

The Role of Modern Energy Services (MESs) IN THE DEVELOPMENT OF THE STREET FOOD SECTOR (SFS) IN RWANDA

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www.marge.eu | info@marge.eu

CONTEXT

The street food sector (SFS)¹ is an essential source of daily food for the poor in many African countries, and an important source of income for hawkers, vendors, traders and entrepreneurs that operate street food enterprises, especially for women who dominate this sector in Sub-Saharan Africa (Mohlakoana, de Groot, Knox, & Bressers, 2018). **A major input for these enterprises is the energy used for cooking, processing and preparing meals and food products, as well as the appliances needed for these purposes.**

Rwanda is no exception, with the SFS representing an important component of urban economies that provide opportunities of livelihood for both entrepreneurs and consumers. **Given the high level of engagement of women in the sector, the importance of energy in the processing of food, and the positioning of many small businesses on the edge of informality, this is also an area where the current efforts of the Government of Rwanda towards poverty reduction can benefit the most.**

The second Economic Development and Poverty Reduction Strategy – EDPRS II - for the period 2013-2018 defines the medium-term strategy outlining Rwanda's overarching goal to accelerate growth and reduce poverty. (The Republic of Rwanda, 2013). The EDPRS II stresses on the prioritisation of *gender equality, energy sustainability* and the *formalisation of economy* in its approach, in line with the Sustainable

Development Goals (SDGs), to whose achievement the country has committed.

This policy brief aims to illustrate some of the key findings for the case of Rwanda drawn from a 4-year research programme (2015-2018) which is part of the

Rwanda towards the achievement of SDG 5, 7 and 8

In 2018 Rwanda scores 56.1, above the regional average score of 52.8. Linking the aspects of gender equality, energy sustainability, and formalisation of the economy to the SDG 5, 7 and 8 respectively, the country is performing well in *gender equality* and *decent work and economic growth*, with positive trends compared to previous years; it performs average in *affordable and clean energy*, with only 19.8% of population with access of electricity, and 2.0% to clean fuels and technology for cooking (Sustainable Development Solutions Network, 2018).

ENERGIA Gender and Energy Research Programme² and it is focussed on the gendered use of energy in the street food sector in Rwanda, Senegal and South Africa. Data have been interpreted with a view to provide policy advice and other recommendations to policy makers. (ENERGIA RA2, 2018).

MAIN FINDINGS FROM RESEARCH

One of the main conclusions from the research programme, was that among 856 enterprises interviewed across the three countries, **as many as 75% of the owners are the main breadwinners in the**

¹ Intended as small food businesses that rely on clients passing on the streets by which they are located, and not purposely moving to reach that specific location (see restaurants and supermarkets)

² The preparation of this publication was supported by the ENERGIA Gender and Energy Research Programme, funded by the UK Department for

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household, with negligible differences between men and women.

In addition, together with the fact that **most entrepreneurs enter the SFS for necessity, but are growth-orientated**, shows that the sector represents a key entry point for those looking for an opportunity of livelihood, and from which they can improve their living standards and those of their families. **Within the SFS' strategy to grow, product diversification and investment in new appliances ranked at the top of choices for most interviewees.**

Gender equality

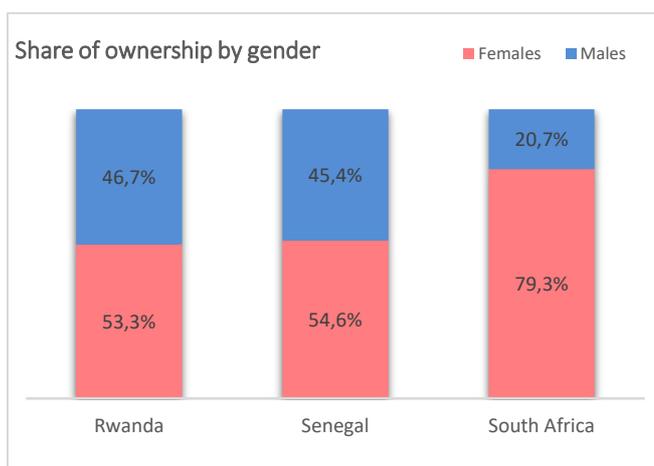


Figure 1: Share of ownership by gender

The surveys carried out in 2017 showed that in Rwanda, **the SFS is gender-balanced**, with women owning small food businesses in the 53% of cases, compared to 80% in South Africa (Figure 1).

However, while this is a sector in which no formal education is required, data shows that **women in the sector are on average still less educated than their counterpart men**, with as much as 30% of the sample having no formal education. Although the data shows that both men and women undertake cooking tasks in this sector, women might be attracted to this sector because traditionally, cooking and food preparations skills are domestic skills learnt by mostly girls and women in Africa.

