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# MICRO-FINANCE INSTITUTION LANDSCAPE ASSESSMENT

for the Democratic Republic of the Congo

**OCTOBER 2022**

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# ASSESSMENT REPORT

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# ACRONYMS

<b>ABA-ROLI</b>	American Bar Association-Rule of Law Initiative
<b>AMSA</b>	Association de Multiplicateurs des Semences Amélioré
<b>ANIMF-RDC</b>	Association Nationale des Institutions de Micro Finance en République Démocratique du Congo
<b>APROCEC</b>	Association Professionnelle des Coopératives d'Épargne et de Crédit de la République Démocratique du Congo
<b>BCC</b>	Banque Centrale du Congo
<b>BCDC</b>	Banque Commerciale du Congo
<b>CEAC</b>	Communauté Évangélique de l'Alliance au Congo
<b>CDCS</b>	Country Development and Cooperation Strategy
<b>C-GBV</b>	Counter Gender-Based Violence
<b>COOPEC</b>	Coopérative Primaire d'Épargne et de Crédit
<b>CRS</b>	Catholic Relief Services
<b>DFC</b>	Development Finance Corporation
<b>DRC</b>	Democratic Republic of the Congo
<b>EDC</b>	Education Development Center
<b>FGD</b>	Focus Group Discussion
<b>FINCA</b>	Foundation for International Community Assistance
<b>FY</b>	Fiscal Year
<b>GCA</b>	Gorilla Coffee Alliance
<b>GDP</b>	Gross Domestic Product
<b>HNI</b>	Human Network International
<b>IDCE</b>	Initiative du Développement de la Communauté Eyano
<b>IMA</b>	Interchurch Medical Assistance
<b>IP</b>	Implementing Partner
<b>IYDA</b>	Integrated Youth Development Activity
<b>KII</b>	Key Informant Interview
<b>MFI</b>	Microfinance Institutions
<b>NGO</b>	Non-Government Organization
<b>PAIDEK</b>	Programme d'Appui aux Initiatives de Développement Économique du Kivu
<b>PDEC</b>	Partnership for the Development of Eastern Congo
<b>REFED</b>	Réseaux Femmes et Développement
<b>SILC</b>	Savings and Internal Lending Communities
<b>SLR</b>	Strengthening Livelihoods and Resilience
<b>SMICO</b>	Société de Microcrédits Congolais
<b>SVC</b>	Strengthening Value Chain
<b>TCMR</b>	Tanganyika Conflict Mitigation And Reconciliation
<b>USAID</b>	United States Agency for International Development
<b>U.S.</b>	United States
<b>VSLA</b>	Village Saving and Loan Association
<b>WORTH</b>	Women Organizing Resources Together



# EXECUTIVE SUMMARY

## BACKGROUND

The financial sector in the Democratic Republic of the Congo (DRC) has been expanding with the establishment of Microfinance Institutions (MFIs) which serve many clients, manage a substantial loan portfolio, and hold an important share of the financial assets for marginalized populations. These MFIs have promoted financial inclusion by increasing access to credit for low-income people and small-scale entrepreneurs who constitute the largest part of the informal economy. Savings and Credit Cooperatives (in French *Coopérative Primaire d'Épargne et de Crédit* [COOPECs]) and MFIs are financial institutions licensed by the Bank Central du Congo (BCC).

In the Country Development and Cooperation Strategy (CDCS 2020–2025), the United States Agency for International Development (USAID) reaffirms its commitment to support marginalized communities to access financial services, improving their livelihoods and reducing poverty at local level. To guide the design of programs aimed at strengthening MFIs, including Village Saving and Loan Association (VSLAs), it was important to understand knowledge gaps by gathering information on the current situation at both national, provincial, and local levels. The purpose of this assessment was to gather evidence to assist USAID/DRC to better plan and optimize microenterprise and microfinance initiatives for rural and poor Congolese citizens.

## METHODOLOGY

The assessment was conducted across six provinces (Ituri, North Kivu, South Kivu, Kinshasa, Haut Katanga and Kasai Central) in the DRC. A total of seven researchers were recruited locally in their respective provinces. Two researchers were assigned to collect data in Kinshasa Province. A training workshop was organized in Kinshasa which allowed the researchers to interact with each other, ask questions, participate in role plays and contextualize the questions in local languages.

At the end of the training workshop, the data collection tools were pilot tested using face-to-face interviews with targeted MFIs not part of the landscape assessment in Kinshasa, Haut-Katanga and North Kivu. Feedback from the pilot-testing exercise enabled the assessment team to modify and validate the data collection tools.

Data collection used a mixed-methods approach comprising literature review, an online survey, Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs). Audio-recordings of qualitative data and written notes were transcribed either from French or local languages to English. The transcribed qualitative data was transferred to Microsoft Excel to allow for content analysis. Quantitative data collected on the online platform was downloaded and analyzed using Microsoft Excel and the findings presented using various visualization methods. Finally, an integrated analysis of qualitative and quantitative data was performed to identify key findings and gaps and provided the basis for generating conclusions and recommendations.

This assessment faced a few challenges. Firstly, the contact details of MFIs and COOPECs sourced from Association Nationale des Institutions de Micro Finance en République Démocratique du Congo (ANIMF-RDC) were outdated, making it difficult to make appointments. However, the assessment team was able to reach these MFIs using contact details provided by neighboring businesses. Secondly, a few MFIs did not have time to participate in the assessment, prompting the team to look for replacements. These setbacks did not compromise the quality of the data collected, as the team conducted high-quality interviews and discussions. Lastly, most MFIs did not respond to the online survey even after several follow-up by email and phone calls. To address this challenge, the assessment team decided to physically visit their offices and collected the data using a hardcopy version of the quantitative online questionnaire.

The major limitation was that the landscape assessment was unable to collect indicators on (a) growth of portfolio of clients; (b) percentage of



growth expressed in available U.S. dollar value for microcredit and loans; and (c) change in eligibility criteria or procedure for accessing microcredit and loans due to non-availability of data from MFIs. Gaps in the data were addressed with information from the online survey. These challenges and limitations are not significant and do not have any implications on the findings and recommendations from this assessment.

## FINDINGS

Of the 17 MFIs that participated in the assessment, only three (FINCA, Kitumaini and PAIDEK in South Kivu) have received financial support from USAID. There was a lack of awareness among MFIs of the finance tools and support that USAID offers to MFIs. None of the 13 COOPECs that participated in the assessment was collaborating with any USAID-funded activity. USAID, through its funded projects (e.g., the SVC Activity), has been collaborating with local banks and MFIs (Kitumaini and PAIDEK) as well as local producer organizations, VSLAs, and cooperatives to increase access to credit for low-income individuals.

USAID has recently entered into a partnership with a local bank to increase access to financial services and products for artisanal and small-scale mining (ASM) operators in eastern DRC under the Zahabu Safi (Clean Gold) Project. Under the partnership, this bank will invest \$500,000 of its own funds combined with \$200,000 in grant financing from USAID's Zahabu Safi (Clean Gold) Project to increase access to working capital to cooperatives, traders and exporters. USAID has also supported some MFIs in the DRC to provide financial services to small-scale entrepreneurs that constitute the largest part of the informal economy. These MFIs have been able to expand access to credit and digital financial services for low-income Congolese citizens.

USAID has provided technical support to Kitumaini MFI via Tetra Tech, to support their agricultural credit efforts in the Kabare territory in South Kivu. Kitumaini received training to help improve their knowledge and understanding of the agricultural value chain and their tools for agricultural lending. There are several other USAID-funded projects which have established VSLA groups and help increase access to savings and loans for low-income individuals. USAID-funded implementing partners (IPs) have been supporting and strengthening the capacity of VSLAs groups (in governance, financial literacy, cash management, credit risk management and other areas) which has increased their potential and promoted the sustainability of these groups.

Among the MFIs, Societe des Microcredits Congolais (SMICO) (Ituri), Baobab RDC (Kinshasa), Institution Financières pour les Œuvres de Développement SA (IFOD) (Kinshasa), Tujenge (Haut Kananga), IMF Hekima SA (North Kivu) and PAIDEK (North and South Kivu) are the most effective in reaching a large number of clients with their savings products. PAIDEK and IMF Hekima SA have the largest number of borrowers and are the most effective in mobilizing female borrowers. PAIDEK usually takes a short time to approve loans and the flexibility of their agriculture loans contributes to their effectiveness. COOPECs have fewer clients and mobilize fewer savers compared to MFIs. The COOPEC with the largest number of clients and savers is La mutuelle d'épargne et de crédit du Congo (MECRECO). COOPECs also support saving groups, with COOPEC MKONO MKONONI and MEC IDECE supporting the highest number of savings groups. While COOPECs like MECRECO have a substantial number of borrowers, they prioritize individuals and do not provide credit to saving groups.

VSLAs have enabled individuals in the community to pool their savings together so that members have the chance to take out small loans (and make repayments with a small interest) or for the group to start a business activity. Most of the respondents in this assessment indicated that women-led VSLA groups are more successful than those led by men. This is because women were perceived to be trustworthy, active, dedicated, open and transparent. Women in VSLAs are empowered and occupy high-level positions (e.g., chairperson, treasurer, secretary) within VLSA groups. Respondents mentioned that women-led VSLAs succeeded when men did not interfere to weaken their leadership, as some men belittled the women and wanted to lead the group. Some respondents opined that successfully managing a VSLA does not depend on gender but on the group leader's integrity. Proponents of this thought believed VSLAs were designed to promote women economic empowerment because of their general marginalization in the communities.

MFIs in the DRC apply a variety of client growth strategies. Many MFIs increase their capital base through additional investments, grants, guarantees and savings deposits. MFIs have placed a great importance on digitization and technological investment to drive efficiency and financial inclusion in their operations. Other strategies used by MFIs to increase their client base include organizing financial education sessions for the public at their offices; organizing publicity campaigns at schools, institutions, markets, and farmers' organizations; establishing branches in places where there are no financial institutions; and improving customer satisfaction in terms of financial and non-

financial services. There are several potential areas of collaboration between USAID and MFIs in agriculture, renewable energy, and climate microfinance, which would support their growth strategies.

