CARE Rwanda

A Sustainable Access to Financial Services for Investment (SAFI) project

Learning Document

on

Poverty Targeting and Financial Inclusion

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3 **Acronyms and Abbreviations**

FO  Field Officer  
GoR  Government of Rwanda  
IGAs  Income Generating Activities  
KII  Key Informant Interviews  
MIS  Management Information Systems  
PIC  Partner Implementation Channels  
SAFI  Sustainable Access to Financial Services for Investment  
SPM  Selection, Planning and Management  
VA(s)  Village Agent(s)  
VSL  Village Savings and Loans  
VSLA  Village Savings and Loan Associations
4 Executive Summary

Access to capital is one of the barriers for pro-poor economic growth, livelihood enhancement, equitable share of resources and services and gender equality\(^1\). SAFI project introduced the VSL methodology to address these challenges faced by the vulnerable, poor, very poor and destitute population in Rwanda. These groups of people are generally considered to be un-bankable by formal financial institutions since they lack security in the form of property or capital for the loans.

This report aims to understand the client targeting methods employed by the SAFI project and the extent to which inclusion was achieved in the context of Rwanda. It is also a critical analysis into why low savings and loans are registered by the SAFI/CARE Rwanda groups as compared to other CARE VSLA implementation countries with recommendations on how to improve the savings and borrowing capacities of VSLA members.

As a result of the assessment, it was noticed that SAFI project has been successful in reaching the poorest in the villages it operates. The initial process of poverty targeting was very systematic, but it gave way to the scale up strategy which used the knowledge of agents based in the villages to reach the poorest. This method was not very systematic.

The VSLA methodology has had a profound impact on the life of its poorest clients. The three stories from the many successful stories we heard during our interactions with the groups. Despite the few challenges faced by the clients, they are all very appreciative of the methodology and can see the difference it has made in their lives.

Finally, because of SAFI project poverty targeting in addition to other reasons, its savings and loan rates have been low. However, as the clients gain more confidence and capacity, the saving and loan have continued to increase and it is just a matter of time before these rates become comparable to the rates across other CARE VSLA implementing countries.

\(^1\) CARE Rwanda SAFI project learning theme strategy and work plan
5 Background Information
Rwanda is a landlocked, resource-poor country. The population is about 9.7 million, and 87 per cent of Rwandans live in rural areas. Population density in the country is the highest in Africa - about 370 persons/km².

The country is one of the poorest in Africa. Gross domestic product per capita was US$464 in 2008, and Rwanda ranked 167th out of 182 countries in the 2009 United Nations Development Program's Human Development Index.

Agriculture is the backbone of the economy. It has contributed an average of about 36 per cent of total GDP between 2001 and 2008, and it employs more than 80 per cent of the population. But the sector is very fragile. Rough terrain, erosion and climatic hazards combine with geography and the lack of modern technology to create serious constraints to agricultural development.²

² IFAD – Rural poverty in Rwanda
6 Methodology
The study was carried out by conducting an assessment on financial inclusion from the perspective of VSLAs, CARE and Partner NGOs. The data gathering activity involved:

6.1 Secondary literature review
The initial phase of the project involved reviewing various GoR and SAFI project documents with focus on studies and information relevant to poverty targeting, poverty profiling and baseline surveys.

6.2 Focus Group Discussions with VSL Group Members
Primary data was collected in group discussions with VSLG members and Village Agents using a tool created for the purpose (See Appendix 1). Given the time constraint and the qualitative nature of the data needed, we collected data from 18 groups (535 clients). The groups were chosen both randomly and purposefully to include groups from all PICs and with various criteria like high drop-out, high attendance, high cumulative value of savings, high cumulative value of loans, portfolio at high risk, no portfolio at risk, women only, mixed with men and women and high profit/loss.

6.3 Key Informant Interviews (KII) with CARE and Partner Staff
To understand the processes used by SAFI to target the poor from the perspective of different stakeholders, we conducted Key Informant Interviews with field staff and technical support professionals in both CARE and its partner NGOs, who were involved in the process. See Appendix 2 for the tools used to collect the data from the different respondents.

6.4 Quarterly MIS data evaluation
Finally, an analysis was done based on the available MIS data and baseline survey results to determine the extent of inclusion of the poor in the SAFI project and the trends in savings and loan rates over time.

