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# **ANNUAL REPORT**

## **BUILDING INCLUSIVE FINANCIAL SECTOR IN RWANDA PROGRAM-BIFSIR**

**AUGUST 30<sup>th</sup> 2010-DECEMBER 31<sup>st</sup> 2010**

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## I. PROGRAMME INTRODUCTION

In 2007 the GoR and the main stakeholders of the microfinance sector in Rwanda validated the National Microfinance Strategy (NMS) for a five-year period whose main objective as was approved by the Government of Rwanda, was to support “sustained economic growth and social development” in Rwanda.

The NMS aims to promote a vibrant microfinance sector offering inclusive, diversified, efficient and sustainable financial services. The vision for the next five years is to encourage the creation and development of a microfinance sector integrated into the overall financial sector.

The vision of NMS and its development objective are well articulated within the programme’s Plan of Action of the UNDP Country Programme which aims at supporting economic growth and reduce the vulnerability of populations to social and economic shocks.

Known as BIFSIR (Building an Inclusive Financial Sector in Rwanda), this Programme was set within the strategic framework of the NMS and aims at supporting to eradicating poverty and to achieving the Millennium Development Goals (MDGs) through building inclusive financial sector.

BIFSIR ‘s specific objective is to build capacities of the various microfinance stakeholders at the macro, meso and micro levels, with a view to supporting the development of sustainable, quality and diversified financial services that are accessible to the less advantaged Rwandans, both in rural and in urban areas, and to improving their economic and social status.

The BIFSIR intervention methodology was designed based on the FIAT (Financial Inclusion Assessment Tools) approach; as follows:

- **Macro level:** Support the coordination and the regulatory framework of the sector, with a view to promoting financial inclusion in Rwanda;
- **Meso level:** Contribute to capacity building and to the consolidation of the sector, and develop the financial infrastructure in order to support the sustainability of inclusive financial services;
- **Micro level:** Support the professionalization of MFIs and innovations to promote sustainable access to financial services.

## **I.1 Interventional Scope**

The programme strategy was approved to be: Supporting the MINECOFIN on the MF sector coordination, BNR on the improvement of the regulatory and institutional framework vis a vis the emergency of many/tiny FSPs in form of SACCOs , Capacity building of AMIR, and the professionalization of MFIs, including aspects related to the consolidation of small MFIs, financial transparency ( rating), risk management, as well as the strategic partnerships between banks and MFIs.

## **I.2 Programme Beneficiaries**

Programme beneficiaries are the MFIs and Savings and Credit Cooperatives (SACCOs) serving poor and low-income populations, especially women, micro-entrepreneurs and small family farms; MF sector stakeholders (AMIR, BNR, NMCC, BRD ( former FOREDEM), and MINECOFIN); and the management bodies of the Programme in form of capacity building (Investment Committee , Steering Committee , Programme Management Unit).

## **I.3 Programme Funding**

With a budget of \$US 5 million over 4 years (initially was supposed to start from 2009-2012), the Support Programme for the NMS (BIFSR) was jointly funded by UNDP (\$US 2,000,000), UNCDF (\$US 2,000,000), and \$US 1,000,000 to be mobilized. Funding for the Programme remains open to other donors interested in developing an inclusive financial sector in Rwanda to broaden access to financial services. With nearly 700,000 active customers in late 2008, microfinance providers can serve more than 200,000 additional customers by the end of 2012, bringing the number of beneficiaries at the end of the Programme to about one million.

## **II. PARTNERSHIP AND LEVERAGE**

### **II.1 Indicators**

- Total of additional allocated programme resources/UNCDF Core (USD):  
 $509,960/398960= 78.2 \%$
- Total amount and per region: Total of Cost-Sharing / UNCDF core (US\$):  
 $509960/398960= 78.2\%$

### **II.2 Results**

#### **II.2.1 BIFSIR improved Microfinance Sector Coordination**

**Through NMCC (National Microfinance Consultative Committee) where BIFSIR provided leadership and funding**

Based on National Microfinance policy of 2006 and the Microfinance Implementation strategy of July 2007, in August 2010, the Ministry of Finance and Economic Planning requested all ministries, agencies and development organizations to nominate their representatives to the NMCC.

