Alliance for Financial Inclusion
Bringing smart policies to life

RWANDA'S FINANCIAL INCLUSION SUCCESS STORY
UMURENGE SACCOS

90%

of Rwandans now live
within a 5 km radius of an Umurenge SACCO

AFI CASE STUDY

About this case study

AFI case studies are developed specifically for policymakers. The cases capture the actual experiences and challenges faced by leading policymakers from developing countries as they innovate and implement new or reformational policy solutions in their country.

Acknowledgements

This Case Study was produced in close collaboration with the National Bank of Rwanda, on behalf of the Alliance for Financial Inclusion (AFI). We particularly thank Kevin Kavugizo for his support.

INTRODUCTION

In Rwanda, community savings and credit cooperatives have been a financial inclusion success story. In just three years, these cooperatives, known as Umurenge SACCOs, have attracted over 1.6 million customers. SACCOs and other MFIs currently serve almost the same number of people as the entire banking sector.[1] In a country where access to financial services was once sparse, more than 90% of Rwandans now live within a 5 km radius of an Umurenge SACCO.

The introduction of Umurenge SACCOs, in conjunction with the expansion of bank and MFI branches, the introduction of agent banking, and the modernization of financial services such as mobile banking, ATMs and mobile money, have all helped to drive financial inclusion in Rwanda. A 2012 FinScope Survey revealed that the percentage of Rwanda's population accessing formal financial services has doubled from **21%** to **42%** and those completely excluded from the formal financial system has dropped by almost half, from **52%** to **28%** between 2008 and 2012.

Rwanda's national development policy is guided by Vision 2020, which was drafted by the Ministry of Finance and Economic Planning (MINECOFIN) following a country-wide consultation process about Rwanda's future. Vision 2020 sets forth a national aspiration, and now a concerted government effort, to transform Rwanda into a middle-income country and trade and communications hub by the year 2020. This vision has set the stage for major financial sector reforms, such as the Financial Sector Development Program (FSDP) launched in 2006. The aim of the FSDP is to develop a stable and sound financial sector in Rwanda by enhancing access to affordable financial services and developing financial institutions and market incentives that will facilitate a culture of savings and long-term investment.

Over the last decade, significant progress has been made in achieving the goals of the FSDP and Vision 2020. Recent research has revealed a significant decline in poverty and the proportion of the population dependent on subsistence agriculture, an increase in non-farm employment, and steady growth in agricultural production and the industrial and service sectors. Rwanda's real GDP has increased 8.2% annually (2008–2012), translating into GDP per capita growth of 5.1% per year.[2]

In 2005, the World Bank and IMF conducted an in-depth analysis of Rwanda's financial sector under the Financial Sector Assessment Program (FSAP), which concluded it was relatively shallow, undiversified, dominated by an oligopolistic banking sector, and characterized by relatively high lending rates, extremely low insurance penetration, and a scarcity of long-term debt, home mortgage financing and equity capital. There was also a virtual absence of regulation and supervision of pensions and insurance, and a poorly functioning payments system.

However, as in other areas of the economy, Rwanda's financial sector has shown continuous improvement. There are indications that the country's financial sector is becoming more resilient to financial shocks, and the number of financial institutions is on the rise:

> The number of banks has increased by 40%, from 10 in 2010 to 14 in 2013.

> The number of MFIs increased from 125[3] in 2008 to 491 by December 2013, including Umurenge SACCOs.

> The number of insurance companies has increased by 45%, from nine in 2010 to 13 in 2013, and the number of pension providers increased by 37%, from 41 in 2010 to 56 by December 2013.

