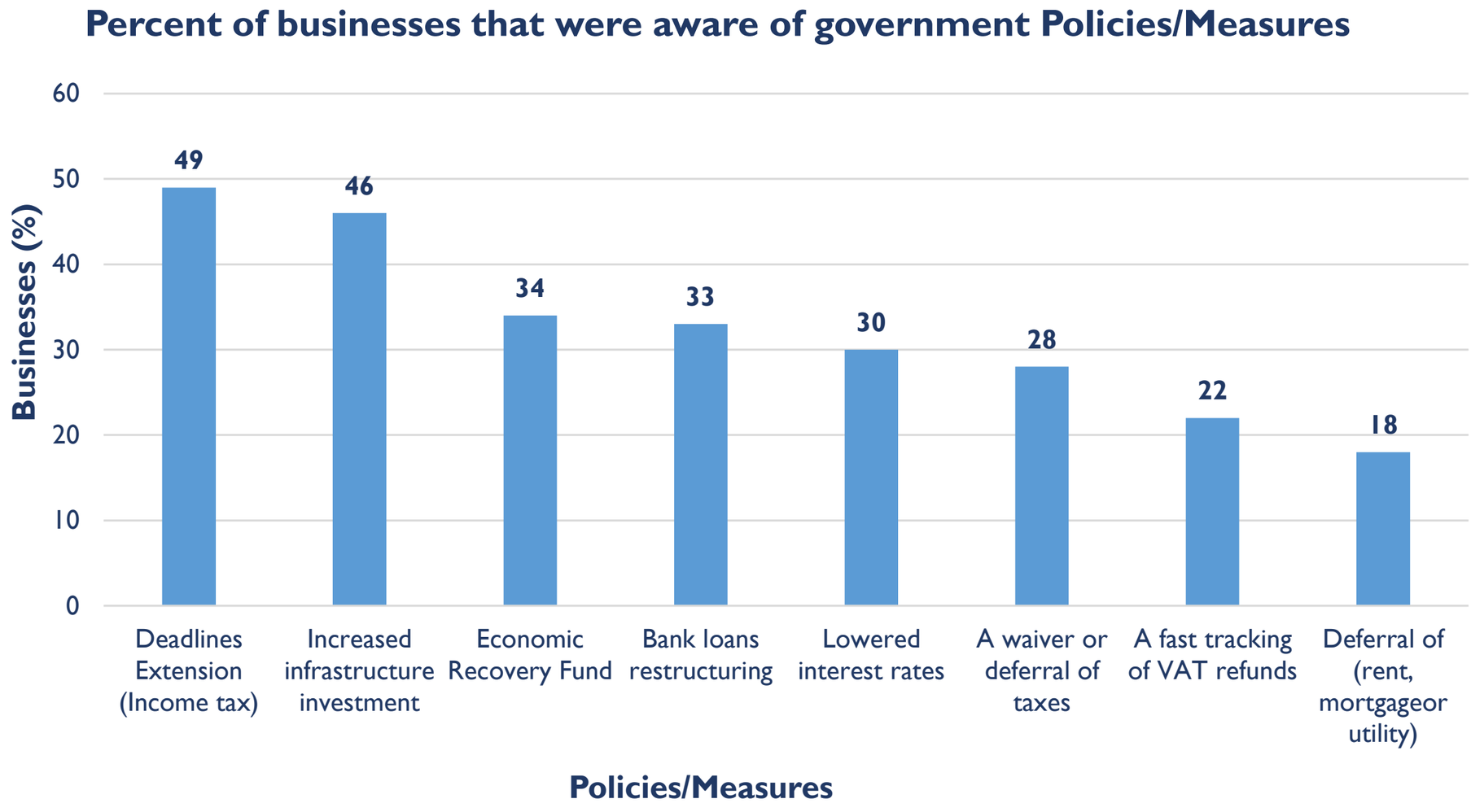
Reasons for not receiving any government support by Regional and Business sector





