



**ANALYSIS OF ECONOMIC OPPORTUNITIES FOR
LOW-INCOME WOMEN AND THE VERY POOR IN
RWANDA**

FINAL REPORT

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Contents

Executive Summary	3
I. Background Information.....	6
A. How to Approach the Problem.....	6
B. Reducing the dimensionality.....	7
C. Methodology	8
II. Context.....	10
III. Poverty Profile of target beneficiaries	11
A. Poverty Profiling Framework Used in this Study	11
B. Poverty Mapping.....	13
C. Poverty Profile of Low Income Women and the Very Poor in Rwanda	17
IV. Education and Literacy.....	25
A. Current Situation	25
B. The challenge of Girls' education.....	27
C. Adult literacy.....	31
D. Vocational and technical education.....	33
E. Where to intervene	33
V. Access to and Usage of Finance	36
A. Profile of the poor's use of financial services.....	36
B. Current Situation	40
C. Focus Group CARE	43
D. Where to intervene	45
VI. BDS.....	48
A. Current Situation in Rwanda.....	49
B. Where to intervene.....	52
VII. Extension Services.....	54
A. Current situation in Rwanda	55
B. Focus Group.....	57
C. Where to intervene	59
VIII. Conclusion	61
IX. ANNEXES	64

Executive Summary

Over 80% of Rwanda's population is dependent on the agricultural sector for their livelihoods. Despite rapid economic growth over the past decade, 60% of the country's population remains below the poverty line. 30% of the country's households are female-headed and most of them are very poor. As low-income women and the very poor comprise the majority of Rwanda's people but are two groups are generally excluded from the process of economic development due to a lack of access to resources and services, USAID requested an analysis of economic opportunities for these target beneficiaries.

To inform USAID as where investments would yield the highest returns, this study looked at *who* the target beneficiaries were; *what* types of interventions USAID could invest in to meet the beneficiaries' needs; *where* to act; and *how* to implement these interventions. This study first presents a profile of the poor including geographical targeting. Having determined that the investments in literacy/education, access to finance, business development services and extension services are actionable levers that are likely to have the most impact, existing programs in these areas were assessed; and finally recommendations on where to intervene are made.

The Southern province is the poorest of Rwanda's five provinces in terms of share of the country's poor and in terms of poverty headcount. In terms of districts, Nyamagabe, Nyaruguru, Gisagara, Gicumbe (Northern Province) and Huye ranked as the poorest districts, all in the South with the one exception. The Southern province is a priority for both the Government of Rwanda (GoR) and its partners with a high number of agricultural development initiatives.

When looking at the characteristics of the poor, a pattern of vulnerability emerges. The poor rely predominantly on agriculture for their livelihood; the poorest households are those headed by women with a higher number of dependents and little education; and households that have sources of non-farm income are less likely to be poor. Poor households have less land than the non-poor who also tend to grow more marketable produce per hectare. Processing agricultural produce, including post-harvest transformational activities, and improving access to markets has correlated to an increase in wealth. Furthermore, use of veterinary and extension services and application of inputs has increased productivity per hectare.

There is an irrefutable link between high levels of illiteracy and poverty. Although elimination of primary school fees has increased the poor's access to education, poverty still hinders usage of the opportunity and thus only 51% of students' complete primary school. Very few boys go on to secondary school and even fewer girls. Ensuring that girls complete primary school and continue to secondary continues to be a challenge that will generate more low-income women

who are likely to be poor. Adult illiteracy is also a challenge which continues to perpetuate the poverty cycle and unless more investments are made a large portion of those contributing to the economy of the country are going to continue to have very low skills. Furthermore, the current unskilled workforce is not able to improve their capacity through the limited number of vocational and technical training schools as the skills taught do not match the needs of the workplace. Although literacy and education alone will not allow Rwanda's low income women and the very poor to overcome poverty, there is no doubt that "the map of illiteracy coincides with the map of extreme poverty"¹ and investing in these basic skills is a necessity in the road map to prosperity. Furthermore, not only is literacy necessary to access and benefit from information, but it would also enable improved access to and usage of finances.

Finance promotes growth and can positively impact poverty but the opportunity is not readily available to low-income women and the very poor. The poor have less access to banking products, know little about financial institutions, and like most Rwandans are more likely to trust in people than financial institutions for advice. Given that the poor tend to have no or very little savings, expecting them to invest their own resources to increase productivity is unlikely to reduce poverty. The poor tend to use informal financial services. The programmes that seem to work best in terms of increasing demand for financial services for the poor are those that are community based and transition clients into the more formalized sector.

Poverty and ill health are also inextricably linked in that without health insurance the poor spend a large amount of their revenues on illness with potentially catastrophic burdens. 85% of Rwanda population now has access to health care at no or at a minimal cost but the Mutuelle the Santé programme's sustainability is questionable unless people can be transitioned into paying a larger percentage of the health insurance.

Micro and small enterprises offer the entrepreneurial poor an opportunity to raise their incomes as well as provide a safety net for the poor when they are unable to access steady employment or when their agricultural income is compromised. They also provide an opportunity to apply skills to raise productivity. Business development services are a means whereby the performance of these enterprises can be improved to achieve higher economic growth. The poor in Rwanda work primarily in the informal sector but little attention has been given to them thus far in the national development plans. The BDS network in Rwanda has to overcome several challenges including promotion of entrepreneurship, resolving market failures, correcting information asymmetries, and improving the quality and availability of BDSs.

A low use of modern inputs and a lack of extension services in agriculture are some of the particular challenges Rwanda faces for economic growth. Despite the many challenges, the agricultural sector has the potential to contribute to poverty reduction with production intensification and improved value addition. Although the GoR recognizes the importance of

¹ Source: Scope of Work Under Blanket Purchase Agreement: Analysis of Economic Opportunities for Low-Income Women and the Very Poor in Rwanda; USAID; 2009.

extension services and has developed a sensible strategy to improve them, implementation has been a challenge with a number of national and district entities with various levels of skills not coordinating or communicating properly. The GoR's projects have thus had varying degrees of success. Private investors, other development partners and several NGOs also provide extension services but they are generally tied into agricultural initiatives that they are supporting.

Thus there are definitely gaps that USAID can intervene in that could have a major impact on reducing poverty. As poverty is related to a series of issues, no single issue treated in isolation will achieve the sought after result – it must be addressed through multiple inter-related actions in order to have tangible results. If USAID seeks to have an impact on poverty, providing a comprehensive program which simultaneously addresses education/literacy, access to finance, business development services and extension services in geographically targeted district of low-income women and the very poor will have the most impact.

I. Background Information

USAID requested an analysis of economic opportunities for low-income women and the very poor in Rwanda as these two groups are generally excluded from the process of economic development due to a lack of access to resources and services, yet they comprise the majority of Rwanda's population. Despite rapid economic growth over the past decade, 60% of Rwanda's population remains below the poverty line. Furthermore, over 30% of Rwanda's households are female-headed and most of them are very poor (i.e. earning less than US\$0.75/day)².

Over 80% of Rwanda's population relies on the agricultural sector for their livelihoods but faces many challenges. Given that Rwanda's agriculture is constrained by the lack of available arable land, USAID believes that increasing productivity of land and creating more non-farm employment will contribute to more sustainable income streams for the target beneficiaries. Furthermore, recognizing that low levels of education reduce access to a person's ability to access finance, USAID believes that overcoming this hurdle will also contribute to reducing food insecurity.

USAID commissioned OTF Group to conduct this study to inform USAID's decisions on future programming for these target beneficiaries by (a) examining the profile of the lowest income earners in Rwanda; (b) reviewing existing microfinance and microenterprise programs; and (c) identifying areas of potential intervention.

Given that understanding how to lift the poor out of the poverty trap is a boundless problem, OTF Group collaborated with USAID's Economic Growth Team to agree on an approach that would be the most fruitful to the organization.

A. How to Approach the Problem

In order to inform USAID as to where its poverty reduction support could yield the highest returns, there needs to be a clear understanding about *who* the target beneficiaries will be; *what* types of interventions USAID could invest in to meet the beneficiaries needs; *where* to act; and *how* to implement these interventions.

² Source: Scope of Work Under Blanket Purchase Agreement: Analysis of Economic Opportunities for Low-Income Women and the Very Poor in Rwanda; USAID; 2009.

Figure 1: How USAID can approach the problem

Who are the target beneficiaries?	What interventions are most likely to give them new opportunities?	Where is USAID going to make these interventions?	How are the interventions to be implemented?
<ul style="list-style-type: none"> • Low income Women poor • The very poor (earning less than \$0.75/day) • The landless <p style="text-align: center;">Intervention Options: 3</p>	<ul style="list-style-type: none"> • Business development services • Literacy programs • Micro-lending and insurance. • Post-harvest and extension <p style="text-align: center;">Intervention Options: 4</p>	<p style="text-align: center;">Districts of Rwanda</p> <p style="text-align: center;">Intervention Options: 30</p>	<ul style="list-style-type: none"> • Direct vs. indirect • New vs. existing • Humanitarian vs. market driven <p style="text-align: center;">Intervention Options: 6</p>
Dimensionality: 3 x 4 x 30 x 6 = 2,160 potential options ¹			

B. Reducing the dimensionality

In trying to answer the above question, even if one assumes that the options are mutually exclusive, USAID would still be faced with over 2,000 choices of interventions. Thus, OTF Group, in collaboration with USAID Rwanda, reduced the number of choices and defined a mode of entry into the business of helping low income women and the very poor get out of the poverty trap.

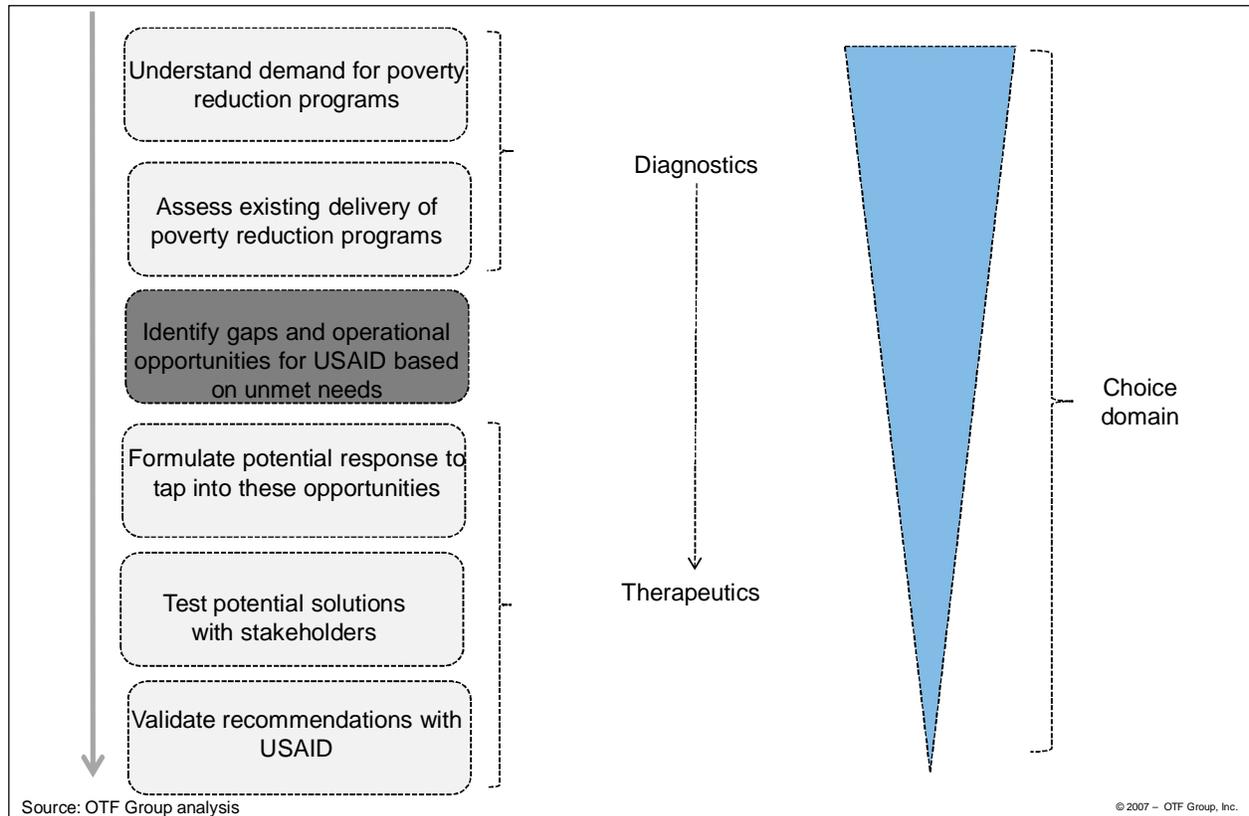
First, to understand the drivers of poverty among low-income women and the very poor, OTF Group pre-screened Rwanda’s districts³ according to poverty incidence; conducted a poverty profile, identified causal relationships reinforcing poverty, and identified levers that could break the poverty cycle.

Second, in order to better inform USAID’s investment choices, OTF Group assessed select poverty reduction initiatives of organizations identified by USAID to determine whether the existing programs are meeting the needs of the target beneficiaries. Assessing the programs’ strengths and weakness will allow USAID to understand what works in designing interventions in the Rwandan context.

Third, OTF Group used its findings to provide USAID with recommendation as to interventions it could invest in to break the poverty cycle, with a focus on those that are likely to have a quick impact and the most return on the investment. The actionable set of options where investments are likely to create change, i.e. therapeutics, was tested with key stakeholders and USAID partners in Rwanda.

³ Note that there are 30 districts in 5 provinces at the time of this study.

Figure 2: Narrowing the choice domain



C. Methodology

To develop profile of the lowest income earners in Rwanda, OTF Group first created a profile which investigated the differences between the poor and non-poor, did an empirical screening of districts according to poverty metrics and complementary activities to inform USAID in Geographic targeting, and conducted a poverty diagnostic through focus groups to understand the transitions of poverty conditions over time and assess determinants.

In order to assess the existing programs which try to address the target beneficiaries needs, three existing programs acting in the domain of education, access to finance, business development services and extension services were examined to understand the strengths and weaknesses of the current response and identify gaps. Assessment of the existing programs included interviews and focus group discussion.

The focus groups were conducted with beneficiaries of programs addressing the identified levers of poverty. The aim was to test theories and evaluate programs which appeared to be acting in a particular domain successfully so as to learn from them.

Finally, using the profile developed which informs needs and the assessment of the programs, which informs responsiveness to needs, OTF provides options for USAID's interventions that should have the highest return.

Figure 3: Steps within the analytical process

Purpose	Analytical model	Illustrative tasks	Methodology
Profile of the lowest income earners in Rwanda	Poverty Profile	Investigative difference between the poor and non poor	Desk research & review of secondary sources (reports, policy documents & data)
	Geographic Targeting	Screening of districts according to poverty metrics and complementary activities	Desk research Empirical screening
	Poverty Diagnostic	Follow transitions of poverty conditions over time Assess determinants	Semi-structured interviews
What is the current response to the identified needs	Assessment of existing programs	Populate a list of prominent programs Assess responsiveness of program design to findings and performance of program against criteria	Semi-structured interviews Focus Group Discussions (FGIs)
How should USAID intervene	Tentative solution	Test hypothetical solutions with stakeholders Adjust initial design based on feedback.	Focus Group Discussions (FGIs) Validation workshop

Source: OTF Group Analysis

II. Context

Rwanda has made tremendous economic and social progress over the last decade. Rwanda's US\$ 4.2 billion economy grew by almost 8% in 2007 and by 8.5% in 2008⁴. Despite strong economic growth, poverty rates have not reduced proportionally (60% in 2000 and 56.9% in 2006)⁵.

Although there has been some growth in non-agriculture activities, over 80% of Rwanda's population is still employed in agriculture and the change has not been as marked for women of whom 86% still work in agriculture and fisheries⁶. Thus increasing rural incomes and improving agricultural output will be crucial to reducing poverty, especially among women.

Growth also needs to be pro-poor in that the poorest segments of society, low-income women and the very poor, need to be able to benefit from it. Most in these segments rely on subsistence agriculture with no or limited participation in the market economy. For these segments to rise out of the poverty trap, economic growth must occur on a sustainable basis and economic growth must be widely distributive (i.e. reduce income inequality).

This study seeks to understand the factors that might allow a person to escape out of the poverty trap as well as those that are likely to trigger poverty in the first place. Traditionally, the poverty threshold is "the level of costs that covers the minimum adult's basic need" (what a person needs to consume to provide 2500 calories and have basic non food products). An increase in consumption per capita is correlated to reduction in poverty⁷.

However, given that studies have shown that poverty levels drop faster when factors allowing bettering one's conditions are invested in rather than when investments are made in factors reducing the triggers⁸, our focus will ultimately be on informing USAID as to these type of investments. Over the past few years, the notion that deprivation is more than a lack of private resources has become widely accepted (e.g. if a village has no wiring for electricity, even residents with substantial incomes will have no steady access to power)⁹.

⁴ WorldBank, Rwanda Country Brief, 2009.

⁵ UNDP, Millenium Development Goals in Rwanda: Progress and Challenges in Rwanda, 2008.

⁶ National Institute for Statistics Rwanda, Poverty Update Report, 2006.

⁷ National Institute of Statistics Rwanda; Poverty Update Report; Integrated Living Conditions Survey; 2006

⁸ On the Measurement of Poverty Dyanmics; Daniel Hojman and Felipe Kast; Harvard Kennedy School; 2009

⁹ UN Handbook on Poverty Statistics: Concepts, Methods and Policy Use; Chap 2: Concepts of Poverty, Jonathan Morduch, 2005

III. Poverty Profile of target beneficiaries

There are numerous frameworks for measuring poverty and thus identifying its triggers, thus the one used is likely to have an impact on the outcome. Creating poverty profiles allow us to gather information as to who the poor are, where they live, what they do, what sectors they depend on for their livelihoods, and whether they have access to economic infrastructure and support services. This information will allow USAID to determine how to target resources to the two poverty segments in question.

The most common way of measuring poverty is in terms of lack of private resources. It is generally based on incomes and consumption levels. A person is considered poor if his consumption or income levels fall below a minimum level necessary to meet basic needs. The poverty line used in this study is that used during the EICV2¹⁰ survey which is FRw 250/day (approx. US\$ 0.50 in 2006) and extreme poverty is FRw 175/day (approx. US\$ 0.30 in 2006)¹¹.

In this study we use a framework which allows us to create a profile of the very poor and low-income women by identifying common characteristics which could be changed through proper investments and thus allow these two segments to rise out of poverty.

A. Poverty Profiling Framework Used in this Study

Poverty profiles can play an important role in understanding poverty and formulating possible solutions¹².

The Foster-Greer-Thorbecke metric is a commonly used method of poverty measurement which allows for a generalized measure of poverty in an economy by combining information on the extent of poverty, the intensity of poverty and the inequality among the poor¹³.

Hojman and Kast's framework understands poverty "as a phenomenon by quantifying the persistence of poverty, and identifying the factors more likely to determine an individual's ability to escape poverty and the events likely to trigger poverty over the life cycle". Their framework introduces a family of multi-period poverty measures derived from commonly used static poverty measures and thus better address the dynamics of poverty¹⁴.

¹⁰ EICV2 is the second household survey conducted by the National Institute of Statistics Rwanda in 2004/2005

¹¹ The new poverty level set by the WorldBank is now US\$1.25/day to reflect latest price data from the International Comparison Program; Poverty Net; WorldBank, 2009.

¹² UN Handbook on Poverty Statistics: Concepts, Methods and Policy Use; Chap 7: Poverty Analysis for Policy Use: Poverty Profiles and Mapping, Nanak Kakwani and Hyun H.Son, December 2005

¹³ FGT formula: z = poverty line; N = number of people in the economy; H = number of poor (at or below z line); y_i = individuals incomes and α is a sensitivity parameter.

¹⁴ On the Measurement of Poverty Dynamics, Hojman and Kast, Harvard University 2008.

Figure 4: Looking at poverty determinants over time to understand the problem

Poverty index

$$FGT(\alpha) = \sum_{i=1}^n \left(\frac{z - y_i}{z} \right)^\alpha \quad \forall y_i < z$$

- Where y_i stands for income (consumption) per capita, z describes the poverty line and n stands for the number of people with income (consumption) or assets per capita below the poverty line.
- Where FGT is decomposable poverty indexes like the one developed by Foster Greer and Thorbecke (1984)

The representative household

$$P_t = f(y_t, z)$$

- Where the extent of poverty is a function of the income of the household and the poverty line z

Income function

$$y_t = h(w_t, L_t, N_t, S_t)$$

- where w_t stands for the productivity inside the household (in time a function of health and education, among other factors);
- L_t describes the number of workers;
- N_t is the number of dependents; and
- S_t describes the amount of welfare assistance received by the representative household below the poverty line.

Poverty stock and flows

$$\frac{\dot{P}}{P} = \frac{P_{inflows}}{P} - \frac{P_{outflows}}{P}$$

- Change in the number of the poor is the sum of the people entering poverty minus the people exiting poverty.
- The study will evaluate whether the problem is poverty inflows (poverty creation) or lack of poverty outflows (poverty destruction), and what is “constraining” poverty destruction and accelerating poverty creation.

Poverty determinants

$$\frac{\dot{P}}{P} = \frac{W}{W} + \frac{L}{L} + \frac{N}{N} + \frac{S}{S}$$

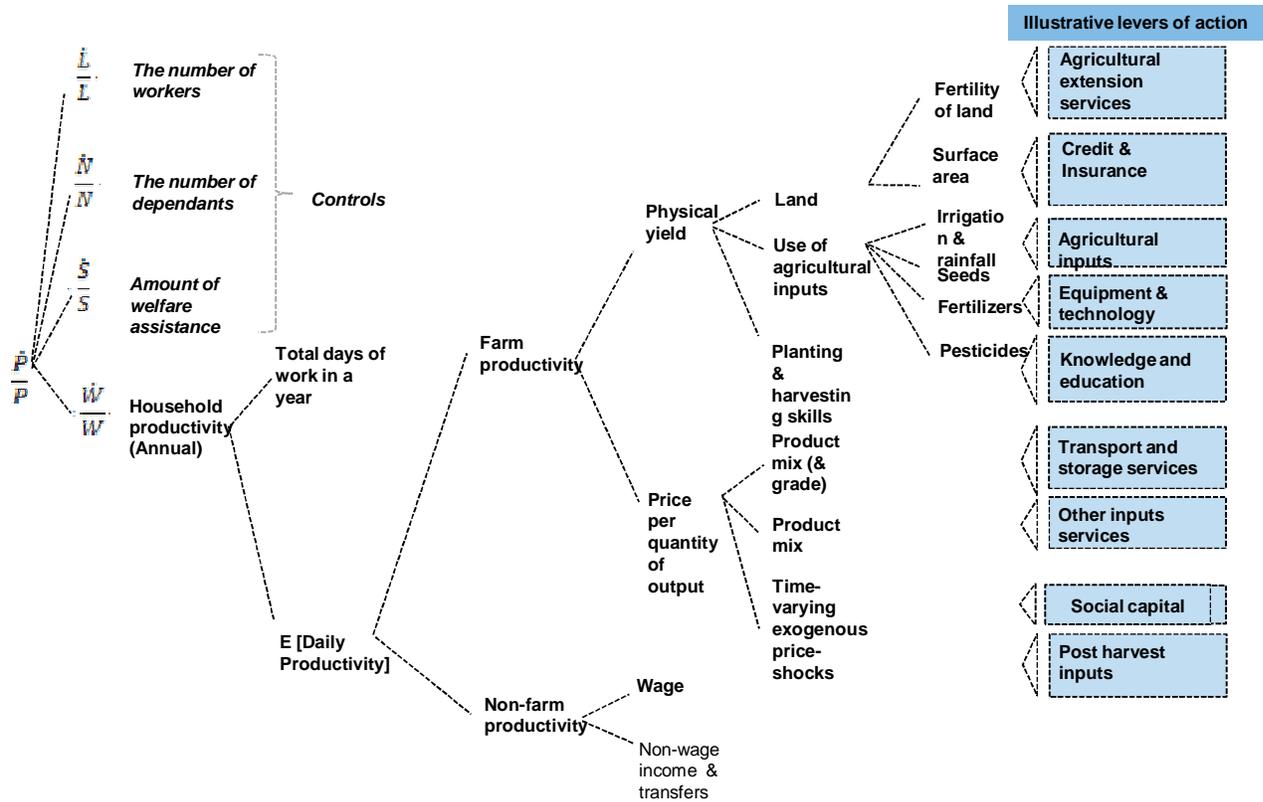
- Our goal is to be able to identify potential action levers to increase household productivity, controlling for additional factors influencing the dynamics of poverty creation and destruction
- The approach focuses on the household productivity as the most actionable way to reduce poverty.