1 See Table 1

2 International Monetary Fund, 2013, Rwanda: Poverty Reduction Strategy Paper. Country Report No. 13/360.

3 Angelique Kantengwa, 2009, "Financial cooperatives in Rwanda: Historical background and regulation," http://www.un.org/esa/socdev/egms/docs/2009/cooperatives/Kantengwa.pdf

Figure 1. Types of Financial Institutions in Rwanda's Financial Sector, by Assets

A	Banks	**66.4%**
B	Insurance	**10.1%**
C	Pension	**17.8%**
D	MFIs	**5.7%**

Source: National Bank of Rwanda

Table 1. Number of Clients/Members of Financial Institutions in Rwanda, 2007–13

	SACCOs	Other MFIs	Total MFIs	Banks
2007		631,689	**631,689**	
2008		686,952	**686,952**	
2009		714,154	**714,154**	
2010	454,049	245,538	**699,587**	
2011	955,065	562,876	**1,517,941**	
2012	1,354,177	634,516	**1,988,693**	2,548,287
2013	1,661,073	634,516	**2,295,589**	2,721,249

Source: National Bank of Rwanda

REMOVING BARRIERS TO FINANCIAL ACCESS

Even though the majority of Rwanda's population lives in rural areas, banks and other financial institutions are concentrated in urban areas and access to financial services outside towns and cities has been limited.

The poor in Rwanda have also been facing a number of other barriers to financial access, including:

> **Low financial literacy:** Lack of awareness of financial services and other financial benefits offered by traditional financial institutions.

> **Outdated payment systems:** Most people rely on bank books and checks.

> **Inadequate financial products:** Financial institutions don't offer products designed specifically to meet the needs of the poor.

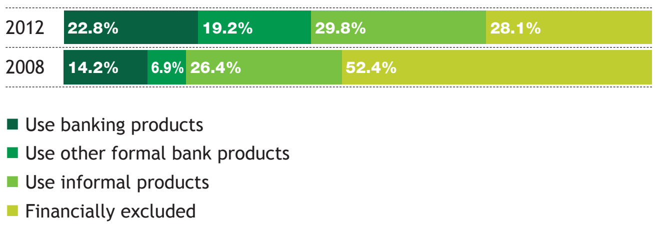
> **Lack of appropriate delivery models** for financial services that promote financial inclusion.

> **Weak linkages between big banks and small SACCOs in rural areas.**

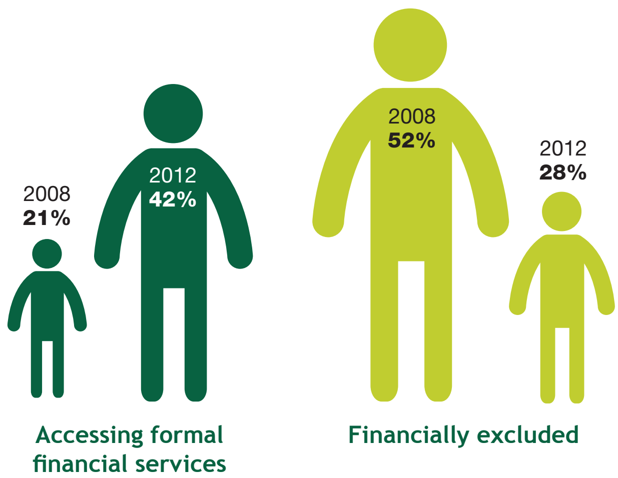
In an effort to bridge the financial access gap and encourage local people to use formal financial institutions to save money and take out loans, the Government of Rwanda began providing assistance to establish a SACCO in every Umurenge (administrative sector) in the country.

The Vision 2020 Umurenge Program (VUP) is another government program that aims to eradicate chronic poverty, accelerate economic growth in rural areas, and improve the livelihoods of the poor. It is hoped that Umurenge SACCOs, which now total 416, will ultimately help Rwanda's rural poor to become more financially secure, be better able to manage economic shocks, and to invest in business opportunities.

Figure 2. Financial Inclusion in Rwanda, 2008 and 2012



Source: FinScope Rwanda 2012. FinScope is a survey tool developed by FinMark Trust to gather information on national financial sectors so that policymakers, regulators and financial service providers are better able to respond to some of the challenges they face.