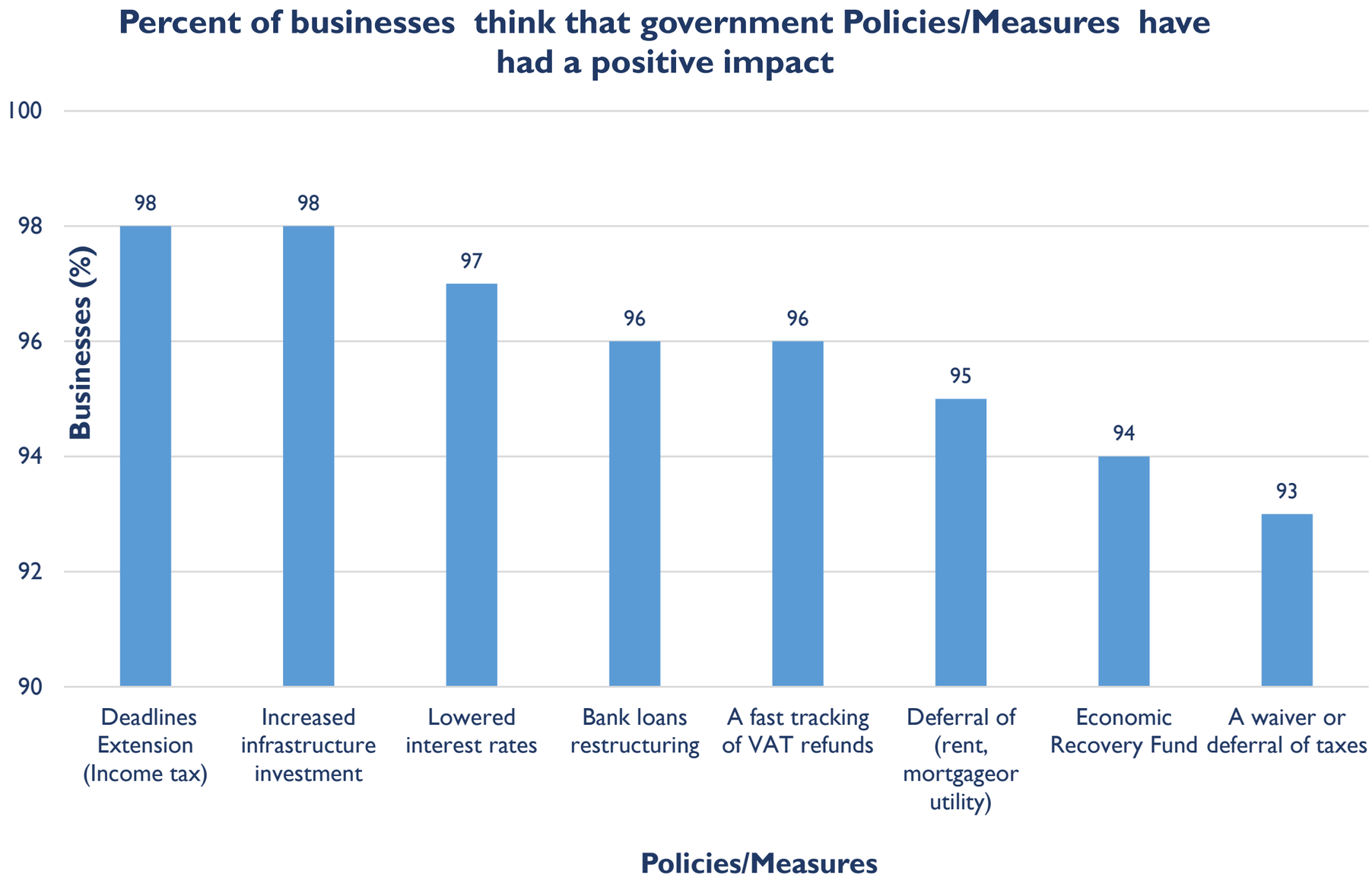
SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Awareness differs by support measure, for example almost 50 per cent of businesses are aware of extensions for deadlines for completing corporate income tax and increase infrastructure investment. Businesses tend to be less aware of other measures, for example deferral of rent, mortgage repayments of utility payments.



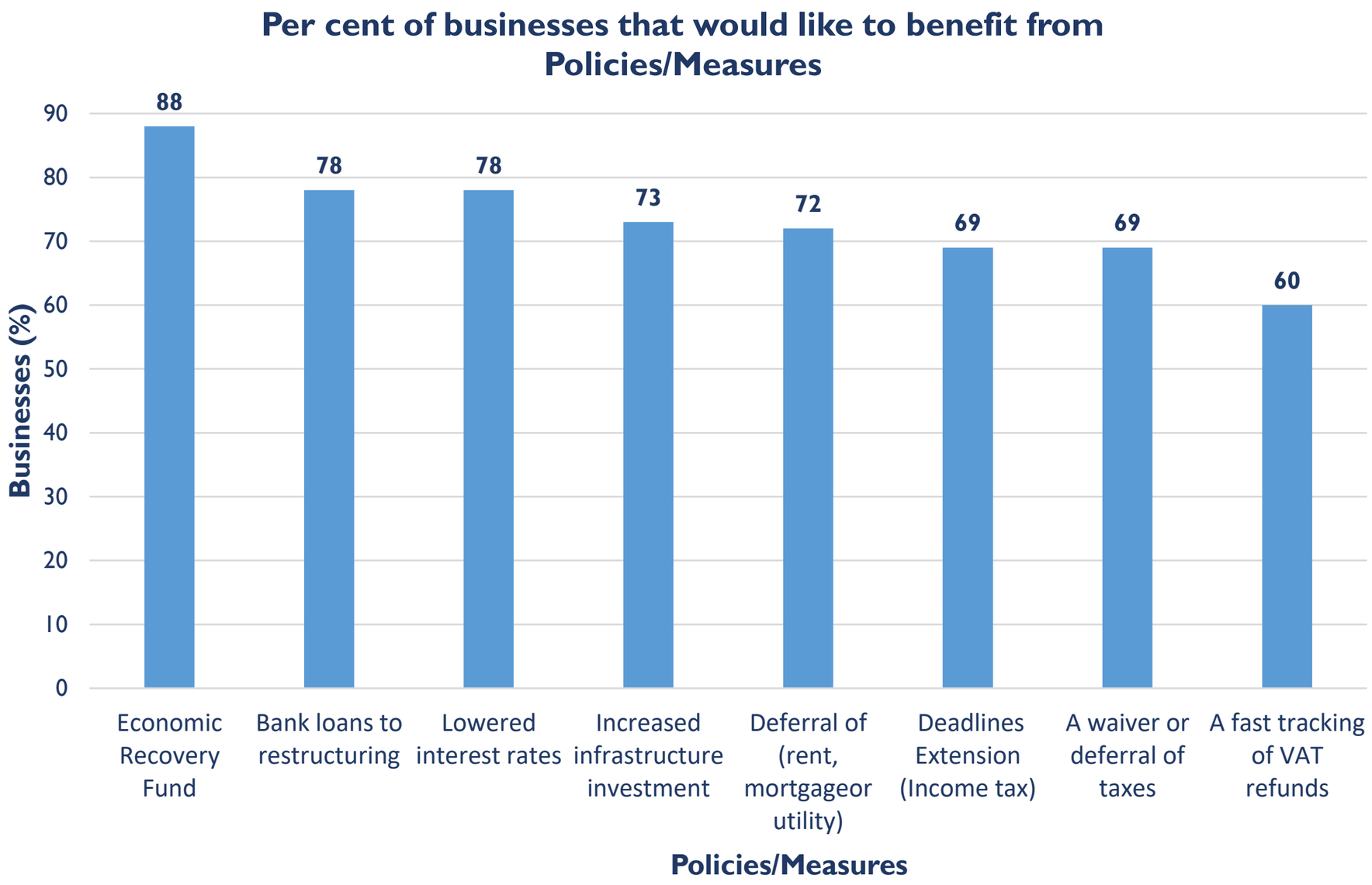
SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

