



POLICY BRIEF

Unlocking Rwanda's Potential to Reap the Demographic Dividend

October 2017

KEY MESSAGES

- The high child dependency burden in Rwanda is a key bottleneck to socioeconomic progress and attainment of the country's long-term development aspirations
- If the birth rate declines rapidly from the current level of 4.2 births per woman, the population age structure will change to one with more working age people, opening a temporary window of opportunity for accelerated economic growth
- If Rwanda follows the combined policy scenario that concurrently prioritizes investments in the economy and in education and health the country will graduate to upper income level with GDP per capita of US\$ 12,500 by 2050. The DD will contribute US \$ 3,457 of this income growth.

CONTEXT

Rwanda's economy has grown at a steady average rate of 8% between 2001 and 2015, increasing from \$211 to \$735¹. Despite this sustained economic growth, about 40% of household remain poor and education achievement is low. The high child dependency burden resulting from the high and slowly declining fertility rate remains one of the main challenges curtailing attainment of the Vision 2020 goals. This undermines the capacity of parents and the government to provide quality education and health services and to save for the future.

If Rwanda's birth rate of 4.2 children per woman² declines rapidly, the age structure will change from the current one dominated by dependent children to one dominated by working age adults.

The transformation in the age structure will open a window of opportunity for accelerated economic growth called the *Demographic Dividend* (DD)³.

OBJECTIVES & METHODOLOGY

This brief summarises results of a study⁴ carried out to assess the potential DD that Rwanda can earn under various policy scenarios and identify the policy actions that the country can invest in to harness the DD. The study involved a review of the country's demographic and economic policies and programmes, modelling the DD using the DemDiv modelling tool⁵, and interactive discussions with various stakeholders to identify key policy options for harnessing the DD. (Table 1).

Table 1: Policy Scenarios for Demographic Dividend Modelling for Rwanda

Scenario	Key characteristics
Business as Usual	Current slow progress in economic reforms, human capital development and reduction in fertility rate continue to 2050
Economic Emphasis	Optimise Rwanda's global economic competitiveness, productive efficiency and governance
Social Emphasis	Maximize investments in education, family planning and other health interventions to reduce fertility, but with minimal investments in the economic sector
Combined Emphasis	Simultaneously maximize investments in economic and social sectors to reduce fertility, build quality human capital and create mass jobs

¹National Institute of Statistics of Rwanda. (2015). Rwanda Poverty Profile Report, 2013/14, August 2015. Kigali, Rwanda.

²National Institute of Statistics of Rwanda, Ministry of Health, & ICF International. (2015). Rwanda Demographic and Health Survey 2014-15. Rockville, Maryland, USA: NISR, MOH, and ICF International.

³National Institute of Statistics in Rwanda, UNFPA, AFIDEP, 2017. Harnessing the demographic dividend in Rwanda.

⁴Bloom, D., David Canning, & Sevilla, J. (2003). The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change, by RAND MR-1274-WFHF/DLPF/RF, 2002, 100 pp., ISBN: 0-8330-2926-6. Santa Monica, CA, USA.

⁵Moreland, S., E. L. Madsen, B. Kuang, M. Hamilton, K. Jurczynska, & P. Brodish. (2014). Modeling the Demographic Dividend: Technical Guide to the DemDiv Model. Washington, DC.



“The demographic dividend can help unleash the power of Rwandan youth to engineer the country’s socio-economic transformation agenda.”

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KEY FINDINGS

Population Size and Structure

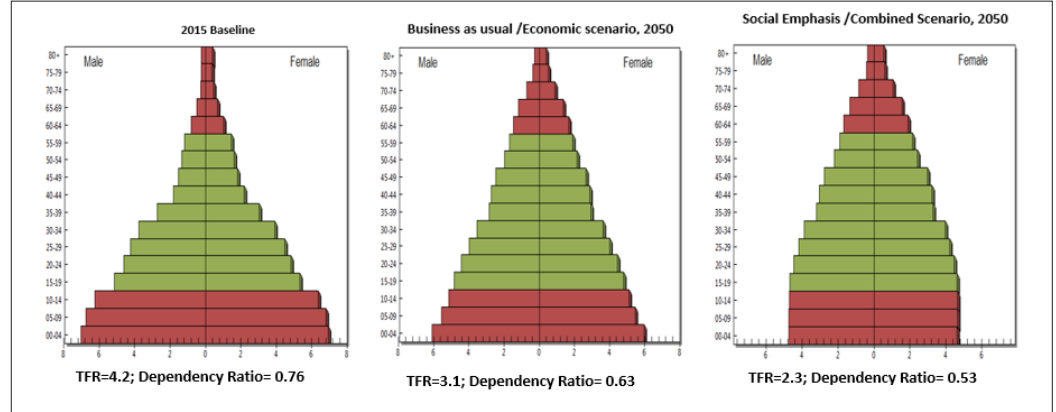
By 2050, Rwanda’s fertility rate will decline to 2.3 children per woman, children below 15 years will constitute 28% of the population, the dependency ratio will decline to 53 dependents for every 100 working people under Social Emphasis and Combined scenarios. The population age structure under the Business as Usual and Economic Emphasis scenarios will not be much different from the current structure (Figure 1).