7 Poverty Targeting
The SAFI project was designed with the aim of having at least 30% of its target population in the extremely poor category. This has been demonstrated by CARE SAFI’s systematic focus on poverty targeting with the aid of GoR’s knowledge base about the identities of the poor. However, the poverty targeting methods used at the initial stages of the project varied from the methods used during scale-up. Both methods are given below.

7.1 Initial Stage
- The CARE-SAFI team started out by consulting documentation of the GoR on the poverty profile of the districts in Rwanda. Based on this information, districts with the highest concentration of the target population were selected to aid effective reach or inclusion.
- The team then met with the leaders at the district level to explain the project and request help in choosing the poorest sectors for project implementation.
• Another meeting was held by PIC staff with the leaders at the sector level to once again explain the VSL methodology and decide on the cells and villages with the highest concentration of poor people.
• At the village level, the PIC staff met with the leaders, explained the project and requested the village leaders to help them call a meeting of all the village residents.
• At this meeting, the PIC staff explained the VSLA methodology in brief and requested that the community identify the poorest people in the village to join the group.
• In the presence of the leaders – who know the identities of the poor, the community identifies the poorest and most vulnerable who are trustworthy to be clients of the project based on the criteria given (See Appendix 3).
• Those selected, met in a different meeting with the FO for a more detailed information session on the VSLA methodology and the commitment needed. After this meeting, the members who agreed to be part of the program went on to form groups and continue the trainings.
• Finally, the FO visited the group members in their home to administer the profiling tool (See Appendix 4) to ensure inclusion of the poorest and exclusion of the better off.

7.2 Scale-up Stage
• For the scale-up phase of the project, the Village Agents (VAs) were used. Village Agents are members of VSLA groups who are trained by CARE to create and train new VSLAs for a fee paid by the members of the group. The VAs in the SAFI project were selected from the members of the first set of VSLA groups formed. They were selected by a combination of the FO’s observations and the unanimous confirmation of fellow VSLA group members.
• These VAs know the poor in their villages and use various methods like house to house sensitization, soliciting the help of the village leaders and the community residents to select the poorest – as was done in the initial stage, and sensitization during “Umuganda” - the monthly community cleaning to create groups with people matching the criteria given to them by the PIC staff.
• Finally, the VA either visited the homes of group members to administer the profiling tool or filled it during the group meeting. The latter was necessary during the scale up because of the large number of groups being created. It would have been too time consuming for the VA to visit every client.

Despite the varied methods of poverty targeting, CARE Rwanda has been successful in its outreach to the poor. A poverty targeting assessment of the SAFI approach carried out in September 2009 by an independent consultant revealed that although the current SAFI approach was not systematic and scientific as was in the initial stage, it has however been quite effective in identifying and reaching the poor. Given that the VA resides in the community and therefore knows the people who fit into the SAFI client profile, and it was not necessary to go through the whole process used in the first approach. The assessment which categorizes the sampled households into 3 poverty terciles – Not poor*3 (36 points and above), Poor (21 to 35 points) and Very poor (0 to 20 points) based on

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3 *The 3 poverty terciles are relative comparisons. The not poor are the food rich, as opposed to the money rich. They generally have larger landholdings usually with fertile soil and therefore able to produce enough food to eat two or more meals a day.
the Composite Household Poverty Index**4, concluded that VSLA members are over-represented in the lowest poverty group (very poor) and under-represented in the highest group (Not poor) when compared to the proportions in the total sample. Cumulatively, 88.9% of VSLA members sampled were either poor or very poor, while the proportion of the general population (non members) who were cumulatively poor or very poor was 82.3%. On the other hand, only 11.1% of VSLA members, as compared to the 17.7% of non-members, were considered not poor.5

The baseline survey lends further credence to the results of the poverty assessment. The first phase of the baseline survey which concerned 49 groups was conducted in October, 2009. The sample was representative of all groups created during the first quarter of the project (July, 2009 – October, 2009). The report available presented the main results from the first phase of the baseline survey.6

A summary of some of the findings from the baseline survey for the SAFI VSLA groups are given below:

- Predominantly agricultural population, yet indispensable equipment in adequate agricultural production, is almost nonexistent.
- Very young population with good access to primary education, but very limited access to secondary education with the poor excluded from secondary education.
- More than half of the children between the 15-17 age group are orphans and more than half of the households are headed by women.
- The VSL men are more vulnerable than the average Rwandan man and there is no difference in the vulnerability by gender of head of households among members.
- Housing conditions are very poor, since almost a quarter of households have no bedrooms, and only one room is used as a bedroom and some households are even homeless.
- On average, more than half of households have spent a day without serving meals during the 3 months leading up to the survey.
- Only 19% of VSLA members manage IGAs. Literate people generate four times more income and are twice more likely to have access to credit than illiterate people and over half of the VSL group members surveyed were illiterate.
- Funding sources for IGAs were quite limited; they mainly consist of personal savings or family support. The formal sources of credit (banks, MFIs) are virtually nonexistent.

