

## DIRECT SUPPORT PROJECTS AND SOCIO-ECONOMIC DEVELOPMENT OF LOW INCOME EARNERS IN RWANDA: A CASE STUDY OF KICUKIRO DISTRICT

Uwingabire M. Claire

Post Graduate student at Jomo Kenyatta University of Agriculture and Technology-Kigali Campus Rwanda

Dr. Kule Julius Waren

Senior Lecturer; Jomo Kenyatta University of Agriculture and Technology-Kigali Campus

Anthony Luvanda

Senior Lecturer at Jomo Kenyatta University of Agriculture and Technology-Kigali Campus

Dr. Mbabazi Mbabazize

Senior Lecturer at Jomo Kenyatta University of Agriculture and Technology-Kigali Campus

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### ABSTRACT

*This study sought to assess the direct support projects and the socio-economic transformation of poor households in Rwanda. Specifically the researcher sought to assess the process of identifying and selecting direct support beneficiaries, investigate the nature of economic activities that beneficiaries of direct support undertake for economic productivity and self reliance, assess the payment process and duration of delivery of direct support funds and how it affects recipient households' productivity and sustainability and investigate the effect of beneficiary training and access to credit on their economic productivity and self reliance.*

*The study used a case study research design in order to collect both quantitative and qualitative data. This design was preferred because it facilitates an in depth analysis of a given research problem and helps to provide answers to the questions of who, what, when, where, and how associated with a particular research problem but only cannot conclusively ascertain answers to why. The*

researcher targeted 1249 people in this study of whom 125 respondents were selected. In this study, two sets of questionnaire were administered, one to the facilitators of the project and another one for the beneficiaries. Both open ended and closed ended questions were used. Quantitative data was presented in tables, charts, graphs and narratives. Qualitative data were entered into a compilation sheet from which themes were identified. The findings indicates that there is a statistical significant difference between beneficiaries ability to receive direct support funds on a regular monthly basis and respondents access to medical services such as (paying for medical Insurance, Drug, etc).

The correlation also indicated that there is as statistical significant difference between the direct support program and social-economic development of the beneficiaries. This was shown by the Pearson Chi-Square value of 52.633 and a p-value less than 0.05 for direct support and economic development and Pearson Chi-Square value of 50.535 p-value less than 0.05 for social-economic activities.

The study recommends that there are issues which need to be addressed in order to improve the effectiveness of this programme. Evaluation time needs to be increased to a period more than six months in order to allow them more time to uplift their household. This consideration is important since they are relatively poor people who might not even have a place to start financially and therefore limiting them to a six month evaluation period might not yield significant improvement particularly on economic matters. This is because majority of the beneficiaries highlighted that the period provided as per Ubudehe evaluation is not enough. The other recommendation is to increase the amount of payment given to the beneficiaries. The study found out that majority of the beneficiaries struggle with the increasing cost of living. The amount provided is less as compared to the needs and therefore there is a need to increase the amount of direct support funding.

**KEY TERMS:** Direct support, Socio-economic development, Low income earners

## INTRODUCTION

The Vision 2020 Umurenge Programme (VUP) is one of three keystone programmes of the National Economic Development and Poverty Reduction

Strategy (2008-2012) aimed at tackling these challenges. The overall goal of the programme is to eradicate extreme poverty by 2020. The programme had the ambitious target of lowering extreme poverty from 36.9% (2006) to 24% by 2012. The VUP is an integrated approach that balances central guidelines for socio-economic transformation like economic growth, job creation and extreme poverty eradication with local participatory mechanisms with intent to make the best possible use of scarce resources while, at the same time, ensuring adequate local incentives for sustainable progress.

Direct support is the third component of VUP which aims to improve access to social services or to provide for landless households with no members qualifying for public works or credit packages, such unconditional support seeks to expand health and education coverage as well as to encourage the development of “appropriate” skills handicraft or social service activities. This component also includes social assistance for extremely vulnerable people.

It is a household based cash transfer poverty program focused on moving people out of extreme poverty in a sustainable way. The “poor must find ways to convert their assets and talents (e.g. skills and productive labour, financial capital, land, nutrition, health) into income, and to release their productive capacity”(Direct Support Operational Framework, 2009). It targets a group of people without land and so the capacity to work. Those with very few assets and productive skills and will be, understandably, much more cautious and take fewer risks than other

extremely poor people. According to the Direct Support Operational Framework, 2009, the Poor and extremely poor households require an integrated approach that combines activities in a way that addresses their needs. Cash transfers constitute an effective mechanism for providing resources to poor households if essential goods are available on the market but the poor do not have enough money to purchase them. If the amount of the transfer is enough to cover expenditure deficits and is predictable, a cash transfer can also provide a solid base to reduce poverty by encouraging households to develop their skills and take risks and adopt other livelihood support activities.