per capita gross national income, will increase from 0.498 in 2015 to 0.56 in 2050 under the Business as Usual Scenario, to 0.63 under the Economic Emphasis Scenario, and 0.76 under the Combined Scenario. Based on 2011 GDI global rankings, the HDI of 0.76 would be ranked 38th and be in the range where most developed countries currently are.

Job-Creation Challenge

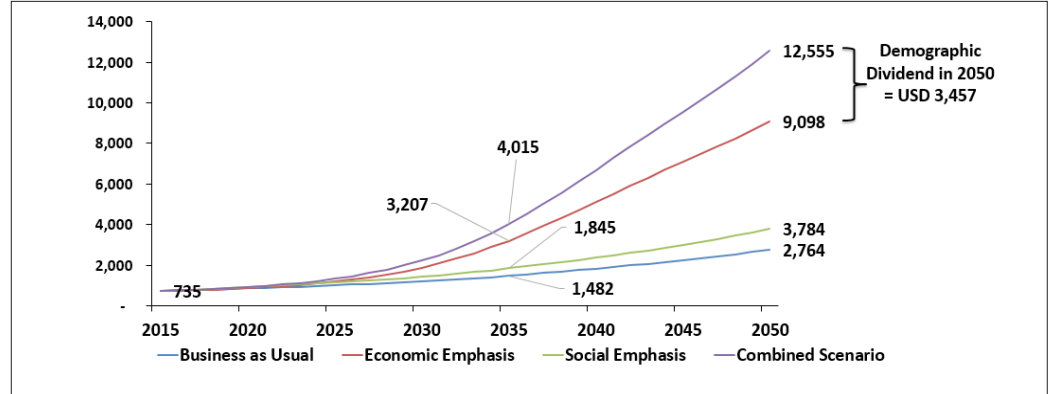
The model results show that while the country will face a formidable job creation challenge under all the four policy scenarios, the burden will be much lower under the Combined Scenario. In 2015, the employment gap,

Figure 1: Projected population age structure in Rwanda under various scenarios by 2050



Source: Modelling results

Figure 2: Projected GDP per capita growth by scenarios



Source: Modelling results

Growth in Per Capita GDP

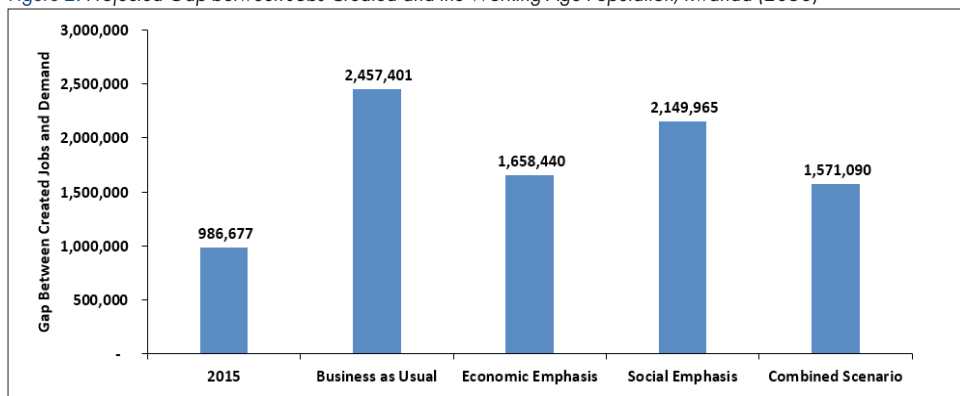
Under the Combined Scenario Rwanda’s GDP per capita would rise to US\$ 4,051 by 2035 and reach the high-income status with US\$ 12,555 by 2050 (Figure 2). This will generate a DD of GDP per capita of US\$ 3,457 beyond the income under the Economic Scenario.