The poverty targeting assessment report also recommended two tools to be used by SAFI in enhancing the outreach to the extremely poor. These tools include the following:-

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4 **The composite household poverty index is a summation of four indices - House index, Capital asset index, Household index, Social index**
5 Assessment of the poverty outreach of SAFI project’s VSLA methodology in Rwanda
6 SAFI baseline survey
I. *Participatory Wealth Ranking (PWR)*: is an effective mechanism for identifying the poorest and also reinforces the notion that local communities are the best placed to identify the poorest and vulnerable among them. The value added through the application of PWR is that it draws on local knowledge and criteria to judge poverty. The ranking is based on the subjective views of the people in a community, who generate their own criteria with which to rank poverty or wealth.

II. *Cashpor House Index (CHI)*: a CGAP poverty assessment tool has the advantage that it uses a set of indicators reflecting the multidimensionality of poverty (shelter, income potential, asset ownership, human capital, nutritional levels, clothing etc). Indicators used are selected on the basis of their reliability, simplicity, discriminating quality and universal applicability. The tool easily lends itself to modification given different social and cultural contexts.  

These tools are not currently being used by the SAFI team and there is a justification for this action - poverty is widespread throughout Rwanda. In 2006 based on the latest poverty profile conducted by the Ministry of Finance and Economic Planning in 2005/2006, 56.9 per cent of the total population lived below the poverty line and 37.9 per cent were extremely poor. In rural areas, about 64.7 per cent of the population live in poverty. Also, 71.7% of all Rwandan live on or below $1.25/day 2005 PPP. Given this data, it doesn’t seem that poverty targeting is a big challenge and the current poverty targeting methods used by the CARE-SAFI team is very adequate in the context of Rwanda with its widespread poverty especially in rural areas, community knowledge of their poor neighbors and comprehensive government categorization and knowledge base on the identities of the poor. Moreover, SAFI worked with the community which selected the poor in presence of local leaders just as the recommended PWR encourages.

In addition to the above, while conducting FGDs with the VSLA groups, the clients felt that most or all of the poorest in their villages had either joined groups or had the opportunity to join a group but were not interested. They thought the lack of interest was as a result of poor understanding or complacency. Despite its success in reaching the poor, this method of poverty targeting is not without challenges. Some of the challenges faced by the SAFI staff include:

- Variation in the number of poor across different villages. Some villages did not have enough very poor people to meet the VA targets for group creation, so the VA had to travel long distances to other cells or villages in order to reach the very poor.
- The presence of leaders is a very important component of the poverty targeting process. However, the leaders weren’t always readily available due to their busy schedules.
- The clients expect some aid when the FO/VA visits them to fill the profiling tool, so they follow the FO/VA while he/she does the visit to make sure nothing is given to other families.
- Sensitization of the clients was a challenge initially because of the level of illiteracy among the rural poor. In some cases, the very poor do not attend meetings because they are

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7 Rapid assessment of the SAFI project – CARE Rwanda
8 IFAD – Rural poverty in Rwanda
9 A Simple Poverty Scorecard for Rwanda - Mark Schreiner, 25 April 2010
ashamed of their appearance and when the FO went to visit and sensitize them based on the community selection, they avoided the FO thinking he was from the authorities.

8 How the poor cope with VSL methodology

8.1 Impact of VSLA in the life of clients

Nyirantarama, Judith, aged 51, is married with 7 children. Her husband left her in 2002, so she lives alone and takes care of all her children. Due to poverty and starvation, 5 of the children left to become street children commonly known as "mayibobo". Judith became a beggar in the village market in 2001.