The direct support cash transfer is premised on the rationale that many of the poorest can be helped to help themselves meet survival and livelihood protection needs and some will have the potential to eventually graduate out of poverty if given the right support (an appropriate mix of interventions properly sequenced) and the will and capacity to succeed.

### **Statement of the problem**

Until very recently, households in Rwanda that fall into the category of extremely poor have relied on the assistance of other household and village members and the provision of external food and other aid for their survival. This assistance helpful though, can be said to be ad-hoc with no reliability guarantee of fully covering the survival needs of recipient households while fostering a culture of self sustainability/sufficiency.

Direct Support was adopted as a more strategic approach to assisting the extremely poor of households in a reliable and sufficient manner to allow them to focus on possible options for helping themselves rather than constantly relying on external support. It is an attempt to provide a regular level of income to raise these households out of extreme poverty and to give them the opportunity to explore possibilities for becoming self sufficient in the longer term.

Its complimentary elements of provision of training, voluntary savings and possibly modest amounts of credit for qualifying households was expected to graduate some households from the programme and become either participants in public works or fully or partially self sufficient.

However, while some previously poor households have been able to graduate to an economically self sufficient level, there remains an arguably large number who are far from this reality. Moreover, there is a perception among some recipients of Direct Support (extremely poor households) that it is an entitlement which is counter-productive to the premise that direct support should not be a form of economic dependency. There are also problems associated to delayed or unreliable fund disbursement to the beneficiaries which may limit their potential to take on risks such as credit acquisition for economic productivity. And although training, sensitization and credit access are intended to be complimentary elements of Direct support, some beneficiaries do not show evidence of skills acquired from these trainings in terms of risk venturing and loan access.

It is from this background that this study undertakes to assess the impact of the 2020 VUP Direct support project on the social economic development of the poor households in Rwanda. The study used the case study of a few selected sectors in Kicukiro District of Kigali. It is hoped that the study highlights some anomalies that hamper the effectiveness of Direct Support project from enhancing economic productivity and promoting self sufficiency of poor households in Rwanda.

### Objectives of the study

The general objective of the study is to assess the effect of direct support projects on the socio-economic transformation of poor households in Rwanda

The specific objectives of the study include;

- 1- To assess the process of identifying and selecting direct support beneficiaries
- 2- To investigate the nature of economic activities that beneficiaries of Direct support undertake for economic productivity and self reliance
- 3- To assess the payment process and duration of delivery of Direct support funds and how it affects recipient households' productivity and sustainability
- 4- To investigate the effect of beneficiary training and access to credit on their economic productivity and self reliance.

## LITERATURE REVIEW

### Conditional Cash Transfers (CCT) as opposed to unconditional Cash Transfers (UCT)

According The Economist (2013), for decades, it was thought that the poor needed almost everything done for them and that experts knew best what this was. Few people would trust anyone to spend \$1,000 responsibly. Instead, governments, charities and development banks built schools and hospitals, roads and ports, irrigation pipes and electric cables. And they set up big bureaucracies to run it all. However, from around 2000, a different idea started to catch on: governments gave poor households small stipends to spend as they wished—on condition that their children went to school or visited a doctor regularly. These so-called “conditional cash transfers” (CCTs) appeared first in Latin America and then spread around the world. They did not replace traditional aid, but had distinctive priorities, such as supporting individual household budgets and helping women (most payments went to mothers). They were also cheap to run.

Projects such as Give Directly in Kenya are the latest elaboration of these ideas. Their designers saw that CCTs had boosted household incomes, and asked whether extra conditions, such as mandatory school attendance, were necessary. They also argued that, if CCTs were cheap to run, unconditional cash transfers (UCTs) would be cheaper still.

This scheme has a condition: applicants must submit a business plan. But it highlights the virtues of no-strings grants (UCTs). They work when lack of

money is the main problem. The people who do best are those with the least to start with, in Uganda, that especially means poor women. In such conditions, the schemes provide better returns than job-training programs that mainstream aid agencies prefer. Most important, they even do better than secondary education, which pushes up wages in poor countries by 10-15% for each extra year of schooling. This may be because recipients know what they need better than donors do which is a core advantage of no-strings schemes. They also outscore conditional transfers, because some families eligible for these fail to meet the conditions through no fault of their own if they live too far from a school, for instance.