There was no existing policy framework to guide the formalization of VSLAs in DRC. Current approaches to formalizing VSLAs have been successfully implemented through USAID-funded projects that have facilitated the interaction between VSLAs and MFIs at various levels. USAID-funded activities with a livelihood component have been supporting VSLA groups at local level. Membership to these VSLA groups is open to any individual in the community as there is no discrimination on who should belong to these groups. As a result, even individuals from marginalized communities such as stigmatized women, disabled persons and members from ethnic minority groups have access to VSLAs.

## CONCLUSIONS

USAID has been promoting financial inclusion in the DRC and has partnered with some financial institutions to help increase access to microcredit and savings to low-income individuals. Only a few MFIs have received direct financial support from USAID. COOPECs have not received financial assistance from USAID. Most MFIs and COOPECs are not aware that they could receive financial support from USAID. Overall, the MFIs that have received support have partnered with local organizations and communities to increase access to financial services to the poor and marginalized populations. In the past years, MFIs and COOPECs have made great strides in connecting people to financial services; however, gaps still exist. There is still limited technical and financial capacity of MFIs to assess and manage risks, high staff turnover and a lack of general management skills that limit their reach to potential clients and groups.

USAID-funded organizations have invested in establishing new and/or strengthening the capacity of existing VSLA groups in many communities. These VSLA groups have received training in financial literacy, cash management, and credit risk management which has increased their potential and promoted their sustainability. VSLA groups have played an important role in improving access to savings and loans services for poor Congolese citizens, which has contributed to bettering the livelihoods of local populations. Due to the

presence of these VSLAs in communities, people can make improved financial decisions such as investing in their farms, sending their children to school, and establishing businesses or savings for unexpected events like illnesses. Interestingly, this assessment found that women-led VLSA groups are more successful than those led by men. VSLA groups supported by USAID-funded organizations have a non-discriminatory policy towards group membership. Consequently, any interested individual in the community is free to join a VSLA group of his/her choice without any form of discrimination.

Although VSLAs in the DRC fill a gap by facilitating access to informal financial services to poor and low-income individuals, there is currently no national regulatory framework governing VSLAs in the country. However, some actions (although not adequate) to formalize VSLAs have been successfully implemented through USAID-funded projects using approaches that facilitate the interaction between VSLAs and MFIs at various levels. There is need for more awareness raising amongst VSLAs for these initiatives to produce tangible results.

There is a strong indication that more diverse MFI strategies for increasing their number of clients are related to the amount of the capital base, technical capacity of portfolio managers and agents, the presence of staff incentives, and use of technology/digitization. The most common MFI client growth strategies involve increasing the capital base, retaining and expanding their client base and recruiting loan officers to improve the quality of services provided. Additionally, investments and loan portfolio guarantees from donors like USAID, and more support towards greater mobilization of savings deposits would be supportive of these growth strategies.

Although data on performance indicators was limited, financial performance and outreach varied across the MFIs and COOPECs that participated in the assessment with regards to indicators such as number of clients, active accounts, number of borrowers, and percentage of female borrowers. Among the MFIs, SMICO (Ituri), Baobab RDC (Kinshasa), Institution Financières pour les Œuvres de Développement SA (IFOD) (Kinshasa), Tujenge (Haut Kananga), IMF Hekima SA (North Kivu) and

PAIDEK (North and South Kivu) were the most effective in reaching a large number of clients with their services. PAIDEK and IMF Hekima were the most effective in mobilizing female borrowers and are potential partners for USAID livelihood programs that promote gender and women's economic empowerment. The COOPEC with the largest number of borrowers was COOPEC MKONO MKONONI and it also supports the largest number of savings groups.

Most MFIs are using safeguards such as joint and solidarity guarantees, self-selection and engagement with respective management committees to manage financial risks. However, there is still reluctance to engage fully with VSLAs due to their non-legal status. MFIs have been providing financial literacy and regular follow-up for the credits that were granted, but it is still insufficient to manage the risks associated with working with VSLAs.

## RECOMMENDATIONS

- i. USAID should continue to **promote financial inclusion** by contributing to increased access to financial services for the Congolese population, thereby fueling economic growth and improving livelihood opportunities. USAID should improve the capitalization of MFIs by increasing access to guarantee funding and explore opportunities for linking MFIs to commercial banks. The desired financial support can be provided in the form of a guarantee fund, line of financing or subsidies. A guarantee fund would enable the MFI to serve the poor members of the population who do not have any collateral or adequate guarantees. While promoting financial inclusion in the DRC, USAID should also strengthen the technical and financial capacity of MFIs and COOPECs in the country.
- ii. USAID should continue to **fund projects with a livelihood component** to enable beneficiary implementing partners to continue to establish new or strengthen existing VSLA groups in the different communities given their benefits. The VSLA groups should continue to receive training on financial literacy, promoting increased utilization and demand for formal financial products, increased savings, and better decision-making regarding the investments by group members. Financial literacy and education programs should optimize existing platforms and approaches in collaboration with MFIs. USAID-funded organizations should continue to train women on how to run VSLAs, save money, borrow and start businesses, write the constitution, and address other issues of governance.
- iii. USAID should **support the BCC to establish a code and legal framework for VSLAs**. The main task of the BCC would be to outline a common definition of formalization and develop incentives for MFIs to support VSLAs to be formalized. The policy options could include incentives for MFIs to become a one-stop-shop for information on financial services and enterprise formalization. In pursuit of developing a legal framework on VSLAs in the DRC, USAID could support the government in applying the MFI law as a model for a new legal framework for VSLAs in the country. There should be increased regulation to manage problems commonly associated with VSLAs, including fraud and theft.
- iv. USAID should **support MFIs' client growth strategies** by increasing the MFI capital base and building the capacity of portfolio managers and agents. USAID can consider providing grants, loans, and equity investment and credit guarantees to MFI partners and provide technical capacity on greater mobilization of savings deposits. USAID should also support MFIs and COOPECs in their efforts towards digitization (e.g., software and digital apps) and capacity building. This will enable these financial institutions to increase operational efficiency, open additional distribution channels, extend their geographical coverage and develop new products and services. Digitalization would help MFIs and COOPECs save time in providing services to clients and improve their working conditions.
- v. USAID should **target MFIs and COOPECs by savings groups** regardless of the number of registered clients. Alternatively, USAID should partner with MFIs based on the extent of their outreach and the highest number of female borrowers. Overall, USAID should conduct a financial performance review of MFIs and COOPECs in the DRC and based on the findings determine which of these financial institutions are suitable for engagement in a partnership. Capacity strengthening should be provided to those with weak financial indicators.



# I. BACKGROUND

In the DRC, the financial sector has been expanding with the establishment of MFIs which serve many clients, manage a substantial loan portfolio, and hold an important share of the financial assets for marginalized populations.<sup>1</sup> These MFIs have promoted financial inclusion by increasing access to credit for low-income people and small-scale entrepreneurs who constitute the largest part of the informal economy.<sup>2</sup>

COOPECs and MFIs are formal microfinance institutions licensed by the BCC. COOPECs date back to the 1970s, based on the principles of unity, solidarity, and mutual aid. Their goal is to assist their members to access financial services such as savings and loans. Since 2012, COOPECs have been organized under a national umbrella association called the Association Professionnelle des Coopératives d'Épargne et de Crédit de la République Démocratique du Congo (APROCEC).<sup>3</sup> In the context of the DRC, COOPECs are not considered MFIs, unlike in other countries.

MFIs are commercial companies, developed in the 2000s, that offer microfinance services. In the DRC, they are divided into two categories: microcredit enterprises (“Entreprise de micro crédit”) which only provide loans and need to have a minimum share capital of \$250,000; and microfinance enterprises (“Société de microfinance”) which provide credit and receive savings from clients and need to have a minimum share capital of \$700,000. Since 2021, MFIs have been organized in a national umbrella association known as the Association Nationale des Institutions de Microfinance en RDC (ANIMF-RDC).<sup>4</sup>

The VSLA is a type of microfinance model whereby savings groups are formed in a community to reduce poverty by financially and socially empowering poor and vulnerable individuals. VSLAs consist of groups of women and/or men who meet periodically (weekly,

biweekly, or monthly) to save together and take small loans from those savings. A VSLA is a self-managed and self-selected group that does not receive any outside funding as the money is generated by group members. VSLAs provide a safe place where members can save their money, access loans and obtain emergency insurance.

The VSLA model was introduced in the DRC by CARE International in early 2010 in the provinces of Maniema, North Kivu, and South Kivu for women under the Tuungane program. Other NGOs have since adopted and expanded the model to more parts of the country. When properly set up, VSLAs create a safe space in which the local population, especially women, can save, access credit, receive support when faced with personal emergencies, and build a social support network.

The United States Government through USAID has been a strong partner to support socio-economic development in the DRC. In the Country Development and Cooperation Strategy (CDCS 2020-2025), USAID reaffirms its commitment to assist the DRC to create a more transparent and efficient business-enabling environment and increase trust and social capital, alleviating poverty and creating greater economic opportunities.<sup>6</sup> USAID is also committed to support marginalized communities to access financial services, improving their livelihoods and reducing poverty at local level. To guide USAID design programs aimed at strengthening MFIs including VSLAs, it was important to understand knowledge gaps by gathering information on the current situation at national, provincial, and local levels. The purpose of this assessment was to gather evidence to assist USAID/DRC to better plan and optimize microenterprise and microfinance initiatives for rural and poor Congolese citizens.

<sup>1</sup> Macro financial Linkage for the Democratic Republic of the Congo. Available at <https://www.elibrary.imf.org/view/journals/002/2019/286/article-A004-en.xml> (Accessed 2 June 2022).

<sup>2</sup> FINCA (2017). IFC, The MasterCard Foundation and FINCA Support Expansion of Financial Inclusion in the DRC Available at: <https://finca.org/press-release/agreement-expansion-financial-inclusion-drc/> (Accessed 2 June 2022).