Source: Foster, Green and Thorbecke (1984); Hojman and Kast (2009)

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Since our goal is to identify how to increase revenue through investments (actionable levers), determining the sources of income as well as the amount of income of the poor is necessary and thus the standard analysis of poverty needs to be augmented.

Figure 5: Actionable Levers¹⁵



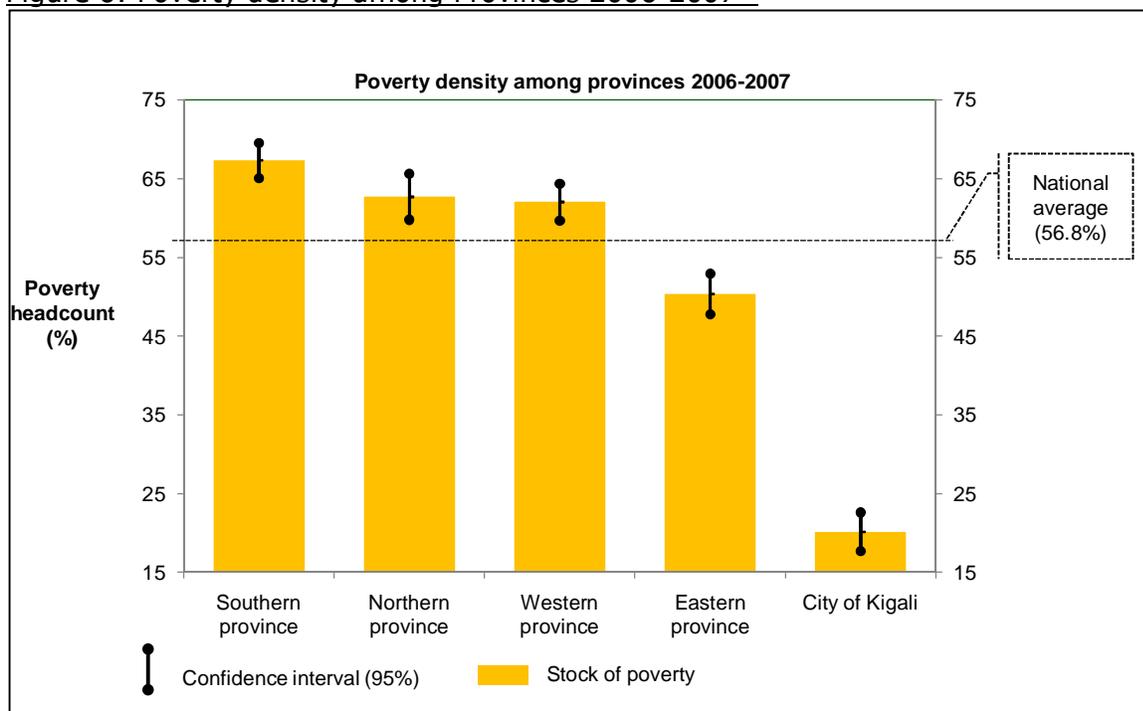
B. Poverty Mapping

Poverty mapping, or geographical targeting, is an important means for channeling limited resources. In this section we seek to identify poverty geographically in Rwanda in order to inform USAID as to where it should physically invest in order to change the poverty equation as it stands today.

Data collected by the National Institute of Statistics Rwanda (NISR) in the 2005/2006 Integrated Living Conditions Survey (EICV2), along with OTF analysis shows that the southern province ranks as the poorest of Rwanda's five provinces.

¹⁵ Source: OTF Group analysis (based on Hojman and Kast)

Figure 6: Poverty density among Provinces 2006-2007¹⁶



Although poverty declined from 60.4% to 56.9% between 2001 and 2005, it was not homogenous as poverty decline was greatest in urban areas but the reduction in rural areas declined only from 66.1% to 62.5%. Furthermore, poverty reduction was not homogenous across districts either (the Eastern province had the statistically most significant reduction), and growth was unequally distributed as inequality increased in most provinces, especially the Southern Province which remains statistically the poorest¹⁷.

The Southern province presents the highest level of poverty on two accounts. For one, it has a 30.2% share of the poor of Rwanda. Second, its poverty density is at 67.3% (poverty headcount among the provincial population). In fact, both its share of the poor and its poverty headcount have increased slightly since 2001 from, respectively 27.1% and 65.8%.

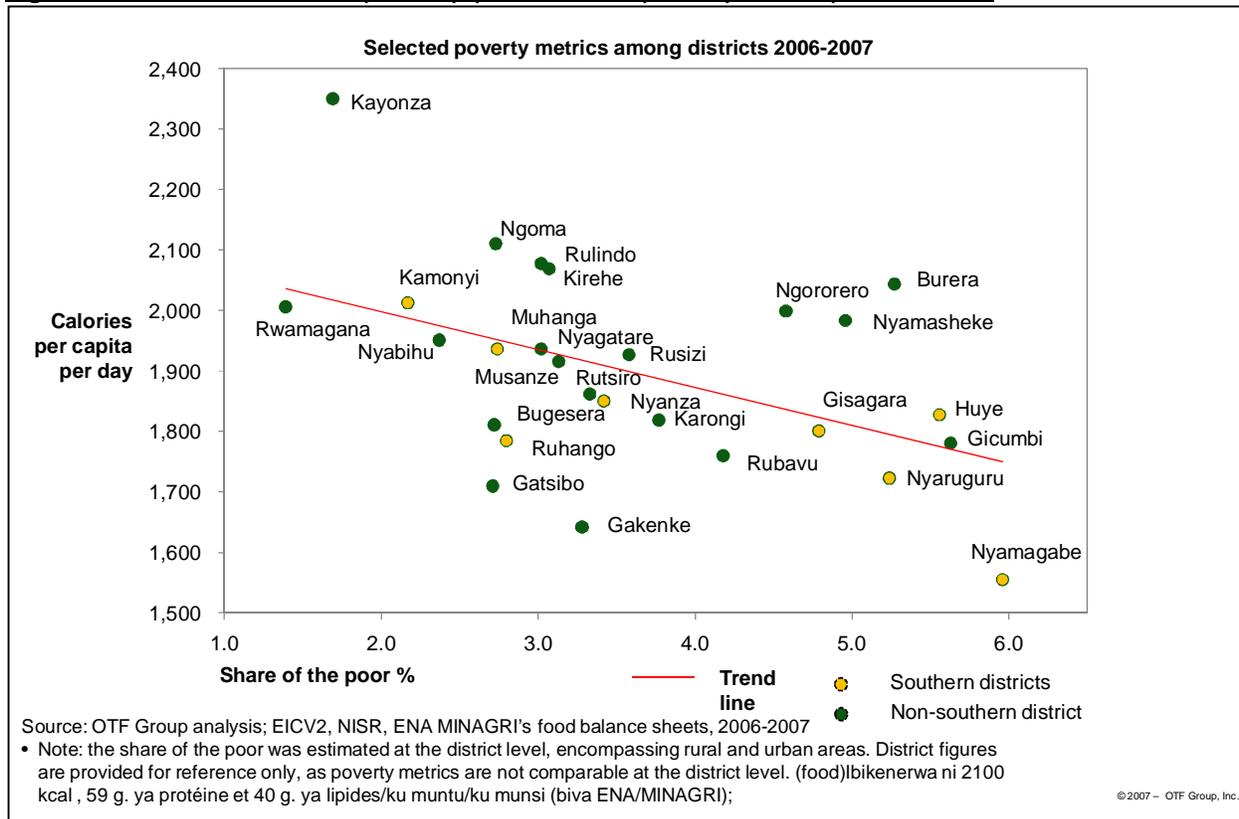
Looking at the southern province on a more granular level, Nyamagabe, Nyaruguru and Gisagara districts present not only the highest poverty level but also the highest malnutrition level. As expected, nutrition and poverty appear negatively correlated (presenting a clear inverse relationship). The district of Gicumbe in the Northern province and Huye again in the Southern province follow in the ranking of districts according to levels of poverty.

¹⁶ Source: OTF Group analysis, EICV2, NISR.

NOTE: non overlapping confidence intervals suggests of statistical significance between the differences of the obtain values for each of the provinces.

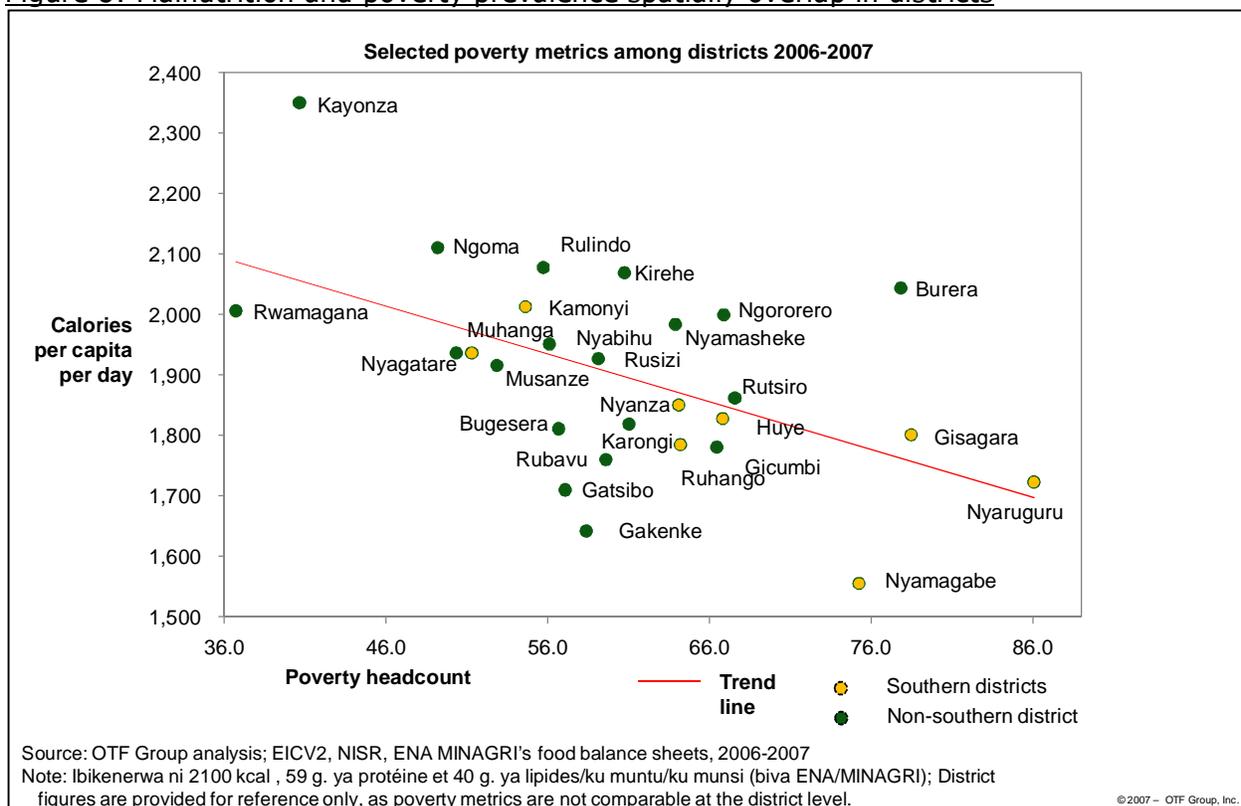
¹⁷ National Institute of Statistics Rwanda, Poverty Update Report, 2006.

Figure 7: Malnutrition and poverty prevalence spatially overlap in districts



The figures above and below illustrate how food security prevails among the poorest districts and those with the highest incidence of poverty. It should be noted however that district figures are provided *for reference only*, as poverty metrics are not comparable at the district level in terms of statistical significance given the sample size of households surveyed.

Figure 8: Malnutrition and poverty prevalence spatially overlap in districts



The Southern Province is a priority for both the GoR and its partners and there are a high number of agricultural development initiatives there through the Rural Sector Support Project (RSSP)¹⁸, the Land husbandry/Water harvesting and Hillside irrigation project (LWH)¹⁹, the Crop Intensification Project (CIP)²⁰ and the proposed Farmer to Market Program²¹. There has been a push to increase productivity in wheat, maize, potatoes, rice and cassava. The district of Gisagara additionally features a marshland rehabilitation project.

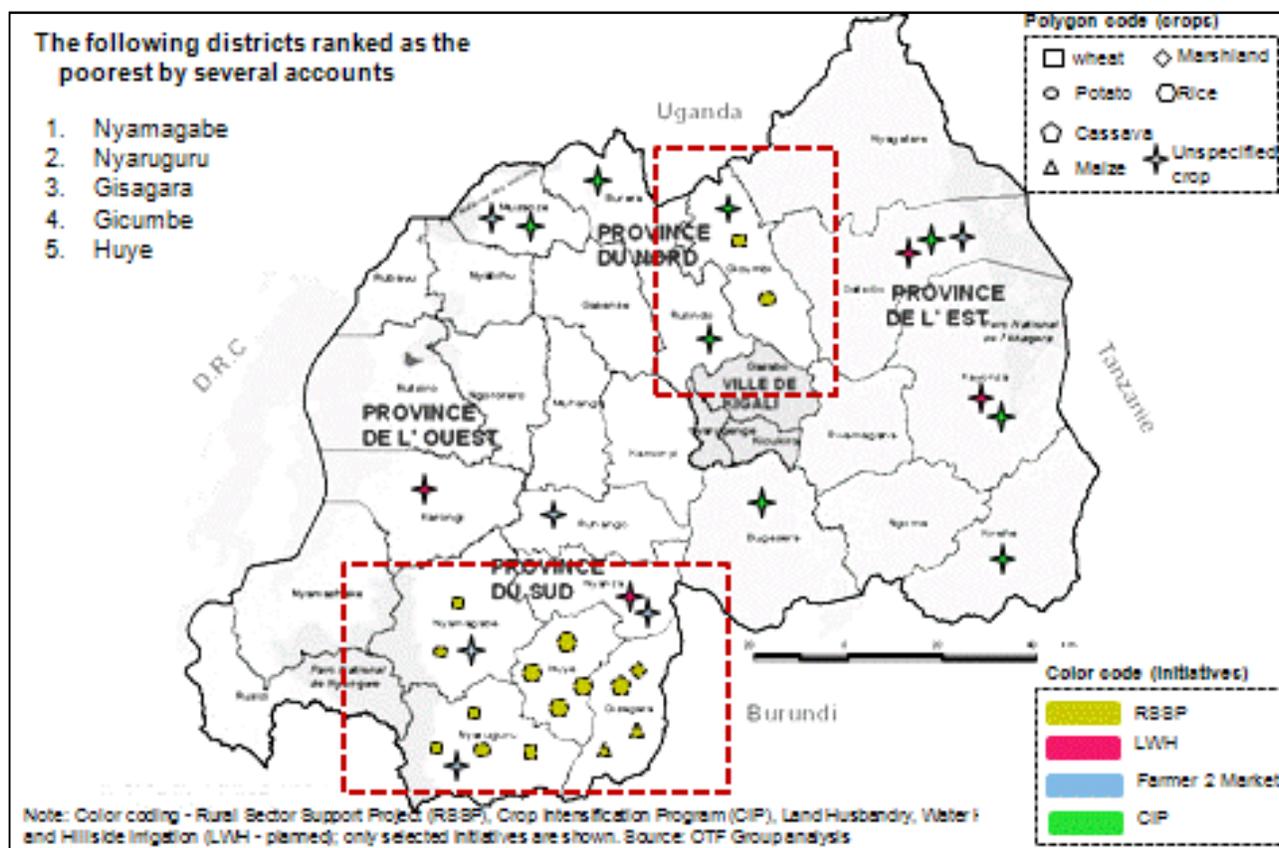
¹⁸ The RSSP (GoR supported by the WorldBank) seeks to increase agricultural production and marketing in marshland and hillside areas by assisting rural households to expand and intensify sustainable crop production systems and increase their participation in agricultural markets (See Annex for details).

¹⁹ The LWH project (GoR supported by the WorldBank) seeks to increase the commercialization and productivity of hillside agriculture (See Annex for details).

²⁰ The CIP is a GoR program implemented by the Ministry of Agriculture to improve productivity and increase fertilizer availability (See Annex for details)

²¹ The Farmer to Market Program would be the programme that USAID is likely to take in feeder road building in response to a Farmer to Market Study conducted by OTF Group in 2009.

Figure 9: Ranking of districts according to food insecurity and low income



The data collected included the number of female headed households, percentage of subsistence agriculture, access to markets, etc, shows some of the reasons why the southern province is among the poorest. There has been economic growth but it has not been pro-poor; inequality has risen with consumption by the non-poor rising and real income of the poor falling.

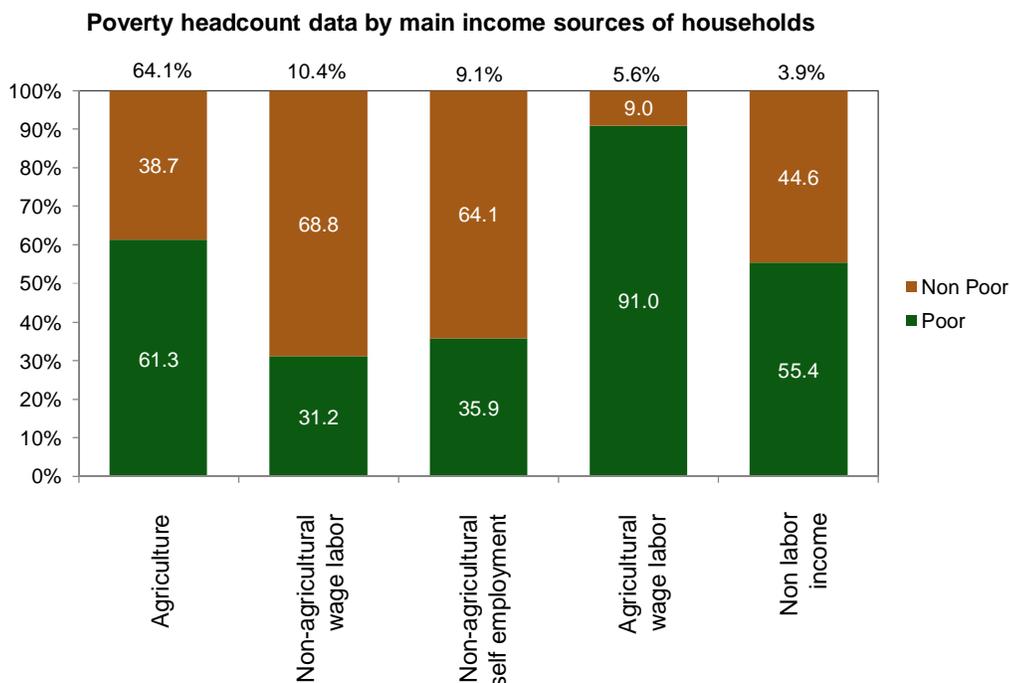
As noted previously, the Southern Province is undoubtedly the poorest of the provinces, but the Northern Province follows closely behind. Thus, it is not surprising that Gicumbi, in the Northern Province, was ranked among the five poorest districts nationally (although the district ranking are for reference only as the data collected in the EICV2 only permitted us to estimate the share of the poor at the province level). Gicumbi's ranking, apart from the factors looked at in this study, could also be explained by the fact that 90% of its surface is steep hillsides (susceptible to erosion) and soil nutrients continue to be depleted, making farming conditions especially difficult for the 90% of its population involved in agriculture²². Low agricultural productivity, poor access to capital, lack of roads and other infrastructure (communications, electricity) were stated among the top 10 difficulties faced by the district.

C. Poverty Profile of Low Income Women and the Very Poor in Rwanda

In this section we look at the characteristics of the poor and find that a pattern of vulnerability emerges. Not surprisingly, the data validates that the poor rely predominantly on agriculture for their livelihood.

²² Source: Plan de Développement du District de Gicumbi 2008-201, Draft July 2007.

Figure 10: The poor rely predominantly on agriculture for their livelihood



Source: OTF Group analysis; EICV EDPRS final report, Oxford Policy Management, May 2007

Note: Income sources add up to 100% of all income sources for those active in labor.

The poorest of households are (i) headed by women that (ii) have family members who are less educated than the average Rwandan and (iii) have a higher number of dependents (elders and children). The figure below shows the data by province, with the southern province having the largest percentage of this grouping of poor.

Figure 11: Female headed household which account for a large portion of the poor

	Southern				Northern				Western			
	Extre me		Non t- poor test		Extre me		Non t- poor test		Extre me		Non t- poor test	
	poor	Poor	poor	test	poor	Poor	poor	test	poor	Poor	poor	test
Female-headed households (%)	31.5	37.9	19.9	***	27.3	26.1	22.8		26.6	25.2	21.5	
Dependency ratio (%)	52.0	50.1	38.2	***	48.0	47.5	41.2	***	51.0	50.0	44.1	***
Education attained (years of education)	2.1	2.4	5.4	***	2.2	2.5	3.8	***	2.1	2.2	3.6	***
Literacy rate (%)	45.5	47.2	45.0		42.1	44.2	48.0	***	39.5	41.7	47.3	***
Medically insured rate (%)	30.5	33.5	44.2	***	40.8	42.0	58.9	***	39.3	43.7	56.8	***

	Eastern				City of Kigali			
	Extre me		Non t- poor test		Extre me		Non t- poor test	
	poor	Poor	poor	test	poor	Poor	poor	test
Female-headed households (%)	22.1	21.8	22.2		29.0	24.9	22.8	
Dependency ratio (%)	51.4	50.7	45.5	***	50.5	49.4	43.3	***
Education attained (years of education)	2.2	2.2	3.4	***	1.9	2.2	3.4	***
Literacy rate (%)	40.9	41.9	47.5	***	36.0	38.6	46.4	***
Medically insured rate (%)	29.2	33.8	52.5	***	27.1	28.5	41.4	***

Notes: Variables: i) percent of the female-headed household population, ii) dependency ratio: % of household members below the age of 15 and above 65 from total household size; iii) Literacy rate: % of population over 6 years old that can read and write; % holding medical insurance Methods: The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; EICV2

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When looking at sources of income, as expected, *households relying on non-farm income are less likely to be poor*. Presumably, non-farm employment in agribusiness or industry may offer either full or temporary job opportunities and hence a more stable and higher source of income.

Figure 12: The poor participate less in the labor market

	Southern				Northern				Western			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Receiving wage labor (%)	24.9	23.2	20.8	**	24.2	23.4	20.5	**	21.6	20.8	20.0	
Depending entirely on farming (%)	61.5	59.5	42.6	***	64.9	62.2	49.9	***	61.3	59.7	41.6	***
Depending entirely on non-farming (%)	0.6	0.9	7.7	***	1.9	1.7	4.4	**	1.6	1.5	6.3	***
Weekly wage per hour (Rwf)	113	131	179	*	126	110	179	***	105	105	250	**

	Eastern				City of Kigali			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Receiving wage labor (%)	26.3	22.6	18.5	***	24.8	26.9	33.8	***
Depending entirely on farming (%)	67.9	63.8	44.2	***	34.2	30.7	7.3	***
Depending entirely on non-farming (%)	0.4	0.7	3.5	***	15.5	16.6	67.8	***
Weekly wage per hour (Rwf)	120	119	226	***	208	158	407	***

Notes: Variables. i) Percentage of population under wage labor, ii) only involved in farming activities (no economic involvement outside of farming); iii) Average weekly wage per hour of those involved in waged non-farm activities. **Methods:** The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%;

Source: OTF Group analysis; EICV2

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Marketable produce per hectare remains a strong predictor of wealth among those households living from agriculture. In other words, when the productivity per hectare of land is higher so is the income of the family all other things remaining equal.

Furthermore, the data indicates that *farmers growing cash and export crops are less likely to be poor*; suggesting that supporting transition of smallholders to high value horticulture and industrial export crops may break the poverty cycle. However, farmers with larger plots of land are more able to grow marketable produce while continuing to meet subsistence needs and hence this finding needs to be treated carefully.

Figure 13: The poor have less land and it is less productive

	Southern				Northern				Western			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Farming predominantly staples (%)	9.8	9.2	6.3	**	5.8	4.6	4.9		12.8	9.9	8.5	
Landless (%)	2.0	1.6	4.9	***	3.9	3.7	3.7		1.8	1.7	3.1	*
Size of land plots owned (average ha)	0.51	0.55	1.0	**	0.67	0.74	1.2	**	0.44	0.50	0.88	**
Marketable value of produce (RWF per ha)	1,006	1,049	1,718	***	1,034	1,839	1,680		1,542	1,399	3,612	

	Eastern				City of Kigali			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Farming predominantly staples (%)	3.8	3.5	2.8		-	4.4	5.3	
Landless (%)	0.7	0.9	2.0	*	19.0	18.0	58.7	***
Size of land plots owned (average ha)	0.72	0.89	1.2	***	0.97	0.90	0.92	
Marketable value of produce (RWF per ha)	948	1,021	2,639		2,158	2,043	2,947	

Notes: Variables: i) Percentage of households whose principal crops are staples; ii) Percent of the landless population; . lii) Total size of land plots owned, iv) Marketable value of produce per hectare of land; Methods: The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; EICV2

Land distribution shows that poor households have significantly less land than the non-poor. It should be noted however that the direction of causality is unclear; i.e. whether wealthier people have more land because they can afford it or is it the actual ownership of larger amounts of land that increase the household productivity and thus create wealthier individuals.