roughly measured as gap between available jobs and population aged above 15 years, was 987,000. By 2050, the gap will increase to 2.5 million under the Business as Usual Scenario and to 1.6 million under the Combined Scenario (Figure 3). Rwanda’s annual job creation rate of about 200,000 jobs has not kept pace with the ever-growing number of young people who join the labour force and the country would have to enhance its employment creation rate of 3.7% achieved between 2010 and 2014 as well as facilitate rapid decline in fertility.

Human Development Index (HDI)

The HDI, which is a composite measure of quality of life by combining measures of life expectancy at birth, years of schooling, and

Figure 2: Projected Gap between Jobs Created and the Working Age Population, Rwanda (2050)



Source: Modelling results

Implications and Policy Options

The demographic dividend can help unleash the power of Rwandan youth to engineer the country's socio-economic transformation agenda by empowering them to innovate and engage in economic productivity. However, the DD is not automatic or guaranteed; the country will have to judiciously invest in interventions that will accelerate fertility decline to open the window of opportunity for the DD, while simultaneously prioritizing investments in human capital development economic reforms that will create an enabling environment for the private sector to blossom, make the economy globally competitive and create more decent jobs for its workforce. The price of inaction is high since uneducated, unskilled, unemployed, and disillusioned youth can be agents of social unrest, crime, and violent extremism. The following policy options would enable Rwanda optimize the DD that it can earn:

1. Accelerating Fertility Decline

i. Reinvalidate the family planning programme, ensuring that its FP2020 commitments and the Family Planning Strategic Plan priorities are fully honoured and implemented, with a focus on scaling community based distribution of contraceptives and effective targeting of under-served populations like youth and those in hard-to-reach rural areas, promoting long-acting and permanent methods for those seeking to stop childbearing, improving quality of services and method choice to reduce discontinuation of use due to concerns about side-effects, and enhancing the role of the private sector in delivering contraceptives.

ii. All stakeholders should support efforts to fully implement the comprehensive sexuality education programme in schools and enhance access to youth friendly reproductive health services by training facility and

community based service providers to better serve young people. All reproductive health policies should also be harmonised to eradicate potential and actual restrictions to contraceptives for all sexually active people, including adolescents.

iii. Reinforce interventions to reduce child mortality, focusing on improving maternity and delivery care and strengthening management of post-partum health complications to accelerate reduction of the slowly declining neonatal mortality rates.

iv. Strengthen multi-sectoral collaboration in implementing the integrated nutrition policy and the child nutritional programme to improve child health and learning outcomes.

v. Address the structural factors that promote dropout from school among girls and scale up mass education campaigns for the empowerment of women and the small family norm to reduce teenage fertility and early marriage and entrench the small family norm to reduce fertility rate to below the current desired fertility of three children.

2. Creating a Healthy Workforce

i. Conduct regular recruitment and training of community health workers to replace those leaving the programme, ensuring improved livelihood opportunities and other incentives for the workers.

ii. Enhance health education to sensitise Rwandan people on prevention of emerging non-communicable diseases and strengthen the capacity of the health care system to manage these diseases, as articulated in the NCD policy.

iii. Fully implement the health human resource policy and operationalize the comprehensive human resource information system to ensure adequate numbers of

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personnel are recruited, trained, equitably deployed and incentivised.

- iv. Operationalize the health financing strategy to ensure sustainable funding of the health sector, with particular attention to improving management and coverage of the Community-Based Health Insurance scheme, performance-based financing, and public-private partnerships in health care delivery and financing.
- i. Address all bottlenecks in the

3. Creating an educated, skilled and globally competitive workforce

implementation of the new competency based curriculum for general and TVET secondary schools that was rolled out in 2016. Particular attention should be on ensuring that all in-service teachers are trained in learner-centred pedagogies, teacher training institutions urgently align their training programmes to the new curriculum, addressing shortfall in teaching materials and infrastructure for delivering the new curriculum and enhance performance enforcement measures to improve education outcomes.