HISTORY OF THE UMURENGE SACCO PROGRAM

When a **FinScope Survey in 2008** revealed that only **21%** of Rwanda's bankable population was accessing formal financial services and **52%** were completely financially excluded, the Government of Rwanda took action. In March 2009, it launched the National Savings Mobilization Strategy,[4] which included the goal of creating at least one SACCO in every Umurenge in the country to give previously unbanked people access to financial services, especially savings, at low transaction costs. The Strategy identified six main keys to success that had to be in place for this initiative to work: security, low minimum balance, liquidity, government support, tailored products to meet client needs, public education and capacity building through training. As part of the effort to meet this target, the National Bank of Rwanda (NBR) made a commitment under the Alliance for Financial Inclusion (AFI) Maya Declaration to increase the country's banked population to at least **80%** by **2017** and to adopt a National Financial Literacy Strategy and financial awareness campaign.

Why SACCOs? The NBR, a member of AFI, has identified several reasons why the Rwandan government chose to actively support the creation of SACCOs rather than other types of financial service providers.

First, SACCOs are member-based cooperatives. Since most people in Rwanda were already familiar with non-financial cooperatives and their rules, it was easier to mobilize people to form their own financial cooperative by applying the same principles as a non-financial cooperative. Looking back, the NBR estimates it would have been more difficult to form a limited liability company driven by profit than a SACCO, which works to maximize benefits for its members.

Secondly, SACCOs are governed by members themselves, which is more likely to ensure ownership. The minimum capital requirement for SACCOs is relatively low, which makes share capital more affordable for Rwanda's low-income population. The minimum capital for SACCOs in Rwanda is 5 million Rwandan Francs (RWF) (USD 7,353), while the minimum capital for an MFI constituted as a limited liability company is RWF 300 million (USD 441,176).

Focusing Resources

At the inception of the Umurenge SACCO program, local government played a key role in mobilizing people to join SACCOs, and the program was supported by a clear communications strategy on the advantages of joining SACCOs and their role in rural financing and poverty alleviation. Initially the government provided SACCOs with premises or offices, and later provided assistance for them to acquire plots and construct premises of their own. It also contributed to capacity building for SACCO staff and elected boards and committees (Board of Directors, Surveillance Committee and Credit Committee) and to financial education programs for the public. SACCOs initially received subsidies from the government, which rates them every year to assess how many have reached the break-even point excluding the subsidy. SACCOs that do break even are considered subsidy-independent and the government stops providing them immediately. As of December 2013, 355 SACCOs (85%) were breaking even before the government subsidies, compared to 304 (73%) in December 2012.

SACCOs are regulated and supervised by the National Bank of Rwanda. Before the establishment of Umurenge SACCOs, there were only 17 inspectors dedicated to the supervision of MFIs, including some SACCOs. However, once there was a SACCO in each of the country's 416 sectors, the NBR recruited 60 additional inspectors stationed in 30 districts (two inspectors per district). Each inspector was provided with a motorcycle and a laptop, printer, modem and other equipment to make supervision function more smoothly. Recruiting these additional inspectors has incurred extra costs for the central bank, but given the impact the Umurenge SACCO program has had on increasing access to financial services, the NBR considers it a necessary and worthwhile investment in financial inclusion.

Box 1. The Regulatory Framework for Supervising SACCOs

SACCOs are supervised under Microfinance Law No 40/2008 of August 26, 2008[5] and the implementing regulation No 02/2009,[6] which govern the organization of microfinance activities. There is no specific regulation for SACCOs as a microfinance institution, but there are specific provisions for SACCOs in the Microfinance Law and implementing regulation. The National Bank of Rwanda has a dedicated department for the supervision of microfinance institutions housed within the Financial Stability Directorate, parallel to the Department of Banking Supervision and the Department of Non-Bank Financial Institutions Supervision, which includes insurance and pension companies. For the period under review, the Microfinance Supervision Department has 77 inspectors, 60 of which are newly recruited by NBR and stationed in districts near SACCOs. This has revealed the cost of investing in financial inclusion as a public good. However, in the medium to long term, the NBR plans to devise a supervisory model that relies on a smaller number of inspectors.

