



WOCCU Rwanda:

Maximizing the Impact of Spontaneous U-SACCO-Savings Group Linkages

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Authors and Researchers:**WOCCU**

- Stephanie Grell Azar
- Jean Thiboutot

Contributors:

- Marie Ange Niyitegeka
- Remy Iyikirenga
- Didier Kwizera
- Vanessa Micomyiza

Acknowledge:**U-SACCOs visited**

- Sacco Terimbere Shyogwe
- Sacco Baturebereho Ruhango
- Nyagatare Development Sacco
- Coop. Umusingi Rwaza
- Umutuzo Sacco at Musanze
- Kanombe U-Sacco at Kanombe

Review Committee:**UNCDF**

- Pamela Eser
- Hermann Messan
- Ivana Damjanov

The MasterCard Foundation

- Prabhat Labh
- Ruth Dueck-Mbeba
- Amos Odera

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The authors are extremely grateful to the savings group members who took the time and courage to share their personal stories and help us to better understand their day to day realities and needs.

The feedback of the U-SACCOs and their members have been invaluable in identifying potential next steps in leveraging linkages between U-SACCOs and savings groups in order to further increase economic stability and growth in the rural and agricultural areas. The authors hope that lessons captured through this case study on spontaneous linkages will not only support the further development of linkages throughout Rwanda, but also in similar environments throughout Africa.

The authors take responsibility for any errors or omissions.

Table of Contents



- Summary
- Acronyms



4 Introduction



6 Background



9 The discovery of the savings group linkages



12 Addressing the needs of savings groups



15 Gaining a deeper understanding of the linkages



26 Results



29 What's Next

Summary

World Council of Credit Unions (WOCCU) received funding through UNCDF's MicroLead programme to support the consolidation of Rwanda's Umurenge SACCOs (U-SACCOs) to promote increased sustainability of these small institutions and increase access to savings in rural Rwanda. This case study examines how the U-SACCOs are linking to savings groups – an unexpected discovery during programme implementation – to increase access to financial services in rural areas and at the same time build a stronger financial foundation for the U-SACCOs.

Acronyms

AFR	Access to Finance Rwanda	NGO	Non-governmental Organizations
BDF	Business Development Fund	RCA	Rwanda Cooperative Agency
CBS	Core Banking Solution	SQL	Structured Query Language
EDPRS	Economic Development and Poverty Reduction Strategy	RICEM	Rwanda Institute of Cooperatives, Entrepreneurship
FSDP	Financial Sector Development Plan	RWF	Rwandan Franc (currency)
GOR	Government of Rwanda	SBFIC	Savings Banks Foundation for International Cooperation
HLSC	High Level Steering Committee	SG	Savings Group
MINALOC	Ministry of Local Government	U-SACCO	Umurenge Savings and Credit Cooperative
MINECOFIN	Ministry of Finance and Economic Planning	USD	United States Dollar (currency)
MINICOM	Ministry of Trade and Industry	VUP	Vision Umurenge Program
NBR	National Bank of Rwanda	WOCCU	World Council of Credit Unions

Introduction

Thirty-three thousand one hundred and seventy-six groups. \$5,183,334 in formal savings accounts. This was a surprising discovery in 2013 as WOCCU analyzed data collected from its 90 partner¹ Umurenge Savings and Credit Cooperatives (U-SACCOs) across Rwanda in preparation for the consolidation and automation of the U-SACCO sector.

Jean Thiboutot, WOCCU's Project Director of the MicroLead Rwanda: Savings Mobilization through Rural Savings and Credit Cooperatives programme, knew that linking savings groups to financial institutions had been a goal for UNCDF that was incorporated into other country programmes. It was, however, not a component of the Rwanda MicroLead programme. Yet it was happening spontaneously through the Rwandan U-SACCOs.

¹ Nationwide, 416 U-SACCOs were serving 96,663 groups, saving USD 19,319,897

If it weren't for the U-SACCO, no parent here would be able to send their children to school.

- Mukanyandwi Therese

WOCCU sought to understand the story behind these savings group linkages to U-SACCOs. Why and how are the savings groups linking to the U-SACCOs? Are they actively saving and borrowing? Have project interventions helped to increase participation of savings groups? How are savings groups and individuals benefiting from these linkages? What can be learned from these linkages that can be shared with others, and what else can be done to maximize the impact?



Mukanyandwi Therese, member of Icyerekezo ("vision") savings group, which linked to Terimbere Shyogwe U-SACCO in Muhanga district.

Table i
Rwanda at a Glance*

Rwanda	
Capital	Kigali
Population	12,661,733 (July 2015 est.)
Gross national saving	11.2% of GDP (2015 est.)
Inflation rate	2.5% (2015 est.)
GNI per capita, PPP	\$697.3 (2015 est.)
GDP per capita	\$1,800 (2015 est.)
Population below the poverty line	31.1% (2015 est.)
Life expectancy	59.67 years (total population) (58.11 male, 61.27 female, 2015 est.)
Literacy rate	70.5% (total population)
Labor force	6.247million (2015 est.)
Access to formal financial services	68% (89% access when including informal sources, including savings groups)
Human Development Index Ranking**	163 out of 188 countries (2015 ranking)
Labor force by occupation	90% agriculture, 10% industry & services
Industries	cement, agricultural products, small-scale beverages, soap, furniture, shoes, plastic goods, textiles, cigarettes
Agriculture	coffee, tea, pyrethrum (insecticide made from chrysanthemums), bananas, beans, sorghum, potatoes; livestock
Rwanda corruption index***	44 points out of 100 on 2015 Corruption Perception Index (0 highly corrupt-100 very clean)

Sources:

*Rwanda CIA World Factbook, Rwanda UNDP Human Development Report 2015, Trading Economics Rwanda, FINSCOPE Rwanda Financial Inclusion Survey 2016

** The Human Development Index is an "average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living," UNDP Human Development Report

*** The Corruption Perception Index 2015, <https://www.transparency.org/cpi2015/#results-table>

Background

Financial inclusion in Rwanda has historically been a significant barrier to economic development. As the MicroLead project launched in 2013, Rwanda was in its second phase of the Financial Sector Development Plan (FSDP), which had initially been developed by the Government of Rwanda (GOR) in 2007 as a part of the Government of Rwanda's (GOR) Economic Development and Poverty Reduction Strategy (EDPRS).

Progress in increasing access to finance had been achieved under the first phase of the FSDP. Per the FinScope Financial Inclusion in Rwanda 2008 - 2012 report, financial exclusion had dropped from 52% in 2008 to 28% in 2012, with 72% of Rwandan adults accessing financial products or mechanisms through both formal and informal sources.² This reduction in financial exclusion was caused primarily by an increase in the number of adults formally served, jumping from 21% in 2008 to 42% in 2012. This was primarily attributed to an uptake in use of products offered by non-bank formal financial institutions, such as U-SACCOs and insurance companies.