In December, 2009, Judith was selected by her community members to join a VSLA group in Gacaca sector, Kabilizi Cell and Mata Village called TWITEZIMBERE. She is now an active member of the group and is able to pay for her weekly shares. More importantly, she is a model for loan use in her group. She started out with a loan for 3,000 RWF (about $5)\textsuperscript{10} with which she began to sell tomatoes and small fish. She has since taken more loans and expanded her business to include bananas and other vegetables. Her business is progressing well and she plans to expand it even further. Her living conditions have improved tremendously. Her 5 children are now back home and she is able to provide meals and clothes for her whole family. She has also bought 3 rabbits, 1 sheep, a radio and paid the medical insurance commonly known as “mutuelle de santé” of 2011 for herself and all her 7 children.

Murorunkwere, Madina is 35 years old, married, and a mother of three. She has been a member of VSL group TUZAMURANE in Kajevuva village, Nyamirembe cell, Gatunda sector since 31\textsuperscript{st} December 2009.

She says “When we were asked to form groups as vulnerable people, I resisted. At that time, it was too hard for me to get 100 RWF (approx. 17 cents) on my own. But because I believed that, perhaps, there would be some material support which they did not want to reveal to us right now, I decided to join the group. It was difficult indeed for me to purchase one share of 100 RWF per week. As days went on, other members started to get loans from the group to run small businesses. I was afraid of getting a loan; I always wondered if I would fail to repay.

\textsuperscript{10} $1 = 600$ RWF
One day, after a visit from the project staff who encouraged us to start with a small amount of money and explained how it can grow, I decided to get a loan of 1,500 RWF (2.5) which I used to buy materials to make “Uduseke” (local baskets). I made 2 uduseke and sold them for 7,000 RWF (approx. $12). I repaid the loan with interest and increased my shares from one to four shares per week. From those 2 uduseke, I joined the association of women who make uduseke. I bought more materials, made 7 uduseke and sold them for 24,500 RWF (approx $41). With that amount I bought three pigs and 2 pieces of iron sheets. I continued with the business and now I also have 7 chickens and a cell phone to facilitate communication.

My life changed from my mind to my food and way of dressing. Now I feel life flows in my body.”

Three months after the initial interview, Madina had sold 2 of her pigs and 6 of her chickens. She used the money to buy 2 doors and 2 windows for her new house, repay a VSLA group loan and contribute to getting a mobile phone for her husband. At share-out, she got 17,000 RWF (approx. $28) which she used to buy a goat. The group increased its share amount in the new cycle to 200 RWF (approx. 33 cents) and Madina saves 4 shares (maximum) a week. Six months later, she was the proud owner of a cow.

Ahobantegeye, Glorioso lives in Masoro sector, Kabuga cell, Kigarama Village. She is 40 years old, a mother of 3 children and a member of IBYIZABRIMBERE VSLA group. She and her husband survived on rare casual work.

She says “... Before joining VSLA I was very poor and ashamed of the life I was living. On the list of poorest people selection I was the first. I had two main problems, starvation and homelessness. I had no house and had to rent. However, when VSLA came, my life changed; I no longer rent, I now have my own house. VSLA taught me to work on my own. The profit from the loan borrowed from my VSLA helped me buy wood and other materials required to build a house and pay the masons. Apart from the house I live in, I am building another one and plan to continue my beans selling business in the new house.

The other change in my life is that I drink tea in the morning, I have no more problems with clothes, I became smarter and I feed my family enough. My 2 children who had dropped out of school for lack of materials and school fees are now back in school. I am out of loneliness and can now speak in public – I even recited a poem in public during share-out celebrations. I have one regret - if VSLA had come earlier, now I would be the richest person in this cell.”

These are just a few of the many stories about the impact of VSLA in the life of its poorest clients. Most of the sampled clients especially those in earlier groups had fears at the beginning about where to get money to save weekly, what to do with the loans they got, if they would be able to repay the loans, embezzlement of their funds due to previous experiences with tontines and fear of conflict among group members. A large number of clients went ahead to join the groups despite
their fears for a variety of reasons including expectations of aid, curiosity, ability to save and borrow and confidence from the presence of local leaders. Those who joined after they had seen the progress in the earlier groups had little or no fears since they already knew what was to be expected.