There are four sets of interrelated conclusions that can be drawn from the figure above ([figure 13](#)) that hold true across all provinces except Kigali. These are:

1. the poor, and especially the extreme poor, are more likely to be farming predominantly staples than are the non-poor;
2. the poor and extreme poor are less likely to be landless than the non-poor;
3. the poor, and even more so the extreme poor, own significantly smaller plots of land on average than the non-poor; and
4. the non-poor produce significantly larger amount of marketable produce per hectare (with a slight discrepancy in the Northern province).

The third conclusion backs the statement that the poor have less land, as the percentage of landless in general is very low, while the average size of a plot for the non-poor is almost double that of the poor and extreme poor. The fourth conclusion shows that the smaller the plots of land owned by the poor and extreme poor, the lower the productivity in terms of marketable produce.

Nevertheless, the finding that the non-poor are more likely to be landless than the poor is an interesting one. The likely explanation is that there is a group of people who have migrated to

towns and live there as tenants, earning higher wages than they did as agricultural laborers (e.g. construction workers). This argument takes strength in the fact that a higher percentage of the non-poor depend entirely on non-farm sources of income and, on average, receive higher incomes in all provinces (see figure 12). This would also explain the very high rate of landless non-poor in Kigali.

Another, perhaps less plausible, explanation may relate to land reform, expropriation or compensation related to conflict, whereby poor people or victims of genocide may have received land as part of government rebuilding efforts. This type of initiative could have led to a situation where small plots of (perhaps less productive) land were allocated to the landless extreme poor, thus reducing their landlessness and perhaps helping to move them into the poor category.

The data in the figure below indicates that *processing agricultural produce, including post-harvest transformational activities has a positive impact* (see i.e. correlates negatively with poverty. Although wealthier farmers may be in a better position than poor farmers to further process the farm produce, a virtuous cycle would probably work in poor farmers' favor; i.e. increases in value addition to otherwise exclusively agriculture activities would create higher incomes.

Figure 14: The poor use less inputs and post-harvest services

	Southern				Northern				Western			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Using organic fertilizer (%)	5.0	7.2	9.7	*	6.7	7.3	11.1	**	4.4	5.7	8.9	**
Using chemical fertilizer (%)	9.8	10.8	13.1		5.6	7.0	20.1	***	6.8	10.2	18.4	***
Using irrigation (%)	0.1	0.5	1.2		1.6	1.1	3.7	**	0.1	0.4	2.6	***
Using storage facilities (%)	1.0	0.8	1.9	*	1.3	1.7	4.2	**	0.9	1.5	2.7	*
Using transport services for harvest (%)	2.4	3.4	14.5	***	2.1	2.8	12.5	***	2.6	4.0	15.6	***
Post-processing part of their harvest (%)	75.2	75.6	72.4		68.8	71.0	76.9	**	41.3	46.3	53.9	***
	Eastern				City of Kigali							
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test				
Using organic fertilizer (%)	1.1	2.0	4.9	***	4.9	3.7	2.2					
Using chemical fertilizer (%)	2.3	3.1	7.7	***	3.5	2.3	3.4					
Using irrigation (%)	2.0	1.7	2.5		-	0.8	0.7					
Using storage facilities (%)	4.6	5.8	6.9		-	2.2	1.4					
Using transport services for harvest (%)	3.0	4.5	13.0	***	-	-	2.4	***				
Post-processing part of their harvest (%)	81.0	82.7	85.6		42.7	46.8	19.5	***				

Notes: Variables. i) Percent of households using organic fertilizer; ii) percent of households using chemical fertilizer; iii) Percentage of households paying irrigation fees; iv) Percentage of households using storage, transport and post-processing services for their harvest **Methods:** The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; EICV2

Furthermore, *higher productivity per hectare is shown to positively correlate with use of veterinary and extension services, as well as with use of inputs* such as fertilizer, seed, packaging materials, storage, transport and irrigation.

Access to market correlates inversely with poverty. Those households that have easier access to markets through accessible and good roads as well as public transportation are less likely to be poor.

Figure 15: The poor are more isolated

	Southern				Northern				Western			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Proximity to a road in good condition (%)	61.3	64.2	74.8	***	63.9	64.8	65.4		57.7	57.7	66.1	***
Access to extension services (%)	52.3	49.2	47.5		31.2	32.7	38.8	*	40.6	41.8	47.2	*
Access to veterinary services (%)	61.0	58.0	55.5		49.1	50.2	54.1		53.7	54.2	54.9	
Member of producer cooperative (%)		-	-			-	-			-	-	

	Eastern				City of Kigali			
	Extre me poor	Poor	Non poor	t- test	Extre me poor	Poor	Non poor	t- test
Proximity to a road in good condition (%)	70.4	72.1	75.5		79.6	75.2	64.7	
Access to extension services (%)	37.5	39.1	50.8	***	4.8	5.8	21.4	**
Access to veterinary services (%)	49.5	49.7	52.8		10.4	12.6	46.3	***
Member of producer cooperative (%)		-	-			-	-	

Notes: Variables: i) Percentage of rural household that live near to a road in good condition; ii) Percentage of rural households that have access to extension services; . lii) Percentage of rural households that have access to veterinary services, iv) Numbers and percent with membership in a producer cooperative; Methods: The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; EICV2 © 2007 – OTF Group, Inc.

However, *whether the low consumption of these productive inputs is due to supply or demand reasons remains unclear* as the figure above and the one below would lend weight to the argument that farmers are unable to access these inputs because of isolation and lack of credit.

Figure 16: The poor have less access to formal credit

	Southern				Northern				Western			
	Extrem e poor	Poor	Non poor	t- test	Extrem e poor	Poor	Non poor	t- test	Extrem e poor	Poor	Non poor	t- test
Credit participants (%)	25.8	26.6	25.7		18.9	20.3	23.6	**	24.3	23.9	25.9	
Average Amount of the loan (Rwf)	7,925	11,986	109,745	***	7,722	9,830	94,380	***	11,688	14,816	100,065	***
Borrowing from family or friends (%)	77.3	74.7	66.8	***	70.7	69.0	60.0	***	72.6	75.5	64.4	***
Borrowing from cooperative (%)	17.8	20.4	21.7		25.2	29.1	22.7	*	21.7	20.7	22.0	
Belonging to women's self-help group	-	-	-		-	-	-		-	-	-	

	Eastern				City of Kigali			
	Extrem e poor	Poor	Non poor	t- test	Extrem e poor	Poor	Non poor	t- test
Credit participants (%)	22.5	23.6	26.1	*	16.1	14.6	15.2	
Average Amount of the loan (Rwf)	7,373	11,958	74,105	***	22,742	26,457	744,849	***
Borrowing from family or friends (%)	75.3	68.6	65.2	***	62.0	66.6	43.1	***
Borrowing from cooperative (%)	22.0	24.9	26.7		30.7	25.6	16.0	
Belonging to women's self-help group	-	-	-		-	-	-	

Notes: Variables. i) Percentage of population that has credit, ii) Average Amount of loan; . lii) Percentage who have borrowed money from family or friends (universe: those who have credit), iv) Percentage who have borrowed money from an agricultural cooperative, or tontine (universe: those who have credit); **Methods:** The segmentation among the three categories of the poor are not mutually exclusive at all levels. The mutually exclusive and collectively exhaustive segments are exclusively poor and non-poor. Extreme poor was estimated as a sub-set of poor. The poverty line was estimated at RWF 90,000 of annual expenditure per person and the extreme poverty line was estimated at RWF 40,000 of annual expenditure per person. The table shows the comparison among the three groups for referential purposes only. The tests for assessing the statistical significance of sample means was exclusively applied between poor and non poor for a given province. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; EICV2 © 2007 – OTF Group, Inc.

Women are a particular target segment of this study because promoting gender equality²³ not only empowers women to overcome poverty but also their children, families and communities and thus can be seen as pivotal to sustainable development.²⁴ Gender equality produces a double dividend as it benefits not only women but also their children. The findings above validate that women headed households are especially vulnerable to poverty given that a large portion of the already very poor are women and they have less opportunities that would enable them to escape the poverty cycle.

As the data contained in the figures above shows, poverty is related to a series of issues including land, environmental degradation and low access to resources, but poverty is a problem which goes beyond the lack of basic physical needs and includes a denial of social needs.

Thus, not a single symptom can be treated in isolation to raise someone out of poverty. Not only do there have to be adequate programs in place to address rural and agricultural development but also human resource development and economic development programs and policies. Poverty is a complicated problem which needs to be addressed through multiple inter-related actions in order to create a tangible improvements.

²³ Gender equality is defined as reducing discrimination and inequality based on sex

²⁴ UNICEF; The State of the World's Children 2007: Women and Children: the Double Dividend of Gender Equality.

IV. Education and Literacy

A. Current Situation

*High levels of illiteracy directly correlate to high levels of poverty*²⁵. This was further validated by the data found and presented above (see Figure 11: Female headed household which account for a large portion of the poor). Low levels of literacy lead to several problems like ignorance and lack of ability to get information which in turn can lead to low productivity, inability to participate in the modern market place, reduced bargaining power and a variety of social problems such as large families in a country which is considered to be overpopulated.

Literacy is defined as “the ability to use printed and written information to function in society, to achieve one’s goals, and to develop one’s knowledge and potential”²⁶ among those aged 15 and over. Although 82% of the world is considered literate, over two-thirds of illiterate adults are concentrated in Sub-Saharan Africa, South and West Asia, and the Arab State²⁷.

The road to literacy starts with school education so one must look at the education system in Rwanda to understand the illiteracy problem and evaluate whether the current situation will reduce illiteracy in the years to come and thus empower the coming working generations or not.

According to the Ministry of Education of Rwanda (MINEDUC), there are several challenges facing the education sector in this country including a high rate of drop outs of primary school, one of the lowest enrolment rates at secondary school level in Sub Saharan Africa, the need to match learning outcomes with market needs and fostering vocation education, improving the quality of teaching (teachers and learning materials), the need to reduce the cost of education to the poorest, and narrowing the access gap for girls at all levels of education²⁸.

Several of these issues are at the forefront of the GoR’s and its partners’ agendas. Enrolment rates for boys and girls in primary school are up and have almost achieved gender equality in terms of percentages of males and females enrolled. The Rwanda 2003 Constitution guarantees free and mandatory primary education for all children and UNDP’s monitoring of this Millennium Development Goal (MDG 2) shows the country has made tremendous progress towards achieving this goal with primary enrolment rates of 94% and gender equality targets being met (See figure below).

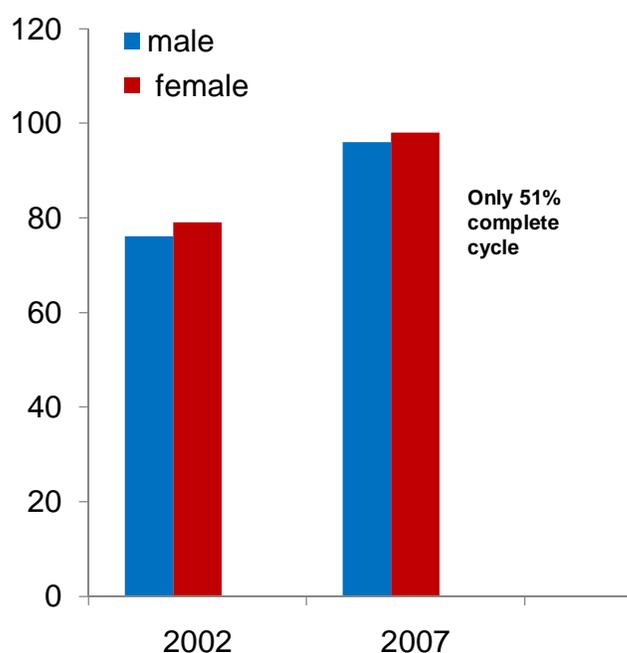
²⁵ World Bank; The challenges of Growth and Poverty Eradication; 1996.

²⁶ U.S. Department of Education, Framework for the 2003 National Assessment of Adult Literacy, 2003.

²⁷ CIA Factbook, 2009

²⁸ Rwanda Ministry of Education, Education Sector Strategic Plan 2008-2012, 2008.

Figure 17: Primary school enrolment progress 2002-2007



Source: UNESCO, UNICEF

Although elimination of school fees can be believed to have increased the poor's access to education, poverty still hinders usage of the opportunity. Removal of fees and a capitation grant to schools have increased attendance; but the costs of schooling are still prohibitive to many poor families and result in only about 51% of students actually completing a full cycle of primary school²⁹. 35% of Rwanda households, in 2005, stated that the cost associated with schooling (books, uniforms, etc.), combined with the loss of the child's participation in household labor, resulted in a heavy burden for families living in poverty. Children provide a significant amount of domestic labor with those in primary school (7-10 years) contributing 9 hours per week and those of secondary school age contributing up to 15 hours per week. Furthermore, at secondary school age, girls on average contribute far more domestic labor with an average of 23 hours per week compared to an average of 10 hours per week for boys³⁰.

Paying for secondary education is rarely an option and if it is, the opportunity is most often given to a male child for traditional and economic reasons (more likely to get a higher paying job)³¹. According to the NISR, secondary net enrolment rate grew only from 7% to 10% between 2001 and 2005³². Although gender disaggregated completion rates are not available, it is recognized that completion rates for girls are lower than for boys, and this holds true for all levels of education³³. The net secondary school enrolment is 10% for girls.

There are several programs in place to address the drop-out problem. The GoR and its partners have several programs including developing a gender biased curriculum and teaching method to increase girls' success in school, as well as improving school facilities (e.g. Child Friendly School Policy). Several organizations in Rwanda are also involved in improving the levels of

²⁹Rwanda Ministry of Education; Rwanda Education Sector: Long-term strategy and financing framework 2006-2015; 2006.

³⁰NISR, Poverty Update Report, 2006

³¹Rwanda Ministry of Education; Rwanda Education Sector: Long-term strategy and financing framework 2006-2015;

³²NISR, Poverty Update Report, 2006

³³Rwanda Ministry of Education; Rwanda Education Sector: Long-term strategy and financing framework 2006-2015; 2006.

literacy of the next generation (See Annex). Donor partner and the GoR, through the fast-track initiative (See Annex for details) are focusing on ensuring completion of quality primary education for all and ensuring greater equity in outcomes and finance³⁴.

There are however two major challenges that Rwanda continues to face.

- 1. Ensuring that an increasing number of girls continue to secondary education and continue into tertiary education seems to continue to be a challenge that will generate more low-income women who are additionally likely to be very poor.* Thus addressing this need could clearly be an area of intervention, especially given USAID's gender focus and it's tradition of investing in programmes that ensure long-term sustainability. There are programs in place which are trying to address the drop out problem, such as the Gender and Family Promotion, and Public Service and Labor sponsored by World Vision Rwanda in collaboration with the MINEDUC which enables drop-outs to finish their primary education in three instead of six years and gives them the competencies to continue their education. The GoR is also ameliorating child labor laws so that children are less likely to be taken advantage of.
- 2. Adult literacy is a challenge that continues to perpetuate the poverty cycle for many within the target beneficiaries..* As accelerated growth is most likely to come from those between the ages of 15 and 55, and a large portion of this segment is illiterate and therefore unable to benefit from information and opportunities, it should be a priority to address this gap to bring about the desired growth needed to reduce poverty. Not only are a large percentage of the very poor illiterate but a disproportionate number of them are women. Intervening to promote adult literacy with a special focus on adult women is another clear priority area for intervention, especially as it is one the GoR can only support in a limited manner given resource constraints.

The challenges are not addressed in order of importance but rather in a chronological order. We also provide a brief section on TVET/skills development as it appeared as a gap during the course of this study even though it was not within the scope of exercise. This is another potential area for USAID intervention that could be built into the final program.

B. The challenge of Girls' education

1. Current Situation

Although the GoR is committed to providing education for all, drop out and failure rates remain high for girls despite various efforts by the GoR and its partners. Rwanda's commitment to fostering gender equality is evidenced in its 2003 Constitution, its Vision 2020 plan and the PRSP1 and later PRSP2 which budget for specific activities such as awarding scholarships to disadvantaged girls, improving the physical learning environment for girls, and increasing the number of female teachers as a means to improve the situation. However, outcomes continue to fall short of the objectives which were planned and budgeted for (e.g. in

³⁴ Assessment of the Government's Education strategy and Financial Framework, 2006-2015, for the Fast Track Initiative, 2006

2005, only 36% of the budget earmarked for girls' education was spent)³⁵. As mentioned above, there are already several programs in place to address primary school drop outs.

Secondary school education for girls is fundamental to development. It empowers girls in a way that primary education alone cannot and thus strengthens economies. Wealth and access to paid employment are strongly linked to secondary and higher education³⁶. The low and inequitable access to secondary and higher education, with a rural-urban divide, limits the opportunities poor people have to escape poverty. 19% of school aged children in the highest consumption quintile attended secondary school compared to only 1% in the lowest income quintile³⁷.

Gender disparity also widens in secondary school throughout sub-Saharan Africa with a 17% enrollment and is even more marked in Rwanda with only 10% secondary enrolment rate for girls. Furthermore the disparity widens when looking at rural versus urban enrolment (see figure below).

Figure 18: Net enrolment rate at secondary schools by gender and stratum (%)

Stratum	EICV1 (2000/01)			EICV2 (2005/06)		
	Male	Female	All	Male	Female	All
City of Kigali	24.9	22.7	23.6	29.2	29.0	29.1
Other Urban	7.4	11.3	9.3	12.6	14.9	13.9
Rural	4.5	5.4	5.0	8.9	7.0	7.9
National	6.2	7.5	6.9	10.6	9.5	10.0

Source: EICV1 and EICV2 data

Given that the majority of the poor live in rural areas, it appears that poverty inversely correlates with secondary school enrolment, and this is all the more acute for females. The data above supports the argument that a secondary school education allows individuals to participate more in and thus put themselves in a better position to escape out of the poverty trap.

The lower enrolment rates are due to several factors. For one, boys outperform girls at the primary school leaving exams and thus get more placements in government secondary schools. Secondly, several secondary schools (usually religious) are open only to boys or are prohibitively costly³⁸. Third, several social factors such as traditional gender roles aggravate girls' underperformance and lower secondary school enrolment. Lower secondary school enrolment in turn contributes to lower female enrolment in tertiary education. Although tertiary education undoubtedly enables women to become higher earners and contribute more to the economy, this study limits itself to looking at how to improve women's completion of secondary education as the first step in escaping poverty.

³⁵ Gender Equality in Education in Rwanda: what is happening to our Girls, Allison Huggins and Shirley K. Randell, 2007.

³⁶ Assessment of the Government's Education strategy and Financial Framework, 2006-2015, for the Fast Track Initiative, 2006

³⁸ As discussed above, 35% of Rwandan families claimed to have withdrawn their children from school because they could not afford the costs.

As stated earlier, the GoR has adopted several policies to improve completion of girls' education in primary schools including changes in curricula and teaching methods to be more gender friendly. There are also several organizations with programs to encourage girls to complete and do well in secondary schools. For example, Imbuto Foundation has programs to encourage girls to achieve higher results; and the Forum for African Women Educationalists (FAWE) Rwanda has established a girls-only secondary school with a focus on science and mathematics in which girls have traditionally fallen short (see Annex).

2. Focus Group

In order to better understand the challenges that young Rwandan girls face in getting to and staying in secondary school, OTF Group conducted two focus groups at the FAWE (Forum for African Women Educationalists) Secondary School for Girls in Gisozi, Kigali District (see Annex for guideline questions). FAWE is an NGO who seeks to create positive societal attitudes, policies and practices to promote equity for girls in terms of access, retention, performance and quality of education by influencing change of educational systems (see Annex for details of other FAWE programs). FAWE and MINEDUC founded FAWE's Girls' School, a secondary boarding school for girls, as a demonstration project to show the academic potential of girls given equal opportunities and an enabling environment.

The first focus group comprised of 5 girls picked out by the school to speak with us and the second focus group comprised of 3 scholarship girls we asked to interview separately.

The girls from the first focus comprised of 17 year old Caroline, Dazie, Josephine, Grace and Olivia. They were all from Kigali except for Grace who had recently returned to Rwanda from Uganda where she grew up. All of their mothers are working mothers with white collar jobs (2 business women, a politician, a doctor and a secretary) They all came from families of 5-6 children with both parents except for Josephine whose father is deceased.

The girls applications to this school were accepted because of their grades and several of them had sisters who had attended. Their families pay for their schooling but they believe that it would be relatively easy for other girls to get scholarships from several NGOs (Imbuto Foundation and FARG were mentioned) if girls get the necessary scores on leaving primary. They think however that the girls who are on scholarship, the "poor girls", are somewhat disadvantaged because their primary school education didn't equip with them with the necessary language skills and they improve over time but it's difficult at first.

They were competitive in primary school with boys and continue to be so with each other here but believe that boys are a distraction and that competing just among girls pushes them to excel. They did however find that the size of the classes and thus the ratio of students to equipment was a constraint as was the inadequacy of equipment, especially given that this is a secondary school which focuses on sciences.

They recognize that girls' education is a challenge in Rwanda; especially because they believe that parents of girls in villages who are illiterate do not see the point of education. They suggested that these parents get better information, that girls get more help with school fees and had the innovative idea of having girls from secondary schools go to the village primary schools and talk about how important secondary school is and what they can achieve so that both parents and young girls want to continue education.

Overall, this group of girls was well spoken, ambitious girls who want to go on to be productive members of society as engineers, dentists and doctors.

The Focus group with the second group of girls – Jackie, Mary and Jeanette – allowed us to have a different set of insights. Two of the girls were from Mutara and one from Cyangugu and were all 18 years old and had 2 more years to complete secondary. Whereas the previous focus group had been conducted in English, this one was mostly in Kinyarwanda as the level of English and French of these girls was very poor. All three girls were admitted to the school because of their grades on leaving primary but none of them have the means to pay for their education and without a scholarship they might have to leave the school soon.

Jackie is the eldest of 4 children and her parents do not understand her need to go to secondary school and cannot afford to pay for such a luxury when there are 3 other children to get through primary. Mary's parents want her to finish school but can not afford it (although they send what money they can) and unless she is given a scholarship she will go back to work at home. Jeanette had a neighbor who paid for part of her secondary schooling for a while but was not able to continue to do so. She went to her sector leaders to ask for help; she convinced them to give her the FRW 30,000 they paid for extremely vulnerable children for primary school and came to school in Kigali even though she knows she might not finish this semester unless she can come up with the other half of the money. All three girls said they would stay here until the school makes them leave.

They all come from families where their parents are either illiterate or barely literate and who do not understand the importance of school and the role it plays in the vision of the country, a vision that they are all very much aware of since a young age as they learned about it in primary school, on the radio and on TV. One of the girl's parents said that they were old and had survived with no school and no vision so if she wanted to continue going to school she would have to manage it herself.

The three girls said that they were somewhat ostracized in this school where the majority of the girls came from privileged backgrounds and they stood out because of they did not speak English very well and acted differently. Although they know their education is better here they would prefer to have the opportunity in a public school where there would be more people like them.

They said that they are competitive with the other students but that it is very difficult for them and they have to work much harder than most of their classmates. This is all the more frustrating when they think that they might not get to go on. It would not be so bad if they were kicked out because they were not doing well but it would be so difficult if it was just because of fees. However, they believe that having got this far in their education has really been a chance most girls they know do not get and they understand if they cannot get any further. Although they wish education were a right, they know that for them and most of the people they know it is a rare opportunity.

They think that their parents' generation really needs to understand the importance of school and hope that there will be more chances for girls like them who do well to get the opportunity to continue schooling. If they are able to finish secondary school and even maybe go to university, one girl would like to become a business women, the other an engineer and the last a doctor.

3. Conclusion

Although, secondary education for girls might not at first glance seem to be a lever that USAID needs to address within the program, it should be a priority. Not only do USAID's programs in general have a gender focus, but since low-income women are a targeted group in this study, addressing the issues facing the current population of low-income women alone is not sufficient. Improving the lives of the current adult population of low-income women might improve their lot but to have a long term, sustainable impact, programs geared toward reducing the number of low-income women in the future should be given merit. This is all the more true as evidence shows that even poor or low-income women have been given opportunities, they still tend to favor their male children when there are limited resources (see RSSP focus group below).