DROPPED FROM
52% IN 2008



TO 28% IN 2012

“Domestic savings are likely to remain the predominant source of capital accumulation in developing countries such as ours. Therefore, it is imperative for Rwandans to adopt the savings culture in order to become a self-reliant nation with the ability to plan for a better future and grow a stronger economy.” - *Hubert Ruzibiza, the Rwanda Development Board’s (RDB) Head of Services, speaking at closing of an exhibit of financial services products held in Kigali as part of National Savings Week activities, 2013.*

U-SACCOs were established in 2009 as a part of the FSDP and the GOR National Savings Mobilization Strategy. Their goal was to mobilize savings and provide loans to at least 10% of the rural population by creating at least one U-SACCO in each of the country’s 416 Umurenzes or sectors. Initiated by local communities in partnership with the GOR, per the FinScope 2012 Survey, U-SACCOs were changing the landscape of formal access in Rwanda, providing access to financial services to Rwandans who would otherwise not use formal financial services. However, the survey also found that despite the increase in uptake of formal financial products, many Rwandans were still using informal mechanisms to manage their money. Informal inclusion increased from 39% to 58% in 2012, and 66% of individuals who had formal financial products also used informal mechanisms. As GOR’s goal was to channel as much of the money as possible through the formal institutions, additional work would need to be done to increase uptake and usage of formal products and services.

Microlead Project Description

In line with the second phase of the Financial Sector Deeping Programme (FSDP II), UNCDF entered into a partnership with WOCCU and the GOR in 2013 to strengthen Rwanda’s U-SACCOs and increase their capacity to expand outreach in rural areas, mobilize savings and achieve sustainability. The goals of the project were fourfold:

Recognizing the challenges that the much smaller U-SACCOs faced in delivering services, support the GOR in its U-SACCO consolidation strategy by assisting in the merger process of 90 U-SACCOs into 30 district U-SACCOs to strengthen their capacity to provide financial services.

- Accelerate access to financial services for Rwanda’s poor and rural populations by expanding the base of new savers, developing products to better address client needs and promoting increased product uptake and usage.
- Improve the district U-SACCOs’ efficiency and transparency by implementing a central core banking solution (CBS).

² FinScope Financial Inclusion in Rwanda 2008-2012. Formal sources included banks, microfinance institutions, U-SACCOs, mobile money providers, and insurance providers. Informal providers included savings groups.

- Strengthen operations and financial discipline in the U-SACCOs through updated and harmonized policies, training and capacity building to promote long-term sustainability and financial independence.

Per the initial goals, linking savings groups to U-SACCOs was not a component of the WOCCU MicroLead Rwanda project, yet, based on the initial outreach and savings numbers discovered, it would be an important part of reaching the goals for U-SACCO membership, savings, growth, and sustainability.

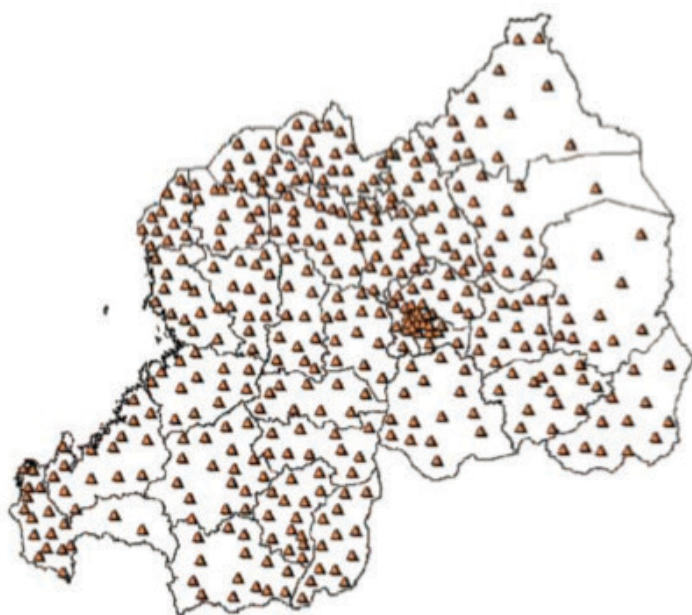
Project Partners

WOCCU partnered with a variety of stakeholders to develop a strategy to consolidate U-SACCOs in Rwanda. WOCCU participated in the GOR U-SACCO programme Technical Steering Committee, joining the Ministry of Finance and Economic Planning (MINECOFIN), National Bank of Rwanda (NBR), Rwanda Cooperative Agency (RCA), Access to Finance Rwanda (AFR) and representatives from other Ministries to develop action plans and strategies for U-SACCO consolidation. These strategies would then be reviewed and approved by the High Level Steering Committee (HLSC) (including MINECOFIN, NBR, Ministry of Trade and Industry [MINICOM], Ministry of Local Government [MINALOC] and RCA).

WOCCU partnered with three U-SACCOs partners per district³ (90 of the 416 U-SACCOs) to provide direct technical assistance in support of project implementation. The participating U-SACCOs were selected by NBU based on size and assets. As policies, procedures and initiatives were developed and tested with these 90 U-SACCOs in preparation for consolidation⁴ of the U-SACCOs, they would be reviewed and approved by the GOR for standardization across the entire U-SACCO sector with support from other funding sources.⁵

FINTECH, a Nairobi-based software firm, became another partner in 2015 after being selected as the technology firm to lead automation of the U-SACCOs in preparation for merging U-SACCOs at the district level.

Figure i
Map of Umurenge SACCOS



*Source FinScope Financial Inclusion in Rwanda 2008 - 2012

³ Rwanda's administrative territory is divided into four provinces, 30 districts, 416 sectors and 2,148 cells, with an average of five cells per sector. Cells are further divided into villages, with a total of 14,837.

⁴ The merger of the U-SACCOs at district level was part of FSDP II (2012-2016). It took three years, until January 2016, for the HLSC to approve the final consolidation plan.

⁵ AFR provided additional funding to WOCCU to validate the data of an additional 90 U-SACCOs in preparation for the mergers.

The discovery of the savings group linkages

As a part of project start-up, WOCCU carried out diagnostics on the 90 partner U-SACCOs to better understand their financial and institutional capacity and to define specific project interventions needed to strengthen the U-SACCOs and prepare them for merger and consolidation. Through these diagnostics, WOCCU analyzed: 1) Governance, 2) Membership (gender, demographics, occupation), 3) Marketing and products, (deposits, loans, collections & charge offs), 4) Human resources, 5) Accounting, audit and regulations.



Members of Itsinda Abahujurukundo savings group which linked to Umutuzo U-SACCO. A survey of 200 savings group members carried out by WOCCU found that savings groups have their accounts at U-SACCOs because of their proximity and because they are seen as serving the grassroots population.

One of the most surprising discoveries during these diagnostics was the participation of savings groups, which in many cases were among the members that had the most savings in the U-SACCOs. While in other countries specific focus and programmes were designed to support the linking of savings groups to formal financial institutions, it was happening spontaneously in Rwanda between the U-SACCOs and the savings groups (including those facilitated by non-governmental organizations [NGOs], international NGOs, government programmes and those that had been created informally by people themselves with their own means)⁶.

In carrying out the project start-up diagnostics, which included a segmentation analysis by account balance, gender and groups, WOCCU found the following for the 90 U-SACCOs as of December 2013:

- U-SACCOs were serving 33,176 groups, the fastest growing member segment, showing growth of 60% since the baseline in June 2012 (collected during proposal preparation) as compared to 39% and 44% for men and women respectively.
- While these groups made up 7.4% of the total members, they held 31.4% of the savings (\$5,183,334).
- An account-by-account analysis found that in many cases the groups held a higher proportion of the higher balance accounts in the U-SACCOs, saving for investments (including land, housing, livestock rearing, commercial buildings, among others) as well as for health and housing for those group accounts linked to government programmes for vulnerable populations.
- Groups accounted for 5% of the borrowers (852) and 10.4% of the loan portfolio (\$1,137,512). Groups were the fastest growing segment of borrowers.