Formalisation of the sector

Compared to Senegal and South Africa, **Rwanda shows a very high level of formalisation of the SFS**. This is a sector where the Government is undertaking major efforts, mainly through a system of local permits called “*patente*”³. This form of “semi-formalisation” of the sector allows local municipalities to fund public lighting, garbage collection and public security, and the study

found that the benefits are immediately perceived and appreciated by the licensees. In the city of Kigali, the payment of the “*patente*” is associated with a booklet providing safety and health guidelines for business owners on how to deal with food processing and sale, as well as the use of energy in close spaces.

Affordable and clean energy

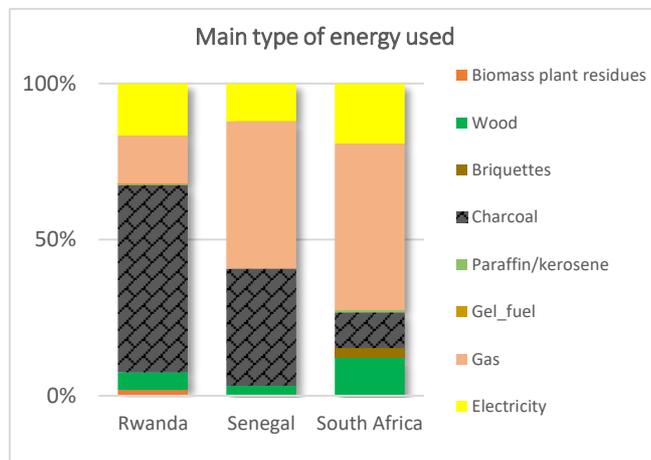


Figure 2: Main type of energy used

Access and control over affordable and clean energy options was found to be more critical in Rwanda than in the other two countries of investigation. Figure 2 shows that **in Rwanda street food sellers still heavily rely on charcoal for food processing (59%), with modern energy sources such as electricity and gas lagging behind (both at 16%).**

Energy stacking is still very common, with entrepreneurs using on average 1.77 energy carriers per business, still lower, however, compared to 2.35 in Senegal and 2.81 in South Africa.

The study found that **energy prices and accessibility are the main drivers of choice for energy sources; speed and ease of cooking motivate the uptake of MESs, but their steep price and poor or lack of supply hinder their further expansion.**

Men were found to use electricity more than women in their premises, but this was mostly to power appliances for entertainment, such as radios and televisions, that increase the sense of modernity and the attractiveness of the businesses to the customers.

The analysis shows a strong match with the current status of the SDG 5, 7 and 8, whereby Rwanda performs very well in gender equality and decent work and economic growth, less so on access to affordable and clean energy, especially for cooking.

³ From French, meaning patent or licence.

LESSONS LEARNED FROM RWANDA

The SFS in Rwanda is gender-balanced, it represents an opportunity of livelihood for poor households, mostly due to low capital entry barriers and low requirements in education. Entrepreneurs show willingness to grow and desire to purchase new appliances and products. The supportive business environment and the provision of public services and increasing formalization of SFS enterprises, play a key role in promoting higher safety and hygiene standards.

Figure 3, however, shows that **both women and men run street food businesses for a few years only, before moving on to other ventures**. According to the study, many owners stay in the sector only for the time necessary to raise enough capital to start other businesses that require higher upfront investments and provide higher returns, such as clothes shops. **SFS is location-driven (58% of respondents chose that specific location because “it is a good place to attract customers”), the study found, with a high concentration of businesses competing against each other mostly by reducing margins on produces in areas where there is foot traffic like commuter points.**

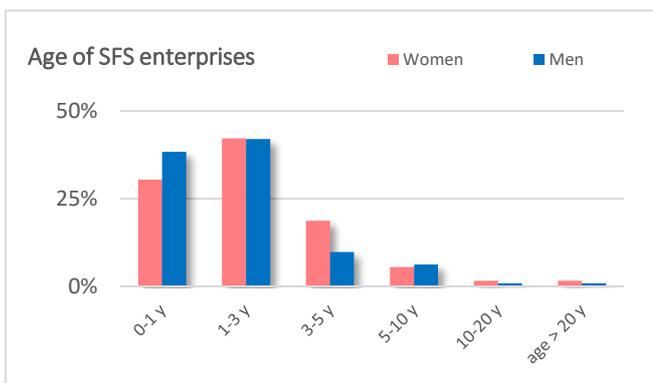


Figure 3: Age of enterprise

Empirical data on business age, therefore, seems to indicate that **the aspiration to grow of the SFS entrepreneurs is hindered by the low profitability of the sector**, which does not allow to follow through and invest in new appliances and product diversification. How can this vicious cycle of underperformance in a sector that is equally crucial for the livelihood of poor entrepreneurs and consumers be broken?

Investment and ownership of new energy appliances were found to be the most effective way to trigger a positive change in the sector.

- Radios, televisions and gas cookers are among the most desired appliances of street food business owners in Rwanda.