Subsequently BIFSIR/PMU facilitated preparations regarding National Microfinance Consultative Committee meeting that was held in MINECOFIN on 29/10/2010. This meeting was chaired by the Director General of National Development Planning and Research, Ministry of Finance and Economic Planning and its main objective was to activities it's functioning and to update the committee members on the numerous developments in the microfinance sub-sector. Among others, the meeting made the following decisions:

1. NMCC was confirmed to be a sub-sector working group under the FSWG.
2. The Terms of Reference of the NMCC were adopted by the members and recommended that the leadership of NMCC should propose the committee the roles, targets and monitoring methodology on a yearly basis.
3. UNCDF was confirmed as co-chair of the NMCC for a period of two years.
4. AFR, in conjunction with BIFSIR, were asked to develop a financial education (literacy) strategy with a clear communication plan for the whole financial sector and submit it to the committee for further implementations

## **II.2.2 Donor Coordination strengthened between AFR, AquaDev, TerraFina,**

### **Through joint planning and sector funding coordination**

As part of its mandate speculated in the programme document of BIFSIR is to strengthen the donors coordination, PMU has already initiated various mechanism when various donors are playing key roles. BIFSIR/PMU has initiated collaboration with the following organizations: CARE international- Rwanda, DFID/AFR, AQUADEV, TERAFFINA-Rwanda, Germany Savings Foundation, USAID, and CGAP/WB. We are in touch with each of them on devising how various implementations can be either coordinated or co-funded in Rwanda Microfinance Market. We still move towards reaching more organizations that are interested in development of microfinance sector in Rwanda for a better coordination mechanism

## **II.3 Opportunities and Challenges**

### **Challenges**

- The program was nascent and launched effectively in late 2010 (November), as such no evaluations were conducted.
- Umurenge SACCO program is a new initiative promoted by the GoR which aims to provide financial services to the rural poor. This initiative was not initially included in the BIFSIR ProDoc, but would serve to meet the National Microfinance Strategic aims. The challenge is to fundraise for this promising opportunity to increase financial inclusion.
- Uncoordinated implementations of donor led programs is still observed
- Coordinating all stakeholders to agree on decisions especially in cases where institutions are protecting their specific interests

### **Opportunities**

- GoR is keen to support and invest in the success of the Umurenge SACCO strategy and the micro finance sector in general.

## **II.4 How will UNCDF respond to the challenges**

- BIFSIR will seek to source One UN Funds
- BIFSIR will seek parallel funding from AFR and GoR
- Integration of new partners that were not mentioned or did not exist when BIFSIR was designed.

### **III. IMPROVED ACCESS TO FINANCIAL SERVICES**

#### **III.1 Opportunities and Challenges**

##### **Opportunities:**

- Introduction of Access to Finance Rwanda program to the Rwandan Market
- Decentralized government structures which can be delivery channels of financial products to the rural/poor population
- Interest of other donors ( AFR, CGAP, AQUADEV, TERRAFIN, ETC) to partner with UNCDF/BIFSIR

##### **Challenges**

- Insufficient funds available/ committed by donors
- Limited absorption capacity by local institution ( MFIs)
- Government's hand still observed in some MF programs ( Refinancing)

#### **III.2 How will UNCDF respond to the challenges**

- Insufficient funds: BIFSIR will seek One UN funds for additional resources and parallel funds from other donors including AFR and GoR.
- Limited absorption capacity: In selecting MFI partners, the MFI investment plan of BIFSIR's funds will be closely examined to assess absorption capacity. This will be managed on a case by case basis.
- Government involvement: currently GoR involvement may be appropriate; however as time goes on it will diminish as local structures are strengthened. An exit strategy will be elaborated where applicable.