While this analysis identified the importance of savings groups to the U-SACCOs and its base of savings, WOCCU also found:

- Savings across all member segments, including groups, showed minimal or negative increases. Between the June 2012 proposal baseline data and December 2013 analysis (men [3%], women [-2%], groups [-3%]) had not increased since the June 2012 baseline.
- Dormancy of accounts across segments, including savings groups, had also increased.

⁶ Per a survey carried out by WOCCU in March 2015 of 200 savings groups affiliated with 20 U-SACCOs, a high proportion (71%) were not supported by Government or NGO programmes. Of the 29% that had support from the Government or NGOs, 69% had been support from VUP that provides support to the poor who can work and cash transfers to the very poor or Health Mutual which formed groups to help finance medical insurance premiums.

For WOCCU, this project start-up analysis demonstrated the potential as well as the areas of weakness that would need to be addressed to maximize the impact of these spontaneous savings group linkages to support growth of the U-SACCOs and the savings group members. In addition, expanding outreach to more savings groups would provide an avenue for the U-SACCOs to introduce formal financial services to more of Rwanda's vulnerable population.⁷

The savings group model is based on the belief that for the extremely poor, particularly women, the best approach to increasing financial inclusion is to begin by building their financial assets and skills through savings rather than debt. Savings groups are often an important and necessary rung on the ladder of financial inclusion as they:

- Reach excluded and vulnerable populations.
- Enable members to accumulate financial resources needed to plant additional crops or add new income generating activities.
- Provide access to savings and borrowing (through small internal loans) in ways that allow them to smooth cyclical household consumption patterns and manage unexpected emergencies.

However, savings groups often do not have the internal resources to support the economic growth of members. Linking groups to formal financial institutions, another rung on the financial services ladder, provides members with:

- Access to formal financial services through a regulated institution.
- Access to individual savings, enabling members to save more and for longer durations.
- Access to larger loans with more flexible terms for payment period and frequency.
- Lower interest rates on loans than are generally available in the savings group*.
- Consistency of secured savings if there is a need to leave the savings group.

Savings Groups and the Benefits of Linkages to Financial Institutions

** Per a WOCCU survey of 200 savings groups affiliated with 20 U-SACCOs, interest rates for loans through savings groups ranged from 0 to 10% per month with 5% being the most common (43% of groups) followed by 10% (21% of groups).*

⁷ The Ubudehe programme categorizes Rwandan households into 4 categories (1-4) according to the socio-economic status of the household, with category 4 households being the most affluent, and households in category 1 the least (families who do not own a house and can hardly afford basic needs). FinScope 2016, Table 10 provides an overview of the characteristics of adults using informal financial mechanisms indicating that the financially excluded population was most significantly skewed towards (vulnerable groups):

- Adults from ubudehe category 1;
- Women;
- 16 – 17 years age and 60 years and older categories;
- Never married and widowed (spouses do not appear as barrier to take up financial products);
- Those who receive their income from piece-work; and
- Adults without formal education.

Addressing the needs of savings groups

Incorporating savings groups into updated policies, procedures and marketing and business plans

Building on the results of the U-SACCO diagnostics, a key component of the MicroLead project was to update and standardize policies and procedures and develop business and marketing plans based on the specific needs of each U-SACCO. Prior to the project, each U-SACCO was operating within its own individual policies, procedures and business plans, often in different languages.

Policies and procedures did not cover financial products offered by the U-SACCOs. In order to automate and merge the U-SACCOs, new, harmonized, and consistent policies, procedures, products and guidelines for business and marketing plans would be required.

With the discovery of the importance of savings groups during the diagnostics, savings groups would be considered an important segment when updating the policies, procedures and products. The majority of updates would be beneficial to all segments, with sections added as appropriate to ensure specific characteristics or needs of savings groups were addressed as needed. Examples of updates include:

- Simplified the client forms used for both savings and loans products, reducing paperwork that can often be a barrier to entry for lower-income clients.
- Clarified and organized the account opening process, which was not that clear, especially for groups.
- Developed longer-term deposits (e.g. 90-day), earning higher interest rates for those groups that held larger amounts of savings or deposited their money for longer periods.
- Established procedures for how to handle group loan applications (including documents required, how to assess the loans, and how to draft contracts if for example group members don't get the same amount).
- Worked with U-SACCOs to develop a portfolio of products to meet savings group member needs. The reasons for joining a group were generally to save for a specific purpose or access specific types of loans, insurance, etc. The new savings products included a \$200 loan product for savings groups to pay for health⁸ insurance for the year through a government programme, agricultural loans, business loans, social loans (wedding, death), and education (school fees). Savings products were also developed for education, investment, health and children in addition to term-deposits.
- Established loan policies to specify minimum and maximum amounts to encourage smaller loans, which had previously not been of interest to U-SACCOs. Smaller loans would be a good stepping stone for group members who would later become individual members of the U-SACCOs.
- Expanded working days to seven in some cases to accommodate group meetings, so the groups could deposit and pay loans when they needed.

WOCCU also worked with each U-SACCO to develop a **marketing plan** that would include outreach to savings groups. For each U-SACCO, membership (disaggregated by gender and dormant accounts) and savings and loan products (based on price, convenience and delinquency) were mapped by cell against competitive products. Member satisfaction surveys were carried out, internal strengths and weaknesses were assessed, and outside opportunities and threats were identified. Based on this research, a marketing plan was developed to set growth targets and strategies per village of the cell for each U-SACCO segment (men, women, savings groups, youth, business and agriculture) in order to increase membership, savings and the loan portfolio. Targets and key activities were integrated into the business plans.

⁸ Health Insurance (Mutuelle de Santé) is part of the Government of Rwanda's social protection system introduced in 1999. The aim of Mutuelle de Santé is to enable members to access health care through all public and private non-profit health centers in Rwanda and to reduce the financial burden of health care particularly for the poorer groups of society. Membership is voluntary and open to all Rwandan residents for a modest annual payment. Households at the bottom two Ubudehe categories (i.e. the most vulnerable) are entitled to have the membership fee waived. The Mutuelle de Santé system is primarily coordinated at district and sector level. FinScope 2016 findings indicated that 77% of adults were covered by Mutuelle de Santé, up from 71% in 2012.



A member of Terimbere Shyogwe U-SACCO in Muhanga District reviews financial literacy posters developed under the MicroLead project.

Business plans were then developed with a focus on three objectives to improve U-SACCO operational efficiency and address deficient financial structures. Business plans would:

- 1) Define a business model to serve new profitable member segments (i.e. women, savings groups) through a review of riskier products and policies, procedures and training to address challenges in reaching these groups due to distance and seasonal and volatile incomes.
- 2) Streamline procedures to eliminate redundancies and bottlenecks with credit committees, management and loan officers, and eliminate cumbersome paperwork.
- 3) Calculate the entrepreneurial loan rate that both covered all costs and provided competitive pricing.
- 4) Facilitate transition to automation and alternative digital delivery channels.

Policies, procedures, products and guidelines for business and marketing plans were first adopted by the 90 U-SACCOs, and then distributed to the entire network of 416 U-SACCOs through GOR partners.