- Some 90% of respondents said they would use the appliances to attract new customers, by providing faster meals (gas cookers over charcoal or wood stoves), and entertainment (radios, TVs).
- All these appliances rely on modern energy carriers such as electricity and gas, but they are expensive.
- If modern energy appliances are made affordable, the attractiveness of businesses and efficiency of processing increase, with positive impacts on turnovers and the retention rate of people in the sector.

Finally, given the permeability of cooking habits, especially among women, at household and business level, it is assumed that **improved cooking practices in the SFS could facilitate the transfer of technology and approach to cooking at household level**, too. If proven correct by further analysis, this would have tremendous benefits in terms of reduced drudgery, time saving, and improve working environment in urban environment.

IMPLICATIONS FOR RWANDAN POLICYMAKERS

Rwanda is among the best-performing countries in the region when it comes to designing effective policies and implementing strategies on gender equality, formalisation of the economy and access to modern energy sources. However, while the country is very much on track on the first two objectives, much is still needed on access to affordable and clean energy. Whilst access to at least one source of electricity (grid connection + off-grid solutions) has seen a dramatic growth in the last decade, going from 10% in 2010 to 43% in 2018, **access to modern and clean energy cooking solutions is still low, with 99,6% of households still cooking with biomass, and only a third of those households using an improved cookstove as their primary stove. Only 0.4% of households use clean fuels as their primary cooking fuel, and virtually no households use an electric stove as their primary stove.** (ESMAP, 2018).

Our research study showed that **in the SFS there's a relevant penetration of electricity access for ancillary services (lighting, phone charging, radios, etc), and an increasing adoption of liquified petroleum gas (LPG) for cooking purposes. Hitherto, the high cost of the modern appliances, prevent their higher uptake. This is particularly critical for women-run street food selling enterprises, who are still excluded from**

financial services in 37.1% of cases, compared to 26.5% of their counterpart men (Gender Monitoring Office, 2017). Access to capital was mentioned as the major barrier to growth.

The street food sector (SFS) in Rwanda already (indirectly) benefits from Government energy interventions, through subsidies on modern energy carriers: since 2017 power connections of residential customers, to which many small SFS are connected, have access to a social tariff of 89 FRW (0,089 EUR⁴) /kWh (VAT exclusive) for the first 15 kWh consumed monthly; LPG benefits from duty waiver and VAT exemption. Also, the Government of Rwanda has announced its desire to proactively phase out the use of biomass for cooking purposes across the country, although the implementing strategy has not been defined yet.

Despite these incentives, **many SFS enterprises still cannot afford the upfront investments required for buying appliances that make use of these fuels — including gas cookers, refrigerators, etc.** This implies that the reduction of taxes on fuels is not enough for SMS enterprises to be able to benefit from them.

As cities become more densely populated, demand for affordable and nutritious meals for the working class will only increase. If allowed, this sector can grow to meet the demand and create more entrepreneurs, and more breadwinners.

The Government of Rwanda and the private sector should therefore team up to support the roll-out of affordable appliances that could further improve the health and hygiene standards of street food sellers, such as gas cookers and electric refrigerators, on top of household subsidies on energy carriers. A support mechanism based on VAT waiver or income tax credit for registered businesses would also stimulate the formalisation of the sector and provide more opportunities for growth.

CHALLENGES TO ADDRESS

The street food sector in Rwanda represents an important source of revenues for the poor, and an affordable source of food for the urban dwellers, and as such as it should catalyse the Government attention. The following flow of challenges needs to be addressed:

Low barriers to entry that make this sector extremely competitive, with low margins and opportunities for investment and business development

Limited opportunities for access to financing mechanisms due to lack of provision of collaterals and guarantees for business development. This is especially critical for women, representing more than half of the workforce in the sector.

Lack of access to affordable and clean MES that would improve the quality and hygiene standards and the attractiveness of these businesses, which would increase the profitability of the sector and allow entrepreneurs to remain for longer time and make further investments.

Lack of public support focussed specifically in the sector to increase the uptake of modern appliances to those who cannot access loans, for example through breaks on income taxes, or guarantee mechanisms

CALLS TO ACTION

The following action agenda is proposed for consideration of the national government and the municipalities:

- **Support the willingness and capability of businesses in the SFS to grow,** given their key role in the livelihood of poor people and the affordability of food for low-income households, due to better physical access to them, lower overheads, and the possibility to break bulk and sell in small units and sometimes offer credit (Battersby, 2012);
- **Do not increase barriers to entry,** but rather stimulate the increase of health and hygiene standards for those already in the sector;
- **Set new cooking energy policies that especially take into account productive uses,** and do not focus only at household level.
- **Support investment in modern energy infrastructures,** that facilitate daily processing

⁴ As of 29/11/2018

tasks, and increase the attractiveness of businesses through modernity;

- **Provide innovative financing mechanisms**, with a specific focus on women, for the purchase of rental of modern appliances, such as gas cookers and refrigerators;

- **Include the SFS in urban spatial planning and accommodate the reliance of SFS on foot traffic** where most clients are daily commuters passing by and need to stop by easily and access to cheap food.

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