### **IV. STRENGTHENING INSTITUTIONAL CAPACITY**

#### **IV.1 indicators**

Numbers of trained MFI managers – 2 MFI senior officers were trained

Number of government microfinance experts trained- 5 BNR and MINECOFIN staff were trained

Financial support disbursed to institutions-

Number of Institution diagnostic review performed- 1 review was performed

## **IV.2 Results**

### **IV.2.1 BIFISIR provided support to the Central Bank aimed at improving inspection capabilities in rural areas**

Based on the programme document and the approved 2010 annual work plan, in December 2010 BIFISIR approved a grant to support the microfinance supervision unit within the Central Bank of Rwanda. The amount was 15,000 USD which was specifically for purchasing computers and some accessories for some supervisors. The main objectives this grant were 1- Shortening the reporting cycle by the Central Bank/ Microfinance Unit , 2- Improving the quality site examination and, 3- Dematerialization of work flow

### **IV.2.2 Supported the Ministry of Finance: capacity building for staff**

In 2010, BIFISIR/UNCDF sponsored staffs from the Ministry of finance that are specifically in charge microfinance to attend the BOULDER MICROFINANCE in training

### **IV.2.3 Sector Capacity Building**

**Central Bank, Ministry of Finance, AMIR, BRD, and the PMU to capacity building trainings**

In December 2010, BIFISIR funded a team of microfinance experts to attend trainings in India in the fields of risk management, delinquency management, microinsurance and micro-enterprise development. The team was composed of BRD, BNR, RCA, AMIR and PMU staff that are members of SC or recommended by their institutions to be microfinance experts. India being one of countries where social capital is developed, the trainees appreciated the trainings attained and are considering producing some cases that would provide lessons to the Rwandan Microfinance market players

### **IV.2.4 Institutional support to AMIR: budget support and institutional assessment**

In December 2010, UNDP has signed a grant agreement with AMIR to help strengthen its interventional capacity. The regressive finances cover the operating expenses of AMIR. Therefore, an amount equivalent to 30,000 USD has been transferred to AMIR bank account to cater for salaries, transportation, stationery and communication expenses, rent of promise and contract for an audit of AMIR account.

UNCDF has contracted an international consultant to assess the capacity of AMIR. The assessment has revealed that the AMIR members are generally satisfied with the performance of the organization in terms of conducting and organizing trainings and workshops and in information sharing. However, AMIR stakeholders proposed that the organization creates for the members opportunity for exchange visits and lobbies the Government and the Central Bank to create an enabling environment for the microfinance. In addition, AMIR should address nation-wide growth/risks challenges and link the members to international organizations that support microfinance initiatives.

#### **IV.2.5 Institutional support to RCA**

Rwanda Cooperative Agency has been assigned to carry out capacity building for SACCOs. RCA has identified WOCCU (World Council of credit Unions) courses as best training models customized to Umurenge SACCOs capacity needs. With the help of BIFSIR, RCA has contacted WOCCU Nairobi Office for eventual cooperation in terms of training of numerous SACCOs formed countrywide. WOCCU Adviser based in Nairobi made a quick assessment of the needs in SACCOs training.

RCA has set up sensitization program to mobilize Rwanda to adhere to Umurenge SACCOs program. The mobilization campaign is mainly done through media. To help RCA achieve its mandate, a grant agreement has been signed between RCA and UNDP to outsource communication firm to develop spot publicity, to broadcast the sport on at least 4 local radios and organize meeting at district level to sensitize Cooperative and Savings Unions on the need to form network.

### **IV.3 Opportunity and challenges**

**Challenge-** PBA are not adapted to some Institutions due to this issue, the central has not yet signed the PBA even though UNCDF has signed. This poses a disbursement delay to the whole program.

### **III.3.3. How will CDF respond to the challenges**

- The Central Bank of Rwanda expressed concerns with UNCDF's PBA which stipulated the sharing of financial statements. The PBA needs to be further customized to suit recipient particularities.