What challenges do the poor face with respect to participation in VSLA activities? Based on information from the sampled groups and implementation staff, some of the challenges faced by the poor who participate in VSLA activities are:

- Most groups complained about the constant interest rate. When clients pay off their loan principal in instalments, they are still required to pay interest on the full amount.
- Some clients also complained that an interest rate of 10% would be too high as they begin to take higher loans and sometimes the profit from the IGA is not enough to pay the interest.
- Deciding what IGA to undertake especially since there are lots of VSLA members in a village and most of them do the same or similar IGAs.
- Planting and harvesting seasons are very busy times for the clients and leads to a decline in meeting attendance.
- Meetings generally take longer than the hour recommended by the VSLA methodology especially loan meeting which may take up to 2 hours.
- There are generally insufficient funds in the box to meet the loan needs of all members of the group.
- Local leaders take advantage of VSLA groups by reaching out to them first when government contributions need to be made.

Despite these challenges, we would recommend that the VSLA methodology not be changed but some flexibility should be allowed with regards to the meeting length. Presently, all the clients appreciate the methodology and can see the impact in their lives. The methodology instils the right amount of discipline in its members and adequately prepares them for interactions with formal financial institutions.

With regards to the constant interest rate, it would take considerably more time to sensitize all the groups to the change. A change would make the calculations more tedious and prone to mistakes. The current application makes it easier when the groups interact with formal financial institutions because these institutions operate constant interest rates. At the end of the day, all the profit is retained in the group and is shared out to the individual members. To deal with this, members can agree to increase the repayment period in the constitution at the beginning of the cycle so that when higher amounts of loans are borrowed, the repayment of principal and interest is spread over a longer period e.g. 6 months instead of 4 weeks indicated in the methodology.

Groups should be reminded that they have the ability to change their interest rate and that the VSLA methodology only recommends interest rates between 5% and 10%. Therefore, it is
important that CARE and its partner NGOs use deliberate sensitization to create awareness about the flexibility in interest rates and the benefits of constant interest rate. SPM and financial literacy trainings help with the challenge of planning IGAs and it would be helpful to integrate this module into the VSLA training as is already being planned by the team.

To further increase the rate of participation of the poorest in VSLAs, it would be good to have the current VSLA members help in sensitization to share their stories with the other poor in their villages. This will encourage the poor who have not joined groups due to fears and misunderstanding to know that it can be done. Those who are yet to join groups could also be invited to share-out celebrations to see the impact of the VSLA methodology in members’ lives. Secondly, since the poor have many needs, it would help to integrate other helpful programs like vocational training into the groups to encourage greater participation.

### 8.2 Analysis of Savings and Loans capacity in Rwanda

Based on a comparison done on MIS data collected between October to December, 2010 across 13 countries and 33 projects (See Appendix 5), it was noticed that Rwanda and Ethiopia had the lowest savings and loans registered by all CARE VSLA implementing countries. Rwanda, however, had a good return of savings (68%) which can be attributed to its high loan utilization (81%) – a testament to the dynamism and enthusiasm of the groups’ members. This section tries to understand the factors responsible for this occurrence and give suggestions on how these capacities might be increased.

### Saving and GDP per Capita in the 13 countries
As seen in the graph above, the closer a country is to the diagonal line; the more likely this country is to have members similar to the average population. Countries situated below the line are more likely to have members poorer than the average of the country (Particularly Madagascar, Rwanda and Ethiopia would be reaching very poor clients), while those situated in the top of the line would have members much richer than the average of the country.\textsuperscript{11}

Let us now investigate possible general reasons for the low savings and loan rates in Rwanda. Based on information derived from discussions with SAFI project staff, the following factors were given;

\subsection*{8.2.1 Factors responsible for low savings}

- The limit imposed on number of share per member and per meeting. The VSLA methodology recommends a maximum of 5 shares per member and per meeting. In Rwanda, the maximum number of shares per member per meeting is 4 shares, due to the fact that the first column of the passbook is used to record the date of the meeting instead of being used for a share.

- As seen above, it is obvious that CARE Rwanda’s SAFI project is reaching the poor and vulnerable in the Rwanda. Since this is the case, it not realistic to expect the savings and loans to be at par with other country offices that do not specifically target the poor.

- The culture of savings was affected by losses during the genocide and bad experiences with MFIs – a lot of people lost money when the government closed down some MFIs due to misappropriation of funds. Confidence in savings for the future and trust in financial institutions – formal and informal is slowly growing.

- Rwanda has a unique history and is still in recovery phase. There are a lot of survivors, widows, disabled, orphans and returnees from whom much cannot be expected by way of savings since they have to meet other family obligation with their limited resources.

- The amount of savings is affected by income as a result of agricultural seasons, fertility of the land, proximity to commercial centers and the number of other NGOs supporting programs in the area.