C. Adult literacy

1. Current situation

The GoR's expenditure in education accounts for about 16% of public expenditure (2006)³⁹. Rwanda ranks 54th on the world's literacy chart and over 65% of its population is literate according to the 2005 household living conditions survey (EICV2), and that 71.5% of men are literate and 60.1% of women, a marked improvement since the previous household survey⁴⁰. Rwanda's EDPRS sets a target of 85% of men and 80% of women to be literate by 2011⁴¹.

It is estimated that there are about 6,500 literacy centers operating in Rwanda, of which 2,150 with a little over 300 thousand enrollees, most of which are operated by over 30 of Rwanda's partners (one in every cell under the auspices of MINEDUC)⁴². These adult literacy centers and associations in sectors are managed by partner organizations (faith-based and civil society organizations) and supported by MINEDUC when asked to provide trainings or materials. Those that are managed by local groups are often able to use government buildings for the purpose. The GoR plans to continue supporting these centers in terms of materials and to develop a way to have these students enter the formal education programs. The biggest challenge to these centers was identified by MINEDUC as being access to trainers, as they generally depend on volunteers⁴³.

*A survey conducted in 2005 allows us to create a profile of potential beneficiaries of adult literacy programs*⁴⁴. The majority of learners at the centers are young (50% under 25, 25% between 25 and 34 and 25% over 34), women (average class enrolment of 24 women and 14 men) and generally very poor (over 73%). The primary reasons they enroll are to learn to read and write (over 71%) as their first choice in learning anything.

The survey also provided insight into how the needs are currently being met. Although 80% of instructors have received training, it has been short and receive little compensation (52% get

³⁹ World Bank; Rwanda FTI Assessment: Assessment of the Government's Education Strategy and Financial Framework, 2006-2015, 2006.

⁴⁰ The EICV1 (2000) showed that 47.79% of women were literate and 58.06% of men.

⁴¹ Rwanda's Economic Development and Poverty Reduction Strategy.

⁴² Functional Literacy for youth and Adults in Rwanda: a national policy and strategy, MINEDUC/NON-Formal Education Unit, 2005

⁴³ Rwanda Ministry of Education, Education Sector Strategic Plan 2008-2012, 2008.

⁴⁴ Functional Literacy for youth and Adults in Rwanda: a national policy and strategy, MINEDUC/NON-Formal Education Unit, 2005

FRW 20,000/year) but over 90% of them stated being happy with their work as they are proud of their achievement in promoting development. Furthermore, many of the facilities lack minimum conditions (centers are held in churches, government buildings, people's homes, etc), learning materials are insufficient (e.g. only 29% of learners have books) and teaching materials are considered inadequate.

There are several adult literacy programs being implemented by the GoR and its partners. Apart from the national programs, there are several NGOs acting in this area including many faith-based organizations (AEE), Global Grass roots and ADRA (see Annex for details). Most of these programs are carried out in a single district and seek to impart literacy skills that empower people to participate more in government and improve health conditions. The ones that are tied in with an economic activity particular to that group or area are rare but have more impact in improving beneficiaries' economic opportunities. Thus, although USAID could support existing programs, the better approach would be to tailor programs around other initiatives (see below).

As things exist, the GoR will be unable to meet its literacy goals without heavy investments. To reach the target literacy goals, there would need to be approximately 400,000 learners graduating literacy programs every year which would mean almost doubling the number of existing literacy centers and increasing the number of teachers⁴⁵.

Given the limited resources available to the GoR to ensure adequate access to trainers at these centers, this is clearly an area where USAID could intervene to create a relevant impact.

2. The Opportunity

As stated earlier, economic growth will not reduce poverty unless the poor are able to actively participate in it and participation can be increased and become more effective to a large extent through adult education. Literacy provides low-income women and the very poor with an increase in assets in terms of human capital. In today's global economy, human capital (knowledge, skill, competencies) contributes to individual growth as it should allow people to earn more. Thus, "developing the skills and knowledge of the labor force is regarded as a key strategy for promoting national economic growth".

While literacy might not automatically lead to development, illiteracy impedes it. Most of Rwanda's poor live in rural areas and although 35% of Rwandans are illiterate, illiteracy is much more widespread in rural areas⁴⁶. Furthermore nearly one third of households in Rwanda are female-headed, over 60% of which live below the poverty line. Illiteracy rates among extreme poor and poor female households are extremely high (approximately 25% in each of those categories -see figure 11). Therefore, illiteracy is a crucial factor contributing to poverty. Adults who take part in literacy programs are more likely to send their children to school, improve health and nutritional practices in their households, take more of an interest in protecting the environment and have a greater awareness of their rights⁴⁷.

Literacy programs need to be relevant and embedded with other productive activities in order to contribute to poverty reduction. Many adult literacy programs fail and experience high

⁴⁵ Functional Literacy for youth and Adults in Rwanda: a national policy and strategy, MINEDUC/NON-Formal Education Unit, 2005

⁴⁶ EICV2

⁴⁷ Improving livelihoods for the poor: the role of literacy; DFID background briefing; March 2002.

levels of drop-outs when they are generic and fail to address real needs. Literacy is more than education when it comes to adults as they are already economic actors and need to make literacy relevant to their livelihoods. The most successful adult literacy programs are those embedded within productive activities and that are tailored to specific needs of target learners so that they are able to see the relevance to their own lives.

D. Vocational and technical education

Poverty reduction is more likely where there is “efficient development and utilization of productive capacity of human resources”. According to the self evaluation for the PRSP in July 2006, approximately 170,000 young people every year start their working life without sufficient qualifications and thus limiting their opportunities to grow their wealth. Being a landlocked country with limited natural resources, building the technical and professional capacity of its workforce is a priority for the GoR’s economic strategy. The GoR has recognized the need to invest in technical and vocational education and training (TVET) in its policy framework⁴⁸. TVET is concerned with the acquisition of knowledge and skills that are relevant for employment or self-employment. The GoR aims to increase the number of public technical schools from 7 to 12 and the number of vocational training centers from 47 to 106 by 2010.

Currently, TVET in Rwanda is delivered through different providers and various means: initial vocational training is offered to primary school leavers in over 50 public schools and 30 private schools; technical and professional education is offered at upper secondary level in public and several private schools (mainly run by faith based organizations)⁴⁹.

Although the GoR recognizes that there is a need to invest in vocational and technical education, the targets and strategy for them “need to be better anchored in analytical work and alternative strategies considered to ensure a cost effective response to labor market needs”⁵⁰. *TVET graduates are not acquiring the right skills for the reality of the Rwandan workplace* with its focus on tourism, ICT services, tea, coffee, and mining.

E. Where to intervene

Although USAID can encourage the GoR in its curriculum changes, the scope of this study calls for recommendations where USAID can have the most impact with a geographical emphasis. There are three key areas where USAID could develop interventions:

- *Addressing access to education, especially the costs of education for young people and adults.* This could be achieved through programmes to:
 - *Address the opportunity costs of primary education:* ensure that the opportunity provided by primary school can actually be taken advantage of. This would mean ensuring that the ancillary cost of education (books, uniforms, transportation) are also reduced by for example providing free learning materials, having a school bus pick and drop off children, etc. It would also mean that the loss of the child’s labor at home needs to be addressed. This could be done through enforcement of current

⁴⁸ Technical and Vocational Education and Training (TVET) Policy in Rwanda, MINEDUC, April 2008

⁴⁹ 146 schools offered technical and professional courses although girls enrolment accounted for about a quarter of the students and mainly in the fields of accountancy and secretarial/administration according to 2007 statistics, Technical and Vocational Education and Training (TVET) Policy in Rwanda, MINEDUC, April 2008

⁵⁰ Assessment of the Government’s Education strategy and Financial Framework, 2006-2015, for the Fast Track Initiative, 2006

- child labor laws as well as ensuring that the household is involved in some other income generating activity or has the opportunity to be part of a program that can help increase the household's overall productivity so that the loss of a child's labor will not be felt as much.
- *Address the costs of secondary education:* although there are some organizations already providing scholarships and creating schools, the targeted poor are still unlikely to be able to afford sending their girls to school. In order to support the GoR's goal of reaching a transition rate from primary to secondary school of 75% by 2015, USAID can invest in programs to increase attendance of the rural poor in secondary school with a special focus on girls, e.g. through paying for school uniforms; providing free day care facilities in rural villages where young girls mainly look after their siblings during the day; providing subsidies for food and other activities on average US \$30 per student⁵¹
 - *Provide free literacy programmes for adults* within a sector wide approach, i.e. coordinate with DFID, the lead donor in the education sector. These literacy programmes could usefully be linked to parallel TVET programmes, as there are very low employment rates from existing technical schools and the current TVET training is not resulting in the needed and expected outcomes. There is a need to develop alternative strategies for skills development based on labor market analysis. The demand seems to be there but the supply of training is inadequate in terms of quantity, quality and relevancy to the workplace. Providing literacy and technical skills together can provide increased relevance for the training as well as fill a number of Rwanda's vocational skills gaps.
- *Addressing the quality of existing education programmes, e.g. through:*
 - *Improving the quality of teaching in primary, secondary, vocational and literacy schools:* according to the GoR's partners' assessment of the education sector strategy, the teacher training method is too slow and insufficient to meet needs. A more holistic approach to teacher development is needed with an emphasis on recruiting and retaining sufficient teachers as well as ensuring that they are adequately supported.
 - *Financing infrastructure and learning materials for literacy and TVET programmes:* given that resources are limited and focus is on scholastic education, these programmes lack effective learning materials and an effective pedagogy.
 - *Changing mindsets towards education, especially for young girls, e.g. through:*
 - *A Sensitization campaign* to build parents' understanding of the importance of education for their children and the crucial role it can play in helping the household rise out of poverty. This campaign should also seek to address traditional gender roles – particularly in rural areas, where girls continue to be responsible for household tasks which prevent them from attending school or limit the time they can devote to studying.
 - As USAID is considering a geographical approach, an education program that engages the *entire population of a cell or sector or district* could be designed which

⁵¹ Assessment of the Government's Education strategy and Financial Framework, 2006-2015, for the Fast Track Initiative, 2006

promotes all children attending school as well as engaging the adult illiterate population simultaneously. Such a program could use broader local government systems and social networks to provide some education to both adults and young children. This type of intervention could seek to ensure that the very poor have the basic skills to get out of poverty and that the current adult population learns to value education and acquire necessary skills to be more productive.

Although literacy and education alone will not allow Rwanda's low income women and the very poor to overcome poverty, there is no doubt that "the map of illiteracy coincides with the map of extreme poverty"⁵² and investing in these basic skills are a necessity in the road map to prosperity. Furthermore, not only is literacy necessary to access and benefit from information, but it would also enable improved access to, and usage of, finances.

⁵² Functional Literacy for youth and Adults in Rwanda: a national policy and strategy, MINEDUC/NON-Formal Education Unit, 2005

V. Access to and Usage of Finance

*Evidence suggests that finance not only promotes growth but also impactst poverty as countries with better developed financial systems have experienced faster reductions in income inequality and poverty*⁵³. The lack of well-functioning financial systems is considered the most binding constraint for growth. Furthermore, when access to finance and the available range of services is limited, the benefit of financial development will elude many people, leaving much of the population in poverty.

Making financial services accessible to the poor must translate into equality of opportunity. However, it is not merely ensuring that there is better reach to basic services but also means that the that the quality and types of financial services are enhanced to respond to the needs of the poor who otherwise have to rely on their own limited resources to invest in becoming more productive.

Formal, and even often informal, sources of credit are too costly or unavailable to low-income women and the very poor. The poor need credit that is available to them on acceptable terms when they need it. Banks generally do not seek to reach the poor, especially in terms of providing credit because they see this segment of the population as high risk.

Furthermore, in recent years there has been a question as to whether or not financial services really allow people to lift themselves out of poverty given that these services are really accessible by so few⁵⁴. However, whether or not they allow the poor to escape the poverty cycle, they are vital to help cope with poverty as credit and savings can be used to help smooth consumption (living on a USD \$1 a day or less does not mean that the poor actually get a dollar every day but rather that the average over time is a dollar of day or less), deal with emergencies and to seize opportunities (enterprise, education, etc.).

Even if there is enough penetration of financial services, access alone does not equate to increased use of these services. Although some reasons for non-usage (e.g. religious) are voluntary and the decision not to use the services are voluntarily made, non-usage can also be involuntary because of lack of knowledge and tradition.

Improving access to finance for low-income women and the very poor means:

- Absence of price and non-price barriers in the use of financial services (transaction costs, requirement for collateral/credit histories for loans, costs of transport to financial service center).
- Availability of service when and where needed and which are tailored to specific needs.

A. Profile of the poor's use of financial services

The poor have less access to banking products, insurance and retirement funds. Penetration of these banking products is low in general (see figure below) so it would not seem that this would be a lever to invest in to improve the livelihoods of low-income women and the very poor.

⁵³ Finance for All? Policies and Pitfalls in Expanding Access, WorldBank, 2007

⁵⁴ Richard Rosenberg 2010. "Does Microcredit Really Help Poor People?" Focus Note 59. Washington D.C: CGAP.

Figure 19: Percentage (%) of poor accessing specific banking products and insurance

		High poverty Index	Low poverty index	Mean test
Banking products and services	Bank account	7.28	24.84	***
	Savings book at a bank	7.21	24.58	***
	Savings account at a bank	7.15	24.04	***
	ATM card	0.00	0.03	
	Debit Card	0.00	0.03	
	Cheque card	0.04	1.07	***
	Current or Cheque account	0.90	5.93	***
	Overdraft facilities	0.00	0.51	**
	Credit Card	0.00	0.10	
Foreign bank account	0.00	0.13		
Insurance	Medical insurance	74.65	91.10	***
	Third party insurance	0.00	0.27	*
	Household insurance	0.00	0.30	**
	Life insurance	0.04	1.83	***
Retirement	Pension fund	0.05	3.86	***

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%;

Source: OTF Group Analysis; FinScope Survey

What is apparent though is that *the poor know less about financial institutions* as illustrated in the figure below showing that less than 50% know about microfinance institutions.

Figure 20: Percentage (%) of poor that have heard of the following financial institutions

		High poverty Index	Low poverty index	t-test
Bank Kigali (BK)		62.4	78.6	***
BCR (Bank Commerciale du Rwanda)		48.6	69.9	***
Eco-Bank		22.6	46.7	***
Fina Bank		16.0	39.7	***
Cogebanque		19.2	46.1	***
Bancor/Access bank		13.1	36.0	***
Unions des banque Populaire du Rwanda (UBPR)		91.2	98.0	***
BNR (Banque Nationale du Rwanda)		74.5	86.0	***
Post Office		71.2	83.9	***
Money transfer services (e.g. Moneygram, Western Union)		11.5	25.3	***
Money lender or banque lambert		32.1	32.3	
Agricultural co-operatives		83.3	79.5	*
Tontine or ikimina		64.8	65.2	
Caisse d' entre		20.6	23.8	
Insurance companies (e.g. Sonarwa, Soras, Cogear, Corar etc)		61.7	76.2	***
Health insurance (e.g. MMI, Rama)		67.6	73.7	**
Micro-finance institution		43.0	63.6	***
Forex and capital markets		11.1	19.8	***
National security fund		1.4	5.4	***
Caisse Sociale du Rwanda (CSR)		58.1	76.4	***

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%;

Source: OTF Group Analysis; FinScope Survey

Data shows that *the poor have less access to banking financial services but they have the same access to other sources* (formal and informal) as seen in the figure below.

Figure 21: Access Strand of financial services (percentage %)

	High poverty Index	Low poverty index	Total
Banked	6.7	23.4	14.2
Formally served	6.2	7.9	6.9
Informally served	26.3	26.6	26.4
Not served	60.8	42.1	52.4
Total	100	100	100

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database

Source: OTF Group Analysis; FinScope Survey

Data seems to confirm that *all Rwandans, but especially the poor are unlikely to go to financial institutions for advice and are more likely to put their trust in people.*

Figure 22: Percentage (%) of poor that asks for financial advice from the following groups

	High poverty Index	Low poverty index	Mean test
Agricultural co-operative	3.4	3.9	
Bank (e.g. Bank Kigali, BCR, BNR)	2.4	12.1	***
Caisse d'entre	0.0	0.5	
Children	11.4	7.1	***
Friends	61.7	65.5	
Insurance company	0.3	1.0	
Micro finance institution	0.7	1.4	
Money lender or Banque Lambert	0.1	0.5	
Other family members	6.6	8.1	
Parents and/or grandparents	11.3	14.8	**
Someone you trust in the community	46.0	46.3	
Spouse or partner	49.5	61.6	***
Tontine or ikimina	13.7	19.6	***
Your employer	2.6	3.1	
Financial consultant	4.3	6.2	
Other (SPECIFY)	0.0	0.0	
Don't know	0.5	0.0	
Would not ask anyone for help	6.9	2.0	***

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%

Source: OTF Group Analysis; FinScope Survey

Using their own resources to increase productivity is unlikely to reduce poverty as the poor are much less likely to have savings than the non poor and they tend to keep their savings at home.

Figure 23: Poor's saving rate is 25 points lower than the non poor and they keep their savings at home

Percentage % that have:			
(of the total sample)	High poverty Index	Low poverty index	Mean test
Savings at a bank	6.5	23.4	***
Savings at a microfinance institution (MFI)	0.8	5.4	***
Savings at a post office	0.0	0.2	
Employer savings schemes	0.0	1.2	**
Capital/stock market (including Treasury bonds)	0.0	0.0	
Savings account at a agricultural co-op	5.0	6.2	
Membership of Caisse d'Entre	0.3	1.1	
Membership or Tontine or ikamina or umuryango	23.8	30.2	***
Give to someone else for safe keeping	11.3	12.0	
Keep cash at home or in a secret hiding place	53.3	60.5	***

Percentage % that have:			
(subsample of those with savings)	High poverty Index	Low poverty index	Mean test
Savings at a bank	14.8	34.6	***
Savings at a microfinance institution (MFI)	1.8	8.0	***
Savings at a post office	0.0	0.3	
Employer savings schemes	0.0	1.8	**
Capital/stock market (including Treasury bonds)	0.0	0.0	
Savings account at a agricultural co-op	10.0	9.1	
Keep cash at home or in a secret hiding place	74.8	66.7	**

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; FinScope Survey.

Whether or not their source for financial advice has any influence, *the most common source for loans among the poor are family and friends.*

Figure 24: There is limited access to formal institutions

Around 26% of people have taken loans, and there is no difference in this rate between the poor and the non poor.

Percentage % that have borrowed money or goods from:			
(subsample of those that have borrowed)	High poverty Index	Low poverty index	t-test
A shop or agricultural co-operative or caisse d'entre or money lender or banque lambert or tontine or ikimina	30.8	25.3	
Family or friends or someone in the community	63.5	49.3	***
Employer	1.8	2.4	
Bank (e.g. Bank Kigali, BCR, BNR)	2.5	17.8	***
Insurance company	0.0	0.0	
Micro finance institution	4.7	9.8	*

Notes: Methods: For segmentation between High/low poverty index, those with a poverty index above 40 belong to the high poverty index group. Poverty Index is derived from Q.2.3 and it is included on FinScope database. The T tests coding and level key: * significant at 10%; ** significant at 5%; *** significant at 1%; **Source:** OTF Group analysis; FinScope Survey.

The poor tend to use informal financial services (friends, family, money lenders, savings clubs) as these sources are likely to be more flexible than microfinance from formal providers.

However, the challenge with this type of lending is unreliability as the person may call in the debt without much notice. This becomes a problem if the financial services are supposed to help the poor deal with the vulnerability caused by the unreliability of their income.

Mistrust in formal financial institutions was compounded when 8 MFIs were shut-down for reported fraud, corruption, mismanagement of funds and poor management practices in 2006 with depositors struggling to retrieve their deposits. The GoR disbursed US \$5.5 M to compensate some clients for up to 50% of their deposits while others have not yet been partially compensated because of poor record keeping⁵⁵. The GoR is also exploring the introduction of a mandatory deposit insurance fund to cover depositors' losses if this situation arises again. The GoR hopes that this will contribute to improving the culture of saving by providing an enabling environment to increase the banking population⁵⁶. The Rwanda Private Sector Federation (RPSF) has also tried to improve the situation by offering training in record keeping to members of various financial institutions.

B. Current Situation

1. Formalized finance

Microfinance and micro-lending are the two types of rural financing. Microfinance is “the provision of financial services to low-income clients...[and] often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a development tool”⁵⁷. Micro-lending is the extension of financial services to the poor but follows traditional models of banking.

There are 8 commercial banks, one primary microfinance bank, one discount house, one development bank and one mortgage bank in Rwanda with commercial banks representing 76% of the economy's total financing while microfinance institutions serve 88% of depositors and 90% of borrowers. The microfinance sub-sector consists of approximately 100 registered MFIs according to BNR⁵⁸.

In Rwanda, over 86% of the target population does not use formal financial products (see figure 20 above). There are several plausible explanations for this phenomenon which are not mutually exclusive and include:

- Physical access to banks and MFIs: although this was not a perceived barrier⁵⁹, it takes on average an hour walk to reach a financial institution for those who have to travel to them. It is probably not perceived as a barrier because that is what it takes the same group of people to reach health facilities and secondary schools. However, this assume that people view banks as having the same worth as health and education facilities but the question was not asked. This is compounded by the availability and cost of transport which together make the cost of accessing banks even higher. The low penetration of financial institutions is also evidenced by the fact that a large portion of

⁵⁵ Depositors in Rwanda Approach Ombudsman's Office for Help to Recover their deposits from Corrupt Microfinance Institutions; MicroCapital.org; January 2009.

⁵⁶ New Times, February 2010.

⁵⁷ Microfinance Handbook; Joanna Ledgerwood; WorldBank, 1999

⁵⁸ There are 96 according to Banque National du Rwanda (BNR) as of September 2009– See http://www.bnr.rw/docs/publicnotices/LICENSED_%20MFIS_15th_SEPT_2009.pdf

⁵⁹ Finschoppe Rwanda 2008, National Institute of Statistics of Rwanda, 2009.

the population (43% as seen in figure 19) have never even hear of micro-finance institutions, the very institutions that are supposed to service the poor.

- Lack of income: either they don't have a cash income or believe what little they have after paying expenses is not worth opening a bank account for⁶⁰.
- Lack of trust: Over 50% (see figure 20) Rwandans, whether poor or non-poor, don't use any type of financial services be it banking, other formal or informal services. This is even truer for the poor with approximately 60% not being financially served in any way. 70% of the 54% of the population that do save some money, don't use any type of institution or organization but keep cash at home in a hiding place⁶¹. One of the reasons that people prefer to keep money at home could be because they believe that it's too small a sum to open an account for (see above) and there might not be the less formal savings clubs in their village. Furthermore, the target population might keep their limited savings at home so that it is easily accessible for emergencies and cash shortfalls given the distance from formal institution. Another reason could be that, given the scarcity of information they have about financial institutions, they don't trust them. This argument is supported by the fact that very few people tend to go to formal institutions for financial advice (see figure 21). This mistrust was probably exacerbated by the MFI scandals which took place recently (see above).
- Social norms: those that do save even informally don't necessarily see savings as building an asset base. According to the Finscope survey, 40% of people who save money in community savings clubs do so for social reasons, whether it is as a means to gather with others to exchange ideas or for purely social interaction. Not seeing savings as an asset that they could use to increase productivity and revenues of course in turn limits people's ability to take out loans (see figure 23).
- Credit is rarely used as it is more a response to an urgent need than a tool to increase productivity: as seen in figure 23 and in the Finscope survey, only about 26% of the population take out loans and of those more than half, whether poor or non-poor, borrow from friends and family rather than from banks and MFIs. The Finscope survey showed that people tend to borrow from these informal sources because it is convenient and provides quick access. From this we can infer that people tend to borrow money as the need arises rather than as a planned investment to grow their business or increase their productivity.

Umurenge (Administrative Sector) Savings and Credit Cooperative Organization (SACCO) is a GoR initiative⁶² that aims to increase access to financial services to citizens everywhere by establishing at least one such cooperative in each of Rwanda's 416 administrative sectors. Recognizing that the current MFIs locations, generally concentrated in larger towns, are a constraint to access⁶³, the Umurenge SACCOs are in the process of being established in every Umurenge. The SACCOs are owned by its members (i.e. the sector citizens) and are to function as autonomous financial institutions meeting the required regulatory standards, with political support by MINICOM and MINALOC. The SACCOs were conceptualized to reach a larger number of the population, offer a savings products which allows interest and a return on the deposit, offer stability given that there is a solid base of small savings accounts and low-interest

⁶⁰ Finscope Rwanda 2008, National Institute of Statistics of Rwanda, 2009.

⁶¹ Finscope Rwanda 2008, National Institute of Statistics of Rwanda, 2009.

⁶² MINECOFIN, MINICOM, MINALOC and BNR assigned to develop and implement strategy.