- ii. Improve infrastructure and learning resources to ensure universal enrolment in early childhood education that provides vital foundation for effective learning at later stages of the education pipeline and strengthen the school feeding programme that has increased primary school enrolment and retention for children from poor families.
- iii. Build more secondary schools and provide related learning resources to increase progression from primary to secondary school, addressing education quality and affordability challenges that lead to high repetition and dropout rates, especially in rural areas.
- iv. Prioritize massive investment in TVET by constructing more TVET centres, training and hiring more instructors, and rebranding the programme to make it look market-oriented, lucrative and attractive to young people and the society at large.
- v. Improve access to and quality of tertiary education institutions, paying particular attention to development of advanced practical skills surrounding innovation, science and technology, and leadership as a backbone for building a globally competitive labour force.

Acknowledgements

This Policy Brief is derived from the Rwanda Demographic Dividend study, which was commissioned by the Ministry of Finance, Economic Planning and Development and made possible with financial support from UNFPA East and Southern Africa (ESARO) and UNFPA Rwanda Country Office. The National Institute of Statistics of Rwanda (NISIR), UNFPA and the African Institute for Development Policy (AFIDEP) led the Core Technical Team that developed the study report. The recommendations outlined in the brief were drawn from policy analysis and discussions of the study with various stakeholders in Rwanda.

vi. Ensure regular engagement with the private sector in development and implementation of education curriculum to address the skill mismatch between education training and market needs.

4. Accelerating Economic Growth and Job Creation

i. Reinforce on going efforts to improve the ease of doing business in Rwanda and make the country attractive for foreign direct investment, which are critical to facilitate growth of the private sector and optimise its capacity to create mass jobs for the ever-growing youthful labour force. This should include addressing the infrastructure limitations that hamper economic productivity and growth of the private sector including investing in reliable and sustainable energy generation and distribution, building roads and railways to link production zones to markets, and investments in technology to improve productivity.

ii. Fully operationalize the Labour Market Information System to link the various stakeholders involved in skill development and job creation, and promote workplace readiness programmes including internship, mentorship and on-the-job training.

iii. Prioritize investments in production, value addition and agro-processing to create quality jobs through sectoral linkages as articulated in the crop intensification programme. Enhance agricultural production and profitability by promoting irrigation, increased use of fertilizers, mechanisation of agricultural practices, and securing of access to high-value markets for smallholder farmers.

iv. Promote small and medium sized enterprises (SMEs) by facilitating expansion of cooperative societies, access to capital, training and capacity building in exploration of lucrative markets. This should build on various initiatives in this area including Rwanda Development Board's Business Development Advisors programme seeking to develop bankable micro business projects and financial support to small and SMEs.

v. Diversify the economy by reducing overdependence on the agricultural sector and enhancing value-addition and manufacturing to take advantage of export opportunities like the United States of America Government's African Growth and Opportunities Act (AGOA), which seeks to significantly enhance market access to the US for qualifying Sub-Saharan African countries, increasing economic integration within the East African Community and COMESA

zones, and the recently launched "Made in Rwanda" initiative.

vi. Provide opportunities for greater involvement of youth in entrepreneurship and job creation, including optimisation of the empowering role of information technology.

5. Strengthening Governance, Efficiency and Accountability

i. Entrench patriotism and ownership of the country's development vision and shared responsibility in achieving it in all layers of government, the private sector, other non-government entities, and the citizenry.

ii. Reinforce performance based accountability mechanisms in government to ensure effective implementation of government policies and programmes, including strengthening the National Monitoring and Evaluation Framework to enforce accountability in an integrated manner. The performance accountability principles should be extended to non-public sectors.

iii. Reinforce the centrality of sustainable peace, national cohesion, and accountability in use of public resources as critical ingredients for nation-building and creation of an enabling business environment to attract long term foreign direct investment.

6. Promoting gender equity and empowerment of women

i. Scale up efforts to enhance economic empowerment of women with focus on addressing gender related bottlenecks in formal schooling, skill development, access to economic resources (particularly credit facilities to promote entrepreneurship and farm equipment), and the labour market. This will help to steadily shift women from the informal to the formal sector and labour market.

ii. Improve reproductive health services to reduce the disproportionate burden of reproductive morbidities and mortality (including HIV/AIDS, maternal health, and cancer) that women endure due to lack of services and address cultural practices and related imbalanced gender relations that place women in disadvantaged positions.

iii. Strengthen campaigns/programmes against gender based violence, especially in ensuring women understand and fight for their rights and the legal and security systems enforce existing laws aimed at protecting women.