## **v. RESPONDING TO DEMAND – NEW THEMES AND PRODUCTS**

### **V.1 Youth Start Programme**

The United Nations Capital Development Fund in partnership with MasterCard Foundation issued the requests for proposals from various FSP in Sub-Saharan African that want to expand access to financial services to 200,000 youth (between 12 and 24 years old) in Sub-Saharan Africa. This grant aims at building the institutional capacity of 10-12 FSPs, and to facilitate knowledge-sharing as a result of the learning. In the above regard, UNCDF/BIFSIR team facilitated the information dissemination to many local FSPs in Rwanda for them to apply. Consequently, Umutanguha Cooperative was selected and they are in phase two so far where they are preparing application for funding that range between 600,000 USD-800,000 USD from UNCDF/MasterCard Foundation programme. Once, UCU is selected to be one of the best FSPs to benefit from the above mentioned grant, then more Rwandan youth will be served and the capital intermediation (inflow) will increase. The timeframe for this project to be launched is by June 2011. BIFSIR continues to provide technical assistance to UCU in this regard.

### **V.2 VSLA linkage Program**

Acknowledging the role of VSLA modules in financial linkage and because it was realized that this section was missing in Rwanda, BIFSIR and CARE are in advanced stage in designing how to link VSLA groups to SACCOs in Rwanda. This will serve a specific thematic group and it will quicken the financial inclusion program

### **V.3 Opportunities and Challenges**

#### **Opportunities**

1. Youth Start Program funds are committed ready to serve the youth population and our local financial service provided was selected.
2. CARE- Rwanda is willing to partner in rolling out the VSLA methodology to other sectors of Rwanda

#### **Challenges:**

1. Low initial acceptance of thematic programs by local partners
2. Low financial education/ literacy

### **V.4 How will UNCDF respond to the challenges.**

1. UNCDF to mobilize support for the implementation of financial education in Rwanda
2. Will continue advocacy so that stakeholders can understand the relevancy of thematic programs

## **VI. Effective Management, Monitoring and Evaluation of the Programme**

### **VI.1 RESULTS**

#### **VI.1.1 The Programme Management Unit**

The PMU is contracted by UNDP/UNCDF and hosted by MINECOFIN. The administrative operations are always approved by the designated MINECOFIN director who acts as representative of the government. The main roles and responsibilities of PMU are:

- Prepare annual work plan and submit them to the SC;
- Review funding requests from MFI and submit them to the IC;
- Ensure contracting for implementation of activities: preparing terms of reference for studies to be carried out, proposals from consultants, supervision of studies, proposals from technical service providers;
- Ensure the technical and financial management of the Programme;

- Prepare progress reports and transmit them to the SC;
- Submit to the SC any recommendation it deems appropriate for improving implementation of the Programme.

### **VI.1.2 PMU Staff**

Pursuant to the programme agreement that was signed in December 2009, UNDP and UNCDF as the main funders of BIFSIR commenced the recruitment process to fill the positions under Programme Management Unit. Consequently, the following staffs were recruited:

1. Ms. Amani MBALE, as Chief Technical Advisor and commenced in September 2010
2. M. Arthur SABITI as the National Expert and commenced in July 2010
3. Ms. Alphonsine MUNEZERO, as Administration and Finance Associate and commenced in September 2010
4. The driver (not yet recruited).

Generally, the recruitment for the PMU staff was completed by September 2010.

### **VI.1.3 The Steering Committee**

Based on the BIFSIR Prodoc, three organs were put in place in the period of August – December 2010. As the Ministry of Finance was mandated to establish and chair a Steering Committee that provide mechanisms for making joint decisions on the design and implementation of the BIFSIR Programme, on 29<sup>th</sup> October 2010 the BIFSIR Steering committee was established and communicated by the Honourable Minister of Finance as follows:

1. Mr. Amiable NKURANGA, a representative of MINECOFIN
2. Mr. Christian SHINGIRO, a representative of UNDP
3. Ms. Maggy GATERA, a representative of UNCDF
4. Mr. Kevin SHYAMBA KAVUGIZO, a representative of BNR
5. Mr. Gilbert HABYARIMANA, a representative of RCA
6. Mr. Jules NDAHAYO, a representative of AMIR
7. Ms. Esperance MUTUYIMANA, a representative of BRD
8. The PMU that performs secretarial duties

#### **VI.1.4 The Investment Committee**

The program document stipulates that the investment committee will be composed of the government representative and representatives of donors to make investment decisions. In this regard, BIFSIR Investment Committee composed of MINECOFIN, BNR, UNCDF and UNDP was called and approved investments for the fourth quarter of 2010. The same committee will be convened early this year (2011) to approve investments