Providing Financial Education

The GOR placed emphasis on the need for broadening and deepening financial literacy⁹, which was also confirmed by feedback from members when developing the marketing plans. WOCCU worked with a local marketing firm to develop financial literacy materials including pamphlets, posters and videos with information on: how to budget with cash flow, how to save periodically using U-SACCO products, and how to obtain a loan and invest it.¹⁰ U-SACCO managers and employees were trained on the materials and how to distribute them, including to savings groups. A special savings week was organized across U-SACCOs and in some cases, U-SACCO managers have spread the message through the radio and local media channels. Anecdotally, for many U-SACCOs, staff attribute an increase in membership to the push for financial literacy.

“A significant barrier to uptake of formal financial products and services is consumers’ lack of awareness or understanding of how the uptake and usage of financial products would improve their lives.”- *FinScope 2012, p2*

¹⁰ The content of the materials was based on the National Financial Education Strategy for each and the findings that:

- less than half Rwandans budget;
- Running short of money is common;
- Most Rwandans understand the importance of planning for the future, but more than half do not know enough about how to develop a plan;
- Sixty percent of Rwandans report that they save only if they have money left after their expenses;
- About half Rwandans feel out of control with their borrowing and debt;
- Only 23% of respondents say they are knowledgeable about how to choose a financial product or service provider p.9

⁹ Highlighted in FSDP II

Gaining a deeper understanding of the linkages

What can be learned

In addition to updating policies, procedures, products, and marketing plans for U-SACCOs to support increased outreach to savings groups, WOCCU captured additional information from savings group members and U-SACCOs to gain a better understanding of the story behind the linkages. This additional information would be critical in identifying potential next steps for maximizing the impact of savings group linkages in Rwanda and in other similar contexts.

WOCCU carried out a study of 200 savings group members¹¹ across 20 U-SACCOs to better understand how savings groups function and their relationship to the U-SACCOs. In addition, WOCCU met with U-SACCOs that had made a conscious effort to serve savings groups, and reviewed the results of these U-SACCOs over the life of the project (see individual stories on p 22 - 25). Finally, WOCCU met with savings groups of these U-SACCOs to understand how the linkages had benefited them and what improvements could be made.

Results of this research provided valuable insight into what's working to promote these spontaneous linkages, specific challenges faced and potential next steps.

What's working

Location and Physical Presence (Brick and Mortar).

U-SACCOs were built in areas located near health centers, markets and schools to draw in the local population. Results of the savings group study found that savings groups have their accounts at U-SACCOs in large part because of their proximity.



Umusingi Rwaza U-SACCO is one of 416 U-SACCOs that were set up across Rwanda in each Umurenge (sector) to in an effort to increase financial inclusion.

The Village Representative Structure.

With an average of 521 savings groups per U-SACCO, and only seven employees (and in most cases one motorcycle), U-SACCOs don't have the capacity to visit the savings groups frequently. Each village¹² has three U-SACCO representatives, elected at the General Assembly. These village representatives play a critical role in identifying groups, promoting the U-SACCO, supporting recovery of loans and providing character references for community members for loans as needed. Most importantly, these village representatives build a sense of trust between the groups and the U-SACCO.

¹¹ 10 savings groups were chosen from each U-SACCO, and one member of each of those savings groups was interviewed.

¹² There are 14,837 villages in Rwanda, <http://statistics.gov.rw/survey/districts-baseline-survey>

Connection to Larger Government Programme.

The U-SACCOs are connected to the larger GOR Vision Umurenge Programme (VUP). Groups funded under GOR programmes—including VUP, focused on the poor who are able to work and the very poor, and Health Mutual, designed to finance medical insurance premiums for vulnerable populations—were connected to the U-SACCOs. This connection likely played a larger role in driving groups to the U-SACCOs when the U-SACCOs were first started and less well known. Results of the recent savings group study found that 20% (40 of the 200 savings groups) were affiliated with a GOR programme.

Limited Competition.

In some cases, the U-SACCO is the only financial institution in the Umurenge, however, in those Umurenge with more economic activity, there are other financial institutions. Yet, U-SACCOs are the primary formal institutions making the effort to reach out to the rural areas and the small farmers.

“This bank is for the people giving them shares here, for people who need smaller loans if you want 20,000 RWF you can get it. They trust us and can get loans. There is ownership.” - Ms. Mukamurenzi Annet, Manager of Nyagatare U-SACCO

Lower Fees.

Managers and savings groups alike noted that when there was competition, no monthly fees for savings was a key determining factor in working with the U-SACCO. As an example, in some areas, banks may charge 1,000 RWF (\$1.37) per month as a ledger fee. With savings balances in U-SACCOs averaging \$37 for individuals, this fee would be significant.

Trust and Community Ownership.

U-SACCOs are financial cooperatives owned by the members. Managers noted the importance of this ownership to the members, as members felt it was their institution. Results from the savings group study found that in addition to proximity, the savings groups use the U-SACCOs because they are seen as serving the grassroots population. Only 4.5% or nine of 200 savings groups had an account in another financial institution, and this was primarily due to the fact that they had recently shifted to the U-SACCO and still had their old accounts in other financial institutions.

Product Features.

In working with WOCCU, product features were updated to better meet the needs of the savings groups. Agricultural lending products provide flexibility for payment terms (up to two years, but usually one year) and repayment frequency depending on the crop and harvest cycle (i.e, monthly, quarterly or end of harvest). There are no restrictions on frequency of member deposits and withdrawals, which can vary from daily to weekly to monthly depending on the livelihood. Procedures have been put in place to enable a few members (elected by the group) to deposit on the behalf of the group, with documentation of group approval. This reduces the need for all members to travel to the U-SACCO.

Three Savings groups visited

Savings Group members



**100% OF SAVINGS
GROUP MEMBERS HAD
INDIVIDUAL ACCOUNTS
IN TWO OF THE GROUPS**



**46% OF THE THIRD GROUP
HAD INDIVIDUAL
ACCOUNTS.**

loans to individuals (Same Groups)



17% IN ONE GROUP



**2% AND 0% IN THE
OTHER GROUPS.**

Increase in access to individual accounts.

While savings group members don't usually start out as individual U-SACCO members, over time, they will join as individual members to access services individually. U-SACCOs do not track the number of group members that also have individual accounts, however, per the savings group study of 200 savings group members, 40% had individual accounts. In addition, for two of the three savings groups visited, 100% of savings group members had individual accounts, and 46% of the members in the third group had individual accounts. It should be noted, however, that for these same three groups, loans to individuals were much lower, with 17% in one group and 2% and 0% in the other groups.

Challenges

Lack of Automation.

Both U-SACCO managers and savings group members highlighted frustration with manual systems required for processing transactions, leading to slower service and limited time for marketing. While the MicroLead project was designed to support the GOR plan to automate and merge the U-SACCO, the automation is still in process, as it took longer than expected for stakeholders to finalize the merger and consolidation plan, establish software parameters and test the system. Automation will also play a key role in increasing transparency and consumer protection.

Access to Loans for Savings Groups.

Across the 90 partner U-SACCOs, of the 46,949 member groups, only 613 have loans outstanding as of June 2016. Per the savings group survey less than 1 in 5 groups (36 of the 200) have received a loan from a U-SACCO, primarily for agriculture, commerce, and small development projects of individual members. Respondents noted that they would like to see the U-SACCOs ease conditions on disbursing loans to savings groups, and modify products, collateral, repayment terms, and the interest rate in order to help savings groups achieve their goals.

Limits on Loan Sizes.