- Most groups tie their share amount to the daily allowance for a casual worker which is less than $1/day or use the older groups in the area as role models.

\textsuperscript{11} Performance of CARE VSL Programs - A comparative analysis of 13 Countries VSL program By Abdoul Karim Coulibaly, 4 April 2011
8.2.2 Factors responsible for low loans

- The funds available for loans depend on the savings in the group. Since the savings are low, the funds are not enough for larger loans.

- Some clients are afraid of loans especially initially when they do not know what to do with the money since they have no knowledge of IGAs and investments. Some others think they need big loans to make a difference.

- Some clients fear that they would be unable to repay the loans. They do not want to be seen as dishonest.

- Most Rwandans live on agriculture; commercial activities are only slowly beginning to catch on. As a result, a lot of sensitization and training is needed.

A more in depth analysis was also carried out based on the areas of the VSLA methodology that deal with savings and loans – group decision on share amount, loan disbursement and loan repayment. Some observations from this analysis are:

Share Amount: Most of the sampled groups based their share amount on the salaries for daily casual labor. These salaries vary from 400 RWF (approx. 67 cents) to 600 RWF (approx. $1) depending on the area. Some other methods used to determine the share amount are; by majority vote based on the knowledge of each member’s economic status, by accepting the suggestions of the VA and giving priority to the poorest person’s saving ability.

As these groups share-out and start a second cycle, the share amount increases in most cases. Most groups realize they have the capacity to save more - the members have gained confidence in the group activities, there is an increase in income because of IGAs and there is the desire to have access to more funds for loans.

Worthy of note however, is the fact that in one of the groups visited, they had decided as a group to try to save the maximum number of shares (4 shares). To achieve this, the value of 4 shares was set to an amount that everyone could afford (300 RWF/ approx. 50 cents) thereby making the value of 1 share low (75 RWF/ approx. 12.5 cents) and reducing the funds available for loans. After explaining to them that they could fix a share amount that is comfortable for all members and still leave room for people with more funds to save more, they agreed to make the necessary changes.

Loan disbursement and repayment: There wasn’t any significant variation in the process for loan disbursement across the sampled groups. On the other hand, two methods of loan repayments were used – interest and full principal on last month and interest with partial principal every month. There is more emphasis from the field staff to move groups to the latter method especially as groups prepare to be linked to formal FIs. Best practice micro finance approach recommends weekly payment of loan and interest. This not only reduces the large amount paid at one time by a client, but it also reduces the risk to the client. In the VSL, this would imply that a client may have access to several loans and there will be more funds in circulation to meet the needs of the clients because when interviewed, most of the clients who take loan less than 3,000 RWF (about $5) were able to pay off in one month. Given the current practice these clients are denied this opportunity.
8.2.3 Partner Implementing Channels comparisons

As seen in the graph below, CARE Direct Implementation and Tubibamahoro have significantly higher average yearly savings per member. A clear progression of growth in savings can be seen in the case of CARE Direct implementation.

![Average Yearly Saving per Member (RWF)](chart1.png)

On the other hand, there isn't any significant difference in the loan utilization across the different PICs. This shows that irrespective of the PIC, the groups are hardworking and committed to the VSLA methodology.

![Loan Fund Utilization Rate](chart2.png)
8.2.4 **Recommendations on how to increase the savings and borrowing capacities of VSLA members**

- Involve the local leaders throughout the process, not only in the beginning. Interest of local leaders in the VSLA methodology increases the group members’ confidence in the methodology and makes them want to do better. For example, during visits with one of the sampled groups, we were told that the local leaders had given them an office to have meetings instead of under a tree and a small plot of land to cultivate as a group. Small gestures like these go a long way in endorsing the group’s hard work.

- In many of the sampled groups, large number of members saved the maximum 4 shares weekly. This shows that the savings might also be limited by the number of shares. The maximum number of shares should be reviewed from 4 to 5 as recommended by the methodology which might require designing new passbook with 6 columns instead of 5.

- Continue financial literacy and SPM training. These trainings have played an important role in keeping the loan utilization rate in the SAFI project very high especially in Rwanda where people are not commercially oriented.

- Sensitize group members to determine their share amount with the year’s target in mind. It would help them to stay focused and be willing to make sacrifices. However, there is need to be cautious in order not to alienate the poorest.

- Linkage of mature groups to formal financial institutions will help curb the problem of insufficient loan funds.