### **Direct support for small projects/start ups**

The Economist (2013) reports that a trial cash transfers in Vietnam in 2006 gave one-off handouts to 550 households; two years later, local poverty rates had fallen by 20 percentage points. The scheme was dubbed “cash for coffins” after elderly recipients spent the money on their funeral arrangements to save their children the expense. Also, in northern Uganda the government gives lump sums of around \$10,000 to groups of 20 or so young people who club together to apply. Chris Blattman of Columbia University, New York, who has studied the program, calls it “wildly successful”. Recipients spent a third of the money learning a trade (such as metalworking or tailoring) and much of the rest on tools and stock. They set up enterprises and work longer hours in their new trades. Average earnings rose by almost 50% in four years. The paper reports that in Ghana, where the biggest beneficiaries were women, the program gave small sums (\$120) to a random



selection of business owners, some unconditionally, some requiring the owner to buy something for his or her firm. The conditional benefits proved more useful: profits at firms that got such payments were twice as high after three years as at firms that got cash with no strings attached. (The economist 2013)

In a study by Ladzani and Netswera, (2009) on Support for rural small businesses in Limpopo Province, South Africa, in which they examines the type of support systems and programmes required and available for the growth and development of rural SMMEs in Limpopo. One of the key findings of the study indicates that nearly 80% of entrepreneurs perceived finance to be inaccessible and thus the most common constraint for their growth. The support by state agencies such as SEDA should be increased for the rural SMMEs in the province.

**The Conceptual Frame work**

**Independent variables**

**Dependent variable**

(Beneficiary: identification, (Beneficiary Household economic

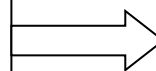
Economic activity, Payment process productivity and self reliance measured in the

and training and access to credit) level of income from econ activities)

**Independent variable**

**Dependent variable**

- Identification and selection of beneficiaries
- Nature of economic activities that beneficiaries undertake
- Payment process and duration of delivery of Direct support funds
- Effect of beneficiary training and access to credit on their economic productivity



- Household development
- Economic productivity
- Self reliance

Source: (Researcher 2015)

### Explanation of variables

There are four independent variables that the study assumes: the beneficiary identification process, the economic activities that beneficiaries carry using direct support funds, the payment process and the duration of direct support and finally beneficiary access to training and credit. The dependent variable is the social economic transformation of beneficiaries' households determined in terms of household economic productivity and self reliance (graduation from direct support). The independent variables are assumed to have a direct relationship (effect) on the Dependent variable.

### Research Methodology

#### Research design

The study used a case study descriptive research design in order to collect both quantitative and quantitative data. This design was preferred because case study descriptive research designs allows for an in depth analysis of a given research problem and help provide answers to the questions of who, what, when, where, and how associated with a particular research problem but only cannot

conclusively ascertain answers to why. A case study can also be used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. The study does so through respondents' opinions, judgments, experiences and testimonies, which is an entire qualitative exercise (MINELOC, 2012).

## RESEARCH FINDINGS AND DISCUSSIONS

### Identification and selection of direct support beneficiary

The researcher wanted to find out the process of identifying and selecting direct support beneficiaries in order to find out whether it actually serves the purpose of assisting the low income earners in Rwanda. Various questions were asked to both the beneficiaries and the facilitators relating to this subject matter. The following tables provide the statistics of the information sought.

### Relationship between the variables

The researcher wanted to establish the relationship between different variables in this document in order to establish whether it has association with each other.

**Table 4.19 Crosstab between monthly receipt of direct support and asset buying**

The beneficiary received direct support funds on a regular monthly basis	Total
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	Disagree	Not Sure	Agree	Strongly agree	
Asset buying					
Yes	9	8	65	4	86
No	0	0	0	6	6
Total	9	8	65	10	92

Source: (Researcher, 2015)

Table 4.19 presents the correlation of two variables which shows the relationship between the respondents who stated that they receive direct support funds on a regular monthly basis and their response on what they highly rate that they use the money to do asset buying in order to establish if there is a statistical significant different between this two variables. The information below shows the chi-square test values observed in this test.

**Table 4.20 Chi-Square Tests of monthly receipt and asset development**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.633 <sup>a</sup>	3	.000
Likelihood Ratio	30.900	3	.000
Linear-by-Linear Association	15.716	1	.000
N of Valid Cases	92		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .52.