For businesses that have received support, almost all of them think it has had a positive impact



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

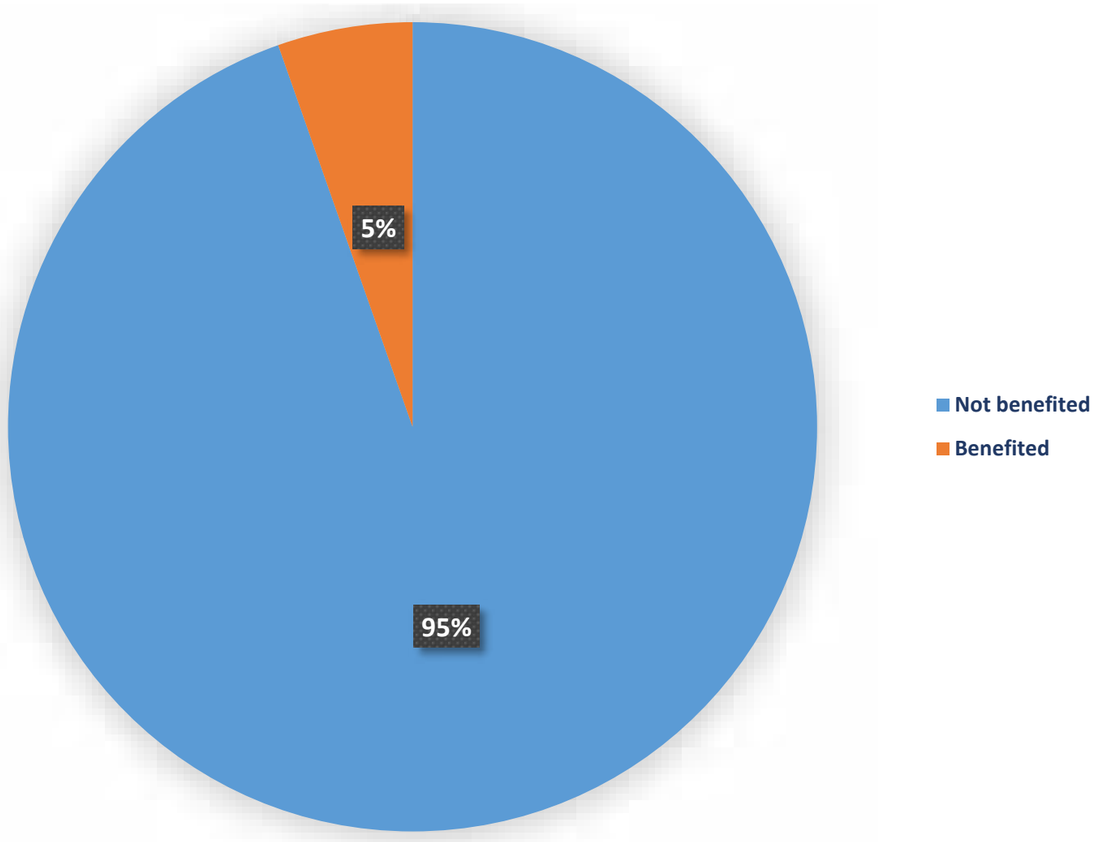
Most businesses would like to benefit from the support measures, with the Economic Recovery Fund particularly popular



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Deep dive into the Economic Recovery Fund