⁶³ The 108 MFIs registered in 2008 served 719, 000 people of which 60% are concentrated in Kigali Town, Umurenge Sacco Strategy.

loans (accrued interest on all savings in the pool) as well as access to more financial products through strategic alliances with MFIs and Banks⁶⁴. These Umurenge SACCOs have now been established in 412 sectors and have pooled over FRW 1.3 Billion⁶⁵ but are facing numerous issues including those highlighted below.

Although the strategy recognizes that informed membership is pivotal to the scheme's success (especially in terms of maintaining transparency and control), sensitization of the population has been under par. Local populations believe that they are obligated to deposit with SACCOs (although it is supposed to be voluntary) and do so although they are skeptical because the Umurenge SACCO employees do not always give receipts and there are no clear offices in most cases. The risks seem very high especially as some of the SACCOs have not registered with BNR because they have not raised the required minimum⁶⁶.

The SACCOs are licensed and supervised by BNR but the capacity of these SACCOs, and microfinance institutions in general, is lacking. BNR, the central bank does not have accurate information from registered SACCOs/ MFIs due to limited staff skills which results in lack of adherence to policies, procedures and control (where they exist and are diffused)⁶⁷. The GoR and its partners, including the Association of Microfinance Institutions in Rwanda (AMIR – see Annex for details), are currently determining how to best to address the issue through training and/or through uptake of technology to improve information flow. This lack of administrative capacity is all the more worrisome as the SACCOs operating cost subsidy reduces every year and the cost of training employees of over 400 SACCOs and ensuring district and sector level capacity to provide support has not been adequately planned for.

2. Insurance

Poverty and ill health are inextricably linked. Without health insurance, the poor tend to spend a large amount of their expenditure on illness with potentially catastrophic burdens (e.g. In Burkina Faso, 30% of the poor's income was spent on combating malaria)⁶⁸. Many MFIs have recognized the link and have responded by offering a range of health products such as health education services, health financing and insurance programs, and links to health care providers along with financial products. The thinking behind this is that unexpected health expenses could wipe out an MFI client's saving and cause the person to have to sell their productive assets⁶⁹.

In Rwanda, the link between poverty alleviation and access to health care is well recognized in the GoR's health policy. Being a poor country, basic health services are unaffordable to most of the population.

Membership to the Mutuelle de Sante health scheme (community based health insurance) targets household participation with annual payment of USD \$2 (FRW 1000) per family member. Where the poor cannot afford it, the GoR and its partners are stepping in to fill the

⁶⁴ UMURENGE SACCOs Strategy, MINECOFIN and BNR Press Release

⁶⁵ Umurenge Saccos Haven't Taken Off, Eugene Mutara, New times, September 2009.

⁶⁶ BNR press release and OTF Groups Focus Group information.

⁶⁷ Rwanda, microfinance, and technology; Lauren Braniff, <http://technology.cgap.org/2009/11/25/rwanda-microfinance-and-technology/>; November 2009.

⁶⁸ How microfinance can work for the poor: The case of integrating microfinance with education and health service; Dunford, Leatherman, Sinclair, Metcalfe, Gray and Vor der Bruegge

⁶⁹ How microfinance can work for the poor: The case of integrating microfinance with education and health service; Dunford, Leatherman, Sinclair, Metcalfe, Gray and Vor der Bruegge

gap (see annex for details). Enrolment rates have risen from 44% in 2006 to 85% in 2008⁷⁰ leading to Rwanda being the only sub-Saharan African country in which such a large portion of the population participates in mutual health insurance programs. The scheme is believed to have had a large impact on the well-being of the population due to the fact that services are cheaper and decentralized, financing is performance based to provide an incentive, and there is quality control supervision. Although the scheme does not reduce all barriers, it does reduce the financial barrier to access service⁷¹. The Community Based health Insurance (CBI)⁷² allows members to have access to basic health care services and medication at a discount rate⁷³. The program was launched in 2006 with the objectives of improving the quality of, and access to, health care, and is on track to being achieved⁷⁴. Global Fund's grant's exit strategy tries to ensure sustainability through training to improve local capacity building and partnering with the GoR and its partners. The fact remains that the beneficiaries will not as yet be able to afford insurance premiums and continued support from the GoR and its partners will be crucial to continue the success of the Mutuelles. The argument is supported by the fact that only about 2% of the population has other medical insurance⁷⁵.

Other than healthcare, target beneficiaries have virtually no other form of insurance. It is true that very few members of the rest of the population have any other type of insurance either (see Figure 18) but the very poor have virtually none with less than 0.5% having life insurance. Although the demand for other types of insurance was not measured, there is a demand for life insurance (Finscope Report) and we know that less than 2% of the population is covered by any type of micro-insurance product⁷⁶. Micro-insurance is virtually non-existent probably due to the fact that there is no demand for it as beneficiaries do not know what it is, and there is no supply as, for insurers, the profit margins are low unless they products are cost-efficient and delivered on a large scale.

C. Focus Group CARE

One of the programs OTF Group focused on was the CARE International Village Savings and Loans Associations (VSLA) which seek to breach the gap between the needs of the poor for financial services and the ability of formal financial providers such as banks and MFIs to provide these services. The program targets beneficiaries geographically to address the gap in service delivery and also in terms of products as MFIs tend to emphasize credit rather than savings services. OTF Group conducted a focus group at a VSLA in Muhura district in the Eastern Province. The reason that this location was picked by CARE rather than one in the Southern province is that the ones in the south are relatively new and the organization wanted to show how an established club can change the livelihoods of people over time (please see Annexes for details on other Care programs and Focus group question guidelines).

⁷⁰ Health Indicators, Ministry of Health, www.moh.gov

⁷¹ Sharing the burden of sickness: mutual health insurance in Rwanda, WHO, 2008.

⁷² More commonly known as Mutuelles de Santé

⁷³ Community Based Health Insurance Scheme in Rwanda: an evaluative note using household surveys; Abede Smiles, ADB, October 2009.

⁷⁴ Grant Scorecard; The Global Fund; 2009

⁷⁵ Finscope Rwanda 2008, National Institute of Statistics of Rwanda, 2009.

⁷⁶ The Landscape of Microinsurance in the World's 100 Poorest Countries; Jim Roth, Michael McCord and Dominic Liber; The MicroInsurance Centre, 2007.

The focus group started off with the regular association savings meeting which occur once a month with people putting in money into the savings pool, taking out loans, being fined for being late or delinquent (to train for formalized institutions), etc. This particular association was created in 2003 with 18 members and has now grown to 28 members. It started out requiring a weekly contribution of FRW 120/week and is now at FRW 500/week. Members are fined FRW 100 if they miss a meeting and FRW 30 if they arrive late or do not abide by the 33 rules of the association. The association's board is elected yearly by the group.

The focus group consisted of all 28 members with more women than men. One member, Venerande, joined after her husband did and told her it would be beneficial. Another member, Speciose, joined after her son told her about it and showed her how it could help her. Others joined through word of mouth. The members had on average 5 children and some of the women were heads of their households like Veronique, a widow, taking care of three orphans.

Anyone can ask and receive a loan which must be paid back within 3 months at a 10% interest rate. Amounts taken out for certain reasons such as school fees, health insurance, marriages or funerals are not charged interest and come out of what is called Ingoboka fund (social fund). Every loan taken out has been paid back without fault. If the amount is for more than FRW 10,000, the person has to explain what it is for and the members vote on whether or not to give the requested amount.

Most of the loans taken out are for either the unexpected and necessary expenses mentioned above or for business generating activities. One member asked for money to buy equipment for his bike repair shop which has grown since he started it two years ago. Two female members requested loans to buy the raw materials to make into beer that they sell locally.

The VSLA has had a real impact on people's lives. Since joining the club, Yvonne has been able to build a house for her family, pay her family's health insurance, buy a sewing machine to open a tailoring shop which brings in a substantial amount of additional income, and has been able to afford to send all her children to school, including 2 girls. Currently, she is even paying for her son's university education.

The members also set themselves yearly goals to empower everyone in the association. For example, one year they collectively bought land on which to grow coffee; another year they decided to and were able to buy a cow for each member of the association. This year the group is saving up to build an association office.

The members said that the VSLA had taught them how to save, invest, and basic book keeping. CARE has also helped the association gain access to formal credit through the Banque Populaire of Muhura. Some members have taken out formal loans at a 14% interest and have paid them back on time. Without the VSLA training they would not have dared to take out loans at the bank, the biggest loan being FRW 70,000.

Members were aware of Umurenge SACCOs but didn't demonstrate a clear understanding of the programme and thought that they would be obligated to contribute FRW 10,000 when it starts in their sector but see it as a sort of obligatory donation to the sector rather than another place to save and a source of credit.

Although some of the members have been able to start enterprises providing off-farm sources of income, all the members are still farmers and said that they would not give up farming to take

up employment or do business only. They stated that land is the one thing they can always rely whereas jobs can be lost and businesses can be bankrupted.

The focus group showed that VSLAs can have a real impact on people lives and provide security as well as opportunities for income generating activities. It also acts as a trusted training platform for members to learn more and gain confidence in more formalized financial institutions.

D. Where to intervene

There are several areas that USAID could choose to intervene whether it is at a national or localized level that would improve the situation of low-income women and the very poor in Rwanda by helping them access demand-driven financial products. There are three key areas where USAID could develop interventions:

- ***Increasing demand and uptake of financial services:***
 - ***Build formal-informal financial linkages:*** linking informal financial servers in rural areas that are already developed and working well with formal service providers is a way to expand financial services in rural areas. There are several ways in which this could be approached. The CARE model could be used or linkages could be sponsored (USAID would make available a fund at an MFI or guarantee a loan). Such linkages can be beneficial to both sides as financial service providers are able to expand the scale and scope of their operation and clients can be offered a broader range of services than what they currently have through the associations and cooperatives. This approach would enable a gradual move from the less formal to the more formal financial providers and time for both sides to better understand each others' needs.
 - ***Increase the demand for financial services through financial literacy:*** demand for formalized financial services is poor in general in Rwanda and especially so among the rural poor. Interviews with various stakeholders and the focus group showed that a large part of the lack of demand is due to the fact that people do not understand how the formalized financial system works.
 - ***Capacity building:*** simultaneously, capacity of informal actors needs to be improved so that they have better bargaining power when dealing with MFIs and banks. MFIs and banks' capacity also needs to be improved in terms of how they serve the specific needs of rural clients.
- ***Improving supply of formal financial products:***
 - ***Accessible credit:*** ensuring that products are demand driven and respond to rural clients specific challenges will be crucial to increasing the uptake of financial services. One of the biggest impediments to using formalized credit services is the demand for collateral which is not overcome by any of the formal mechanisms in place in Rwanda currently. Even the Umurenge Saccos require some form of collateral. Developing products where warehouse receipts, solidarity groups, etc., are accepted as collateral instead of the traditional house or land to get a loan⁷⁷

⁷⁷ BNR <http://www.bnr.rw/pressrelease.aspx?id=17>

- would increase low-income women's and the very poor's opportunity to access credit. Furthermore, MFIs and banks need to have a better understanding of clients who are dependent on agriculture and their specific challenges (the term of the loan need to be modified to take into account the length of an agricultural product season rather than demanding that clients adhere to traditional timelines).
- *Services beyond credits*: not all target beneficiaries want or are able to use credit effectively as it requires the ability to generate income at a rate higher than the interest rate of the loan. If the target beneficiaries are unable to do so, it would indebt them and render them even poorer⁷⁸.
 - *Savings products*: as seen above, all the target beneficiaries could benefit from them as it allows them to reduce vulnerability and provides a means of building assets which can then be used for investment.
 - *Micro-insurance*: there is no supply of micro-insurance (other than health insurance) in Rwanda. Yet, micro-insurance products which include life & disability insurance, agriculture and weather insurance, etc., are vital tools to eliminate poverty as it helps people climb the economic ladder⁷⁹. These products are usually delivered through MFIs, NGOs and Cooperatives and USAID could partner with these groups in the programme location to create a supply of these products. Micro-insurance would benefit the poor because they experience great financial disruption when unexpected events befall them as their resources are so limited and even small sums insured can provide some protection⁸⁰.
 - *Support and improve existing informal programmes*:
 - *Work in improving functioning of SACCOs*: work with SACCOs to develop strategic direction, policies, etc. This would be especially useful if USAID decides to take a geographical approach to the problem. Traditionally, the lack of a regulatory framework and poor management has been the downfall of many new SACCOs⁸¹.
 - *Continue to support community initiatives while advocating for public sector policy changes*: public sector credit programs do not often really benefit the poor. Instead, it seems that community-based credit programs where the poor themselves are involved in the decision making processes and are accountable to each other for repayment are more successful (e.g. Care savings club). The community savings offer easy access to the poor, teach them the necessary skills to transition into the more formalized institutions and provide a forum where USAID could not only promote the exchange of ideas and skills but could also tie in other components of its overall program. For example, USAID could increase any BDS program penetration by providing it through a savings club since the members are the likely segment of the beneficiaries that are building their asset base and require such services.

⁷⁸ When is Microcredit not the Answer, CGAP; www.cgap.org; ©2010

⁷⁹ Insurance – A tool to Eradicate and a Vehicle to Economic Development; Gunita Chankhok; International Research Journal of Finance and Economics; Issue 24 (2009)

⁸⁰ The Landscape of Microinsurance in the World's 100 Poorest Countries; Jim Roth, Michael McCord and Dominic Liber; The MicroInsurance Centre, 2007.

⁸¹ Reaching Rural Areas with Financial Services: Lessons from Financial cooperatives in Brazil, Burkina Faso, Kenya and Sri-Lanka; Ajai Nair and Renate Kloppinger-Todd; World Bank 2007.

- *Develop program to reduce the need for health insurance subsidies and make the system more sustainable:* developing a program which would tie savings and health insurance payments, especially if USAID decides to take a geographical approach, will be crucial to ensuring the sustainability of access to health care.

VI. BDS

“Poverty and vulnerability will not be reduced without broad-based growth fueled by private sector activity”⁸². SMEs are the engine of growth as they are generally the largest provider of employment and are a source of innovation⁸³. They are also essential to create a competitive and efficient market as large numbers of SMEs create competitive market pressure. These enterprises play an important role in poverty reduction as self-employment is sometimes the only source of income for the poor (MSMEs) and because SMEs tend to employ poor and low-income workers.

“Traditionally, business has played a crucial role in providing routes from poverty to prosperity”, however the traditional approaches do not include those living at or below the poverty line who continue to rely on the informal sector and their own production for products, services and income⁸⁴. Thus low income women and the very poor that make up such a large portion of Rwanda’s population cannot be excluded if there is to be real and sustainable economic growth for the country.

Micro and small enterprises offer the entrepreneurial poor an opportunity to raise their incomes as well as provide a safety net for the poor when they are unable to access steady employment or when their agricultural income is compromised. Furthermore enterprises “also offer a vehicle for acquiring and applying skills to raise productivity and private sector growth, provide better wage-earning opportunities for the poor while raising national income. For these reasons, donors as well as national government have attempted to promote the SME sector through support of financial and non-financial services appropriate for SMEs”⁸⁵.

Most target beneficiaries lack the experience and skills to manage micro-enterprises. Even if USAID is able to improve the financial access that low-income women and the very poor are able to get so that they have the assets to take advantage of new economic opportunities, they lack the skills to take the opportunity and to do so successfully. Whether it be to undertake new income generating activities or to learn how to better serve the market with micro-enterprise products or services, this is a relatively new domain for most of the target beneficiaries and they have little knowledge of what they could do and how to go about it.

Micro and small enterprises face information asymmetries in two ways. They lack access to market and business related information, often because they are isolated from traditional BDS providers, and/or, the service providers have low volume of information that are relevant to the types of enterprises the poor are engaged in⁸⁶.

Business development services (BDS) are one of the means whereby the performance of micro and small enterprises can be improved to achieve higher economic growth, create employment and reduce poverty. These services cover a broad spectrum and aim to improve the performance of an enterprise, its access to markets, and its ability to compete by providing both

⁸² Pro-Poor Market Development; www.web.worldbank.org; 2010

⁸³ The Importance of SMEs and the Role of Public Support in Promoting SME Development; Qimiao Fan, WorldBank presentation, September 2003.

⁸⁴ Business and Poverty: Bridging the gap; Forstater, MacDonal and Raynard; International Business Leaders Forum Resource Centre; December 2002.

⁸⁵ Business Development Services for Small Enterprises: Guiding Principles for Donor intervention; International Labour Organization; 2001.

⁸⁶ Pro-poor Market Development: Business Development Support Services for Micro/SMEs

operational (needed for the daily affairs of the enterprise) and strategic interventions (needed for the medium or long term affairs); and can be horizontal (generic) or vertical (sector specific)⁸⁷. Such services include business entrepreneurial skills development, market development and access, training & technical services relating to practical skill, technological services/product development; finance & accounting, regulatory services, and organization/management development⁸⁸ (see Annex for details on specifics services for each type of BDS and tools of delivery).

Traditional BDS provision in developing countries by the public sector has been unsuccessful as they have had limited outreach geographically and were too broad with all SMEs being targeted instead of having programmes limited to specifically needy SMEs or oriented towards a specific subsector⁸⁹. The new market-based BDS development paradigm shifts the focus from direct state provision and subsidies to facilitation of a sustained increase in demand and supply of services.

A. Current Situation in Rwanda

Rwanda's leadership has articulated a very strong growth oriented socio-economic policy framework which recognizes the country's over reliance on subsistence agriculture. Entrepreneurship and private sector development are the cornerstones of the GoR's economic strategy in a move to diversify its economy.

Rwanda has made tremendous progress in improving the business climate for investment and was the most improved country in 2009 according to the WorldBank's Doing Business ranking for 2010. The publication ranked Rwanda at 67 overall (from 143 in 2009); and specifically ranked the country at 11th (from 64th in 2009) in terms of starting a business; and at 61st in terms of getting credit (from 147 in 2009). However, micro and small enterprises face challenges that are not necessarily addressed by improvements in the macro investment climate.

As in many developing countries, the poor in Rwanda work primarily in the informal sector. There are approximately 2,500 small scale enterprises⁹⁰ (often informal) and 65,000 micro-scale enterprises⁹¹ (majority informal) which account for 89% of non-agricultural jobs⁹².

Yet, despite these numbers, little emphasis is put on these micro-enterprises in Rwanda's development plans. This is an especially glaring gap when one considers that of the total 6,000 new businesses registered in 2008 only 16% were outside of Kigali in 2008 according to the Rwanda Development Board (RDB) and yet a greater number of viable SMEs would transform Rwanda's economy by improving average wages, cluster competitiveness and citizen economic participation.

There is currently neither an SME nor Micro-enterprise strategy in place although there are several organizations that provide business development services. There are various BDS

⁸⁷ Business Development Services: a Sector Analysis, Wouter Rijnveld, December 2006.

⁸⁸ Business Development Services (BDS) for Microenterprises: A guide for MFIs; Asian Development Bank

⁸⁹ Chapter 4: Best Practices for Donor Intervention in Business Development Service Provision for Small and Medium Sized Enterprises

⁹⁰ Small-scale enterprises in this instance are those with over 3 employees but less than 30 (IFC defines them having between 10-50 employees, assets between US \$100,000 – US \$3 M, and annual sales between US\$ 100,000 – US\$ 3M)

⁹¹ Micro-scale enterprises here are defined as being sole traders or having less than 3 employees (IFC defines them as having less than 10 employees, assets of less than US \$ 100,000 and annual sales of less than US \$ 100,000).

⁹² PSF Census

providers in Rwanda currently but their impact has not been optimal with less than 5% of firms being even partially served⁹³. For example, the RPSF created a BDS network strategy with clear M&E system but rapid expansion overtook revenue streams (See Annex). However, there are structures in place which could be leveraged (see figure below).

Figure 25: Summary of selected BDS providers and their coverage/impact

<p style="text-align: center;">IFC</p> <ul style="list-style-type: none"> ● <i>Key Success Factors:</i> <ul style="list-style-type: none"> – Focus on supporting private providers – Focus on facilitation of sectoral BDS – Key SME development tools available for dissemination ● <i>Potential contribution:</i> <ul style="list-style-type: none"> – Limited financing – Design of a framework for linking BDS providers with firms in different sectors 	<p style="text-align: center;">CAPMER/RDB</p> <ul style="list-style-type: none"> ● <i>Key Success Factors:</i> <ul style="list-style-type: none"> – Rich and long experience with MSSEs – Focus on building private capacity – Within RDB moving to a sectoral approach ● <i>Potential contribution:</i> <ul style="list-style-type: none"> – Central development of information tools e.g. financial institution leaflet etc – Oversight of publicly funded information centres
<p style="text-align: center;">PPPMER</p> <ul style="list-style-type: none"> ● <i>Key Success Factors:</i> <ul style="list-style-type: none"> – Focus on non-agricultural and isolated MSSEs – National reach as a support to BDS network – Rich experience working with informal sector ● <i>Potential contribution:</i> <ul style="list-style-type: none"> – Potential incubator for BDS center clients – PPPMER to contribute expertise all over country – Experience outside of Agriculture 	<p style="text-align: center;">PSF BDS Network</p> <ul style="list-style-type: none"> ● <i>Key Success Factors:</i> <ul style="list-style-type: none"> – Physical centres established in districts – Trained team of advisers – Designed a strong M&E framework through health check process ● <i>Potential contribution:</i> <ul style="list-style-type: none"> – Pool of trained advisers – Methodology of health checks for M&E – Ongoing linkages with private sector

Source: OTF Group Analysis

Additionally, MINICOM and MINAGRI are implementing targeted projects in rural areas and in agribusiness, and RPSF and RDB have cumulatively trained approximately 300 private consultants throughout Rwanda.

MINAGRI's strategic plan for the transformation of agriculture has a specific sub-programme to create an environment conducive to business and entrepreneurship development and market access seeking by (i) accelerating development of entrepreneurial capacity and (ii) strengthening the environment for agro-business⁹⁴. Among the actions envisioned is a programme for training members of women's farming organizations in entrepreneurship (through a mentorship model where existing entrepreneurs would be trainers).

Understanding the specific business environment for low-income women and the very poor that USAID is targeting will be critical to informing the business support programme that should be created. The BDS clients targeted are:

⁹³ OTF Group/PSF survey

⁹⁴ Strategic Plan for the transformation of Agriculture in Rwanda – Phase II (PSTA II), Ministry of Agriculture and Animal Resources, December 2008.

- i. Entrepreneurial poor currently not engaged in enterprise (individuals and households) engaged in either agricultural activity or other economic activity whose income still falls below the poverty line, and
- ii. Micro-enterprises owned by low income women or the poor which do not generate enough revenue to bring the owners over the poverty threshold.

A study undertaken by OTF Group in 2008 revealed that most micro-scale enterprises needed help with creating a business plan, training, access to finance, and information. Small-scale enterprises additionally desired networking opportunities to find new customers, share experiences and learn from others. The GoR will produce an MSME strategy in the next six months seeking to increase the number of viable micro and SMEs by, among others, creating district SME information centers and SME linkages programs. If implemented, this will greatly improve the current situation; however, access to USAID's target beneficiaries will still be somewhat limited due to the remoteness of many of them and their lack of skills to access these facilities.

The institutional BDSs are horizontal in Rwanda and the market development model has been focused on the supply side rather than demand. The growing consensus is that one size does not fit all and that BDS must become much more sector-based as horizontal BDS can be less relevant⁹⁵ and provide less value added.

The BDS network in Rwanda has to overcome several challenges.

- i.) *Promotion of entrepreneurship.* One of the major challenges in Rwanda is the small number of entrepreneurs and especially entrepreneurs in productive sectors. As in many countries where the private sector is relatively weak and dominated by the government, young people do not aspire to be entrepreneurs. Those enterprises that do start in large numbers are in the relatively less risky areas such as commerce and personal services. Establishing the fundamentals for an entrepreneurial culture will take a lot of time, a lot of sensitization, and the development of many more role models.
- ii.) *Resolve market failures.* The key market failures for BDS lie in a lack of access to information and related to this a lack of demand due to uncertainty of the benefits. Even where there are business support services, the businesses don't always have sufficient information to make an informed decision. Additionally, because of poor transmission of information, businesses lose opportunities to take part in training and other capacity/skills building forums. It must however also be noted that demand is relatively low and a large number of businesses do not know how much they would benefit.
- iii.) *Micro, small and medium enterprises face information asymmetries* in (1) in their own access to market and business related information, and (2) as providers of services to poor people⁹⁶. Innovative use of technology (radio, cell phones, telecenters) can cut down transaction costs and allow low-income women and the very poor micro-entrepreneurs to receive information about markets more effectively. Where these uses of technology will not transmit the necessary information and where isolation or volume of product/service would be cost prohibitive to supply to individuals, formation of groups/business clusters would reduce transactional costs. Improved access to information has a direct and measurable benefit to increased revenues. For example, the

⁹⁵ Business Development Services: a Sector Analysis, Wouter Rijnveld, December 2006.