Table 4.20 indicates that there is a strong correlation between this variables because the p-value is less than 0.05 which leads to rejection of the null

hypothesis and acceptance of the alternate hypothesis hence it is indicated that indeed there is a statistical significant difference between monthly receives of direct support program package in terms of cash and beneficiaries ability to buy assets for themselves. This is indicated by a p-value of .000 and a Pearson Chi-Square value of 52.633<sup>a</sup>

**Table 4.21 Correlation between monthly payment and access to medication**

		The beneficiary received direct support funds on a regular monthly basis				Total
		Disagree	Not Sure	Agree	Strongly agree	
Medication(paying for medical Insurance, Drug, etc)	Yes	9	8	58	0	75
	No	0	0	7	10	17
Total		9	8	65	10	92

Source: (Researcher, 2015)

Similarly, the researcher also wanted to find out the relationship between the respondents who stated that they receive direct support funds on a regular monthly basis and their response on what they highly rate that they use the money to access medication such as (paying for medical Insurance, Drug, etc) as indicated in Table 4.21 in order to establish if there is a statistical significant

different between this two variables. The information below shows the chi-square test values observed in this test.

**Table 4.22 Chi-Square Tests for monthly receipt and access to medication**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.535 <sup>a</sup>	3	.000
Likelihood Ratio	43.640	3	.000
Linear-by-Linear Association	21.522	1	.000
N of Valid Cases	92		

a. 3 cells (37.5%) have expected count less than 5.

The minimum expected count is 1.48.

Source: (Researcher, 2015)

The results in Table 4.22 indicates that the p-value of the two correlated variables was .000 which is less than 0.05 and it indicatives that there is a statistical significant difference between beneficiaries ability to receive direct support funds on a regular monthly basis and respondents access to medical services such as (paying for medical Insurance, Drug, etc).

Table 4.22 Correlation of direct support with socio-economic activities like animal rearing (goats, pigs)

		The beneficiary received direct support funds on a regular monthly basis				Total
		Disagree	Not Sure	Agree	Strongly agree	
Animal rearing	Yes	9	8	39	0	56
(goats, pigs)	No	0	0	26	10	36
Total		9	8	65	10	92

Source: (Researcher, 2015)

Table 4.22 shows the correlation between the beneficiary received direct support funds on a regular monthly basis and their socio-economic activities such as animal rearing such as pigs, goats and other animals which may be sold and obtain the money or sell their production such as milk, wool among others. This was to establish whether there is any significant relationship with direct support and socioeconomic development of beneficiaries. The results are indicated in the table below.

**Table 4.23 Chi-Square Tests of direct support and socio-economic activities like animal rearing (goats, pigs)**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.505 <sup>a</sup>	3	.000
Likelihood Ratio	35.665	3	.000
Linear-by-Linear Association	21.439	1	.000
N of Valid Cases	92		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is 3.13.

Source: (Researcher, 2015)

The correlation indicated that there is a statistical significant difference between the direct support program and social-economic development of the beneficiaries because the p-value of these correlations is less than 0.05. This means we adopt the alternate hypothesis and reject the null. The Pearson Chi-Square is 26.505<sup>a</sup> and the level of significance is .000 which indicates strong correlations.

### Conclusion

The study found that there is a statistical significant difference between monthly receives of direct support program package in terms of cash and beneficiaries ability to buy assets for themselves.

The study found that there is a statistical significant difference between beneficiaries ability to receive direct support funds on a regular monthly basis and respondents access to medical services such as (paying for medical Insurance, Drug, etc).



The correlation also indicated that there is a statistically significant difference between the direct support program and social-economic development of the beneficiaries. The study indicated that when beneficiaries received direct support funds on a regular monthly basis, they are able to buy animals for rearing such as goats, pigs and cows so that they can be able to sell them and with a profit or consume their products such like milk.

Direct support programme focuses on moving people out of the extreme poverty in a shorter term. However, to move people out of the poverty in a sustainable process, poor people are required to use whatever means either assets or talents into income and increase their productivity capacity

Cash transfer constitutes an effective mechanism for providing resource to the poor households if the essential goods are available at the market but the poor do not have money to purchase them. If the amount of the transfer is enough to cover the expenditure deficits and it is predictable, a cash transfer can also provide a solid base to reduce poverty by encouraging households to develop their skills and take risks and adopt other livelihood support activities.

The poor and extremely poor and extremely poor households require an integrated approach that combines activities in a way that addresses their needs. The direct support cash transfer is based on the rationale that many of the poorest can be helped to help themselves meet the survival and livelihood survival needs and some will have the potential to eventually graduate out of the poverty if given the right support.

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