Per GOR regulation, loan sizes are limited in the U-SACCOs based on savings and capital¹³ and can vary by U-SACCO (the limits for the U-SACCOs analyzed ranged from 5,000,000 RWF [\$6,850] to 10 million RWF [\$13,670]). U-SACCO managers expressed that the limit impacted the ability of the U-SACCO to compete with other institutions with more resources, while savings groups complained that larger loans were needed, for example, to purchase a truck to support transport to market.

Collateral.

While options for collateral have expanded beyond land titles with the option to use work contracts, livestock, other fixed assets, and group guarantees, collateral can still be a challenge. Some U-SACCOs may also use the GOR Business Development Fund (BDF) guarantee programme. However, in meeting with savings groups, many noted that they were unaware of the option to participate in the BDF programme.

¹³ The maximum loan amount is the lesser of 10% of U-SACCO capital or 2.5% of the savings portfolio.

“Mobile operators are gaining, but just to conduct the transaction, group members must still all save into their savings group account, and then the money must travel to the bank and back. In rural areas, you need agents nearby and must make sure the agent has cash on hand. If it’s a mobile network operator or merchant, they don’t always have the cash flow. The users are not always ready to pay for fees. The U-SACCO is a brick and mortar kind of expansion. This goes against the mobile money theory. People seem to value more the SACCO when it has a building and when it is attached to their community, providing everyone with services, and providing loans to those who can qualify.” - *Jean Thiboutot, Project Director, WOCCU MicroLead Rwanda Project*

Mobile Access.

As the U-SACCOs are not yet automated, members cannot access their accounts via mobile transactions. **In some cases, the U-SACCOs are serving as agents and enabling mobile payments via transfers that are then manually inputted into member accounts. However, usage is limited.** The savings group study found that only 9.5% of the groups (19 out of 200) were using mobile money to send funds between group members. They do not see the need for mobile transfers as members live in the same community, and the U-SACCOs are in close proximity. Once the U-SACCOs are automated, the U-SACCOs will need to embark on consumer education campaigns to promote uptake and usage of mobile and digital channels.

Access Outside the Branch.

U-SACCO managers noted the need for providing access to services for the members outside of the U-SACCO office. While the proximity¹⁴ of U-SACCOs has been a key advantage of the U-SACCOs and played a critical role in expanding financial inclusion, U-SACCO managers note that some people are still walking three hours to reach the U-SACCO due to bad road conditions, and transport for those who live far away could exceed 3,000 RWF (\$4.11), both of which have a negative impact on savings. There are regulatory restrictions on opening branches, which is of interest to some of the U-SACCO managers interviewed. And, while opening a branch will increase accessibility in underserved areas, it may not support sustainability as the new business generated—often small savings and lower value loans—may not be able to cover the increased operating costs.

Furthermore, businesses cannot use U-SACCOs because they can’t access the accounts when traveling to other parts of the country. This will only be achieved once the U-SACCO automation and consolidation is completed and interoperability between U-SACCOs is developed.

Dormancy.

Account dormancy is an issue across the financial sector, not just with U-SACCOs. Additional research on why accounts become dormant could provide insight into this common phenomenon and help institutions prevent it.

¹⁴ U-SACCOs were established with the goal of providing Rwandans with access to finance within five kilometers. The FINSCOPE 2016 survey found that the average time to reach a U-SACCO ranged from 24 to 61 minutes regardless of mode of transport (p16 – 17)

Potential next steps for maximizing impact

Building on the trust established between the U-SACCOs and the savings groups as well as the foundation laid with the policies, procedures and products developed under the MicroLead project, potential next steps for maximizing impact of these linkages include the following. However, it should be noted that **as long as U-SACCOs need to maintain manual record keeping, there will be limited time and capacity to improve member services.**

Savings groups

Savings groups represented the lowest percentage of the U-SACCO loan portfolios, yet, they also had the lowest loan delinquency rates within the three U-SACCOs analyzed, ranging from:



0% - 3% DELINQUENCY RATE FOR GROUPS



11% – 20% DELINQUENCY RATE FOR INDIVIDUALS

Increase Loans to Savings Groups.

WOCCU has found that in many U-SACCOs, there is a hesitancy to increase lending, even when there is the capital to do so. Savings groups represented the lowest percentage of the loan portfolio, yet, per the three U-SACCOs analyzed, they also have the lowest delinquency rate (ranging from 0% - 3% for groups and compared to 11% – 20% for individuals). With revised policies, procedures and products in place that address the requests of savings groups for modified terms, collateral, and product variety to meet their needs, U-SACCOs have the opportunity to meet this untapped demand by addressing needs identified during the savings group survey (see box).

Educate Savings Groups on GOR Programmes to Support Lending and Projects.

While a number of GOR programmes exist to provide both guarantees and additional sources of financing for projects geared toward youth entrepreneurship, agriculture and other underserved groups through the U-SACCOs, savings groups are generally unaware of these programmes. Additional outreach to savings groups and support to U-SACCOs in implementing these programmes could be of financial benefit to both.

Capture More Savings from Groups.

While the savings group survey found that 72.5% of the groups (145 of 200) have money left after receiving members' contributions and disbursing loans, and 60% of those groups save the remaining balance in the U-SACCO, some groups are not saving as much as they could at the U-SACCO. By understanding the purpose and practices of savings groups, as identified through the savings group survey (see box), U-SACCOs can determine appropriate marketing of products.

Foster Individual Savings.

While many U-SACCOs have succeeded in opening individual accounts for savings group members, there is no data related to the amount of savings in these accounts. U-SACCOs should seek ways to encourage growth of these savings accounts. Not only will the member have more control of her savings, she will start to build a history with the financial institution, enabling her to take loans directly from the U-SACCO at lower rates.¹⁵ Once automated, these members will have the option to access their money through a variety of channels.

¹⁵ Per a WOCCU survey of 200 savings groups affiliated with 20 U-SACCOs, interest rates for loans through savings groups ranged from 0 to 10% per month with 5% per month being the most common (43% of groups) followed by 10% per month (21% of groups)

Increase Financial Education.

U-SACCOs viewed the financial literacy campaign as an important component in increasing membership, and the savings groups indicated an interest in receiving more of it. With the trust established between the U-SACCOs and the savings groups, U-SACCOs provide an avenue for disseminating financial education, and providing practical applications through the use of its services. Additional resources and methodologies would be needed to implement and bring effective financial education to scale, taking into consideration the strength of the village representative model.

General characteristics

- On average 40 members per group, 54% women and 46% male.
- 37%, primarily in rural areas, are affiliated to more than one savings group.
- 56.6% of groups are registered with the local government.
- Members in groups with the purpose of saving and borrowing (66%) have different economic activities whereas members of savings groups with specific purposes have been united by a common activity which may be agriculture, livestock, commerce and health insurance.
- 97.5% of members participate in group meetings (monthly [50%], weekly [24.5%]).

Savings

- Nearly half (46%) are contributing less than 1,000 RWF (\$1.37) per meeting, with another 36% contributing up to 5,000 RWF, and 18% contributing more than 5,000 RWF (\$6.85).
- 37% say savings contributions can increase to achieve the objective of a group.
- 75% confirm that there is an amount of money that is left after receiving member contributions and disbursing loans. In more than 60% of the groups, the remaining amount is saved with SACCOs.