4 www.ipar-rwanda.org/index.php?option=com_docman&task=doc_download&gid=127&Itemid=47

5 http://rwanda.eregulations.org/media/microfinance%20law.pdf

6 http://www.NBR.rw/index.php?id=finaguide&eID=dam_frontend_push&docID=147

HISTORY OF THE UMURENGE SACCO PROGRAM
TIMELINE OF EVENTS

December 2008: The idea of Umurenge SACCOs was discussed and supported during the National Dialogue Meeting chaired by His Excellency the President of the Republic of Rwanda.

March 2009: Umurenge SACCO policy adopted by Cabinet.[7]

June 2009: All districts begin working on implementation. District officials, including mayors, executive secretaries of sectors and cells and heads of villages play a key role in organizing an awareness campaign of the importance of SACCOs for savings and poverty alleviation, as well as bridging the urban-rural gap in access to traditional financial institutions.

August 2009: Umurenge SACCO boards elected in all 416 sectors in Rwanda.

October 2009: The Rwanda Cooperative Agency (RCA) grants legal status to all SACCOs established under the Umurenge SACCO program, allowing them to operate officially as cooperatives.

June 2010: All SACCOs established under the Umurenge SACCO program are given a provisional license by the NBR to begin mobilizing capital and deposits. Lending was not allowed at this stage.

November 2010: MINECOFIN conduct a comprehensive joint assessment of SACCOs with NBR and RCA to assess the challenges encountered by the program.[8]

May 2011: NBR appoints two inspectors in each of the country's 30 districts to ensure that SACCOs operate in full compliance with laws and regulations. The inspectors are based in the district (not in the capital) and are equipped with a motorbike, laptop and roaming Wi-Fi.

November 2011: Umurenge SACCOs officially launched in 30 districts of Rwanda.

January 2012: All SACCOs provided with a license to issue loans. The NBR requires SACCOs to maintain a liquidity ratio of 80%, far above the 30% required by law. This was because SACCO managers and elected boards were new to the sector and had low capacity in terms of treasury and loan portfolio management. The NBR preferred to lower the liquidity ratio on a case-by-case basis, based on their performance ratings. The NBR created a requirement that local political officials were prohibited from serving on the boards of SACCOs.

June 2012: All inspectors complete intensive training from the World Bank and NBR issues a savings and credit policy guide for SACCOs. The guide is intended to assist SACCOs in meeting the minimum necessary requirements of their credit policy and to reduce loopholes in individual policies.

December 2012: The NBR releases the first SACCO rating report, which reveals that 304 SACCOs have managed to break even without taking government subsidies into account.

January 2013: The NBR issues internal control guidelines for SACCOs, primarily to curb weaknesses that were leading to cases of fraud and embezzlement.

June 2013: All 416 SACCOs are fully licensed by the NBR and allowed to reduce their liquidity ratio from 80% to 60%.

July 2013: 304 SACCOs are phased out from receiving government subsidies to cover operational costs,[9] and the NBR allows 218 SACCOs to revise their liquidity ratio from 60% to 30% based on the results of the December 2013 Umurenge SACCO rating report.

December 2013: The NBR publishes the second SACCO rating, which reveals that 355 SACCOs (85.3%) broke even without taking government subsidies into account. All 416 SACCOs created under the Umurenge SACCO program are authorized to maintain a 30% liquidity ratio.