<sup>3</sup> Microfinance Landscape Assessment Desk Review Report, June 2022.

<sup>4</sup> Ibid

<sup>5</sup> CARE (2021). Village Savings and Loans. Available at: <https://www.care.org.au/wp-content/uploads/2014/12/CARE-VSLA-Report-Uganda-Eco-Devel.pdf> (Accessed 4 June 2022)

<sup>6</sup> CDCS (2020-2025). Country Development Cooperation Strategy (CDCS) - Democratic Republic of the Congo

# 2. METHODOLOGY

The assessment was conducted across six provinces (Ituri, North Kivu, South Kivu, Kinshasa, Haut Katanga and Kasai Central) in the DRC and comprised three main phases:

**Phase 1:** Training of researchers took place from August 8 and August 9, 2022, in Kinshasa. A total of seven researchers were recruited locally in their respective provinces. Two researchers were assigned to collect data in Kinshasa Province. The training enabled researchers to interact with each other, ask questions, participate in role plays and contextualize the questions in local languages. The training was designed to (i) give participants a brief theoretical understanding of MFIs and VSLAs in DRC, (ii) develop a common understanding of the purpose and objectives of the MFI landscape assessment in DRC, and (iii) develop practical skills on how to collect and store high-quality data (through interviews and FGDs from the field).

**Phase 2:** Piloting of data collection tools. At the end of the training workshop, the data collection tools were pilot tested with targeted MFIs not part of the landscape assessment. KIIs were conducted with one MFI in Kinshasa on August 13, 2022 and with two MFIs in Haut-Katanga and North Kivu on August 15, 2022. These were face-to-face interviews with respondents and the average duration of the interviews was 40 minutes. After piloting, observations on repetitive questions; question wording and understanding; quality of recordings; and other gaps were identified. Feedback from the pilot-testing exercise enabled the assessment team to modify and validate the data collection tools. All researchers were guided on how to improve their probing techniques and the quality of audio recordings during the data collection phase. The data collection tools (KIIs and FGD guides) were tailored for each stakeholder group identified to participate in the assessment.

**Phase 3:** Data collection used a mixed-methods approach comprising literature review, an online survey, KIIs and FGDs. The tools (KII and FGDs) were targeted at stakeholders shown in Box 1. KIIs and

FGDs were conducted between August and October 2022.

**Literature review:** The assessment team conducted a literature review to understand the current state of the microfinance sector in the DRC with the aim of informing the assessment. The team reviewed secondary data from the BCC, documents and reports from financial institutions, USAID-funded activity reports, and other donor reports.

## Box 1. Stakeholder groups that participated in the assessment

- USAID staff
- Ministry of Finance/BCC
- MFI representatives
- COOPEC representatives
- Implementation partners
- Farmer producer organizations
- Male-led VSLA groups
- Women-led VSLA groups
- Minority groups

**Online survey:** MFI Mapping in each of the selected territories was conducted using a web-based (online) data collection tool. The assessment team liaised with the National Microfinance Association and was able to gather data from 18 of the 25 targeted MFIs (72 percent response rate) across the selected provinces. The online tool collected data related to institutional types, number of years of service and client outreach (number of active clients, number of borrowers, and number of savings groups supported).

**Key Informant Interviews:** A total of 47 semi-structured KIIs were conducted with relevant stakeholders at national, provincial and community levels (Table 1). The aim of these interviews was to gather data from individuals who have personal knowledge, experiences, perceptions, and opinions about MFI and VSLA activities in the DRC. The average duration of the KIIs was 45 minutes.

<sup>7</sup>The respondents for these three provinces were: Bomoko in Kinshasa, Katanga for Haut-Katanga, and Good Harvest for North Kivu.

**Table 1. Number of KIIs conducted by stakeholder group**

Stakeholder group	No. of KIIs conducted
USAID/DRC staff	6
Ministry of Finance/BCC	2
MFIs	17
COOPECs	13
Implementing Partners	6
Farmer Producer Organizations	3
<b>TOTAL</b>	<b>47</b>

**Focus Group Discussions:** A total of 12 FGDs were conducted with men and women-led VSLA groups at the community level (see Table 2). In addition, FGDs with minority groups (Muja pygmies in North Kivu and Kabare pygmies in South Kivu) were conducted to explore their perceptions on VSLAs and determine whether such individuals experience

financial exclusion due to stigmatization. Each FGD consisted of between six to eight participants and was moderated by a trained facilitator. These FGDs helped identify and clarify shared knowledge and understating among participants, and each lasted for an average of one hour.

**Table 2. Number of FGDs conducted by stakeholder group**

Stakeholder group	No. of FGDs conducted
Male-led VSLA groups	5
Women-led VSLA groups	5
Minority groups	2
<b>TOTAL</b>	<b>12</b>

## Data Management and Analysis

Audio-recordings of qualitative data and written notes were transcribed either from French or local languages to English. The assessment team used transcribers who had extensive experience converting audio-recordings into text in diverse contexts in the DRC. The transcribed qualitative data was transferred to Microsoft Excel and arranged by question. Content analysis was used to reduce large amounts of qualitative data into manageable data relevant to the assessment questions. The assessment team reviewed the data and identified patterns, themes and categories which were organized to answer the assessment questions.

Quantitative data was collected on the online platform and downloaded into Microsoft Excel. The assessment team cleaned and analyzed the data and the findings were presented in tables and graphs. Finally, an integrated analysis of qualitative and quantitative data was performed to identify key findings and gaps and provided the basis for generating conclusions and recommendations.

## Quality Assurance

The assessment team implemented several measures to assure the quality of the data collected. The training of local qualitative researchers emphasized the importance of collecting high-quality data, followed by mock interviews and supervised practice during pre-testing of the tools. Next, the qualitative field researchers submitted the audio-recordings and written notes of their first KII and FGD to the assessment Team Leader for quality review and immediate feedback. The aim was to ensure that the

interviews were well conducted, probing questions were asked and the session was adequately recorded. The Team Leader conducted spot-checks of data submitted throughout the data collection process. All transcripts from KIIs and FGDs were reviewed and compared to the audio-recordings and any deficiencies were timely addressed. The Team Leader conducted another level of quality checks during the transcription and translation from French to English. Any errors, inaccuracies, and incompleteness were addressed immediately.

## Challenges and limitations

The major limitation was that the landscape assessment was unable to collect indicators on (a) growth of portfolio of clients; (b) percentage of growth expressed in available U.S. dollar value for microcredit and loans; and (c) change in eligibility criteria or procedure for accessing microcredit and loans due to non-availability of data from MFIs. Gaps in the data were addressed with information from the online survey. Other challenges included the following:

- i. The contact details of MFIs and COOPECs sourced from ANIMF-RDC were outdated, making it difficult to make appointments. Upon visiting the MFIs and COOPECs, some of them had either relocated or their offices had closed. In the case of the former, the assessment team were able to reach them using contact details provided by neighboring businesses.
- ii. Several MFIs did not have time to participate in the assessment prompting the team to look for replacements. SoCha and the implementing partners provided contact details for replacements. These setbacks did not compromise the quality of the data acquired, as the team conducted high-quality interviews and discussions.
- iii. Most MFIs did not respond to the online survey even after several follow-ups by email and phone calls. The team eventually visited their offices and collected the data using a hardcopy version of the quantitative online questionnaire. This data was then uploaded into the Kobo collect tool by the research coordinator, although this resulted in a two-week delay.
- iv. To the extent possible, the team addressed the challenges and limitations outlined above by devoting extra time and effort to the task. These challenges and limitations did not have any implications on the findings and recommendations from this assessment.



# 3. KEY FINDINGS

## 3.1 USAID's support to financial inclusion

This assessment found that only three (FINCA, Kitumaini and PAIDEK in South Kivu) of the 17 MFIs that participated in the assessment have received USAID community finance support. Those that did not receive this community finance support cited lack of awareness of the access to finance tools and support that USAID provides to MFIs. This microfinance support was provided under the Strengthening Value Chain (SVC) Activity funded by USAID. None of the 13 COOPECs consulted was working with USAID programming activities. The small number of MFIs working with USAID indicates a significant unmet MFI base compared to the majority that expressed funding needs to service their clients. The following section describes how USAID programming activities with community-finance or with microfinance elements are working with MFIs.

**Strengthening Value Chain Activity:** The purpose of the activity was to increase household income and improve access to nutrient-rich crops by linking small-holder farmers to strengthen inclusive

value chains and supportive market services. SVC targets the soy, dried bean, and coffee value chain development in South Kivu's four rural territories of Idjwi, Kabare, Kalehe and Walungu (see Table 3). The activity is implemented by Tetra Tech and partners under the USAID Feed the Future DRC five-year program (May 2017–May 2022). It is implemented with partner banks (Equity BCDC and FINCA) and MFIs in South Kivu (Kitumaini and PAIDEK) as well as local producer organizations, VSLAs, and cooperatives.

Through their rural lending departments, some partner banks have made a lot of progress disbursing funds to farmer organizations but are sometimes faced with budgetary and infrastructure constraints to expand their portfolio. These include the informal nature of farmers' activities, constraints encountered when attempting to leverage VSLAs to fund all farmers' financing needs, and members' over-indebtedness resulting from the VSLAs' inexperience and lack of due diligence. In its financial report for 2021, SVC indicated its willingness to strengthen the capacity of staff working in their partner banks to analyze and process credit applications from members of farmer organizations.