⁹⁶ Pro-Poor Market Development: Business Development Support Services for Micro/SMEs

USAID funded Ukraine Agricultural Marketing Project created a market information system which enabled 95% of the targeted horticulture farmers who had no access to internet to sell their produce for a higher profit through publications and a web portal which acted as a virtual wholesale market. Each dollar spent resulted in about US \$20 additional benefits to the farmer⁹⁷.

iv.) Improve the quality and availability of BDS services. There are many providers of business support but the quality of their services vary and 59% of businesses surveyed claimed that lack of quality BDS was an important constraint to their growth. Similarly providing localized access is one of the key challenges to providing market-oriented BDS services. Most of the small and microenterprises are scattered and unorganized but formation of networks/associations and/or business clusters can help overcome this challenge⁹⁸. In Honduras for example, UNIDO subsidized a network broker (initially subsidized but ultimately service fee paid by network) to bring together similar businesses facing similar challenges and created a network which, for example, pooled their resources to purchase raw materials in bulk and apply for a loan together⁹⁹. The cluster approach is especially conducive where there are a large number of small businesses competing with each other but unable to find new markets or improve their product/service and the cluster approach can promote collective efficiency.

B. Where to intervene

Traditionally, donors' interventions have been at the level of BDS transactions by either directly providing services through a public provider or by subsidizing services delivered by other providers which have failed in terms of outreach (enterprises limited geographically to public providers and/or number of enterprises limited by amount of subsidies granted) and in terms of sustainability (programs would cease when public funds exhausted). The shift for donor intervention has thus been towards facilitation of a sustained increase in the demand and supply of services (through a market development paradigm)¹⁰⁰.

Furthermore, most BDS services do not consider low-income women and the very poor as target beneficiaries. Generally, social, governance, health and agricultural programs are those targeted specifically for the poor and very little emphasis is given on promoting entrepreneurship among the poor probably because of the belief that the very poor are incapable of effectively managing small businesses. The reality is not that the poor don't want to engage in business but rather that they lack the confidence to do so¹⁰¹.

When looking at developing BDS services for the "entrenched poor" entrepreneurs, especially the remote rural poor, the focus should be on the nearest markets as a starting point for increased joint action, common input buying, service delivery, etc¹⁰².

In developing interventions, the following principles should be followed:

⁹⁷ Case Study: Modern Information System boosts incomes of Ukraines small and medium sized growers; Andriy Yarmak.

⁹⁸ Pro-Poor Market Development: Business Development Support Services for Micro/SMEs

⁹⁹ Pro-Poor Market Development: Business Development Support Services for Micro/SMEs

¹⁰⁰ Business Development Services for Small Enterprises: Guiding Principles for Donor intervention; International Laobur Organization; 2001.

¹⁰¹ Microfinance and Non-Financial Services for Very Poor People: Digging Deeper to Find Keys to Success; Poverty Outreach Group; The SEEP Network; 2006

¹⁰² Business Development Services: a Sector Analysis, Wouter Rijnveld, December 2006.

- **Ensuring sustainability:** through, for example:
 - *Developing local partnerships:* If USAID chooses to provide BDSs, local ownership over each of the program's components is necessary for lasting positive impact. Partnerships with local organizations will not only ensure continuation of services when USAID's programme ends but are also likely to improve the reach of the programme. RDB, PSF and the IFC are among the potential national level partners for USAID with a good track record for capacity building and familiarity with the market. District and sector level partnerships will also be crucial. Under the decentralization policy, as districts have SME development in their mandate. Partnerships with existing private BDS providers will also be beneficial where they exist as they already have an established client base, and where they don't exist, attracting private sector providers through partnerships with USAID will improve the BDS market.
 - *Providing subsidies for direct transactions with a clear exit strategy:* USAID might need to artificially stimulate supply and demand at first but should have a clear exit strategy as a long term subsidy is likely to distort BDS markets and affect sustainability. One option would be to provide short-term transactional subsidies in the form of training vouchers or matching grants for example, or pre-transactional subsidies in the form for R&D and services product development or post-transactional grants for M&E of the impact of services which generally are outside of the scope of BDS providers. This would reduce the risk to target beneficiaries, especially for start-ups. It would also ensure the development of services by private BDS providers that respond to the needs of low-income women and very poor entrepreneurs rather than just those who can afford to pay for the service.
- **Facilitating market development rather than providing services:** as USAID determines whether and how to invest in BDS development, although the organization should not be a provider, there are several actions that it should take to facilitate the process:
 - Market assessment: This would include surveys in the targeted areas to determine what services are needed (what services are micro-enterprises willing to pay for), assess the current supply (both formal and informal BDS providers and other sources) and develop programs to assist providers to meet the gap. Of the BDS priorities identified by SMEs surveyed by OTF Group in 2008, the 3 BDS priorities are likely to be facilitating access to finance, advisory services and training services (see annex).
 - Demand-side or supply side intervention: prioritization of interventions should be made to remedy the challenges on both sides following the constraints and opportunities identified in the market assessment.
 - This approach would also ensure that the micro-enterprises being developed by low-income women and the very poor respond to a real market demand (as these are most likely to be area markets).
- **Ensuring effectiveness:** through, for example
 - *Leverage existing partnerships:* Collaborating with the GoR's other partners already in the field, such as SNV and World Vision (see Annex for details of programs) would also enable USAID not to duplicate efforts and would ensure a better allocation or limited resources. They could also provide access to marketplace, specialized capacity building as well as a broader network of contacts.

There are three key areas where USAID could develop interventions:

- ***Identifying opportunities and customized solutions to maximize resource allocations:*** USAID should work with district administration to identify opportunity for the rural poor. Creating a list of sector priorities would improve the likelihood that entrepreneurs are developing products that will have a market and which might enable them to get additional investment from either the district or other interested investors.
Micro and small enterprise support needs vary depending on sector and geographical location. The support a start-up tailoring enterprise in Cyangugu needs will differ widely from the needs of a Coffee Washing Station in Butare. The first might need help with developing a business plan only for example whereas the other will need specialized help to accessing agricultural loans.
- ***Capacity building of BDS providers:*** in order to ensure that BDS services provided meet the demand, this will be crucial to the success of the program. Depending on USAID's strategic choice, it could either strengthen existing BDS providers (such as SNV), offer BDS training to informal providers to improve their skills such as DUTERIMBERE with its focus on women (See Annex for details), or offer BDS training/supply through a member of the value chain such as a buyer or a financial service provider. The latter approach has met with success in Rwanda already. For example, the importance of improving SMEs' capacity has already been recognized by at least one bank in Rwanda (See Annex) and could probably be replicated to micro-enterprises. This approach can prove beneficial to as it enhances each other's performance and impact (e.g. as clients' enterprises prosper as a result of effective BDSs, they will demand and use more financial services and reciprocally when clients have more access to finance they are more likely to invest).
Invest in helping BDS providers provide inter-enterprise linkages to develop clusters and value chains which would ensure a more sustainable enterprise for the target beneficiaries. USAID has successfully done this in other places such as Kenya.

Should USAID choose to provide BDS services directly; it should be targeted toward a specific opportunity. Once the existing (or opportunity for) industry that has the potential to impact the economic opportunity for growth for the target beneficiaries in the geographical area have been identified, USAID could provide input in two ways. First, it could invest in developing the cluster as a whole, including development of markets. Second, USAID could invest in developing the capacity of stakeholders within the industry to improve their contribution to the success of the cluster and the return on their investments. The theory is that improving the performance of the industry will have a trickledown effect, improving the livelihoods of the stakeholders within that cluster. USAID has used this approach successfully in other countries (e.g. the rice value chain in Nigeria) and in Rwanda (e.g. improving the quality and demand for Rwanda coffee through the work of SPREAD).

VII. Extension Services

Traditionally extension services were conceived to disseminate research-based knowledge to the rural sector in order to improve the lives of farmers. In developing countries the focus has been on increasing production, improving yields, training farmers and transferring technology. Today the concept of extension services goes beyond technology transfer to facilitation and includes helping with marketing issues¹⁰³.

Thus, agricultural extension is the function of providing need and demand based knowledge to bring about behavioral change in rural communities which would allow them to improve productivity and increase incomes. It consists of both dissemination of information related to agriculture (including improved seeds, better farming practices and benefits of fertilizer use) and the practical application of the knowledge to the farm and the household¹⁰⁴. Extension service providers are also the link between farmers and research institutions: they inform research of the problems that need to be addressed, the research institution generates a solution, and the extension service provider focuses on the acceptance and adoption of the solution by farms.

Agriculture extension services were traditionally provided by the public sector (generally through the Ministry of Agriculture) but now can also be provided by private non-profit organizations (international NGOs, bilateral or multilateral aid projects, community associations, etc.) or private sector for-profit firms (input manufacturers and distributors, commercial farmers or groups acting as enterprises where farmers are both users and providers, ie. agro-processors, etc.)¹⁰⁵. Today, there are different extension systems to meet a wide variety of different needs and are becoming more purpose-specific, target-specific, and need-specific so that services will range from transmitting technology, to improving farming practices, to helping farmers organize themselves for marketing purposes¹⁰⁶. Thus, as the burden of supplying such a wide variety of services becomes prohibitive to governments, more and more private sector players are entering the market to provide services.

It is difficult to assess the impact of extension services as the indicators (adoption of technology and farm productivity) are also influenced by many other factors such as access to credit, input supplies, price incentives, etc¹⁰⁷.

A. Current situation in Rwanda

*Low use of modern inputs and lack of extension services in agriculture was identified by the WorldBank as one of the 4 particular challenges Rwanda faces for economic growth (the others being poor water management, poor condition of infrastructure and the low base of technical and managerial skilled labor)*¹⁰⁸.

¹⁰³ The Important Role of extension Systems; Kristin Davis; Agriculture and Climate Change: An Agenda for Negotiation in Copenhagen; May 2009.

¹⁰⁴ Improving the livelihood of smallholder farmers, Syngenta foundation for sustainable agriculture, www.syngentafoundation.org; 2010.

¹⁰⁵ Improving the livelihood of smallholder farmers, Syngenta foundation for sustainable agriculture, www.syngentafoundation.org; 2010

¹⁰⁶ Agricultural and rural extension worldwide: Options for institutional reform in developing countries; William Rivera; FAO 2001.

¹⁰⁷ Reinventing agricultural extension to smallholders, Yuan Zhou, Syngenta Foundation,

¹⁰⁸ WorldBank, Rwanda Country Report, 2009

The particular, although not exhaustive, challenges that Rwanda faces in terms of agricultural development are farming on steep slopes, deforestation and erosion, shortage of arable land, poor use of fertilizers, poor institutional support capacity, inadequate transport/storage infrastructure, little irrigation systems, etc. *Despite the many challenges, the agriculture sector has the potential to contribute to poverty reduction* with production intensification and improved value addition as Rwanda climatic conditions are favorable to year round production for many crops, and the commitment of government and the organization of farmers is conducive to improving the sector.

The GoR, in its Strategic Plan for the Transformation of Agriculture in Rwanda (PSTAI)¹⁰⁹, recognizes that there is a weak relationship between extension and research services across all agriculture sectors. It has a sub-programme, Restructuring Proximity Services for Producers, which envisions actions to (i) make extension accountable to farmers, (ii) institute permanent, specialized training for extension agent, (iii) certify lead farmers as trainers, (iv) strengthen extension for market linkages and develop the role of extension agents as facilitators in the quest for information and knowledge, (v) utilize mass extension messages (radio), (vi) develop special participatory programmes such as fertilizer trials and IPM experiment, and (vii) strengthen CICA as a support institution (a source of technical information in written and electronic form). Extension services are to become the process for obtaining information rather than the vehicles for delivery of extension messages in a top-down method. The GoR plans on using a subsidized system for services at first to eventually establish a demand-driven extension system (in parallel, farm-research extension approaches such as farm field schools are being used). A registry of qualified agricultural service providers is to be created as well as a programme to certify farmers (including women) as trainers and facilitators.

The GoR provides agricultural extension service at a national level through MINAGRI/RADA and at the district level through the decentralization policy.

MINAGRI's role in agricultural extension services is to formulate policies and establish regulations guiding the establishment and operation of national agricultural extension systems. It is also to coordinate the activities of the various stakeholders providing services, promote partnerships and mobilize resources. MINAGRI is the most involved GoR entity in this domain today and its projects have had varied success (see Annex for details of projects). The PAPSTA project, for example, was evaluated and showed that beneficiaries had increased knowledge of livestock management, improved the nutritional status of the household, increased income, improved soil fertility and increased social cooperation. However, technical capacity and innovation have been provided by SACR and HPI and there is concern that RARDA does not have the capacity to solve farmers' production constraints (absence of any field staff) without the existing support. Technology deficiency, compounded by poor transfer rates and uncoordinated efforts of differing service providers are likely to compound the problem if not addressed. The project has faced not only some technical difficulties but also more administrative challenges which also need to be addressed including high illiteracy amongst beneficiaries, delayed disbursement of funds to carry out activities, livestock disease, lack of basic equipment and land shortage¹¹⁰.

¹⁰⁹ Strategic Plan for the transformation of Agriculture in Rwanda – Phase II (PSTA II), Ministry of Agriculture and Animal Resources, December 2008.

¹¹⁰ Evaluation of the Performance of Service Providers for the Projet d'Appui au Plan Strategique pour la Transformation de l'Agriculture (PAPSTA), Ndabikunze and Venuste, MINAGRI, 2008.

MINAGRI used to be responsible for the function and management of the network of extension services and staff but after decentralization, the extension function shifted to MINALOC and each district recruits and supervises the performance of its own extension staff. Although this should enable the better flow of information from the bottom up, OTF Group's hands on experience with both district level extension officers and MINAGRI shows that there is a lack of clear communication between the two and that there is a vast difference between the capabilities of extension officers. Currently there is about one extension service staff to every 10,000 farmers according to the Rwanda Agriculture Development Authority (RADA) which is mandated with developing appropriate technologies, providing advisory, outreach and extension services to stakeholder. *There is a real need to strengthen the framework for the public agricultural extension system.*

Private investors and other development partners also provide some extension services. These are mainly in the form of funding capacity building programmes at district level. Several partners also provide extension services to cooperatives they support through some of their agriculture programmes like SPREAD which allocates an agronomist to help the coffee cooperatives it works with.

Several NGOs also provide extension services to farmers like Caritas, the One Acre Fund and SNV (see annex for details).

Farmers associations and cooperatives also provide services mainly in the area of sensitizing farmers. Often, a number of association farmers are given training and they return to share their knowledge with other members.

Funding for agricultural extension systems is a challenge as the GoR remains the main funder even under the decentralization policy.

B. Focus Group

OTF Group, accompanied by an USAID representative, conducted a focus group in Gikonko sector, at a model poverty reduction location (an Agasozi Ndatwa¹¹¹), in the Southern Province district of Gisagara, with beneficiaries of the MINAGRI/WorldBank Rural Sector Support Project (RSSP) (see Annex for details of programme). The RSSP project has been in that location since 2001 and was 5 months into phase 2 of the programme at the time of our visit. There were approximately 20 people present from the cooperative which is comprised of 10 rice growers associations and has a total of 1130 members of which 410 are women (see Annex for focus group question guidelines). The RSSP project is an example of a farmer-based extension system where the project started with supporting 9 local NGOs and Private companies working with farmer in agricultural extension and services delivery. The system is supposed to be based on farmers groups and should promote farmer to farmer agricultural services delivery where, for example, farmers are trained and then they train the rest of the group in demonstration fields. The reality is that the farmers still very much rely on the RSSP staff to deliver services and facilitate processes.

From those participating in the focus group, members had between 3 and 7 children. With the large amount of children, members of this group definitely favored educating their male children over their female children (the women included) when there was a shortage of

¹¹¹ The concept of "Agasozi Ndatwa" is based on the theory that each district should have a model community which have all the necessities for prosperity: water, electricity, health services, education, best agricultural practices, etc.

resources. Venancie, for example had 2 boys and 2 girls over the age of 15 and sends her boys to school but not the two girls as she cannot afford it and she needs them to help her at home.

The land that they cultivate is rented from the state and is worked by the household members. None of the members at present had any other land to cultivate so they were all limited to revenues from rice cultivation on these parcels. RADA provides them with seeds but they claim that they are old and don't produce high yields. MINAGRI gives them advice through the RSSP officers and CORIBU helps them, for a fee, to find markets. RSSP is the only agricultural program in their area and the only source of any services (they communicate with RADA). They seemed generally frustrated with the fact that RSSP agents visit them on a regular basis and create reports but that nothing is done about the issues they raise. They have not received any help from the district level which they believe is only there to influence national policy.

The RSSP, in partnership with the FAO, trained some of the farmers in 2009 on the usage of fertilizers and RSSP funded a supply for the farmers on demonstration farms. Although the training was useful and they see the benefit of fertilizers, they will not use the teaching as it is too costly. It used to be bad enough when they used to buy 2.5 kg to fertilize 5 ha but now they need 15 kg to get the same yields and they cannot afford it. The overuse of land and the lack of irrigation is what has caused the lower yields and limited them to one rice season per year. They have been promised a dam by every agricultural minister who has come to visit the area over the past 15 years with no results.

Most of the participants believe that they are worse off since the start of the project as they are part of the cooperative and have to pay people to apply fertilizers and pesticides, even when they don't see the point of it without irrigation and they don't have money to pay for it. They also believe that they have less bargaining power as they have to get their rice to market through the cooperative and have to accept the price it negotiates with the one miller in the area. Although every one of them had to open a bank account (IMPPAMBA SAKU), no one has been able to access credit to open any other business. They are unable to get credit as the revenue from the farms is often less than what they invest in it. They can't even invest in storage infrastructure so their products sometimes are irretrievably damaged in the old stock rooms when it rains.

Despite all this, they understand and believe that growing cash crops is the best way to become wealthier and help their children have a better future.

C. Case Study of One Acre Fund

One Acre Fund¹¹² (OAF) is an NGO that was started in 2006 initially targeting poor female farmers with a complete agricultural package¹¹³. Today, it has grown to encompass farm households of 1 acre or less which are generally constituted of extremely poor families, many headed by women, whose land are operating at 20% of their possible productivity. They are currently operating two sites in Rwanda (4 others in Kenya), Nyamasheke (since 2007) and Rusizi (since 2008) in the Western Province. OAF works with local farmer producer groups (of approximately 100 farmers) as it allows them to economically interact with markets where they could not individually.

¹¹² USAID is among the NGO's advisors.

¹¹³ One Acre Fund Website: www.oneacrefund.org

The organization's program model uses markets to try and eradicate hunger. OAF offers a sustainable investment package for small farmers which has 5 components: empowerment, education, capital, access to markets, and insurance. Farmers apply for the package and repay the micro-investment with cash before harvest or a percentage of crops at harvest time (98% repaid fees in 2009 which exceeded the 85% target). The tools they receive include quality seed, fertilizer, and irrigation technology. The training on best farming practices are provided weekly by local field staff or visiting experts. Farmers receive market access as field staff collect, grade and sell farmers' surplus staples; selling in bulk has been shown to more than double the return for farmers. OAF also offers crop insurance which pays farmers in the event of a significant drought or disease.

OAF has been having a significant impact, doubling overall program participation in 2008 (Kenya and Rwanda), and doubling farmers' income. The Nyamasheke program serves 7,000 farmers through 70 staff and the Rusizi program serves 3,500 farmers through 40 staff. The organization plans to expand its program to include more farmers and render it more sustainable by having 70% of field operation costs entirely through farmer repayments.

Sustainability is further built-in to the program as a field officer is employed usually from within the community to form groups, sign contracts for credit, distribute inputs, etc., to each farmers' group.

Beyond 2010, OAF would like to expand its reach either through a franchise system or in partnership with other organizations whereby OAF could implement their model, or an adapted version, for the partners' beneficiaries.

D. Where to intervene

Improving agricultural productivity and yields has long been on the GoR's agenda and thus on those of its partners. As illustrated above, there are already several programs in place to improve the provision of extension services but there are still gaps. Furthermore, if USAID chooses to use a geographical focus to address improving the livelihoods of low-income women and the very poor in Rwanda, given that most of them are involved in agriculture, a holistic program cannot ignore extension services. Based on our findings and best practices, the following are three key areas of possible intervention for USAID.

- **National level intervention:** through, for example:
 - *Technical support to existing projects such as MINAGRI's PAPSTA including making industry experts available to do research and train.* The impact this sort of investment would have on a national level could be invaluable and USAID could tie this investment to geographically implemented projects.
 - *Improve response of research to actual demand.* Empowering farmers association to identify and prioritize issues and then take them to the relevant organizations would improve the likelihood of demand driven extension services.
- **Promote private sector providers** by, for example, short term subsidies: if USAID were to chose to promote more privatized or NGO driven services, providing subsidies would help increase supply and promote demand until such a time that the services provided are specific for the farmers needs and farmers see the value in paying for them.
- **Ensure that extension services are provided to farmers in geographical areas where USAID intervenes** by, for example, providing 1 extension staff/ 250 farmers to increase

efficiency. Although this would be ideal at a national level, ensuring adequacy of service at least at the level of the project USAID will create would reinforce the likelihood of success.

VIII. Conclusion

There is no single root cause to poverty but rather several, each of which exacerbates the other. “Every problem magnifies the impact of the other, and all are so tightly interlocked that one reversal can produce a chain reaction with results far distant from the original causes”¹¹⁴.

“If problems are interlocking then so too solutions must be [...]: a job alone is not enough. Medical insurance alone is not enough [...] Reliable transportation, careful family budgeting, effective schooling are not enough when each is achieved in isolation from the rest” (Shipler, 2004). A single issue alone cannot be treated to reduce poverty – it must be addressed through multiple inter-related actions in order to have tangible results.

A comprehensive program which addresses various factors of poverty, working in a multi-faceted way and leveraging the expertise of various partners in different sectors to participate in the program will be a challenge but is imperative to truly impact the lives of low-income women and the very poor in Rwanda. If USAID seeks to have an impact on poverty, providing a comprehensive program which simultaneously addresses education/literacy, access to finance, business development services and extension services in geographically targeted district of low-income women and the very poor will have the most impact.

There are several ways in which USAID could meet the challenge. These include, and are not mutually exclusive:

- ***Collaboration:*** bringing together a group of partners from different fields in a geographical area to address the needs of a chosen target group of low-income women and very poor. For example, USAID would create a group within a district or sector of partners working in the area (e.g. SNV, One Acre Fund, Global Grass Roots, Banque Populaire) and have them target their various efforts (BDS, or extension services, or literacy programs or financial services) towards a selected group of target beneficiaries. This would require USAID selecting partners who have been shown to have had successful programs. USAID might need to strengthen some of its partners programs or fill voids.
- ***Strategic targeting:*** work with partners who have successful programs in each of these areas and bring them together to implement USAID’s program in the chosen geographical location regardless of whether or not the partner was acting in this location before. For example, USAID could choose a partner who had successfully acted on the various levers and bring them together under an umbrella program run by USAID.
- ***Filling in the void:*** USAID could also choose to act only where they see a void. For example, if a district seems to already have programs meeting its literacy, BDS and extension services needs but there are no programs addressing its access to finance needs, USAID could create a program addressing just this need.
- ***Create a comprehensive program:*** USAID could also choose to create an entire program which addresses each of the levers.

Each of these options has its benefits and setbacks. The first three options would allow USAID to use limited resources to act in more geographical areas and reach a larger amount

¹¹⁴ The Working Poor: Invisible in America, David Shipler, Random House, 2004.

of target beneficiaries. However, USAID would have to rely heavily on its partners to deliver. The last option would mean that USAID would reach fewer beneficiaries but the impact of them is likely to be greater as a single program would be addressing various levers simultaneously and probably in a more comprehensive manner.

Regardless of how USAID chooses to design its program, there are several findings from this study that should be kept in mind:

- If USAID chooses to focus on improving adult literacy, the program should not be a stand-alone one but rather one that is embedded within another productive activity. For example, USAID could teach adults how to read in conjunction with the provision of extension services on best farming practices. This would make the learning more relevant and would provide the necessary skills to improve an economic activity. The results of this type of literacy program are immediately incorporated by the beneficiaries rather than them acquiring skills to put to use in the future or in a different context. Literacy programs could also be embedded within one of the financial access programs. For example, while beneficiaries could learn useful literacy and numeracy skills while learning the basics of managing their finances. It could also be tied into a BDS program as a service so that adults can learn relevant literacy and entrepreneurship skills conjointly.

Furthermore, the programme that USAID designs should address access and usage of education opportunities in terms of cost and quality to ensure that the next generation of economic actors are better equipped to escape the poverty trap. USAID will also need to invest in changing mindsets towards education, especially when it comes to girls' education.