7 www.rca.gov.rw/IMG/pdf/Umurenge_SACCOs_strategy_February09.pdf
8 http://41.74.165.238:8081/pressrelease.aspx?id=17
9 In 2013, NBR reported operational self-sufficiency at 141.39% and financial self-sufficiency at 109.03%

Table 2. Percentage of Rwanda's Population with Access to Finance

Province	Access to commercial bank	Access to non-bank	Formally financially included	Access to informal financial sector	Financially excluded
Kigali	53.2%	12.9%	66.1%	12.8%	21.1%
Southern	16.2%	19.8%	36.0%	35.2%	28.8%
Western	21.5%	15.9%	37.4%	33.0%	29.7%
Northern	15.4%	21.8%	37.2%	29.0%	33.7%
Eastern	16.6%	24.5%	41.1%	32.8%	26.1%
Total	**22.8%**	**19.2%**	**42.0%**	**29.8%**	**28.1%**

Source: FinScope Survey 2012

THE CONTRIBUTION OF UMURENGE SACCOS TO FINANCIAL INCLUSION

FinScope surveys have been conducted to measure the state of financial inclusion in Rwanda and the progress that has been made in expanding access to affordable financial services and building a culture of savings and long-term investment.

The first FinScope Rwanda survey was conducted in 2008 and revealed that 79% of Rwandans 18 years of age and older were not using formal financial institutions. This meant that a significant amount of money in the country was being held as cash in people's homes, which not only kept families from becoming more financially secure, but limited the capacity of financial institutions to issue credit because of a lack of liquidity. For the Government of Rwanda, this research finding substantiated the need for an intervention like the Umurenge SACCO program.

By the time a second FinScope survey was conducted in 2012, the percentage of Rwandans over the age of 18 using at least one service or product from a financial institution had doubled (42%). This was due in part to more people using commercial bank services and products, but mainly because they had opened accounts with Umurenge SACCOs. The percentage of the banked population had also increased significantly: in 2008, only 14% of Rwandans over 18 were banked, but by 2012 almost one million new individuals had entered the formal financial system, bringing the proportion of the population with a bank account to 23 percent. Today, almost one-quarter of Rwandans aged 18 and older (22%) are members of an Umurenge SACCO. The establishment of Umurenge SACCOS has therefore significantly changed the landscape of formal access in Rwanda.[10]

Umurenge SACCOs and other MFIs have made a significant contribution to financial inclusion and the growth of the financial sector in Rwanda. The number of accounts opened at MFIs rose 263% from 2007 to the end of 2013 (from 631,689 to 2,295,589), 72% of which were at SACCOs created under the Umurenge SACCO Program. Umurenge SACCOs represented over 33% of accounts in the entire banking and microfinance sector.

The increase in the number of people saving with MFIs is also reflected in an increase in the number of deposits and loans granted by MFIs, which have helped to transform the lives of Rwandans. From 2007 to December 2013, the value of loans and deposits increased by 174% and 141% respectively, from RWF 27 billion to 74 billion in loans and RWF 29 billion to 70 billion in deposits (53% with Umurenge SACCOs). Growth in MFI deposits, share capital and profitability also contributed to a significant upswing in total assets, from RWF 48 billion in 2007 to 129 billion in December 2013—a 169% increase. Meanwhile, portfolio at risk (PAR30) has stayed below 7.5 percent.

Today, almost one-quarter of Rwandans aged 18 and older (22%) are members of an Umurenge SACCO.

Box 2. The Role of SACCOs in Social Programs

SACCOs are increasingly used as a funding source for state social programs. The Ministry of Agriculture's Crop Intensification Program (CRI) aims to increase agricultural productivity by providing technical assistance, and facilitates credit from SACCOs for farmers to buy fertilizers.

The Ministry of Health reports that SACCOs are used to fund Mutual Health Insurance—a state health insurance program. Finally, National Domestic Biogas is a program that provides funding to build biogas plants and facilitates access to SACCO biogas loans when construction costs are too high.

174%

From 2007 to December 2013, loans increased by 174%

141%

From 2007 to December 2013, deposits increased by 141%

10 Data from Finscope Survey 2012

THE CONTRIBUTION OF UMURENGE SACCOS TO FINANCIAL INCLUSION

Why do Rwandans become Umurenge SACCO Members?