**Table 3. Selected USAID-funded Activities with a livelihood component**

Activity Name	Implementing Partner(s)	MFI supporting the activity	Province	Geographic coverage
Strengthening Value Chain (SVC) Strengthening Value Chain (SVC)	Tetra Tech Mercy Corps	FINCA, Kitumaini PAIDEK	South Kivu	Idjwi, Kabare, Kalehe and Walungu
Development Food Security Activity (DFSA)	Catholic Relief Services (CRS), Réseaux Femmes et Développement (REFED), Human Network International (HNI)	None	Kasaï Oriental	Cilundu, Kasansa and Miabi
Integrated Youth Development Activity (IYDA)	Education Development Center (EDC)	None	North Kivu	Goma, Beni, Butembo
			South Kivu	Bukavu, Kabare, Walungu, Kalehe
Tanganyika Conflicts Mitigation and Reconciliation (TCMR)	PACT	None	Tanganyika	Kalemie, Nyunzu, Kabalo, and Monono
Counter Gender-based Violence (C-GBV)	Interchurch Medical Assistance (World Health)	None	North Kivu	Karisimbi, Walikale
			South Kivu	Nyangezi, Bunyakiri and Katana
Baobab (CATALYZE)	Opportunity International	FINCA, Baobab	Haut Katanga	Lubumbashi
			Kinshasa	Kinshasa
			North Kivu	Goma
			South Kivu	Bukavu
Strengthening Livelihoods and Resilience (SLR)	ActionContre de Fain (ADF); Wildlife Conservation Service (WCS); Mercy Corps	None	Ituri	Ituri Province
Resilience Food Security Activity (RFSA)	Catholic Relief Services (CRS), Caritas Mbuji Mayi, Réseaux Femmes et Développement (REFED) and Human Network International (HNI)	None	Kasai Oriental	Chilundu, Kasama and Miabi

SVC has been providing technical assistance to two MFIs: Kitumaini and PAIDEK.<sup>8</sup> Both MFIs are active within territories where SVC intervenes and have expressed an interest in increasing both the diversity and volume of their loan portfolios. SVC was interested because of the MFIs' potential to fill the gap in financing between the VSLAs and the commercial banks.

USAID provided technical support to Kitumaini MFI via Tetra Tech to support their agricultural credit efforts in the Kabare territory in South Kivu. In 2021,

USAID provided training and appropriate tools to help improve their knowledge and understanding of the agricultural value chain and their tools for agricultural lending. Tetra Tech efforts enabled Kitumaini MFI to disburse appropriate loan amounts and train farmers and producers in agricultural credit. Kitumaini received credit requests from members of the Association des Multiplicateurs de Semences Améliorées (AMSA) in the Kabare territory.<sup>9</sup> The agriculture credits of Kitumaini and PAIDEK MFIs are summarized in Table 4.

**Table 4. Agriculture credits of Kitumaini and PAIDEK**

MFI	Type of activity	Number of loans	Amount loaned
Kitumaini (Kabari territory)	Bean, onion, soy, maize, tomato production	6	\$12,800 (the majority of loans are for repeat clients)
PAIDEK (Idjwi branch)	Finance field work for paying laborers	11	\$22,180
PAIDEK (Beni, Butembo, Uvira branches)	Agriculture loans	15	\$48,500

Source: Feed the Future DRC Strengthening Value Chains Activity Q2FY22 Quarterly Report (January-March 2022).

Kitumaini MFI appreciated the formalization of the partnership with Tetra Tech through a Memorandum of Understanding (MoU) and the technical support and training it received. However, it faces challenges with defaulting payments from producer organizations and low literacy rates of members, which calls for further training and adaptation of agriculture lending products.

Tetra Tech has been in partnership with Equity BCDC to strengthen MFIs' capacities and tools to better serve farmers or VSLAs. Equity BCDC provided specific training courses to MFI staff (loan officers, supervisors) on credit assessment and the use of analysis grids. The loan officers and supervisors were trained on how to supervise groups, set objectives, and define trends in the microfinance sector. In addition to the training, Tetra Tech mentored farmer organizations through visits and meetings and encouraged them to contribute to the financial organization. Tetra Tech has worked to diversify sources of funding to better support VSLAs but has noticed that some MFIs are over-indebted (outstanding loans are far higher than their capital base), and are limited in their lending capacity due to the size of their capital base or borrowing, which means MFIs require more capital to

increase their lending.

Apart from the above initiatives, SVC worked with a consultant and identified multiple constraints common to both Kitumaini and PAIDEK. These include inconsistencies between the policies and procedures and their respect for and application by staff; an insufficient number and technical capacity of staff, especially loan officers; a lack of technical experts with either an agronomic or agricultural economics background; high staff turnover; insufficient credit policies towards farmers; lack of risk management mechanisms; insufficient tools and methodology for the evaluation and management of agricultural credit—cash flows are evaluated poorly, and clients' balance sheets and levels of indebtedness are not assessed when making lending decisions; little prospecting of clients; and the lack of a marketing strategy in place.<sup>10</sup> While the SVC consultant will provide training to upgrade the capacities; tools; financial product offerings; and lending, administrative and personnel policies and procedures for each MFI, a gap still remains to strengthen their reach and increase and diversifying their lending portfolios.

<sup>8</sup> Feed the Future DRC Strengthening Value Chains Activity Q2FY22 Quarterly Report (January–March 2022).

<sup>9</sup> Microfinance Landscape Assessment Desk Review Report, June 2022.

<sup>10</sup> Feed the Future DRC Strengthening Value Chains Activity Q2FY22 Quarterly Report (January-March 2022)

### **Resilience Food Security Activity (RFSA):**

The activity, named Budikadidi, which means “self-sufficiency” in Tshiluba, was implemented in Kasai Oriental Province. The activity was awarded to Catholic Relief Services (CRS) as the prime partner, with Caritas Mbuji Mayi, Réseaux Femmes et Développement (REFED), and Human Network International (HNI) as subpartners in three rural health zones (Chilundu, Kasama and Miabi).<sup>11</sup> Budikadidi interventions addressed limited access to diversified foods in sufficient quantity and quality, seeds, seed saving or improved storage, unaccountable institutions and structures, poor governance, limited livelihood opportunities, and inaccessible and unintegrated markets.

The activity supported 1,898 VSLAs during its implementation years from 2006 to 2021. Of the VSLA groups supported, 53 percent were women-led.<sup>12</sup> The USAID activity database showed that the cumulative savings of active VSLA groups reached \$179,951, while the value of loans grew from \$83,912 to \$162,257 in FY 2021. VSLAs’ participants increased from 37,553 (55.9 percent of whom were women) in 2019 to 45,196 in 2021. Efforts towards linking VSLAs to MFIs was not successful.<sup>13</sup> On one hand, there was low turnout of MFIs in the supported health zones due to high transactional costs associated with attending meetings with VSLAs. Furthermore, VSLAs had not been trained on financial literacy and income generating activities, providing a high risk for MFIs. As a result, both MFIs and VSLAs require technical and financial support to facilitate and strengthen their partnerships.

### **Integrated Youth Development Activity**

**(IYDA):** From 2018 to 2022, Education Development Center (EDC) and its partners implemented the USAID/DRC-funded IYDA. The project increased the resilience of vulnerable youth by strengthening access to alternative learning opportunities, critical life skills, and livelihoods support in conflict-affected urban and rural communities of North and South Kivu. To build youths’ resilience to conflict and violence, IYDA supported youth Savings and Internal Lending Communities (SILC). At closeout of the project in 2021, 99 of the 100 SILC groups established remained functional, having completed the end of their second savings cycles and the sharing of dividends.<sup>14</sup> A total

of 2,182 youth (1,539 young women), participated in SILCs. In Walungu, SILCs collected cumulative savings from 99 groups totaling \$123,723 and financial assets (savings plus interest) of \$170,197, representing an interest rate of 37.55 percent. Although the IYDA recorded significant success with SILCs, EDC had not started working with MFIs. EDC confirmed that the best youth group in Goma managed to save more than \$18,000 which helped them to self-finance other income generating activities.

The main challenge reported by EDC in North Kivu is the high turnover rate of youth members in search of other opportunities, which undermines the functioning and sustainability of SILCs. The nine-month duration associated with the SILC approach is perceived by youths as being too long, thus prompting dropouts. EDC emphasized the need for more awareness and linkages with MFIs as this could be an opportunity for creating products that meet the needs of youth in the community. Another challenge relates to the sustainability of these SILC groups at the end of the project cycle.

### **Tanganyika Conflicts Mitigation and Reconciliation (TCMR):**

The USAID-funded TCMR aims to reduce the incidence of conflict between the Batwa and Baluba people in the Territories of Kalemie, Nyunzu, Kabalo, and Monono by mitigating conflicts, creating shared economic opportunities, and building social cohesion. It supports intercommunity dialogues among women and youth groups in their efforts to promote peace, and includes facilitating access to microcredit using VSLAs. VSLAs under the TCMR are implemented by PACT, which works with local organizations.<sup>15</sup> TCMR established and strengthened 16 Women Organizing Resources Together (WORTH) groups (which is PACT’s successful VLSA model) which consisted of 317 participants who collectively saved \$3,900 and provided 92 loans totaling \$3,050.<sup>16</sup> Despite the WORTH groups being in place, there have been no efforts towards linking them to MFIs.

### **Counter Gender-based Violence (C-GBV):**

The USAID CGBV (or “Tushinde Ujeuri” in Swahili) is a comprehensive program to help communities respond to and prevent gender-based violence and Trafficking in Persons (TIP) in the DRC.<sup>17</sup> Interchurch

<sup>11</sup> <https://ncaclusa.coop/programs/current-projects/>

<sup>12</sup> *Microfinance Landscape Assessment Desk Review Report, June 2022*

<sup>13</sup> *Ibid*

<sup>14</sup> USAID/DRC *Integrated Youth Development Activity (IYDA) Annual Progress Report Year 3 October 2020 – September 2021*. USAID/DRC Cooperative Agreement 72066018CA00003. Available at: [https://pdf.usaid.gov/pdf\\_docs/PA00ZKTW.pdf](https://pdf.usaid.gov/pdf_docs/PA00ZKTW.pdf)

<sup>15</sup> Pact is an international non-profit that works in nearly 40 countries building solutions for human development that are evidence-based, data-driven and owned by the communities we serve.