Loans

- 89% of groups offer loans, with interest rates ranging from 0 to 10% per month with 5% being the most common (43% of groups) followed by 10% (21% of groups).
- 18% (36 of 200) of groups had loans from the U-SACCO to cover the cost of individual group member's health insurance, investment in livestock, and purchase of motorbikes. Amounts varied between 100,000 RWF and 4,500,000 RWF with repayment between six and 24 months.
- 94.5% of members had financed activities through the savings group to improve living standards, construction, farming, and payment of school fees. However, many members are interested in building, renovating their houses, or improving living standards.

Highlights of *Savings Group Survey Results*

UMUTUZO SACCO MUSANZE

Umutuzo U-SACCO Musanze, located in the Musanze District of the Northern province of Rwanda, opened its doors in 2009 to the people of Musanze Umurenge. Removed from the commercial center, the U-SACCO serves dispersed agricultural communities, the vast majority of which had never accessed formal financial services—and didn't understand or trust them.

The U-SACCO understood early on the advantages of reaching out to savings groups. “The savings groups represent a shortcut to fast financial inclusion. By recruiting them, the U-SACCO recruits a large number of individuals at the same time,” explains SACCO Manager Amandine Dusenge. The U-SACCO leverages its representatives at the village level to mobilize these new savings groups, which would be difficult—with only seven staff and no vehicle—for the U-SACCO to do on its own. But recruitment has just been step one. Making the products applicable to their lives with support from MicroLead, has been what has driven access and usage for these excluded communities. Below are some of the changes made:

- **Adapting loan products:** Offered a loan product to help savings groups pay for health insurance; reduced loan approval time to seven days; modified the interest rate to 2% on a declining basis, rather than a flat rate; introduced payment terms that match the agricultural cycle; and increased loan terms to maximum two years.
- **Incentivizing repayment:** Individual Members who repay three loans on-time are called “Indashyikirwa” and awarded one goat each.
- **Facilitating savings:** Low minimum balance (\$2.5) and account fee (\$0.62).
- **Leveraging external resources to better serve members:** Partnerships formed to bring financial literacy training to members (Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance [RICEM] and WOCCU); accessed additional loan capital and guarantees to support agricultural loans and loans to women and youth (GOR BDF programme and RABOBANK); and embarked on savings mobilization for children (Savings Banks Foundation for International Cooperation [SBFIC]).

NGOs working with savings groups are taking note of the U-SACCO's client-centered approach and seeking partnerships to link their savings groups to the U-SACCO.

RESULTS

Between December 2013 and December 2015, U-SACCO membership increased by 46% (42% in active accounts), with an increase in active member groups of 32%, women 55%, and men 33%. While groups represented 13.5% of dormant accounts in 2013, the groups' share of dormant accounts had dropped to 8% in 2015, with dormancy primarily due to migrant workers who go back home after completing projects.

Over the same two-year period, **savings grew by an impressive 119%**, with the largest growth taking place with the groups, shifting the relative importance of the groups in the savings portfolio from third in 2013 to first in 2015.

Table ii

Umutuzo SACCO	2013		2015		Growth %
Total Savings	75,113,407 RWF	100%	164,381,800 RWF	100%	119%
Men	29,158,142	39%	55,345,320	34%	90%
Women	25,008,000	33%	48,783,452	30%	95%
Groups	20,947,265	28%	60,253,028	37%	188%

The **loan portfolio also showed significant growth of 135%**, with an increase of 368% to women and 362% to savings groups targeted by the business plan. While groups are only 4% of the portfolio, delinquency is significantly lower for groups than individuals.

Table iii

Umutuzo SACCO	2013		2015		Growth %
Loan Portfolio	46,115,713 RWF	100%	108,365,321 RWF	100%	135%
Men	36,789,640	80%	64,792,351	60%	76%
Women	8,464,073	18%	39,590,320	37%	368%
Groups	862,000	2%	3,982,650	4%	362%
PAR 30 – Individuals	3%		11%		
PAR 30 – Groups	1%		3%		

NYAGATARE U-SACCO – EASTERN PROVINCE

At the center of the Nyagatare District in Eastern Province, Nyagatare U-SACCO was established in 2010 to reach the surrounding rice producing agricultural communities. Located in the commercial center, this U-SACCO would face competition from other financial institutions immediately.

When WOCCU started working with Nyagatare in 2013, the U-SACCO was serving 184 groups, making up just 3% of its total membership (9,944 members). While outreach in terms of number of groups was lower than had been seen in other U-SACCOs, groups held more than half of the savings (51%) in the U-SACCO and an account-by-account review showed that the groups held the largest share of the accounts with more than 1,000,001 RWF (\$13,700). Yet, analysis also showed that the groups held a higher proportion of dormant accounts (14%) compared to its share of active accounts (3%).

With market research showing that members were dissatisfied with customer service, access to accounts and products, the U-SACCO worked with WOCCU to review its competitive advantage and develop marketing and business plans that would incorporate improved customer service and product offerings. In this competitive market, increasing outreach and service to the rural population not targeted by the other financial institutions would be critical to growth of this U-SACCO. With only seven staff and one motorcycle, the U-SACCO worked with its village representatives, elected through the General Assembly of the U-SACCO, to raise awareness of the improved U-SACCO services and recruit new groups and members.

“ People like working with the U-SACCO because it encourages people to come out of poverty

- Ms. Mukamurenzi Annet, Manager, Nyagatare U-SACCO

RESULTS

Between December 2013 and December 2015 the U-SACCO saw a 44% growth in terms of active membership (including reactivating dormant accounts which dropped from 29% to 9% of accounts), with **groups showing the most significant growth in active membership (321%), savings (249%) and loans (189%)**.

Table iv

Nyagatare SACCO	2013		2015		Growth %
Total Savings	86,225,775 RWF	100%	220,035,492 RWF	100%	155%
Men	26,369,200	31%	38,945,670	18%	48%
Women	15,789,340	18%	27,399,002	12%	74%
Groups	44,067,235	51%	153,690,820	70%	249%

Groups in this U-SACCO, **held 35% of the loans**, which is relatively higher than most U-SACCOs. Delinquency is significantly lower for groups than for individuals.

Table v

Nyagatare SACCO	2013		2015		Growth %
Loan Portfolio	41,299,041 RWF	100%	63,530,831 RWF	100%	54%
Men	26,170,691	63%	29,582,073	47%	13%
Women	7,486,824	18%	11,853,980	19%	58%
Groups	7,641,526	19%	22,094,778	35%	189%
PAR 30 – Individuals	40%		11%		
PAR 30 – Groups	9%		1%		



Mrs. Francine Nyiraneza, 34 years old, is a member of Itsinda Abatiganda (“the tireless”), a savings group of 42 members. She is one of 11 women in the group. She is a rice grower, and a mother of three school-aged children. When she joined the savings group in 2014, Mrs. Nyiraneza learned how to save and properly manage her income throughout the agricultural cycles. She also joined Nyagatare U- SACCO in 2014 and was given two loans, of 500,000 RWF each. These loans allowed her to build two houses and purchase medical insurance. She has repaid the loans through her sales from rice production—when the rice is sold, the cooperative of which her savings group is a member splits the proceeds with the member savings groups, and each group in turn splits the income among its individual members based on each member’s rice production. Mrs. Nyiraneza’s life, she says, has improved because of her membership in Nyagatare U-SACCO. As her income grows, she hopes to purchase more land so she can cultivate maize and beans in addition to rice, and fully provide for all of her children’s needs. Her dream is to see her three children achieve careers like nursing or teaching, and for them to own their own land to grow crops.