#### **VI.1.5 Procurement of PMU office supplies and furniture**

In October 2010, the Ministry of Finance and Economic Planning requested UNDP to procure for BIFSIR Programme Management Unit IT equipment, accounting software and one vehicle. The MINECOFIN agreed to provide to BIFSIR PMU office furniture and allowed the team to be using available equipments within the Ministry such as photocopier, screen projector, camera and binding machine. Up to the December 2010, the procurement process had not been finalized; hence, the cost of purchasing these items has been carried forward 2011 exercise.

#### **VI.1.6 Launch of BIFSIR**

UNDP/UNCDF in partnership with the Ministry of Finance and Economic Planning, announced the official launching ceremony of the BIFSIR which was supposed to take place on Monday October 25, 2010 at the Kigali Serena Hotel from 08:30 am to 1.00 pm. The objective of this ceremony was to highlight the key programme interventional modalities, funding criteria, UNCDF regional experiences in building inclusive finance and state of Microfinance industry in Rwanda. Speakers were to include the MINECOFIN Permanent Secretary, Central Bank Governor, UNDP country Director, UNCDF Regional CTA and other key stakeholders of Microfinance Sector and building financial inclusion in Rwanda. However, the official launch was postponed and put into the future date.

#### **VI.1.7 Operational Manual**

The draft procedure manual was developed by PMU and submitted to Steering committee and UNCDF regional office for review and approval. The steering committee have approved it already and waiting for final approval by the regional office prior to its implementation.

### VI.1.8 Development of AWP 2011

The BIFSIR Program Management Unit developed the Annual work plan for the year 2011 and it was approved by steering committee and signed by all signatories. From this approved annual work plan and budget, BIFSIR is in process of issuing call for proposals and sign performance based agreements with its stakeholders.

### VI.1.9 2010 budget Execution

The financial report reflects the direct payment made by UNDP based on the request from the PMU. As the process of opening of new account (December 07<sup>th</sup>, 2010) took long to be finalized, the project did not get any cash transfer to its account that was opened in the National Bank of Rwanda.

The expenditures made are as follows:

<b>INSTITUTIONAL PATNERS</b>	<b>DESCRIPTION</b>	<b>AMOUNT SPENT USD</b>
<b>MINECOFIN</b>	Training	11,917
	Organisation of NMCC	102
<b>S/Total</b>		<b>12,019</b>
<b>BNR</b>	Training	16,468
<b>S/Total</b>		<b>16,468</b>
<b>RCA</b>	Grants	4,375
	Training	6,088
<b>S/Total</b>		<b>10,463</b>
<b>AMIR</b>	Grants	30,000
	Training	20,151
<b>S/Total</b>		<b>50,151</b>
<b>PMU</b>	Training	8,234
	Operating expenses	933
<b>S/Total</b>		<b>9,167</b>
<b>TOTAL</b>		<b>106,503</b>

NB: We failed to access expenditure details under UNCDF budget, as you had agreed kindly help us to get the details so that the financial report can be completed. The above figures do not contain UNCDF spent budget.

## **VI.2 Challenges and Opportunities**

### **Challenges**

1. Delays in implementation: Starting with the recruitment of PMU team, there was a delay of almost 10 months.
2. Difference financial years between government and participating UN agencies
3. Delays in procurement of BIFSIR equipments
4. Postponement of BIFSIR launch
5. Lack of ATLAS profile by BIFSIR/PMU staff

### **VI.3 How will UNCDF respond to the challenges**

1. The Ministry of Finance to emphasize on the strengthened and coordinated funding mechanism by donors of microfinance in order to avoid overlapping
2. The PMU team recommends the extension of the programme period from 2012 to 2013 since there was a delay of almost one year.
3. RCA to be considered as beneficiaries of BIFSIR due to its relevance to the development of microfinance sector in Rwanda
4. UNPD/MINECOFIN to ask their procurement offices to fast tract the procurement of BIFSIR equipment in order to run the programme smoothly with no delays