<sup>16</sup> USAID-Funded Tanganyika Conflict Mitigation And Reconciliation (TCMR) Activity Annual Progress Report - Fiscal Year 2021. October 1, 2020, to September 30, 2021

<sup>17</sup> IMA, 2020. *Counter Gender-Based Violence Program Quarter 1 Report – FY20*. Available at: [https://pdf.usaid.gov/pdf\\_docs/PA00WQJ6.pdf](https://pdf.usaid.gov/pdf_docs/PA00WQJ6.pdf)

Medical Assistance (IMA) World Health implements the C-GBV Program in partnership with a consortium of technical and implementing partners.<sup>18</sup> HEAL Africa leads implementation in two health zones in North Kivu (Walikale and Karisimbi) while Panzi Foundation leads implementation in three health zones in South Kivu (Bunyakari, Katana, and Nyangezi). The American Bar Association-Rule of Law Initiative (ABA-ROLI), Search for Common Ground, University of Washington, Johns Hopkins University, and Overseas Strategic Consulting Limited provide specialized technical assistance.

Interviews with IMA World Health confirmed that USAID's support to the C-GBV project offered a holistic response to survivors of sexual and gender-based violence. The emphasis on gender equality and the empowerment of women had increased women's access to productive resources through VSLA activities. IMA provides technical support by providing training on the VSLA methodology as well as providing work kits to pilot VSLA groups. Through community awareness raising and information campaigns, IMA World Health supported gender-based violence survivors through 859 VSLAs where the multiplier effects led 128 survivors (out of 1,183 members) to engage in income generating activities.<sup>19</sup>

VSLA groups supported by IMA World Health remained operational and led to the establishment of other VSLA groups in the project communities. However, the activity faced challenges related to insecurity, the absence of MFIs and COOPECs in most project areas, limited legal regulatory frameworks for VSLAs in DRC; and a lack of markets for the local population to sell their goods and services. These challenges threaten the investment gains made by the C-GBV and the sustainability of the VSLAs.

**The Strengthening Livelihoods and Resilience (SLR) Activity:** The Feed the Future-SLR Activity is a five-year activity implemented in Ituri Province of Eastern DRC. It uses an inclusive approach that focuses on enhanced agricultural production, processing and marketing, peaceful cohabitation, access to finance, securing land titles, access to clean water and improved nutrition.<sup>20</sup>

SLR is working with USAID's INVEST to help increase access to finance in Ituri but this is currently just a few rural entrepreneurial populations and there are no MFIs in the province a present. To better serve its partners and finance their plans, SLR is looking to finalize a working relationship with a local financial NGO which works with small loans (average \$50 to \$500 per loan) guaranteed by solidarity groups of savers, often women.<sup>21</sup>

**CATALYZE Edu Finance (CATALYZE):**

The CATALYZE Activity develops private sector partnerships to facilitate innovations in financing and service delivery that increase access to low-cost quality education. The activity mobilizes blended finance—a strategic use of public funds to increase private sector investment—to crowd in private capital into non-state schools and education enterprises in USAID partner countries.<sup>22</sup> In the DRC, CATALYZE has partnered with Opportunity International to mobilize \$13 million to finance 700 low-cost schools in urban and peri-urban areas of Kinshasa, Lubumbashi, Bukavu and Goma.<sup>23</sup> In 2021, CATALYZE and its partners mobilized \$621,036 from the private sector with additional capital mobilization in 2021.

Six financial institutions signed technical assistance agreements with CATALYZE to develop a portfolio of financial products to serve the non-state educational sector. For example, CATALYZE signed a technical assistance agreement with Equity BCDC and Baobab MFI launched an Edu Finance loan product pilot program, while two more institutions are expected to pilot loan products to non-state schools.<sup>24</sup>

**USAID Gorilla Coffee Alliance:** The GCA was launched in October 2021 and is being implemented by TechnoServe as the prime partner, in collaboration with local and international subpartners. The activity is aimed at training coffee farmers in South Kivu to maximize their coffee production (with regards to quality and quantity) and improve their sales (revenue) for better livelihoods. The objective is to create more resilient communities by increasing inclusive and sustainable economic growth at local level and reduce poverty, while ensuring the integrity of the forest ecosystems in the DRC.

<sup>18</sup> <https://imaworldhealth.org/tushinde>

<sup>19</sup> *Microfinance Landscape Assessment Desk Review Report, June 2022*

<sup>20</sup> *Feed the Future Democratic Republic of Congo Strengthening Livelihoods and Resilience Activity. Private-sector Engagement Strategy: Catalyzing the Private Sector for Development in Ituri.* Available at: [https://pdf.usaid.gov/pdf\\_docs/PA00Z9QH.pdf](https://pdf.usaid.gov/pdf_docs/PA00Z9QH.pdf)

<sup>21</sup> *Feed the Future DRC SLR: Quarterly Performance Report Q1 FY 2022.* Available at: [https://pdf.usaid.gov/pdf\\_docs/PA00Z9QM.pdf](https://pdf.usaid.gov/pdf_docs/PA00Z9QM.pdf)

<sup>22</sup> *CATALYZE Edu finance, Mobilizing private capital for education.* Available at: [https://www.edu-links.org/sites/default/files/media/file/CATALYZE%20One-Page\\_EduFinance\\_Final.pdf](https://www.edu-links.org/sites/default/files/media/file/CATALYZE%20One-Page_EduFinance_Final.pdf)

<sup>23</sup> *USAID CATALYZE (2021) CATALYZE teams up with opportunity international to accelerate education finance in DRC.* Available at: <https://catalyze-comms.medium.com/catalyze-teams-up-with-opportunity-international-to-accelerate-education-finance-in-drc-8fbb392b5a5d>

<sup>24</sup> *USAID CATALYZE Mobilizing Private Capital for Development Year 3, Quarter 2 Report January 1, 2022 – March 31, 2022.* [https://pdf.usaid.gov/pdf\\_docs/PA00ZBXD.pdf](https://pdf.usaid.gov/pdf_docs/PA00ZBXD.pdf)

The GCA uses a “working capital approach” which entails working with export partners providing a good degree of financing needed to support the farming activities in the coffee sector for a season. This working capital is provided to a cooperative so that it directly buys coffee from their members who are mostly farmers. The approach does not permit members to get loans directly, but rather creates liquidity within the coffee value chain and allows them to produce money at the right time so that coffee can go through the washing stations and be disaggregated before going to the exporters. Although TechnoServe has not actually establish VSLA groups, it believes that their working capital approach is a better way of injecting liquidity into the coffee value chain, hence improving the livelihoods of local farmers.

**Other USAID-funded Activities**

Another USAID-funded activity with a livelihood component is the USAID’s Zahabu Safi (Clean Gold) Project. Its overall goal is to establish a viable, conflict-free, artisanal, and small-scale mining (ASM) gold supply chain originating from eastern DRC which is implemented by Global Communities. The activity aims to improve the commercial viability of artisanal and small-scale mining gold cooperatives and improve the livelihoods of small-scale artisanal miners. To date, Zahabu Safi does not work with VSLAs, but Global Community intends to support VSLA groups in the next couple of months under the USAID’s funded Garamba Alliance Activity which is designed to conserve biodiversity and drive socio-economic development in communities around the Garamba National Park in the Haut-Uele Province.

The Partnership for the Development of Eastern Congo (PDEC) is another activity implemented by Mercy Corps. One of the key objectives of the activity is to promote inclusive, diversified, and conservation-compatible economic growth to improve the stability of agricultural and mineral value chains to help local communities improve their livelihoods. At the time of the assessment, this activity had not started supporting VSLA groups, but the activity plans to establish and/or support existing VLSA groups later during the activity cycle.

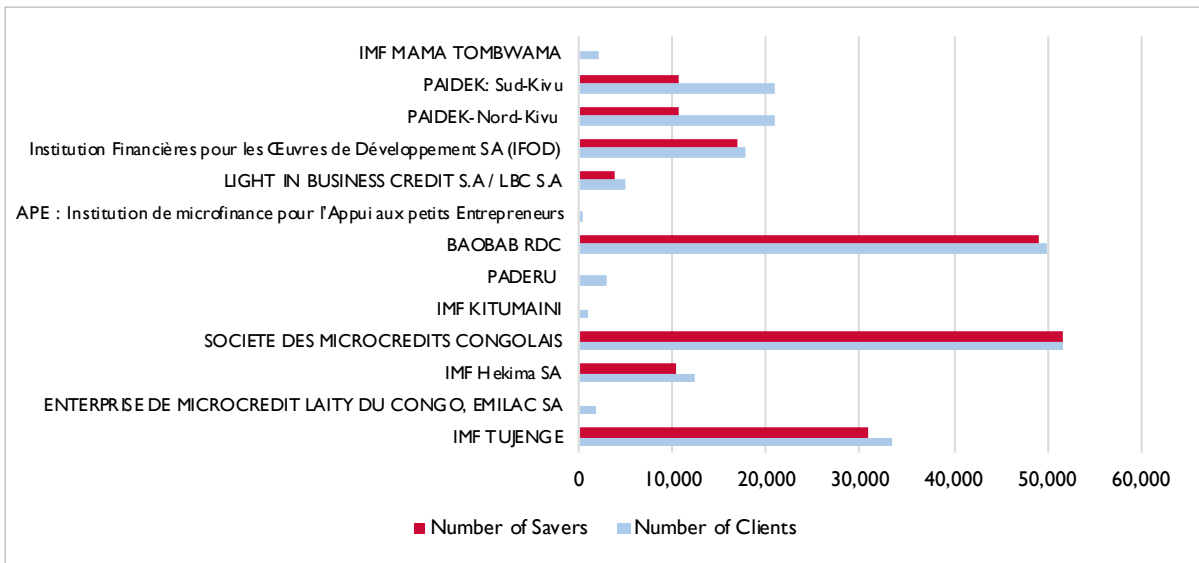
**3.2 Credit outreach and portfolio**

The MFIs consulted are striving to reach out to many clients (breadth of outreach) and at the same time ensure coverage for those needing their financial services (depth of outreach). The successful MFIs should reach out to many people and be able to sustain their business operations over a longer period financially. However, as the results show, the attainment of these goals is not always attainable for most MFIs as summarized in the following sections:

**The number of clients or accounts that are active (as of August 31, 2022)**

The MFIs with the largest number of clients are Societe de Microcredits Congolais (SMICO) (51,631), Baobab RDC (49,820), Tujenge (33,415) and PAIDEK North Kivu and South Kivu (20,955). The above MFIs also have the highest number of savers as shown in Figure 1.