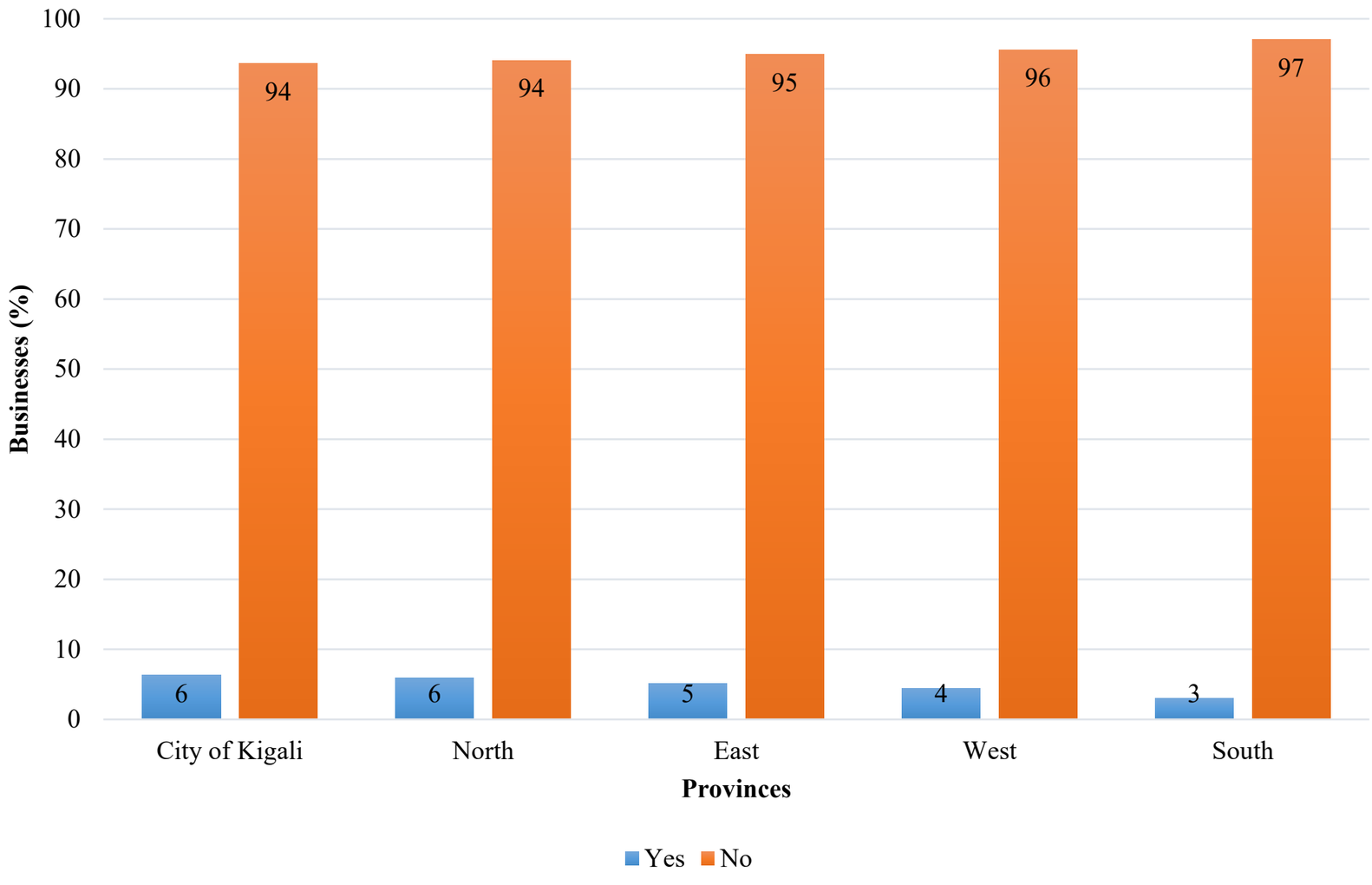
a. Overall around 5 per cent of businesses from the IPAR-Rwanda survey received support from the Economic Recovery Fund.



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Deep dive into the Economic Recovery Fund