- Encouraging the groups to pay loans on weekly basis this is will be very important when the loan sizes become bigger and getting the installment amount may be a challenge.

8.3 **General Observations**

- There is still a high demand for group formation. Groups are not currently being formed formally and groups that formed organically do not know where to get the necessary kits. The VAs are caught in the middle and since they do not know what to do, they avoid contact with these new groups.

- Not all cells in a sector have been served by the project and sometimes not all villages in a cell. As people move around, neighboring villages hear about the methodology and would like to form groups, but there are no VAs in their area to help with group formation.

- Within groups with people that have different levels of poverty, the disparity increases with time and it becomes harder to set a common goal for the group.

- There was more use of loans for household expenditure in the first VSLA cycle than in the second. As a result it was much harder to pay off the loans in the first cycle than in the
second, although experience and confidence also played a significant part in the second cycle.

- Most groups increased their share amount in the second cycle due to experience, IGAs and confidence and this led to higher loans in the second cycle.
- Groups with loan default or conflict lose the trust that is the bedrock of VSLA. There is generally a breakdown of discipline in the group.

9 Conclusion

It is obvious that SAFI project has been able to target and reach the poorest, but this is not a daunting challenge in the context of Rwanda with widespread poverty and the knowledge base on the identities of the poor available. The current poverty targeting methods – though simplistic are adequate for Rwanda and might need to be adjusted for use in other counties.

The VSL methodology very adequately meets the needs of the poorest, instilling discipline and knowledge without being overbearing. The poor are able to cope with its demands and only have minor challenges – some of which are due to different interpretations of the methodology.

Finally, given that the SAFI project has been able to reach the most vulnerable compared to other CARE implementing countries, it cannot be expected that its savings and loans would be at par with the other CARE implementing countries. In the latest MIS comparison on data collected between January and March 2011 across 14 countries (See Appendix 6), Rwanda’s savings and loans have however increased and it is doing comparatively well when compared to Ethiopia which is the other country explicitly targeting the most vulnerable as depicted from the MIS data. It is expected that with time, these savings and borrowing capacities will continue to increase.
10 Appendices

10.1 Appendix 1: Tool for FGD with VSLA

10.2 Appendix 2: Tool for KII with Field Staff

10.3 Appendix 3: Criteria for Client Selection
1. Less than 1/2 hectare of land
2. Historically marginalized
3. Widows and other vulnerable people
4. Orphans and people living with HIV/AIDS
5. Disabled that are still able to work
6. Genocide survivors
7. Below the GoR’s poverty line (250 RWF / approx 42 cents per day)

10.4 Appendix 4: VSLA Profiling Tool

SAFI Profiling tool.xls
### Appendix 5: MIS data from 13 CARE Countries

**Period October to December 2010**

<table>
<thead>
<tr>
<th>Ratios</th>
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<td>Liberia</td>
<td>Mali</td>
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<tr>
<td>GDP per Capita of the country (IMF 2010)</td>
<td>1,609</td>
<td>396</td>
<td>1,206</td>
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<tr>
<td>Human Development Index (UNDP 2010)</td>
<td>0.467</td>
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<tr>
<td>Number of groups</td>
<td>245</td>
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<tr>
<td>Total active members</td>
<td>6,055</td>
<td>1,341</td>
<td>19,885</td>
</tr>
<tr>
<td>% of women</td>
<td>75%</td>
<td>81%</td>
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</tr>
<tr>
<td>Average age of groups in week</td>
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#### Background information

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<tr>
<td>Average age of groups in week</td>
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#### Members' Satisfaction

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<th>ECARMU</th>
<th>SARMU</th>
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<td>Retention rate</td>
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<td>Membership growth rate</td>
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#### Financial Performance

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<th>SARMU</th>
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#### Organization Operating efficiency

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<td>Loan fund utilization rate</td>
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#### Legend

- **Lowest value**
- **Highest value**
## Appendix 6: MIS data from 14 CARE Countries

### Period January-March 2011

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### Background information

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### Members’ Satisfaction

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### Financial Performance

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<th>WARMU</th>
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<tbody>
<tr>
<td>Annualized return on saving</td>
<td>64.1%</td>
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### Organization Operating efficiency

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<tbody>
<tr>
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<td>27.9%</td>
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<tr>
<td>Loan fund utilization rate</td>
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<td>64.8%</td>
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