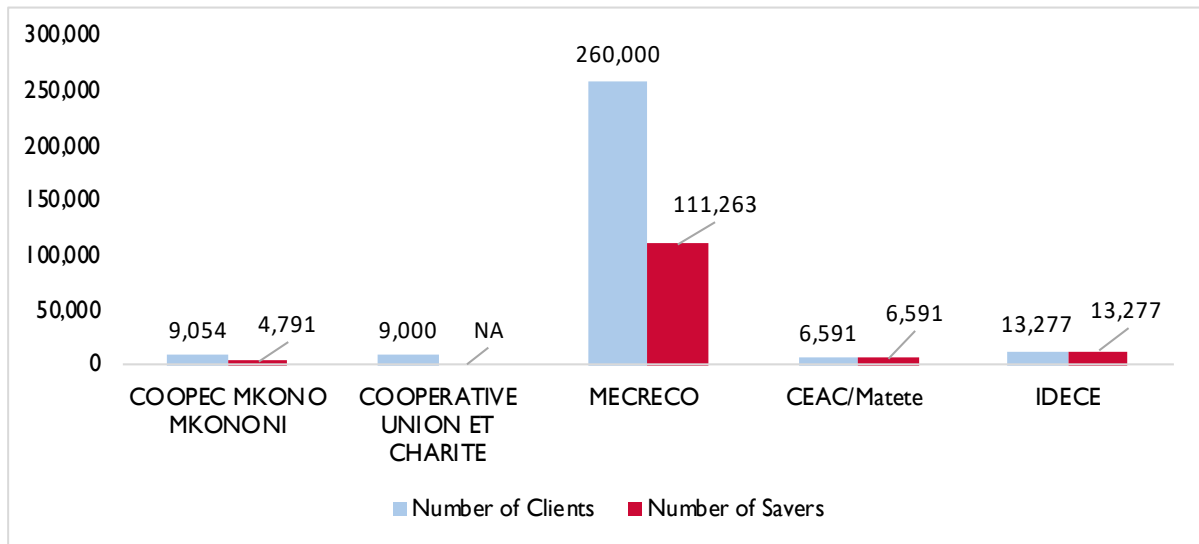
**Figure 1. Number of clients versus savers supported by MFIs**



Further analysis shows that the following MFIs have the same number of client savers: SMICO (100 percent), Baobab RDC (98 percent), Institution Financières pour les Œuvres de Développement SA (95 percent), Tujenge (93 percent) and Hekima SA (83 percent). This analysis indicates that the above MFIs can reach many clients with their savings products, hence contributing to improved access to financial services.

COOPECs have fewer clients and mobilize fewer savers than MFIs (Figure 2). The COOPEC with the largest number of clients and savers is MECRECO with 260,000 clients and 111,263 savers. Communauté Évangélique de l'Alliance du Congo (COOPEC CEAC MATETE) and IDECE serve 6,591 and 13,277 clients respectively. However, they have the same number of clients and savers indicating that their savings products have the highest adoption and usage compared to other COOPECs.

**Figure 2. Number of clients versus savers supported by COOPECs**

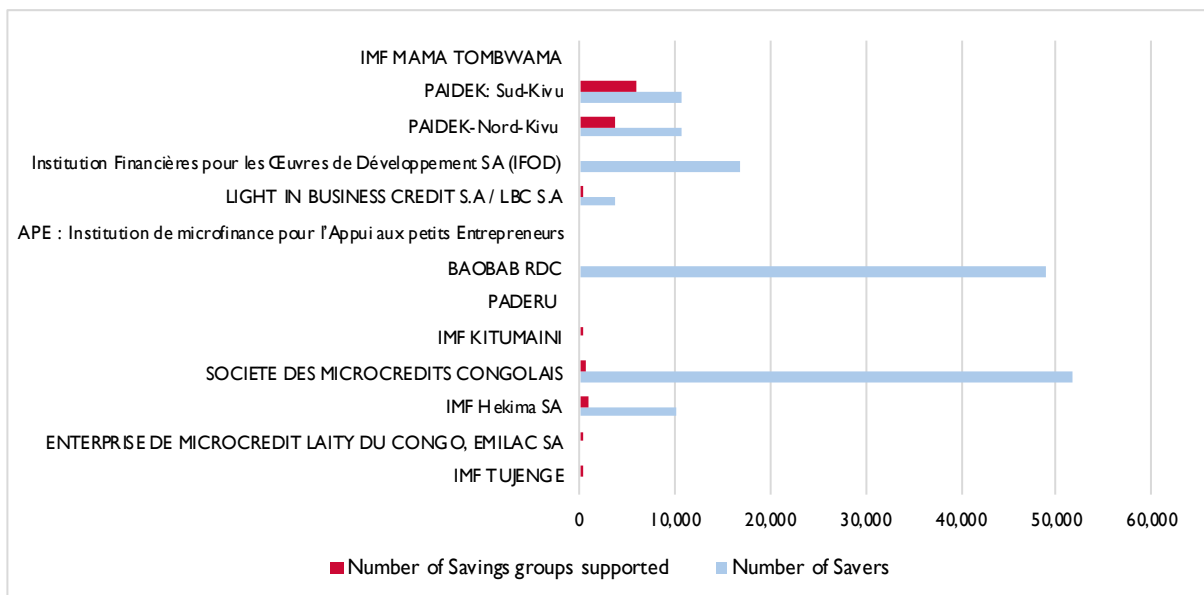


**Number of savings groups supported by an MFI (as of August 31, 2022)**

PAIDEK South Kivu (5,837), PAIDEK North Kivu (3,837), IMF Hekima SA (900), SMICO (738) and IMF Tujenge (313) support the largest number of savings groups (Figure 3). An analysis of the number of savers compared to savings groups supported shows that savings groups form 54 percent of PAIDEK South

Kivu and 36 percent of PAIDEK North Kivu's savings customer base. This ratio is below 10 percent for the rest of the MFIs, meaning that individual savers form the greater proportion of the customer base compared to savings groups. Based on this analysis, PAIDEK is the most effective in reaching and mobilizing savings from savings groups and is a potential partner in USAID livelihood activities.

**Figure 3. Number of savings groups versus savers supported by MFIs (as of August 31, 2022)**

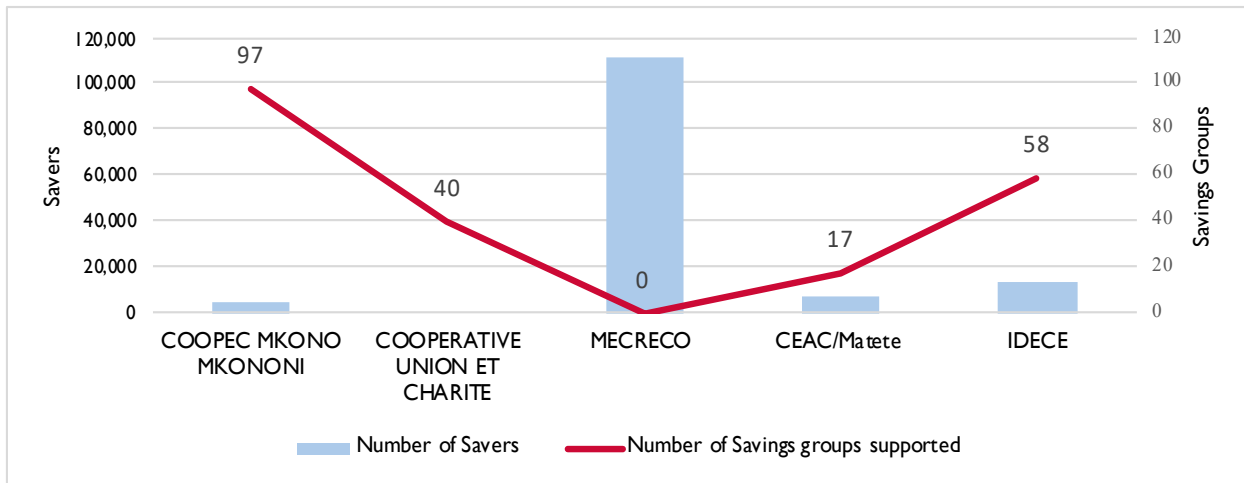


### Number of savings groups supported by COOPECs (as of August 31, 2022)

As shown in Figure 4, COOPEC MKONO MKONONI (97) and MEC IDECE (58) support the largest number of savings groups. An analysis of the number of savers compared to savings groups supported shows that

savings groups represent less than 5 percent of the savings customer base of all the COOPECs. This analysis found that MFIs have a greater outreach in terms of the number of clients or accounts that are active at a given point in time and they support a greater number of savings groups than COOPECs.