Various government departments and NGOs, especially those focusing on decentralization and local governance, are working to mobilize Rwandans to use Umurenge SACCOs and build a savings culture in the country. Savings have been the biggest driver of Umurenge SACCO membership; 42% of members joined to save while 9% joined to keep their money safe. A key part of these efforts has been making the establishment of SACCOs part of the performance measurement of local government officials.

FinScope 2012 findings revealed that the higher proportion of individuals saving in formal financial institutions has led to a significant decrease in the number of people keeping their savings at home. The Umurenge SACCO Program, therefore, seems to be an effective way to channel more money into the formal financial system, which is a key objective of the national government. Interestingly, 26% of members joined because they felt obligated to. This is likely due to the fact that both local and national government were united behind this initiative, which carries significant persuasive weight, particularly among poor and rural populations.

Group discussions with SACCO members revealed a collective sense of ownership, with members often referring to SACCOs as 'our bank.' They regard SACCOs as local, accessible and managed by people they know. There is a public perception that SACCOs provide faster service, have better customer care and lower account fees than banks. FinScope 2012 survey findings indicate that Rwandans are more likely to trust Umurenge SACCOs than commercial banks, especially in rural areas.

Table 3. Financial Indicators of Umurenge SACCOs (in billions of RWF)

Indicator	2010	2011	2012	2013
Total Assets		**29.12**	**40.99**	**57.4**
Liquidity		23.14	22.24	26.8
Gross loans		4.75	13.85	21.5
NPLs		0.27	0.73	1.6
Net loans		4.64	13.57	20.8
Total deposits	6.33	22.44	28.17	36.9
Equity		4.75	10.63	17.7
NPL ratio[11]		5.6%	5.3%	7.3%
Liquidity		103%	79%	72.7%
CAR		16%	26%	30.9%

Source: National Bank of Rwanda

11 The National Bank of Rwanda defines NPL as a loan in arrears for more than 30 days.

Table 4. Financial Indicators of all MFIs, including SACCOs (in billions of RWF)

Indicator	2007	2008	2009	2010	2011	2012	2013
Total Assets	**47.94**	**58.83**	**77.96**	**45.28**	**77.42**	**101.02**	**128.7**
Liquidity	10.85	7.31	22.95	10.1	33.02	33.22	42.1
Gross loans	27.39	42.58	50.14	33.61	40.72	59.19	73.5
NPLs	2.25	2.28	4.61	3.76	4.89	5.06	5
Net loans	25.91	41.33	48.03	3.76	38.59	56.51	71.2
Total deposits	28.67	39.29	48.93	31.72	45.87	54.47	69.5
Equity	11.96	18.50	22.18	23.90	20.19	30.11	43
NPL ratio (max. 5%)	8.2%	5.4%	9.2%	11.2%	12.0%	8.5%	6.8%
Liquidity (min. 30%)	38%	19%	47%	42%	72%	61%	80.5%
CAR (min. 15%)	25%	31%	28%	53%	26%	30%	33.4%

Source: National Bank of Rwanda

IMPLEMENTATION: CHALLENGES AND SOLUTIONS

The launch of Umurenge SACCOs attracted widespread interest in Rwanda, especially among those living in rural areas. However, a number of challenges arose as the Umurenge SACCO Program was implemented and stakeholders had to find appropriate ways to respond.

Weak governance.

The staff and elected boards of SACCOs had limited understanding of the microfinance business and inadequate skills to put strategies in place to manage the risks of MFIs. SACCOs were initially characterized by weak governance and internal control systems; most elected board members had only primary level education and some SACCOs did not comply with internal policies and procedures.

> **Response:** The National Bank of Rwanda organized ongoing training and prudential meetings, helped to establish the Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance (RICEM), harmonized internal policies and procedures for SACCOs and strengthened the supervision of SACCOs.