Itsinda Abatiganda Savings Groups Overview

- 42 members, 26% women, 74% men
- 100% have individual accounts with U-SACCO, 0% have an account with another financial institution.
- One member currently has an individual loan with the U-SACCO.
- 100% use mobile money, but no one uses it to deposit/pay loans.
- The group has two loans of 1,980,000 RWF and 1,700,000 RWF to support rice production.

When asked what made the difference in recruitment and savings, the branch manager highlighted the following:

- Low savings account fee per month: 100 RWF (1,000 RWF in the bank).
- Option for market women to get small loans of 10,000 RWF not available in the bank.
- Flexibility of payment terms (monthly, quarterly, semester, or end of harvest).
- Feeling savings is close to them because the village representatives are encouraging them to save.
- Financial education provided on the services, budget management and the management of loans to group members.

“ People join because they feel that this is their own bank. No extra charge to people who save money in this microfinance institution, ”

- Christine Ingabire, Accountant, of Baturebereho U-SACCO in Ruhango District

BATUREBEREHO U-SACCO – SOUTHERN PROVINCE

Baturebereho U-SACCO, created in August 2009, is located in Ruhango sector in the southern province of Rwanda. On the road between Kigali, Gitarama and Butare, Ruhango is a trade hub, known for agriculture and crossbreeding of cattle.

Through market studies carried out in 2013, the U-SACCO found that it was reaching 12% of the bankable population. The U-SACCO worked with WOCCU to develop products to meet member needs, focused on savings groups, agriculture and marketable livestock, and put in place a savings mobilization strategy to promote financial inclusion in partnership with its village representatives. The key messages included: **security** (money is safe); **liquidity** (money is available); **privacy**; **income** (savings earn interest); a **variety of financial products**; ability to **build a credit history**; **regulated institution**; and access to financial advice from knowledgeable staff. In addition, financial literacy campaigns were highlighted as having been successful in increasing savings and loans in 2015.

RESULTS

Between December 2013 and December 2015 the U-SACCO, saw a 27% growth in members (28% in active accounts), **with groups showing the most significant growth in active accounts (51%) followed by women (49%) and also significant growth in savings from the savings groups (263%)**. The groups share of dormant accounts dropped from 14% in 2013 to only 3% in 2015.

Table vi

Baturebereho SACCO	2013		2015		Growth %
Total Savings	173,997,171 RWF	100%	295,840,705 RWF	100%	70%
Men	82,899,000	48%	99,796,133	34%	20%
Women	58,972,175	34%	79,422,693	27%	35%
Groups	32,125,996	18%	116,621,879	39%	263%

The loan portfolio of the savings groups also showed significant growth of 2,294% over the two-year period. While groups hold only 7% of the portfolio, delinquency is significantly lower for groups than individuals.

Table vii

Baturebereho SACCO	2013		2015		Growth %
Loan Portfolio	74,372,908 RWF	100%	113,509,218 RWF	100%	53%
Men	51,587,061	69%	71,340,231	63%	38%
Women	22,452,607	30%	34,189,611	30%	52%
Groups	333,240	0%	7,979,376	7%	2294%
PAR 30 – Individuals	8%		20%		
PAR 30 – Groups	0%		0%		



In 2013, as a part of the Rwanda land consolidation programme, subsistence farmers in Ruhango created the Cooperative “Cotemunyaruru” and pooled their land to increase the efficiency and productivity of rice production in their sector. From this larger cooperative, a smaller group of 33 formed the savings group “Duteraninkunga,” which joined Baturebereho in U-SACCO in 2014. All of the group members joined the U-SACCO as individual members, and the savings group has taken out four loans from the U-SACCO to support rice production, including buying land and building a storage warehouse. The loans are divided between the individual group members, and payment is made at six months, after the rice has been sold at market. Mr. Jeredi Mukomeza, chairman of the savings group, explains that before the creation of the savings group, he relied on subsistence agriculture with a monthly income of 500,000 RWF. Through a 500,000 RWF loan from the U-SACCO, he was able to invest in his agribusiness and increase his monthly income to 3,000,000 RWF. As a next step, this savings group is interested in longer-term, higher value loans to purchase a truck and support sustainable projects; however, at this time the U-SACCO cannot provide loans above 10,000,000 RWF to the groups.

Itsinda Duteraninkunga Savings Groups Overview

- 33 members, 18% women, 82% men (linked to larger 500-person rice cooperative).
- 100% have individual accounts with U-SACCO, one member has an account with another financial institution.
- No one currently has an individual loan with the U-SACCO. For this U-SACCO, a member cannot have an individual loan if the group has a loan.
- 58% use mobile money, but no one uses it to deposit/pay loans.
- The group has four loans of 5,000,000 RWF (2 loans) and 10,000,000 RWF (two loans) to expand production area and to buy equipment and livestock.

Results

Laying the foundation for maximizing savings group linkages

As WOCCU worked to raise awareness of the importance of savings groups and develop policy, procedures, and products to enable U-SACCOs to take a more client-centric approach, the foundation was laid for increasing the impact of these linkages. Through these initiatives, WOCCU saw U-SACCOs adding savings groups to their business and marketing plans, and taking a more serious look at their potential contributions.

As savings group linkages were not a stated objective, WOCCU did not have funding to provide technical assistance to support implementation of the policies, procedures and products developed to support savings groups. Yet, from the numbers, we can see that number of groups has increased to 46,949, a 127% increase since the project began, outpacing growth of men (74%) and women (81%) during the same time period. Savings from groups account for 28% of the savings portfolio, and as net savers, groups bring critical sources of funding to the U-SACCOs to lend within the community. On the loan side, per segment, the volume of loans to groups has shown the highest increase at 197%, as compared to 131% and 75% for men and women respectively. While there has been growth, only 3.4% of the loans outstanding as of June 2016 were to groups (613 out of a total of 18,121 loans).

However, the story that isn't told from these numbers could potentially be the most important. As U-SACCOs provide financial education and encourage savings group members to join individually, the U-SACCOs are providing an entry into the formal financial sector. Data is not tracked on the savings group members that are also individual members, making it difficult to measure how the savings groups have contributed to overall individual membership and how the U-SACCO, through the linkages, has provided an entry-point for these savings group members to individual savings and loans through the U-SACCO.