Figure 4. Number of savings groups versus savers supported by COOPECs

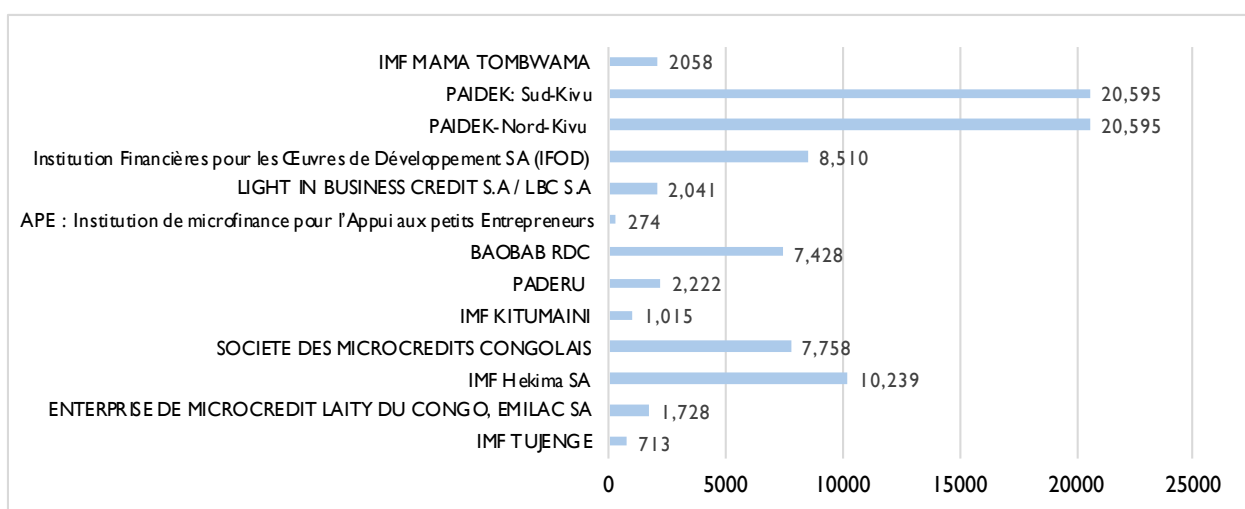


### Number of borrowers supported by MFIs (as of August 31, 2022)

The MFIs with the largest number of borrowers (Figure 5) are PAIDEK North Kivu (20,595), PAIDEK South Kivu (20,595), IMF Hekima SA (10,239), IFOD (8,510) and SMICO (7,758). The MFIs with the highest number of clients and number of borrowers are IMF Mama Tombwama (100 percent), IMF Kutumaini (100 percent), Institution de microfinance pour l'Appui aux petits Entrepreneurs (100 percent), PAIDEK North Kivu (98 percent) and PAIDEK South Kivu

(98 percent). This reflects a high adoption and usage of their lending products, and interviews with producer organizations in South Kivu supported these findings. Informants identified PAIDEK as the most effective because of their short turn-around time in approving loans (approximately one week), their flexibility, and their availability to help farmers. However, they indicated that PAIDEK has insufficient lending capacity and always provides less than the loan size requested.

Figure 5. Number of Borrowers in MFIs (as of August 31, 2022)





PAIDEK North and South Kivu are smaller in terms of the number of clients compared to SMICO, Baobab RDC and Tujenge, but they have more borrowers. Interviewees indicated that the larger MFIs attract more savings clientele because of trust, their brand and their customer awareness practices. The smaller MFIs tend to specialize in providing microloans to groups, implying that they are effective in reaching groups and poorer clients.

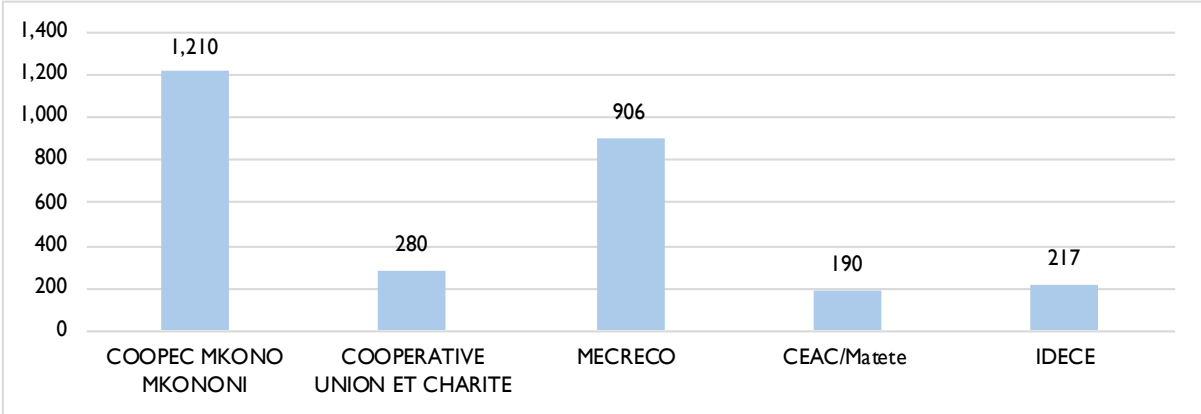
The VSLA groups in South Kivu mentioned that they had received loans from Kitumaini for four years with support from a local organization called Mexico. Kitumaini was considered effective due to the low interest rate it charges and its good financial literacy training. The only challenge indicated by interviewees was that it is located far from the VSLAs and members spend a lot of money on travel expenses. In addition, Kitumaini often reduces loan amounts without explanations, making it difficult for the VSLAs to adequately plan. Although other COOPECs such as Cahi Tshayi are closer to VSLA groups, they are less preferred by these groups because of their high interest rate.

A common challenge mentioned by VSLA groups in South Kivu that participated in the assessment was Kitumaini’s lengthy loan approval processes. In some instances, it took a month to receive a response, which was considered catastrophic for agriculture credit as interventions are seasonal. This highlights the cost implication involved in reaching the poor and designing financial products that meet their needs. Efforts should be made to shorten the MFI loan approval process, improve their coverage so that they are easily accessible (reducing MFI transactional costs), and improve their capital base.

**Number of borrowers supported by COOPECs (as of August 31, 2022)**

The COOPEC with the largest number of borrowers is COOPEC MKONO MKONONI (1,210) (Figure 6). VSLAs consulted in Haut Kananga appreciated the services it provided in terms of the comprehensive one-month training, low interest rates, and good publicity and awareness raising through posters that attract many borrowers. Although MECRECO has a significant number of borrowers, as noted above these do not include savings groups but individuals only.

**Figure 6. Number of borrowers supported by COOPECs (as of August 31, 2022)**

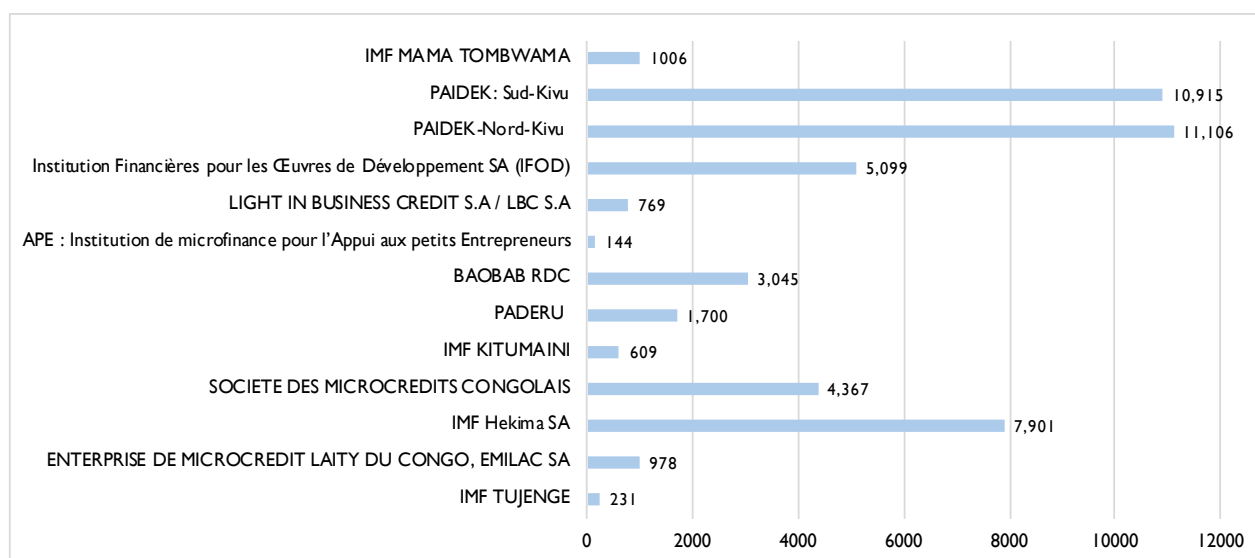


**Number of female borrowers in MFIs (as of August 31, 2022)**

Figure 7 shows that PAIDEK North Kivu (11,106) and South Kivu (10,915) have the largest number of female borrowers, representing 54 percent and 53 percent of their total borrowers respectively. Besides being effective in reaching out to savings groups, they are also effective in their depth of outreach

and are a potential partner in USAID livelihood activities that promote gender and women’s economic empowerment. IMF Hekima SA (North Kivu) has the highest percentage (77 percent) of female borrowers despite having less borrowers than PAIDEK North and South Kivu, and is hence most effective in mobilizing female borrowers.

**Figure 7. Number of female borrowers in MFIs (as of August 31, 2022)**



### 3.3 MFI client growth strategies

MFI client growth strategies are usually expressed in terms of (a) percentage of growth of portfolio of clients; (b) percentage of growth expressed in available U.S. dollar value for microcredit and loans; and (c) change in eligibility criteria or procedures for accessing microcredit and loans. However, the MFIs consulted were not able to provide the above indicators. Instead, they described their client growth strategies in terms of their efforts towards increasing the number of clients. These range from broad statements such as the one from FINCA: **“to reduce poverty, through sustainable solutions that enable people to accumulate sustainable wealth that create[s] jobs and improve[s] their standard of living—through expanding our scope of execution and increasing [the] number of agencies.”**

Other MFI/COOPEC client strategies are more specific, for example:

- **Tujenge:** “to grow the credit portfolio through recruitment and capacity building of several loan officers.”
- **COOPEC NKONO MKONONI:** “to reconcile and consolidate our business plan with the recovery plan to reduce our portfolio as expansions have given us challenges. To address challenges around meeting BCC standards.”
- **SMICO:** “Enhancing our digitalization efforts to increase customer satisfaction.”

**The client growth strategies commonly mentioned by MFIs are summarized thematically as follows:**

**Increasing the capital base of MFIs:** Several MFIs indicated that increasing their capital base, through additional investment, grants, guarantees and savings deposits, is central to their geographical and loan portfolio growth plans. For example, PAIDEK increased their client numbers and volume of savings and loans through external borrowing to boost the loan portfolio.