- When it comes to financial services, USAID needs to ensure that its programme increases demand and uptake of financial services, improves the supply of financial products to meet target beneficiaries needs, and continues to support existing programmes that enable smoother transitions from the informal to the formal service providers.
- When intervening in business development services for low-income women and the poor, USAID should ensure that the programme it develops is sustainable, facilitates market development rather than directly providing services, and that it be effective. The three key areas for intervention are in entrepreneurship development; identifying opportunities and customizing solutions; and capacity building of BDS providers. However, should USAID chose to intervene directly, services should be focused on developing an industry cluster rather than providing generic BDSs.
- To improve agricultural extension services as a lever to reduce poverty, USAID should intervene at a governmental level to have so as not to duplicate effort. USAID should also encourage the private sector to start providing these services. Until either the GoR or private operators are able to provide adequate services, any USAID comprehensive programme should provide extension services to farmers in the geographical area to maximize the returns on the other programs (e.g. providing credit to a farmer to increase productivity will yield a higher return if the farmer is taught better farming practices)

There is no doubt that this the interventions USAID envisions will be able to positively impact the lives of and provide economic opportunities for low-income women and the very poor so as to enable them to escape the poverty cycle. The approach of providing a “bundle” program

would be the one that would provide the most return on USAID's investment in terms of sustainability and number of low-income women and the very poor who are empowered.

IX. ANNEXES

A. Annex: Cross sectional prohibit Model (Regression Analysis)

Probit Estimation for Rural Poverty: The Model

$$Pov_i = \alpha D_i + \beta G_i + \delta L_i + \gamma C_i + \lambda I_i + \eta M_i + \varepsilon$$

Where:

Pov_i = Dummy identifying if household (i) is poor

D_i = Demographic and educational variables

G_i = Geographic variables

L_i = Land's characteristics

C_i = Crop types and variety

I_i = Private and public inputs available for production

M_i = Market related variables

The First three groups of variables (D_i, G_i, L_i) work as control variables. We should focus on the last three groups of variables in order to find out more of those drivers of poverty related to agricultural productivity.

Probit Estimation for Rural Poverty: Variables Description

1. Demographic and Educational Variables

- Household size: Number of persons in the household.
- Household mean age: Mean age of the household's members.
- Head of household female: Dummy identifying those female headed households.
- Head of household age: Age of the head of the household.
- Head of household education: Years of education of the head of the household.
- Dependency rate: Percentage of household members below the age of 15 and above 65 from total household size.

2. Geographic Variables

- Province: Dummy for each province.

3. Land Variables

- Total surface of plots: Total acres of agricultural plots per household.
- Number of plots: Number of plots per household.

4. Crops Variables

- Number of crops: Number of different crops cultivated per household.
- Crops: Dummy identifying staples, cash crops and exportable cash crops.

5. Inputs Variables

5.1 Private Inputs

- Storage harvest: Dummy identifying if the household has spent in storage of harvest.
- Transport harvest: Dummy identifying if the household has spent in transport of harvest.
- Hired Labor: Dummy identifying if the household has hired labor.
- Seeds: Dummy identifying if the household has acquired seeds.
- Sacks for packing: Dummy identifying if the household has acquired sacks for packing.
- Fencing material: Dummy identifying if the household has acquired fencing material.
- Organic fertilizers: Dummy identifying if the household has acquired organic fertilizers.
- Chemical fertilizers: Dummy identifying if the household has acquired chemical fertilizers.
- Insecticide: Dummy identifying if the household has acquired insecticides.
- Shovels: Dummy identifying if the household has shovels.
- Machetes: Dummy identifying if the household has machetes.
- Axes: Dummy identifying if the household has axes.
- Knives: Dummy identifying if the household has knives.
- Rakes: Dummy identifying if the household has rakes.
- Complex Assets: Dummy identifying if the household has more complex agricultural assets.

5.2 Public Inputs

- Access to agricultural extension Dummy identifying if the community has access to agricultural extension services
- Bus: Dummy identifying if there is any public transportation arriving to the cluster
- Dam or water reservoir: Dummy identifying if the community has access to a dam or a water reservoir
- Road: Dummy identifying if there is a road that leads to the cluster

6. Market Related Variables

- Nonfarm activities: Dummy identifying if someone in the household develops a nonfarm activity
- Market close: Dummy identifying if the community has a market nearby
- Processed post-harvest: Dummy identifying if the household processed at least a part of the harvest

Probit Estimation for Rural Poverty: Descriptive Statistics

		Whole Country		Southern Province		All Provinces except Southern	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Dependent	Poverty level	0.59	0.49	0.68	0.47	0.56	0.50
Demographic Variables	Household size	4.99	2.24	4.85	2.18	5.05	2.26
	Household mean age	23.29	10.91	24.00	10.64	23.03	11.00
	Head of household female	0.28	0.45	0.30	0.46	0.28	0.45
	Head of household age	44.71	15.42	45.31	14.94	44.49	15.60
	Head of household education	2.88	2.93	2.87	2.84	2.88	2.96
	Dependency rate	0.45	0.23	0.43	0.24	0.45	0.23
Land Variables	Total surface of plots	76.44	120.85	56.13	105.38	83.96	125.29
	Number of plots	3.58	2.10	4.52	2.48	3.23	1.83
Crops Variables	Number of crops	10.65	5.24	9.64	4.13	11.02	5.55
	Cash crops**	0.34	0.47	0.36	0.48	0.34	0.47
	Exportable cash crops**	0.60	0.49	0.57	0.50	0.61	0.49
Market Variables	Nonfarm activities	0.28	0.45	0.27	0.44	0.29	0.45
	Market close	0.15	0.36	0.17	0.37	0.15	0.35
	Processed post-harvest	0.73	0.45	0.80	0.40	0.70	0.46

Probit Estimation for Rural Poverty: Descriptive Statistics (cont.)

		Whole Country		Southern Province		All Provinces except Southern	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Private Inputs	Storage harvest	0.03	0.17	0.01	0.11	0.04	0.19
	Transport harvest	0.08	0.27	0.07	0.26	0.08	0.27
	Hired Labor	0.43	0.50	0.41	0.49	0.44	0.50
	Seeds	0.70	0.46	0.72	0.45	0.70	0.46
	Sacks for packing	0.38	0.49	0.29	0.46	0.41	0.49
	Fencing material	0.02	0.12	0.01	0.11	0.02	0.12
	Organic fertilizers	0.07	0.26	0.08	0.28	0.07	0.25
	Chemical fertilizers	0.11	0.32	0.13	0.33	0.11	0.31
	Insecticide	0.25	0.43	0.21	0.41	0.26	0.44
	Shovels	0.98	0.15	0.99	0.12	0.97	0.16
	Machetes	0.78	0.42	0.75	0.43	0.79	0.41
	Axes	0.45	0.50	0.45	0.50	0.46	0.50
	Knives	0.38	0.49	0.42	0.49	0.36	0.48
	Rakes	0.20	0.40	0.21	0.41	0.20	0.40
Complex Assets	0.06	0.23	0.04	0.21	0.06	0.24	
Public Inputs	Access to agricultural extension	0.43	0.50	0.49	0.50	0.41	0.49
	Bus	0.22	0.41	0.16	0.37	0.24	0.43
	Dam or water reservoir	0.02	0.15	0.02	0.13	0.03	0.16
	Road nearby sometimes***	0.26	0.44	0.28	0.45	0.26	0.44
	Road nearby allways***	0.67	0.47	0.68	0.47	0.67	0.47

Probit Estimation for Rural Poverty: Model Specifications

- The model was estimated only for Rwanda's rural areas and is separated in the following groups:
 - The whole country.
 - Only the southern province, since it is the poorest province of the country.
 - The rest of the provinces.
- The next slide's table shows the probit estimation results with the corresponding marginal effects, the standard error and level of significance of each variable.
- We use of the marginal effects instead of the coefficients because they give us a comprehensible idea of the impact of each variable on the poverty level.

Probit Estimation for Rural Poverty: Results

		Whole Country	Southern Province	All Provinces except Southern
Demographic variables	Household size	0.0537*** (0.0003)	0.0638*** (0.0006)	0.0479*** (0.0004)
	Household mean age	-0.0081*** (0.0001)	-0.0062*** (0.0001)	-0.0090*** (0.0001)
	Head of household female	0.0090*** (0.0012)	0.0222*** (0.0020)	0.0045*** (0.0014)
	Head of household age	0.0036*** (0.0001)	0.0028*** (0.0001)	0.0039*** (0.0001)
	Head of household education	-0.0236*** (0.0002)	-0.0250*** (0.0003)	-0.0224*** (0.0002)
	Dependency rate	0.1861*** (0.0021)	0.1117*** (0.0036)	0.2122*** (0.0025)
Geographic variables	Southern province [^]	0.2048*** (0.0031)		
	Western province [^]	0.0471*** (0.0035)		0.0536*** (0.0037)
	Northern province [^]	0.1262*** (0.0032)		0.1266*** (0.0035)
	Eastern province [^]	0.0901*** (0.0033)		0.1090*** (0.0035)
Land variables	Total surface of plots	-0.0004*** (0.0000)	-0.0003*** (0.0000)	-0.0005*** (0.0000)
	Number of plots	-0.0076*** (0.0003)	-0.0194*** (0.0004)	0.0012*** (0.0003)
Crops variables	Number of crops	-0.0081*** (0.0001)	0.0007*** (0.0002)	-0.0107*** (0.0001)
	Cash crops ^{^^}	0.0114*** (0.0021)	-0.0911*** (0.0037)	0.0603*** (0.0025)
	Exportable cash crops ^{^^}	0.0145*** (0.0020)	-0.0764*** (0.0034)	0.0600*** (0.0024)
Market variables	Nonfarm activities	-0.0729*** (0.0010)	-0.0627*** (0.0019)	-0.0776*** (0.0012)
	Market close	-0.0520*** (0.0014)	0.0112*** (0.0021)	-0.0834*** (0.0017)
	Processed post-harvest	-0.0277*** (0.0012)	-0.0018 (0.0023)	-0.0400*** (0.0014)

[^]Omitted variable: City of Kingali

^{^^}Omitted variable: Staples

* significant at 10%; ** significant at 5%; *** significant at 1%

Probit Estimation for Rural Poverty: Results (cont.)

		Whole Country	Southern Province	All Provinces except Southern	
Private Inputs	Services	Storage harvest	0.0045* (0.0026)	-0.0489*** (0.0074)	0.0231*** (0.0028)
		Transport harvest	-0.1293*** (0.0019)	-0.1648*** (0.0034)	-0.1151*** (0.0022)
	Labor	Hired Labor	-0.2201*** (0.0010)	-0.1493*** (0.0018)	-0.2450*** (0.0012)
	Material	Seeds	0.0295*** (0.0010)	0.0310*** (0.0019)	0.0321*** (0.0012)
		Sacks for packing	-0.0696*** (0.0010)	-0.0296*** (0.0019)	-0.0790*** (0.0012)
		Fencing material	-0.0910*** (0.0043)	0.0630*** (0.0060)	-0.1606*** (0.0053)
		Organic fertilizers	0.0231*** (0.0017)	0.0151*** (0.0028)	0.0340*** (0.0022)
		Chemical fertilizers	-0.0685*** (0.0016)	-0.0470*** (0.0027)	-0.1031*** (0.0020)
		Insecticide	-0.0678*** (0.0012)	-0.0613*** (0.0022)	-0.0634*** (0.0014)
	Technology	Shovels	0.0261*** (0.0040)	0.1832*** (0.0096)	-0.0164*** (0.0045)
		Machetes	-0.0599*** (0.0012)	-0.1000*** (0.0019)	-0.0380*** (0.0015)
		Axes	-0.0413*** (0.0010)	-0.0554*** (0.0018)	-0.0369*** (0.0012)
		Knives	-0.0645*** (0.0010)	-0.0917*** (0.0017)	-0.0432*** (0.0013)
		Rakes	-0.0716*** (0.0012)	-0.1117*** (0.0021)	-0.0563*** (0.0015)
		Complex Assets	-0.0952*** (0.0022)	-0.1395*** (0.0045)	-0.0772*** (0.0025)
Public Inputs	Services	Access to agricultural extension	-0.0511*** (0.0009)	-0.0121*** (0.0017)	-0.0776*** (0.0011)
		Bus	-0.0842*** (0.0012)	-0.0906*** (0.0026)	-0.0727*** (0.0014)
	Infrastructure	Dam or water reservoir	-0.0684*** (0.0032)	-0.1721*** (0.0073)	-0.0342*** (0.0036)
		Road nearby sometimes***	-0.0728*** (0.0020)	-0.1690*** (0.0049)	-0.0436*** (0.0023)
		Road nearby always***	-0.1146*** (0.0018)	-0.1949*** (0.0036)	-0.0874*** (0.0021)
r ²		0.2209	0.2313	0.2197	
N		1424032	395623	1028409	

*** Omitted variable: No road nearby

* significant at 10%; ** significant at 5%; *** significant at 1%

Probit Estimation for Rural Poverty: Methodological Issues

- This model is based on cross sectional data from the EICV2 household survey compiled in 2006. Based on the existing literature we were able to build an econometric model to isolate the main variables that correlate with poverty. However, given the structure of the data it is not possible to attribute causality to the identified correlations.
- In order to identify causal relationships we would necessarily require longitudinal data. In other words, having data on a fixed sample of households along several years. Although 2001's EICV1 survey does provide comparable household data, unfortunately the household samples used in each survey are different. Not being able to follow a large number of specific households overtime prevents from conducting a longitudinal study.
- If this kind of data was available, we would be in position to assess the characteristics of those households that became poor and those who escaped poverty during the analyzed period. Through this mechanism it would indeed be possible to identify the forces driving households to and away from poverty, and having certainty with regards to the causal relationship between the variables.

B. Annex B: Focus Group Questions

Thank you for taking the time to speak with us.

The goal of this discussion is to enrich a study that we are doing for USAID on how best to help Rwanda's rural poor and low income women so we are looking at existing programs to see which are doing well so that they can give additional support and find out what is missing.

Before we start:

- This discussion will take about 60-90 minutes max. Everyone has the right to speak. We want to hear everyone's opinions and ideas.
- So that I can hear people, I ask you to speak one at a time. There is no right or wrong answers and everything you say will be confidential. We are taking notes just so that we can remember what was said.
- My colleagues are here to help me if needed.

FAWE SCHOOL for Girls

1. I would first like to go around and have everyone introduce themselves: your first name, how old you are and where are you from?
2. How big is your family? How many boys? Girls? Is your HH headed by a man or woman?
3. Have any other girls in your family gone/going/will go to secondary school?
4. How did you end up coming to this school? Scholarship? Who is paying for your education?
5. How is this school different to where you were before? Tell me about your experience at your previous school?
6. Did you go to school regularly at your old school? If not, why?
7. In your old school, how many of your girlfriends went to school with you? Did they graduate? Did they go to secondary school?
8. What are you studying?
9. What is it like to compete with just girls instead of boys too like in primary school?
10. Do you believe you'll graduate from secondary school?
11. Are there any difficulties that you are encountering in staying in school? (Probe)
12. What will you do when you finish school here?
13. For those of you that want to continue you education, are there any difficulties that you think you might encounter?
14. How do you feel about education – is it a right or a privilege? Is that the way it should be?

15. What do you think can be done to help other girls continue to secondary school?

CARE Focus Group

1. I would first like to go around and have everyone introduce themselves: your first name, and what do you do to earn a living? (farming, salaried job, etc.)
2. How many people live with you and are you the head of the household? How many members are over 15 years and how many are girls?
3. If you have children under fifteen living with you, how many of them are in school? Do they attend school regularly and if not why? (probe – do they have to help with work at home? Etc.)
4. How long have you been a member of the Village Savings and Loan association you belong to?
5. How many members are in your association?
6. Why did you join the association?
7. What is the usual savings contribution in your group and has it changed over time? (e.g. from FRW 100/week to FRW 300/week?)
8. Do you make regular weekly contributions? (If not, can you elaborate as to why it fluctuates)
9. Have you seen a return on your savings investments and if so, do you have any idea what it has been each year? (e.g. 3 FRW sur 100 or 5 or 10?...)
10. How many of you have borrowed out of this loan and how much? What was the interest rate you paid back on the loan and how long did it take you to repay the loan?
11. What did you borrow the money for? Did it create new jobs for others? Did it increase your revenues? Etc.
12. Do individuals invest in things alone or does the club invest together in a project?
13. Have you had members that borrowed and didn't repay and what happens in that case to the person and to the savings club?
14. What skills do you think you've learned through the VSL club and how did you acquire these skills?

15. Have the club helped any of its members access credit from an MFI (e.g. Banque Populaire)? How many members? Has that loan been paid back or not (probe).
16. Have any of you opened a bank account since joining the VSL association and if so where and why?
17. Do you feel have more confidence in formal institutions such as banks and MFIs in being able to serve you since you became a member of the VSL?
18. Would you rather continue to use VSL type organizations to save and invest funds or banks and MFIs and why?
19. How is the Umurenge Sacco affecting you?
20. How do you see your life changing in the next 5 years?
21. Anything else you'd like to share with us?

Focus Group RSSP

1. I would first like to go around and have everyone introduce themselves: your first name, how long you have lived in the area?
2. How many people live with you and are you the head of the household? How many members are over 15 years and how many are girls?
3. If you have children under fifteen living with you, how many of them are in school? Do they attend school regularly and if not why? (probe – do they have to help with work at home? Etc.)
4. Do you own or rent your land and who cultivates it? (you and your family or do you hire others?)
5. Since the RSSP started, has it allowed you to gain more cultivable land?
6. Since the RSSP started what crops are you cultivating now and is it different to what you were cultivating before?
7. Have you seen an increase in yields and if so, what do you attribute it to?

Evaluation of RSSP I

8. What institutions do you interact with the most when it comes to farming activities? District, sector or cell leaders, MINAGRI RSSP staff, NGOs? Other?

9. Since RSSP started, do you think that the institutions in your district are better able to help you? Better agronomists, services, etc.? Can you give me some examples?
10. Have you learned any new farming techniques since RSSP started? How did you learn them, are you using them and have they helped?
11. Is there a way that you think this could have been done better?
12. How do you think the institutions that you work with could be improved?

Evaluation of RSSP II

13. Over the last year, have you started selling more of your produce to market? What are you selling?
14. Do you think that your household income has increased since the project started?
15. Do you think that you are now better able to provide for your family members (e.g. maybe bring back a child you send to a relative since you can now provide for them)?
16. Have you started saving money since the project started? If yes, where is it (bank, micro-finance institution, in a cooperative savings club, at home, etc)? Have you used it to do something else (start a new business for example)? Have you or any of your family members started off-farm jobs?
17. Do you think that RSSP has changed your life and that of your household and if so, how?

Other

18. What sort of agricultural extension services/help do you think are the most valuable to you regardless of whether RSSP is doing it or not?
19. Do you think that helping you increase productivity in agriculture and market alternative crops is the best way to help you become wealthier? If not, what would?
20. How do you see your life changing in the next 5 years?

c. BDS in Rwanda

What is the current situation?

The PSF BDS network established a clear M&E system based on facilitation

1. Meet businesses and undertake a business health check/diagnostic

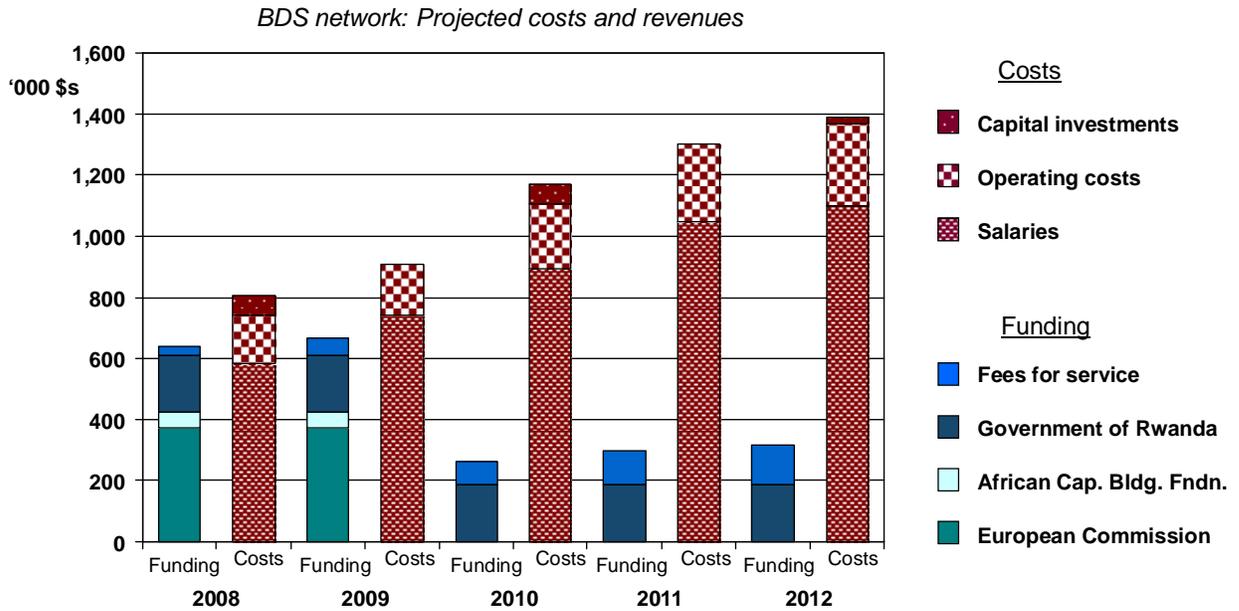
2. Refer businesses to relevant services provided by or monitored by BDS Centres

TRAINING	INFORMATION	FINANCE	NETWORKING	CONSULTANT MONITORING
<p>Objective: Facilitate training opportunities for businesses provided by external trainers</p> <p>Services:</p> <ul style="list-style-type: none"> • Identification of local training needs • Identification of trainers and quality check • Facilitation of training courses through organisation of logistics and publicity <p>Funding:</p> <ul style="list-style-type: none"> • Charge firms for training and pay consultants to deliver 	<p>Objective: Provide and create relevant information for local businesses including toolkits</p> <p>Services:</p> <ul style="list-style-type: none"> • National business research at PSF disseminated e.g. radio • Library of basic materials • Development of business toolkits to tackle key issues • Monthly newsletter <p>Funding:</p> <ul style="list-style-type: none"> • Charge businesses for custom research • Charge businesses for computer usage 	<p>Objective: Facilitate access to finance by linking businesses to banks and consultant business planners</p> <p>Services:</p> <ul style="list-style-type: none"> • Maintain database of financing options • Refer businesses to consultants to write business plans • Connect clients with CEDP business plan competition <p>Funding:</p> <ul style="list-style-type: none"> • Charge consultants a small fee for referral 	<p>Objective: Create a stronger regional and national business community by facilitating linkages</p> <p>Services:</p> <ul style="list-style-type: none"> • Regular networking events • Mentoring program • Bulletin board • Showcase speakers and regional BPC winners • Annual business award <p>Funding:</p> <ul style="list-style-type: none"> • Charge businesses to attend events in order to cover organisational costs 	<p>Objective: Provide consultant contacts for businesses and ensure service quality</p> <p>Services:</p> <ul style="list-style-type: none"> • Maintain database of "certified" consultants • Assist clients to access consultants • Monitor quality of consultants and client satisfaction <p>Funding:</p> <ul style="list-style-type: none"> • Charge consultants nominal fees to be listed on database

3. Monitor business performance and review health check after 6 months

What is the current situation?

However, rapid expansion of the PSF BDS network overtook revenue streams




Expansion of the BDS network faced a major financial challenge, not only due to increasing costs, but also due to reduced donor interest from a lack of monitoring and from failing to charge for services provided

Source: OTF Group analysis and projections

4

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What is the current situation?

Some banks already recognise their key role in supporting private sector capacity

FINA Bank - SME Relationship managers

"We have never advertised our SME loan facilities in the press. We believe one-on-one meetings with SMEs are better than press communications. Big banks are not bothered to come down to talk to the customer, that's what we are capitalizing on," (FINA BANK CEO)



Operations

- Relationship managers (RMs) manage the services the bank offers to small businesses
- Each RM serves no more than 50 businesses to ensure that they keep in touch regularly
- RMs visit the small businesses in their portfolio 5 times a week
- RMs help the businesses with accounts and ensure that profit made is re-invested in the businesses
- A monitoring report of the businesses in their portfolio is presented once a month to the SME marketing manager.