Weak internal control system.

In rare cases, loan officers have received a loan repayment from a borrower but have not deposited it in their SACCO account nor entered it in its books. Accountants have also withdrawn money from a SACCO account in a commercial bank, but deposited only some of it in the SACCO. Some loan officers have created ghost borrowers and fictitious credit cards.

> **Response:** Internal policies and procedures were harmonized and internal control systems strengthened to avoid cases of embezzlement and fraud. The planned automation of SACCO operations with improved software will also help to strengthen the internal control system and limit embezzlement loopholes.

Low financial literacy of SACCO members and non-members.

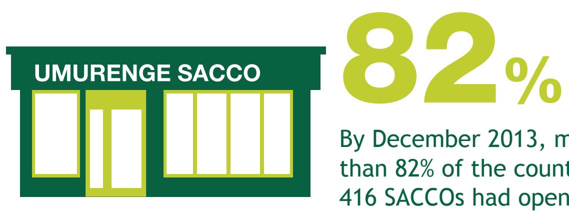
The FinCap Survey 2012[12] showed that the majority of Rwandans lack sufficient knowledge of numeracy, cash flow management, future planning and financial services usage. For example, 80% of unbanked adults in Rwanda have the perception that they "don't need bank accounts because they earn insufficient money to justify opening a bank account".[13]

> **Response:** In 2011, the NBR approached Access to Finance Rwanda (AFR) for support in developing a National Financial Education Strategy (NFES).[14] The MINECOFIN has since become the lead government agency in the development and adoption of the NFES, with the NBR continuing to play an active role. There have been ongoing efforts under the National Strategy to build financial literacy and capability through community programs, meetings, media and other channels. Umurenge SACCOs and other MFI branches in rural areas also lead financial education efforts, primarily through community programs known as Umuganda, which are conducted in the local language and help people living in remote areas to improve basic financial knowledge, such as how to use credit and participate in savings schemes.

Lack of infrastructure.

SACCOs were not equipped to facilitate transactions (lack of electricity, Internet access, adequate software, etc.) or serve customers adequately (small and poor quality offices). Many SACCOs were located in sector offices, which gave the public the impression they were tied directly to the government and made those who had not honored other government obligations wary of joining. The supervision of small SACCOs with manual, unautomated operations was challenging.

> **Response:** As part of the Government of Rwanda's effort to promote community-owned financial institutions and to build public trust in SACCOs, it invested in infrastructural upgrades that allowed SACCOs to modernize at a fast pace. All SACCOs now have electricity and are equipped with computers, modems and Internet access, which have improved information management systems. There is a process underway to develop a shared core banking system for automating operations at a low cost. The technical specifications of the software are available and currently tendered out for purchase. This will facilitate reporting to the central bank, among other tasks. By December 2013, more than 82% of the country's 416 SACCOs had opened their own offices, which has reassured new and existing members that SACCOs operate independently from the government.



By December 2013, more than 82% of the country's 416 SACCOs had opened their own offices

12 See Annex Section 1 of the National Financial Education Strategy: http://www.minecofin.gov.rw/uploads/media/Rwanda_NFES_August1_2013.pdf

13 FinScope Survey 2012

14 http://www.minecofin.gov.rw/uploads/media/Rwanda_NFES_August1_2013.pdf

IMPLEMENTATION: CHALLENGES AND SOLUTIONS

Scattered, weak and uncoordinated SACCOs.

Supervising a large number of small SACCOs, most of which were scattered in remote areas and managed by people with inadequate financial and managerial skills, was challenging for the regulator. The quality of the supervision of SACCOs is based on how regularly the regulator is able to visit; all SACCOs should be visited once a year, which is difficult.