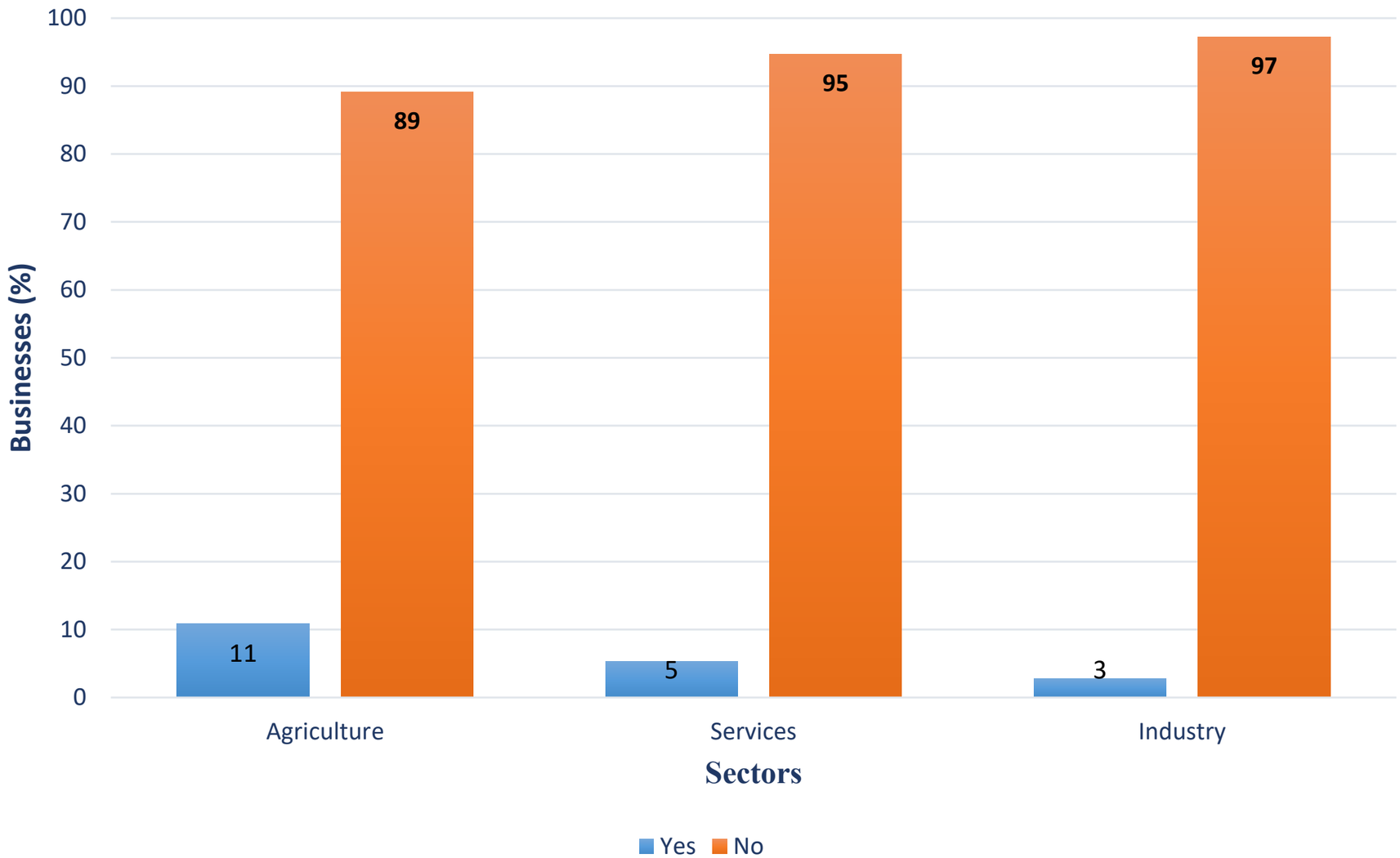
b. A slightly lower proportion of businesses in the Southern district received support from the Economic Recovery Fund, at 3 per cent compared to the 5 per cent national average.



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Deep dive into the Economic Recovery Fund

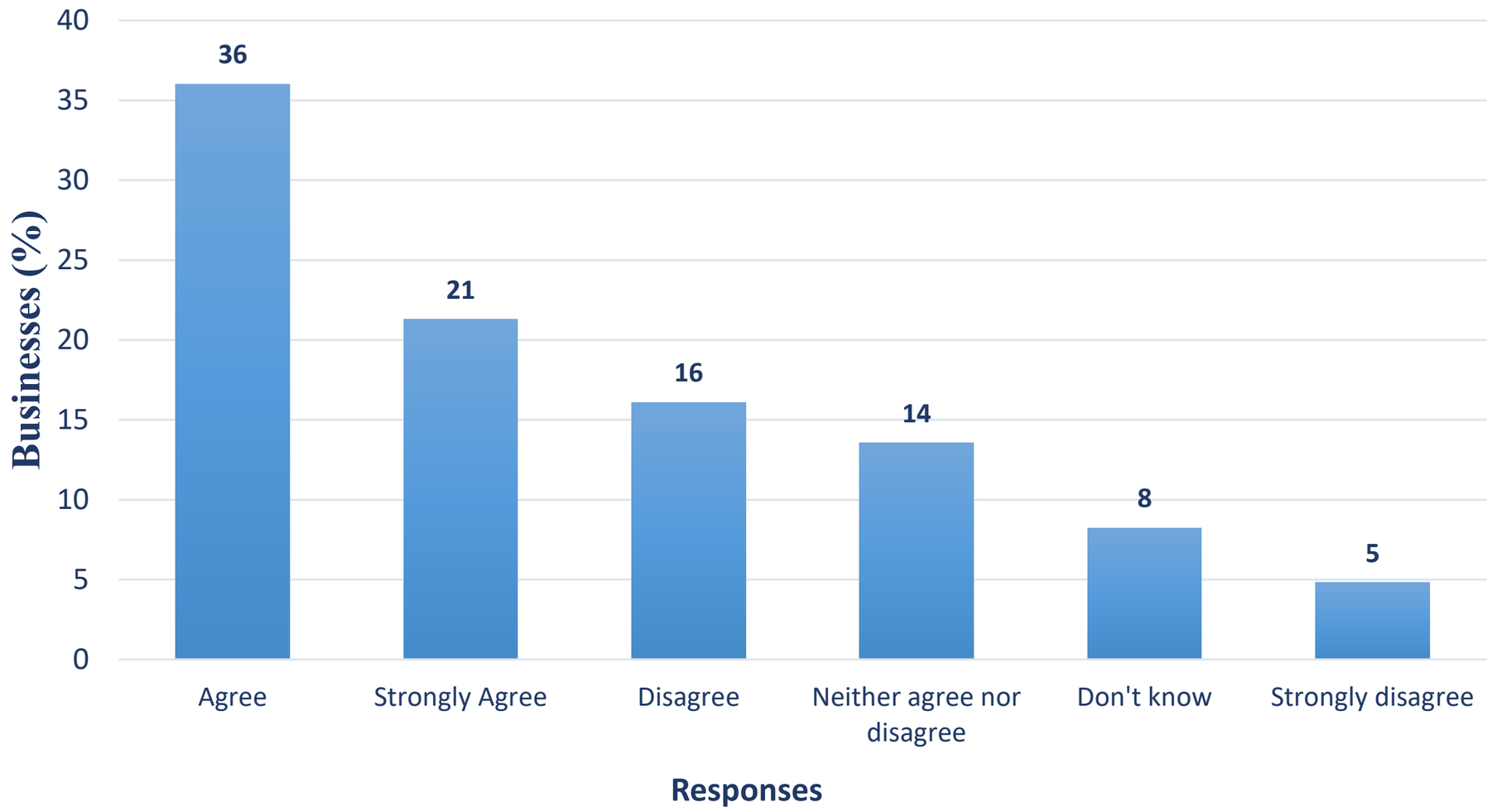
c. Agricultural businesses were more likely to benefit from the Economic Recovery Fund, with 11 per cent benefitting compared to 5 per cent for Services businesses and 3 per cent for Industry businesses.



SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Deep dive into the Economic Recovery Fund

d. The Economic Recovery Fund is a popular policy and there is strong support among businesses for its expansion 57 per cent of businesses either agreed or strongly agreed with expansion, even if this was paid for from higher government borrowing and taxes on businesses.

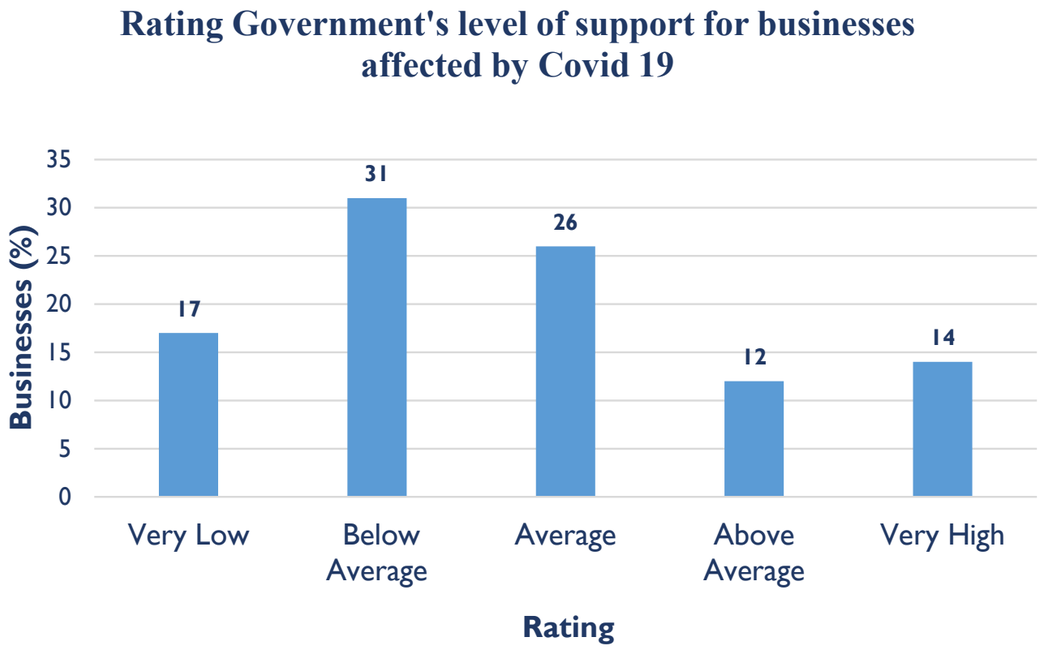


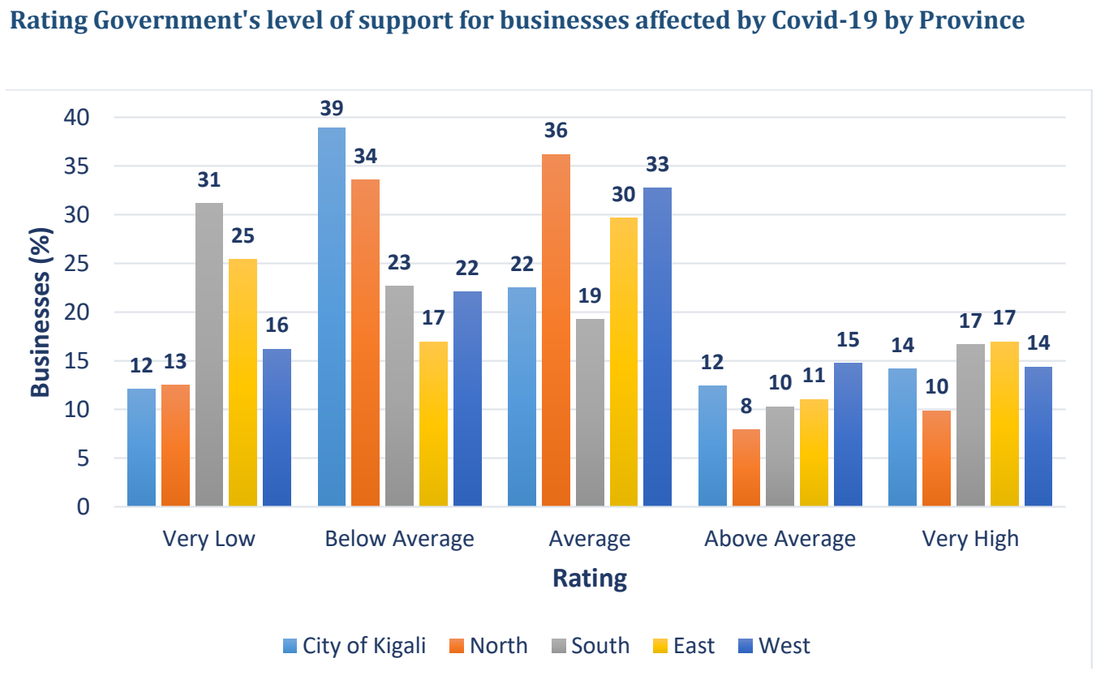
SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Over half of businesses reported that support for businesses affected by Covid-19 was very high, above average, or average. Some respondents reported that the level of support for businesses affected by Covid-19 was below average.