Success factors

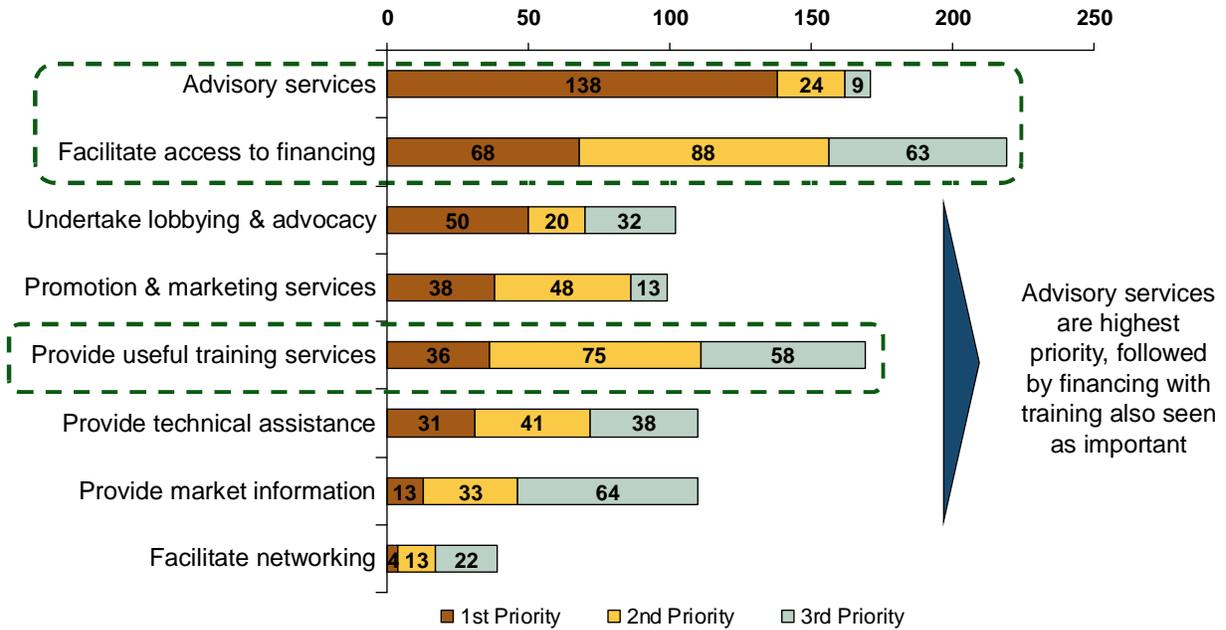
- RMs are mentored by a senior RM who starts off attending meetings with businesses
- Recruited RMs undergo a 10 week course in training course covering analysis of financial statements and customer care
- Exams are done and upon completion they become certified lenders.

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BDS Priorities

Advisory services appear to be the no. 1 priority for most businesses surveyed

Question: What should be the priorities for business development in Rwanda?



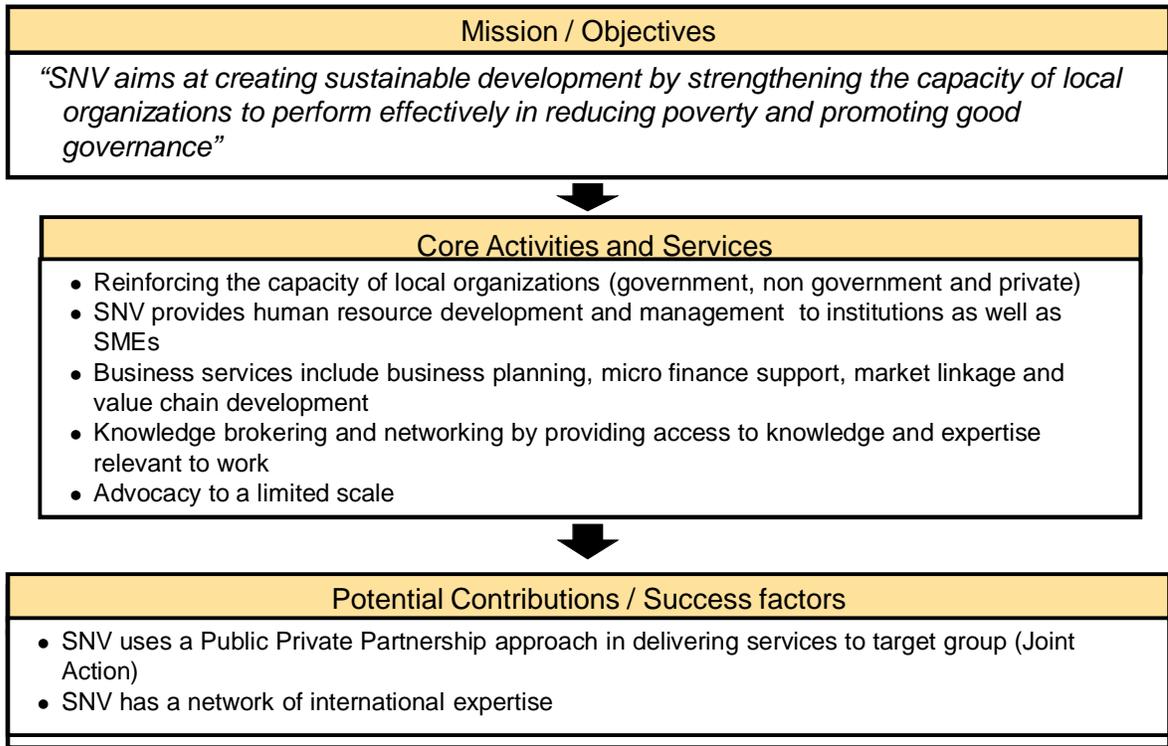
SOURCE: PSF & OTF Group, business survey January 2008, n=500*

42

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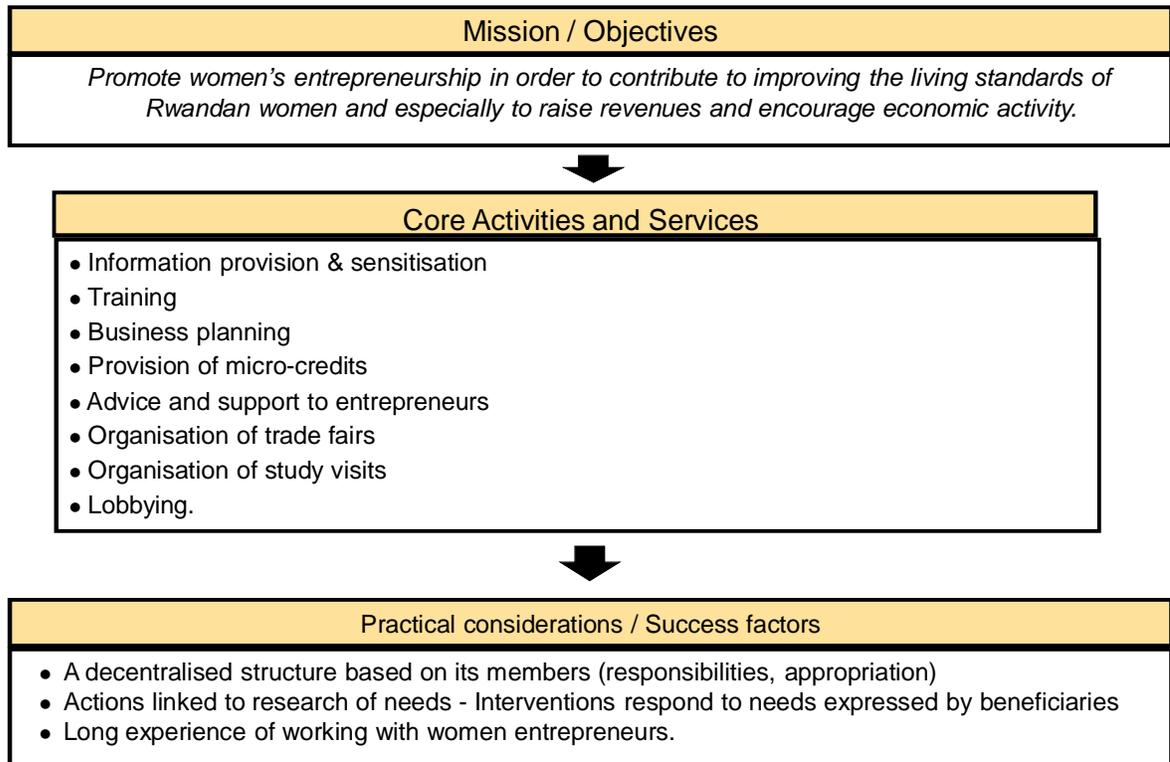
Audit of BDS network and service provision

SNV provides a one-stop shop for capacity building to address SME core challenges



Audit of BDS network and service provision

DUTERIMBERE also provides business development services focused on women



Name of organization	Other Inform	Program name	Program Description	Area of intervention					Geographical location	Target beneficiaries	Number of beneficiaries served/year, successes	Cost of Program (US\$)	Partners/Contributors
				Time Frame	Access to finance / Insurance	Literacy / Education	BDS	Extension Services					
USAID	Academy for Educational Development (AED) - INGO	Ambassador's Girls Scholarship program	Aims to address constraints to girls' participation, retention and achievement in school through various means including primary and some secondary school scholarships, mentoring, and parent and community awareness programs.	1999-		X				Secondary school aged girls	56		Forum for African Women Educationalists (FAWE)/ Rwanda Chapter
African Evangelistic Enterprise Rwanda (AEE)	Christian NGO	Education programme (Kicukiro, Gasabo and Rwamagama); Microfinance and Savings and Loans associations (Bugasera and Rubavu)	Uses a self help group approach targeting the poorest of the poor by putting them into groups of 20, identifying the need and determining which are solvable in the community and which will require additional help.	Started over 20 years ago	X	X			17 districts	Poorest of poor with a special focus on women	240 self-help groups with over 4800 women; 24 000 children receiving basic education needs met.	No data available.	USAID; Stromme Foundation

Name of organization	Other Inform	Program name	Program Description	Time Frame	Area of intervention				Geographical location	Target beneficiaries	Number of beneficiaries served/year, successes	Cost of Program (US\$)	Partners/Contributors
					Access to finance / Insurance	Literacy / Education	BDS	Extension Services					
CARE		Isaro Project	Improve access of the extremely poor to socio-economic opportunities and participation in decision making processes. 2 components: (1) economic security through saving and loans, gender and human rights; (2) CBO strengthening	Jan 2006- Dec 2013	X				Southern Province districts of Ruhango, Nyanza, Huye, Gisagara, Nyaruguru and Nyamagabe	100,000 women in 5,000 Village Savings and Loans (VSL) groups	58, 000 extremely poor people of which 80% are women	5 M	CARE Norway and NORAD
		Sustainable Access to Financial Services for Investments (SAFI)	Enhance the livelihood security and financial literacy of over 100,000 VSL members (70% to be women) with at least 30% accessing formal financial services such as savings, credit and insurance. Success and sustainability of project will allow replication of methodology and increase financial sector's ability to reach the poor with accessible, appropriate services	Feb 2009- Jan 2012	X				Select sectors where there are VSL groups	100,000 Vulnerable people (70% women) without access to any form of financial services	Estimated to benefit 5 people/household (total of at least 443,000 people).	4 M	CIDA and Mastercard Foundation
		Farmer of the Future Initiative (FOFI)	Aims to improve livelihood security for households around primary schools in 9 districts by enhancing the quality of basic education integrating sustainable Natural Resource Management and Development of rural entrepreneurship by 2009.	2006-2009		X	X		Karongi, rutsiro, Rubavu, Nyabihu, Ngororero, Nyagatare, Gatsibo, Nyamagabe, Nyaruguru	67,500 Child headed households (CHH) and out of school youth	13,500 households around 27 primary schools in 9 districts	1.2 M	CARE Austria, EU, Government of Austria
		Joint venture with International Gorilla Conservation Programme (IGCP)	Enterprise, Environment and Equity in the Virunga Landscape of the Great Lakes (EEGL)	Increase livelihood opportunities based on sustainable use of natural resources that will contribute to poverty reduction while promoting the environment's conservation. 4 components: (1) Enterprise through ecotourism and other enterprise activities that support natural resource management (NRM); (2) Participatory NRM; (3) Community Empowerment; and (4) transboundary collaboration and learning	2007-2011					Musanze, Burera, Nhabihu, Rubavu	Communities around the Virunga volcanoes	Revenue sharing with communities, establishment of community lodges and income generating activities such as community walks, cultural centers; introducing alternatives to traditional area agriculture such as apiculture with support services.	9 M

Name of organization	Other Inform	Program name	Program Description	Time Frame	Area of intervention				Geographical location	Target beneficiaries	Number of beneficiaries served/year, successes	Cost of Program (US\$)	Partners/Contributors	
					Access to finance / Insurance	Literacy / Education	BDS	Extension Services						
CARITAS		Development Prog	Allocates extension agents to a number of p	Ongoing				X	Juru, Mwogo, N	150 000 people d	Increased production, market lin	3 M		
DFID	UK government department	Land Tenure Regularization Programme	To enable the GoR to issue registered title to every landholder in Rwanda (approx. 7.9 M parcels/landholders) as a means to improve instment and agricultural productivity.	Jan 2009-October 2014								6 M	WorldBank; UN; EU; GoR; Charities; NGOs	
		Vision 2020 Umurenge Programme	To provide improved service delivery and poverty reduction at the local level	Jan 2009-Dec 2012									32.5 M	
		Access to Finances Rwanda	To deepen the capacity of Rwanda's financial sector to sustainably meet the financial needs of poor rural and urban households, micro, small and medium enterprises	Dec 2008-Mar 2012	X								800,000	
		The Education for All Fast-Track Initiative	Global partnership between donor and developing country to ensure accelerated progress towards the MDG of universal primary education. Rwanda having put primary education at the forefront and having developed a sound national education sector plan, donors provide coordinated and increased financial and technical support	2006-2015						National	MINEDUC	Budgetary support and technical ass	gaps	Targeted US \$26 M for 2007, 61 M for 2008, 65 M for 2009, and 71 M for 2010 and rest TBD - to address financing
		Education	As the lead donor, not only has the organization provided direct budgetary support to the GoR, but also assembled funds and invested in developing strategies for the sector	2002-ongoing						Primary, secondary, tertiary school age citizens, teachers	increased number of secondary school enrolments; 100 + secondary school build, construction of over 10000 classrooms, etc.			
DUTERIMBERE	NGO		To provide credit, loans and business training to women predominantly by giving individuals and cooperatives working capital loans to invest in activities that use their skills and repay loan over 12 months.	1987-	X					Women and vulnerable people			Belgian Embassy, CIDA, Alert International, Trocaire, UNIFEM, UNFPA, UFDC	

Name of organization	Other Inform	Program name	Program Description	Time Frame	Area of intervention				Geographical location	Target beneficiaries	Number of beneficiaries served/year, successes	Cost of Program (US\$)	Partners/Contributors
					Access to finance / Insurance	Literacy / Education	BDS	Extension Services					
FAWE Rwanda	In partnership with Imbuto Foundation		5 year project which seeks to promote girls staying in school, continuing with their secondary education and getting more involved in sciences and mathematics which are all hindered by poverty, cultural expectations and the school environment. Each year the program will have a different focus with the first year being increasing girl's retention and performance at primary and secondary levels through improving the system - competition for top 10 schools that show good governance, a positive environment and proactive solutions.	2010-2015	X				All schools in all districts with 10 school in ten different districts being awarded prize in terms of infrastructure, lab equipment and scholastic materials	Primary and secondary schools			
	UNHCR Rwanda	While we are waiting Project	Promote education and provide life skills both in and out of school and ensure that all 12-17 year old refugee children are involved in alternative youth programmes	2007-	X				Gihembe, Kiziba, Nyabiheke and Kigeme refugee camps focus; Gikongoro	Refugee camp children and vulnerable mothers	520 students in secondary schools, 806 in primary schools (assistance includes fees, materials, and transport fees), 228 enrolled in vocational skills trainings, 112 gender teachings, 28 contracted trainers for vocational skills training, 112 people trained in tuseme establishment of clubs in 4 camps, 140 people trained in gender teaching methodology, 52 menteors (girls from universities and higher institutions) trained in mentoring.		
	UNICEF, MINEDUC	Nabo Ni Abana Project	To address gender issues in primary education by creating catch-up centers for students you never attended or dropped out of school (3 catch-up centers to date), increase primary girls enrollment and completion of primary in these schools. Includes developing training materials, training of teachers and policy advocacy.	2003-					initially 26 schools in Gisenyi, Kigali, Kinyihira, Ruyumba, Namba and expanded now to about 50 schools	Drop-outs and girls in primary school			
Global Fund	Implemented by MoH at district levels	Mutuelle de Sante	Program focuses on improving access to health care (through financing or co-financing) and its quality (through technical assistance and training of providers) for the poor, people living with HIV/AIDS and members of vulnerable groups	2006-2010	X				Rural Kigali, Butare, Cyangugu, Gisenyi, Ruhengeri, Umutara special focus for global fund (although all 30 districts target of MoH)	Vulnerable Rwandans	85% of Rwanda's population have h	33 M	

Name of organization	Other Inform	Program name	Program Description	Area of intervention					Geographical location	Target beneficiaries	Number of beneficiaries served/year, successes	Cost of Program (US\$)	Partners/Contributors
				Time Frame	Access to finance / Insurance	Literacy / Education	BDS	Extension Services					
Global Grass Roots	Non-profit organization that supports social change for women.	<i>Invisible Vision 20/20: Teaching Women Reading, Writing & Financial Literacy</i>	To train in reading, writing and basic math skills.	Launched July 2008		X			Byimana Sector	Illiterate Women	1270	2,800	Local community, Other NGOs
		<i>Let Us build Ourselves: Illiteracy Training for Vulnerable Women</i>	To reduce illiteracy by teaching reading, writing and accounting skills as well as women's rights to increase women's participation in community activities, send their daughters to school, open a bank account and participate in the market place. Includes workshops to help women start small income generating projects using money they save.	Launched July 2008		X		Rwezamenyo Sector	Illiterate women and their families	30	3,000,000		
		<i>Kind People: Training to Promote Legal Marriage and Protect Women's Property Rights</i>	To protect women's property right to reduce abuse and promote family development	TBD		X		Ruhango District's 9 cellules	Women and their partners	180	2,950		
IFAD (International Fund for Agricultural Development)	Specialized UN agency to empower poor rural women and men in developing countries to achieve higher incomes and improved food security through low interest loans and grants to government to finance programmes that enable rural poor to overcome poverty themselves												

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MINAGRI		<i>Crop Intensification Program</i>	Seeks to improve productivity and increase use of fertilizers to address the falling trend in productivity of crops. The GoR buys fertilizer and seeds and trains and supports agronomist and farmers in sectors. In addition to provision of fertilizer and seed (maize, wheat, Irish potatoes and cassava cuttings) on credit, core activities include storage of produce at villages, organization of markets with private sector. Implementation in pilot zones and crops.	2007					Kirehe, Kayonza, Bugesera, Gatsibo, Musanze, Burera, Rulindo and Gicumbi	Rural agriculture population	27			
	Implemented	<i>PAPSTA- support project for the strategic transformation of Agriculture</i>	Implementation of PSTA II to increase income and improve food security by strengthening institutional and stakeholder capacity, dissemination of knowledge and combatting soil degradation.	2006-2013			X	X	Kirehe, Nyanza, Nyamagabe, Bugesera, Ngoroero, Gakenke	Poor farmers	2729 (of which 1279 women) trained	23.5 M	IFAD, DFID, World Food Program, Belgium grant; DED; and beneficiaries	
		<i>Projet d'Appui au System National de Vulgarisation Agricole - PASNVA</i>	Project to support MINAGRI in disseminating information to farmers through use of technologies and to facilitate uptake of information (dynamic information portal)											
		<i>Dairy Cattle Development Support Project</i>	Contributes to food security and poverty reduction through extension activities, intensification of cattle breeding, institutional building, etc.	1999-				X						African Development Fund
		<i>Bugesera Agricultural Development Support Project</i>	Strengthen food security and increase agricultural productivity through irrigation and catchment basin development, agricultural development, and capacity building of farmers and institutions	2007-2013	X		X	X	Bugesera	13 500 households	Irrigation infrastructure for 650 ha and improving rain-fed farming on 5000 ha of hills and capacity building of farmers and institutions	13 M		African Development Fund, GoR, Beneficiaries
		<i>eRwanda Project</i>	make informed market pricing decisions through an agricultural market pricing information system and will also strengthen MINAGRI's interaction with farmers. Training on use of system equipment will be provided and village phones can be used for farmers without mobile phones (program to increase mobilephony also underway through matching grant system). Field staff will be responsible for entering information into database through smartphones.	2008				X						WorldBank, RITA, MTN

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SNV (BDS)	INGO of Dutch	<i>Access and Delivery of Basic Services: Education, Energy, Water & Sanitation</i>	Support the ministry of education, districts and parent, teachers in policy formulation and in particular advocates for specific opportunities and support for girls, children with disabilities and other vulnerable groups in school	1980-		X				Girls and vulnerable children			
		<i>Sustainable and Equitable Production, Income and Employment for the poor</i>	Focusing on coffee, non-timber forest production (beekeeping) and tourism through BDSs, Financial product and service integration, market intelligence and mapping, value addition and/or product diversification, strengthening segment actors and their relationships along the value chain, stimulating policy dialogue techniques that create a more pro-poor business environment, knowledge-based development/brokering and networking.	1980-	X		X	X		The poor with special focus on girls	Facilitated increase of honey production and sale and financing for 2 cooperatives; mainstreamed pro-poor tourism principle in the sector; strengthened capacity of 39 coffee cooperative leaders; enable coffee value addition activities for 5 cooperatives		
	In partnership	<i>Women Economic Empowerment</i>	Promote partnerships between different development partners and GoR, strengthen capacity of women entrepreneurs to access markets and add value to their product, strengthen the technical capacity of women association, provide financial support to conduct study on feminized poverty .	2009-2010								95,000	

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World Bank		Second Rural Sector Support Project	To increase agricultural production and marketing in marshland and hillside areas by assisting rural households to expand and intensify sustainable crop production systems and increase their participation in agricultural markets	Approved June 2008							35 M		
	Implemented by Minagri	Rural Sector Support Project	To revitalize the rural economy and thereby increase rural incomes and reduce poverty by sustained transfer of financial and technical resources to provide the technology, infrastructure, support services and institutional capacity. <u>RSSP1 (2001-2008)</u> : build institutional, technical and human capacity to support sustainable intensification technologies in marshlands and surrounding hillsides. <u>RSSP2 (2008-2013)</u> : broadening and deepening support to accelerate pace of intensification and commercialization of agriculture production. <u>RSSP3 (2013-2018)</u> : promote diversification of economic activities.	2001-2018					X	Rural poor	39 M	WorldBank (US \$35M); GOR (US\$ 2M), Beneficiaries/Local Government (US\$2M)	
		Land Husbandry, WaterHarvesting and Hillside Irrigation Project (LWH)	2 phased program to implement improved land-husbandry and increase productivity in 101 pilot watersheds covering 30,250 ha (12,000 ha will be irrigated and 20,000 ha will be terraced by end of program). Program has 3 components: (1) capacity development and institutional strengthening including support to farmer organizations, extension services to farmers and support to marketing and financing activities.	2009-2013								200 M	(1) Increase agricultural productivity of selected crops in targeted areas (MT/ha); (2) Increase productivity of targeted areas (\$/ha); and (3) increase share in commercialized products from targeted areas.
		Integrated Management of Critical Ecosystem Project	To help farmers to adopt sustainable agricultural intensification technologies that increase agricultural productivity and improve livelihood while protecting the natural resource base	Approved in June 2005								4.3 M	
		Human Resource Development Project	To build Rwanda's human resources and institutional capacity to deliver education services with specific actions geared to, among others, improve access to basic education and the quality of primary and secondary education.	Approved June 2000								33.4 M	
		First Community Living Standard	To support GOR's social protection and health policy reforms designed to reduce extreme poverty (initially 30 pilot sectors), and to expand access to high-impact health, nutrition and population interventions at the community level.	Approved April 2009								6 M	

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World Vision	District Area Development Program (ADP) - 1.3 million people served through 22 long-term programmes	Addresses needs within its mandate at the district level and the district programs are tailored.	Trains teachers and assists orphans and vulnerable children with school fees and materials	Community programs since 2000 and average 10 year commitment		X			Nyamata, Ngenda, Gashora, Kahi, Rugarma	Children	20,000 orphans and vulnerable children; 50,000 sponsored children with school fees and materials		
			Increasing access to health care through community medical insurance scheme		X				Nyamata, Ngenda, Gashora, Kahi, Rugarma	Children	60,000 children given access to health care.		
			Helps orphans, vulnerable children and widows to start income-generation activities				X		Nyamata, Ngenda, Gashora, Kahi, Rugarma				
			Trains farmers on modern agricultural methods.		X			X	Nyamata, Ngenda, Gashora, Kahi, Rugarma				
			Helps communities to reduce vulnerabilities and build resilience to natural disasters					X	Nyamata, Ngenda, Gashora, Kahi, Rugarma	Poor rural communities			
			Provides loans to farmers' cooperatives through the Vision Finance Company, a microfinance affiliate of World Vision and the Vision Fund		1999-	X					Poor entrepreneurs	Over 10,000 active borrower of which	2.5 M outstanding portfolio