Table viii
Savings Group Analysis

	Baseline (June 2012)	2013	2014	2015	Jun 2016	% Increase
Members / Savers						
Men	165,750	231,063	253,029	275,498	288,883	74%
Women	126,419	181,424	200,099	220,002	228,499	81%
Groups	20,672	33,176	38,489	44,426	46,949	127%
TOTAL	312,841	445,663	491,617	539,926	564,331	80%
Savings (USD)						
Men	\$6,842,920	\$7,043,957	\$8,462,830	\$10,744,608	\$12,019,770	76%
Women	\$4,414,860	\$4,305,875	\$4,875,257	\$6,222,386	\$7,164,850	62%
Groups	\$5,342,050	\$5,183,334	\$5,537,379	\$9,531,695	\$7,572,205	42%
TOTAL	\$16,599,830	\$16,533,166	\$18,875,466	\$26,498,689	\$26,756,825	61%
Number of Borrowers						
Men	8,540	11,324	11,400	11,829	12,301	44%
Women	3,174	4,492	4,352	4,560	5207	64%
Groups	407	852	896	693	613	51%
TOTAL	12,121	16,668	16,648	17,082	18,121	50%
Gross Loan Portfolio (USD)						
Men	\$4,073,059	\$7,327,547	\$8,362,648	\$9,551,757	\$9,400,957	131%
Women	\$2,161,019	\$2,471,857	\$3,007,780	\$3,805,069	\$3,773,018	75%
Groups	\$477,524	\$1,137,512	\$988,214	\$1,245,768	\$1,416,792	197%
TOTAL	\$6,711,602	\$10,936,916	\$12,358,642	\$14,602,594	\$14,590,767	117%

Importance of U-SACCOs for financial inclusion in Rwanda

At a global level, per the FINSCOPE Rwanda Financial Inclusion Survey 2016, financial inclusion in Rwanda increased from 72% in 2012 (including access through formal and informal mechanisms) to 89% in 2016, including a jump in those served by formal institutions (commercial banks and non-bank formal institutions) from 42% to 68%. **The increase in those served by formal institutions is due to an uptake in products offered by non-bank formal institutions such as U-SACCOs, mobile money, and insurance companies.** Savings through formal institutions also increased from 36% in 2012 to 49% in 2016. However, savings in banking institutions dropped from 14% in 2012 to 13% in 2016. **The increase in savings is driven by U-SACCOs (27%) and mobile money savings (at 17%).**

Consolidation and automation of U-SACCOs moving forward

The period of time required to procure the CBS for U-SACCO automation and obtain the final decision on the U-SACCO consolidation model and strategy from GOR partners took three years. This was much longer than had been expected when designing the objectives of the MicroLead project in 2012 in accordance with the GOR FSDP II (2012-2016)¹⁶. The contract for procurement of the CBS was signed in October 2015 between RCA and FINTECH. In January 2016, the GOR U-SACCO programme Steering Committee finalized and announced the U-SACCO consolidation strategy to merge SACCOs at the district level and establish a COOP Bank with the district level SACCOs as the main shareholders.¹⁷

In preparation for automation and consolidation, WOCCU validated data for the 90 project U-SACCOs¹⁸ (data from an additional 90 U-SACCOs was validated with financial support from AFR) and created an online database to house clean U-SACCO data in preparation for migrating to the core banking software as well as auditing SACCOs. The SQL online database is able to: 1) manage customer details for over 500,000 accounts and share account information safely, 2) run scripts to detect mistakes or errors in ID number, balances, and coherence between accounts, 3) create opening balance sheets for every SACCO based on a chart of accounts created by WOCCU, and 4) facilitate data migration from one database to another.

User-testing of the software is in progress and per the current U-SACCO automation schedule, data migration and training of the U-SACCOs will begin in early 2017.

¹⁶ Phase II of the GOR Financial Sector Development Plan initially developed in 2007.

¹⁷ Savings Banks Foundation for International Cooperation has partnered with GOR stakeholders to support consolidation and establish the COOP Bank. See link to article: <http://www.sparkassenstiftung.de/en/projects/projects/region/africa-1/projekt/aufbau-einer-cooperative-bank-in-ruanda/0/1.html>

¹⁸ In support of the MicroLead project, AFR provided additional funding to WOCCU to validate data of an additional 90 U-SACCOs beyond the 90 U-SACCO partners of the MicroLead project.

What's Next

The work under the MicroLead Rwanda programme provided a glimpse of the potential for linking savings groups to U-SACCOs. The foundation has been laid and additional work could be done to leverage these linkages in order to further increase economic stability and growth in the rural and agricultural areas.

A key focus of the MicroLead project was to support the **automation and consolidation** of the U-SACCOs. Finalizing this process is of critical importance in meeting the needs of both the savings groups and U-SACCOs. U-SACCOs are currently consumed by manual record keeping and don't have sufficient time to carry out marketing, monitoring and outreach to groups and members. At the same time, groups and members alike are seeking faster service and access outside the branch, which automation would support over time through the addition of digital financial services.

While the MicroLead project has been able to provide policy, procedures, and products as well as guidance in marketing and business plans to support increased outreach to savings groups, it was not designed to provide direct technical assistance to U-SACCOs with respect to savings group linkages. Trust has been built between the U-SACCOs, and the tools are in place to increase outreach. Additional **technical assistance** is needed to further support linkages between the U-SACCOs and savings groups and seek ways to further maximize the impact (including testing various interventions identified including larger loans for longer terms and increased financial education).

With the U-SACCOs linked to a large number of savings groups in rural areas (including those supported by the Government and NGOs and those that are community-led), areas of collaboration could be explored including using **digital tools (i.e. an application) to bring together individual groups to become wholesale buyers of ag inputs or vendors**. Additional research could be carried out to compare which groups become successful in terms of accessing loans, repayment and improving their members' welfare and which ones don't and why.

As WOCCU finalizes its MicroLead Rwanda award, it hopes that lessons captured through this case study on spontaneous linkages will not only support the further development of linkages throughout Rwanda, but also in similar environments throughout Africa.

ABOUT UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

ABOUT MICROLEAD

MicroLead, a UNCDF global initiative which challenges financial service providers to develop, pilot and scale deposit services for low income, rural populations, particularly women, was initiated in 2008 with support from the Bill & Melinda Gates Foundation and expanded in 2011 with support from The MasterCard Foundation and LIFT Myanmar. It contributes to the UN's Sustainable Development Goals, particularly SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and promote sustainable agriculture) and SDG 5 (achieve gender equality and economic empowerment of women), as well as the Addis-Abeba Financing for Development Agenda (domestic resource mobilization).

MicroLead works with a variety of FSPs and Technical Service Providers (TSPs) to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels such as rural agents, mobile phones, roving agents, point of sales devices and informal group linkages. The products are offered in conjunction with financial education so that customers not only have access but actually use quality services.

With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based programme that supports partnerships which build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings. As UNCDF rolls out the next phase of MicroLead, it will continue to focus on facilitating innovative partnerships that encourage FSPs to reach into rural remote populations, build on existing digital financial infrastructure and emphasize customer-centric product design.

For more information, please visit www.uncdf.org/microlead. Follow UNCDF MicroLead on Twitter at @UNCDFMicroLead.

ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by MasterCard when the Foundation was created in 2006.



ABOUT WOCCU

World Council of Credit Unions (WOCCU) is the leading trade association and development organization for credit unions and financial cooperatives worldwide. Since 1971, WOCCU has implemented nearly 320 technical assistance programmes in 70 countries to build safe and sound savings-led financial institutions with affordable financial products and services. With funding from a wide range of multi-lateral, government and private partners, we promote economic security, resilience and livelihoods strengthening through the sustainable development of local, well managed, savings-led financial institutions. Our programmes empower millions of marginalized and traditionally unbanked people, regardless of challenges posed by the operating environment. Worldwide, 60,500 credit unions in 109 countries provide access to financial services to more than 223 million members—including 93 million members in developing and emerging economies—who have mobilized more than \$1.5 trillion in savings and shares to lend to one another to promote local community development.



MicroLead/UN Capital Development Fund

Two United Nations Plaza
26th Floor
New York, NY 10017
United States

 +1 212 906 6565
 +1 212 906 6479

 www.uncdf.org/en/microlead
 pamela.eser@uncdf.org
 @UNCDF #LDCsForward
#FinancialInclusion #LocalDev
 @UNCDFMicroLead