◊ There is some regional variation in this, for example in the Western province, 62 per cent of businesses rated support very high, above average, or average, compared to 46 per cent in the Southern province

◊ Ratings are relatively balanced across different business sectors

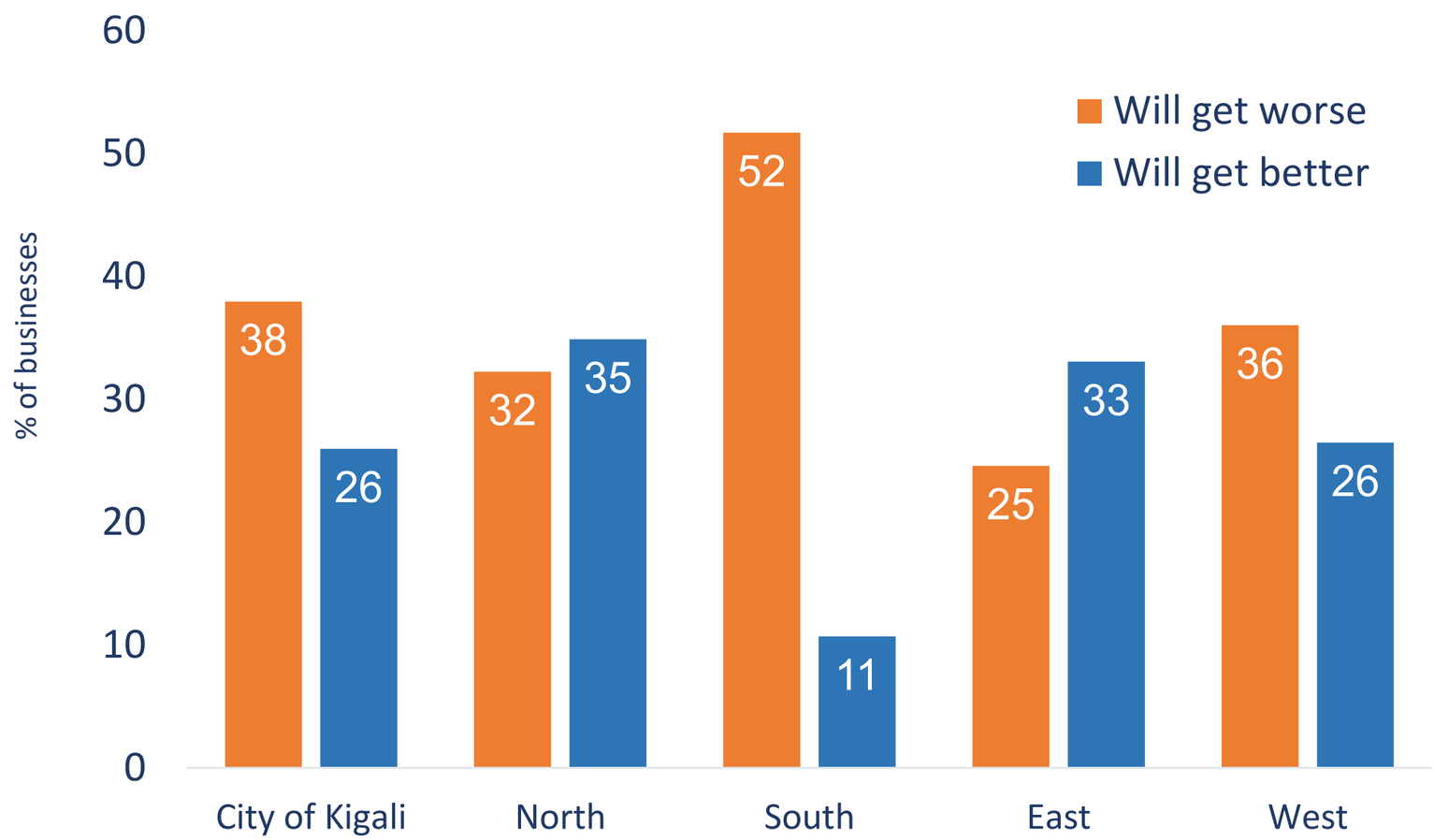




SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Businesses have mixed views on how the current economic situation will evolve: 25 per cent think it will get better while 38 per cent think it will get worse – the rest either think it will remain the same (11 per cent) or do not know (25 per cent)