> Response: There is a plan to consolidate SACCOs under one umbrella, whereby weak SACCOs would be merged with others. The NBR has decentralized supervision, increasing the number of inspectors at the district level. The NBR receives financial and non-financial data from SACCOs on a monthly basis to assess their stability. For decentralized financial institutions like SACCOs, it is very important to conduct joint efforts with a variety of stakeholders, especially local government in savings mobilization and loan recovery.

Skepticism about the success of Umurenge SACCOs.

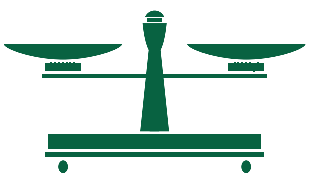
Some development partners were skeptical whether Umurenge SACCOs would succeed and make a real contribution to financial inclusion.

> Response: Available data definitively shows the early achievements of Umurenge SACCOs and the tangible contributions they have made to financial inclusion.

Dependence on government subsidies.

SACCOs relied on government support to finance operating expenses.

> Response: By December 2013, over 85% of SACCOs were breaking even without counting government subsidies and were making good progress toward financial self-sustainability.



85%

By December 2013, over 85% of SACCOs were breaking even

CONCLUSION

The Umurenge SACCO program is an example of how financial inclusion can succeed when all stakeholders in a country pursue a specific goal under a shared vision. Vision 2020 and the Financial Sector Development Program set out a vision of enhancing access to affordable financial services and establishing financial institutions in Rwanda.

The National Bank of Rwanda is helping to bring this to fruition by committing to a measurable target under the Maya Declaration. In line with the Rwandan government's vision of financial inclusion, the NBR has committed to increasing the country's banked population to at least 80% by 2017 and adopting a national financial inclusion action plan within FSDP II, as well as a national financial literacy strategy and financial awareness campaign. Rwanda's National Savings Mobilization Strategy supports the national financial inclusion agenda by aiming to establish at least one SACCO in every Umurenge in the country. All national stakeholders, including the central government, local government and civil society, are joining forces to implement these goals.

With only four years in operation, Rwanda's Umurenge SACCOs are still very young, but the Rwandan government and other stakeholders in the financial sector are keen to sustain and build on the achievements to date. They continue to seek solutions to persistent challenges, such as building the capacity of SACCO directors and managers to practice better corporate governance, and are making progress on several fronts: establishing the Institute of Cooperatives, Entrepreneurship and Microfinance (RICEM), creating an IT platform that will link SACCOs and other MFIs to a core banking system, harmonizing policies and procedures to improve the internal control system of SACCOs, implementing a more robust financial education program (starting with students in primary and secondary schools and universities), creating a deposit insurance scheme, consolidating small SACCOs to make them more viable, and strengthening their supervision.

Strong national commitment to Umurenge SACCOs, particularly from the National Bank of Rwanda, is key to the program thriving over the long term.

Table 5. Number of Financial Institutions in Rwanda, 2010–13

Category		2010	2011	2012	2013
Banking	Commercial banks	8	9	9	9
	Development banks	1	1	1	1
	Cooperative banks	1	1	1	1
	Microfinance institutions	0	3	3	3
	Total	**10**	**14**	**14**	**14**
Forex Bureaus		-	133	107	105
Microfinance	Limited liability MFIs	12	11	11	12
	Umurenge SACCOs	416	416	416	416
	Other SACCOs	74	70	63	63
	Total	**502**	**490**	**490**	**491**
Insurance	Public	2	2	2	2
	Private	7	6	9	11
	Insurance brokers		5	6	7
	Insurance agents		102	152	192
	Loss adjusters		4	9	8
Pension	Public	1	1	1	1
	Private	40	40	40	55

Source: National Bank of Rwanda

Alliance for Financial Inclusion
AFI, 399 Interchange Building, 24th floor, Sukhumvit Road, Klongtoey - Nua, Wattana, Bangkok 10110, Thailand
t +66 (0)2 401 9370 **f** +66 (0)2 402 1122 **e** info@afi-global.org www.afi-global.org
www.facebook.com/AFI.History @NewsAFI