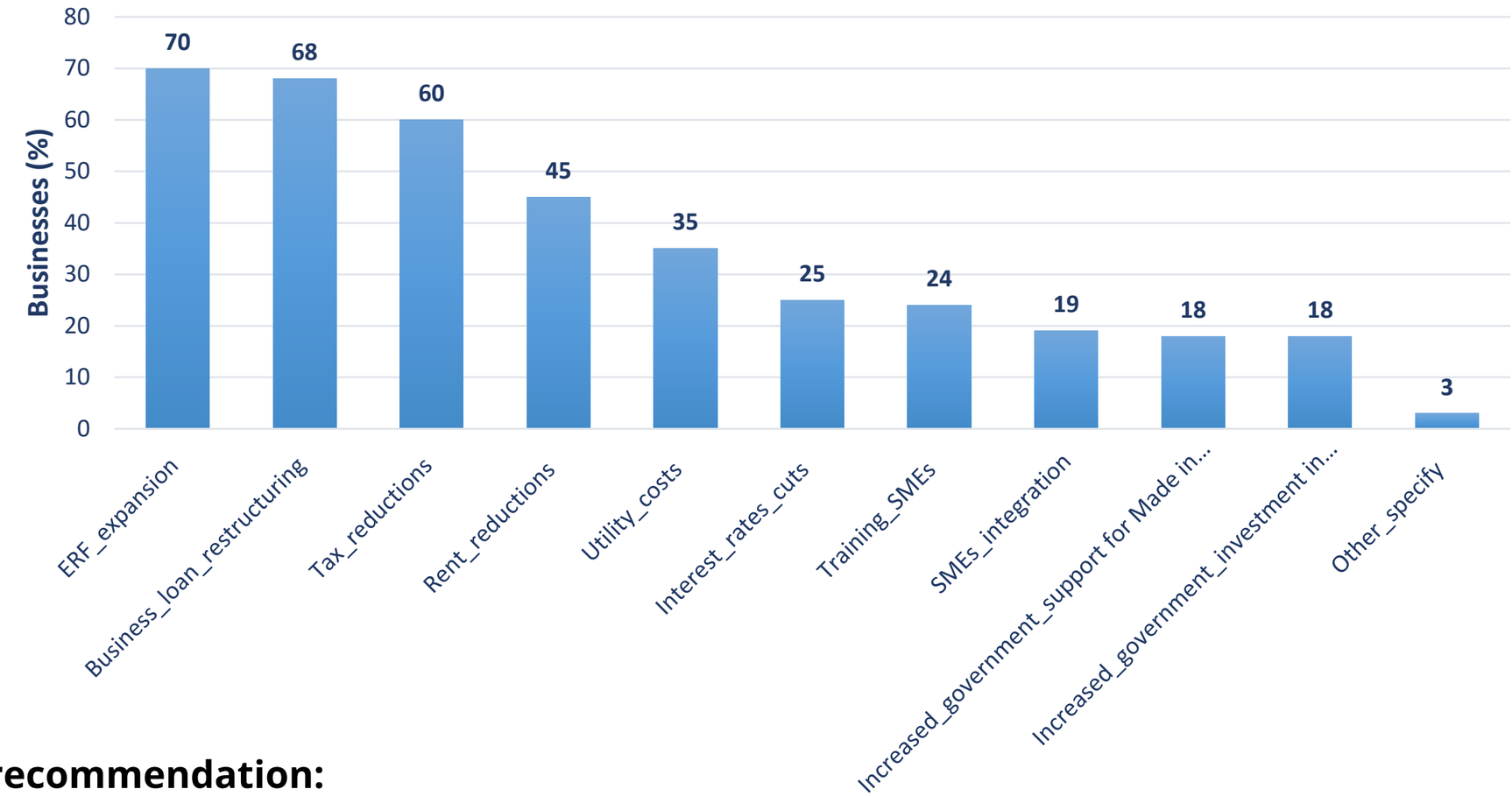
Views on how the current economic situation will evolve



◊ Businesses in the Southern province are more likely to think the economic situation will get worse compared to other provinces.

SUPPORT RECEIVED BY BUSINESSES DURING THE COVID-19 PERIOD

Policies to be implemented for business development



Businesses' recommendation:

◊ (70) ERF expansion

◊ (68%) Business loan restructuring

◊ (60%) Tax reduction.

KEY FINDINGS

- ◊ The impact of COVID-19 on businesses was significant, with sales and profits falling by around half in February 2021 compared to the previous year
- ◊ The Government has responded swiftly and effectively by supporting a large number of business. It has also effectively targeted a section of businesses with higher levels of support through the Economic Recovery Fund
- ◊ Distribution mechanisms seem highly effective, with almost all businesses that apply for funding receiving it
- ◊ Government support measures are very popular, and almost all businesses see support measures as having a positive impact
- ◊ Increasing awareness could be an effective way to increase the support that businesses access
- ◊ Most businesses would like to benefit from support, particularly the Economic Recovery Fund – even if they have to pay higher taxes

DISCUSSION QUESTIONS

- What are the gaps in implementation of measures to aid business recovery during the COVID-19 pandemic?
- What policy measures can be improved or introduced to quicken business recovery during the COVID-19 period?
- What information do policy implementers need from subsequent rounds of data collection to aid business recovery during the pandemic?
- How can ERF can be expanded to benefit more businesses within both the formal and informal sectors
- How other existing funds such as the Business Development Fund (BDF) and funds from the Rwanda Development Bank (BRD) can be leveraged more to help businesses recover during this COVID-19 pandemic

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