All MFIs have market penetration as one of their top client growth strategies. They are focused on expanding branches and agencies to other provinces in the DRC, and increasing recruitment of well-trained loan officers who can compete effectively on the market. MFIs highlighted the need to focus on capacity building of their staff on risk management, monitoring, and marketing-related skills as a strategy to retain their customers.

**Focus on digitization:** MFIs have placed great importance on digitization and technological investment to drive efficiency and financial inclusion in their operations. There is a recognition amongst MFIs that digital transformation requires skills that their current staff typically lack. Further, many MFIs cannot pay market-level salaries for professionals who could support them to expand their digitization.

MFIs indicated that they require assistance from software to reduce financial risks including fraud and increase information processing capabilities. Such requirements include the development of mobile applications that enable efficient account access and transacting to better reach and serve rural customers. For example, since the introduction of digitization in

Tshai COOPEC, South Kivu customers are no longer traveling long distances to access credit or savings as these services are provided remotely using an online digital application. There was a consensus amongst MFIs consulted that digital financial services offer more convenience for customers, as they open access to a broader range of financial services (credit, savings, insurance, and payments).

**Market penetration through increasing publicity and awareness efforts:** Tetra Tech in South Kivu indicated that through its own internal research, it noted a lack of awareness-raising, recruitment, or client-finding activities by MFIs. As such, in their growth strategies, MFIs have placed the need to conduct prospecting initiatives on how to increase their clientele and

partnerships. For example, PAIDEK expressed its intention to double its commercial marketing services in the next two to three years.

**Diversification of loan portfolios:** Kitumaini MFI did not offer agricultural credit before receiving guidance and coaching from Mercy Corps, resulting in the development of an agricultural credit product specifically adapted to producer groups.

The assessment team also made follow up consultations with four main MFIs based on the number of clients reached and their capital base to understand the strategies they used to increase the number of clients in their MFI (see Table 5).

**Table 5. Main strategies used by selected MFIs to increase the number of clients**

MFI	Number of clients	Capital base	Strategies
KITUMAINI	1015	Provides loans only	<ul style="list-style-type: none"> <li>Financial education sessions for the public at their offices every week</li> <li>Publicity campaigns at schools, institutions, markets, farmers' organizations</li> <li>Some USAID-funded IPs bring members of some farmers' organizations to their offices</li> <li>Clients recommend to other clients</li> </ul>
PAIDEK	20,955	\$1,599,655	<ul style="list-style-type: none"> <li>Establishing branches in places where there are no financial institutions</li> <li>Strong customer satisfaction in terms of financial and non-financial services thus encouraging word of mouth</li> <li>Financial education program through the radio</li> <li>Providing financial products that meet the needs of clients and the community</li> </ul>
TUJENGE PAMOJA	33,415	\$5,347,404	<ul style="list-style-type: none"> <li>Door-to-door campaigns in some communities</li> <li>Organizing savings campaigns via the radio</li> <li>Establishing partnerships with schools, churches, universities and NGOs</li> </ul>

*Continued on page 15*

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TUJENGE PAMOJA	33,415	\$5,347,404	<ul style="list-style-type: none"> <li>• Door-to-door campaigns in some communities</li> <li>• Organizing savings campaigns via the radio</li> <li>• Establishing partnerships with schools, churches, universities and NGOs</li> </ul>
BAOBAB	49,820	\$7,128,000	<ul style="list-style-type: none"> <li>• Regular street marketing campaigns across all branches to recruit new clients</li> <li>• Tracking and reaching out to inactive customers through their call centers</li> <li>• Portfolio Managers regularly contact clients who have not renewed their credit to engage with clients and maintain client growth</li> <li>• Setting client growth targets for Portfolio Managers linked to incentives such as a bonus</li> <li>• Ensuring products and services are accessible to the poor at a very affordable price</li> <li>• Accessibility of agents and good customer experience in terms of premises and staff behavior</li> <li>• Trained agents to provide quality services to our clients</li> <li>• Provision of a Visa card to some clients to enable them withdraw money or make payments abroad</li> <li>• Increasing coverage through opening branches across the country and digitizing banking services</li> </ul>

For smaller (in terms of clients) MFIs like Kitumaini, which by classification is a microcredit enterprise, its strategy to grow clients is less defined and depends on a USAID-funded IP's efforts of bring clients from producer organizations to their offices as well as word of mouth from other clients. A previous assessment by USAID confirmed that Kitumaini lacked a marketing strategy for growing their clients, had little prospecting of clients being undertaken, and no incentives provided to agents for marketing and outreach.

The situation is different for larger MFIs (Tujenge Pamoja, PAIDEK and Baobab) with a much larger capital base—they tend to use diverse strategies for growing their client base. The larger capital base, which often comes through donor funding, seems to provide these MFIs with the capacity to focus on remote areas with less competition, develop appropriate financial products for their clients, go where the clients, and engage in various aggressive marketing strategies such as street marketing, use of call centers, digital outreach etc. Baobab MFI, which has the most clients, has well-trained portfolio managers who are incentivized through bonuses linked to the number of clients they are able to secure. Successfully increasing the number of clients requires multiple well-funded approaches coupled with technically competent staff for marketing and outreach.

## POTENTIAL AREAS OF COLLABORATION

Several potential areas of collaboration were identified by MFIs, IPs and producer/local organizations in the following sectors:

**Agriculture:** The agricultural sector was cited by several respondents as having the most potential areas of collaboration between USAID livelihood activities and MFIs. However, respondents indicated that there are a limited number of MFIs working and supporting the agricultural sector in the DRC. USAID can build on successful SVC projects that have been implemented in South Kivu. SVC partnered with local savings and cooperative banks (e.g. COOPEC Fomulac), MFIs and Equity BCDC to support several value chains. After providing them with training on operating accounts, balance sheets, access to loans, and business plan development, credit was granted to support the farmers. However, this assessment found that gaps still exist in terms of training provided to producer organizations on financial education and the development of income generating activities.

**Renewable energy:** Many MFI informants suggested collaborating with USAID in the renewable energy sector. They indicated that renewable energy is vital to the agricultural sector as it supports the green

economy agenda and resilience building efforts being undertaken by the USAID/DRC office. Microfinancing of renewable energy systems is a possible answer to provide low-income people with both financial services and support productive activities in a sustainable manner.

It was noted that initial costs of renewable energy technologies are significant and by introducing microfinance programs, the DRC can reduce these initial costs as well as offset the costs for the distribution of renewable energy technologies. Hence, by making the energy systems more affordable, MFIs can support the dissemination of these technologies. Many respondents believed MFIs will play an important role in this regard, provided they can offer flexible loans and adapt their services in accordance with the needs of the poor (e.g., by adjusting repayment schemes to seasonal conditions). Respondents concurred that energy services can provide a profitable product line for MFIs and help them diversify their loan portfolios.

**Climate microinsurance:** The principle and practice of microinsurance can play an important role in reducing the vulnerability of people in developing countries and managing risks. Microinsurance provides mechanisms for transferring or sharing risk and can help reduce the impact of certain risks that cannot be eliminated. They also play a developmental role by mitigating disasters and minimizing the potential negative impacts and costs on the lives of the poor. Many respondents mentioned that climate microinsurance could be offered as part of broader agriculture interventions to support the Congolese population.

As previously cited, some producer/farmer organizations are already highly vulnerable to adverse weather and natural disasters such as droughts, floods and the lack of climate-resilient infrastructure. With climate microinsurance, members of VSLAs are able engage in various income generating activities as they are cushioned against any climate risk. It would be necessary to identify the right microinsurance providers and products in partnership with MFIs.

## 3.4 Formalizing savings, insurance and loans

There were mixed findings on the formalization of savings, insurance and loan programs offered through VSLAs. While most interviewees agreed that formalization is a relevant discussion topic, there are still questions over its governance and implementation which need to be addressed. Firstly, the argument centered on the definitions and framework for

formalization. The VSLA groups, MFIs and IPs agreed on the need for a clearer definition of formalization and how it can be adapted across sectors.

Some informants argued that due to the lack of a clear policy on formalization in the DRC and how this should be carried forward, it would be difficult to interpret and achieve complete formalization. VSLAs in Kasai Central believe that the government must provide internal rules that are in conformity with the laws of the country to guide the formalization process. As a result, there is need for a clear and shared common understanding that is provided by the government.

Secondly, formalization was said to vary based on the legality of the entities requiring to be formalized. MFIs and IPs lamented the lack of a policy that governs the operation of VSLAs. Without clear policy guidelines on VSLAs, formalization will be considered complex and difficult to achieve because of unclear guidance and parameters to measure its success. Some VSLA participants indicated that formalization was interpreted as paying local taxes, acquiring trading licenses and being accountable to local authorities.

Those who were against formalization believe that VSLAs are currently recognized by local authorities as informal groups offering saving and loan facilities and hence do not see the benefits associated with these groups. Further, due to the cyclical nature of many of the VSLAs' activities such as those in agriculture, the idea of formalization was perceived to be difficult.

USAID-funded partners with a livelihood component use diverse but structured approaches to promoting interactions between VSLAs and MFIs. Mercy Corps in South Kivu has successfully promoted interactions between VSLAs and MFIs using two systematic and interrelated stages: (i) The one-to-one negotiation which commences with the VSLAs because they have already been trained by experienced field teams on specific challenges associated with access to capital. In addition, MFIs are visited for negotiations and discussions; and (ii) Based on discussions with MFIs and VSLAs, the next stage is facilitating networking workshops that culminate in shared commitments.

According to a key informant, Tetra Tech's approach starts with an assessment of the needs of VSLAs, later identifying a suitable MFI to address those requirements. Thereafter, workshops are organized where the MFIs present their products and services (costs of the products, their addresses, how to access the services etc.) to VSLA groups. EDC in North Kivu targets young people with training and does not connect them to MFIs to obtain credit. In the future, EDC plans to connect young people to MFIs as has been the case with their similar projects in Nigeria,

Liberia and Ethiopia.

These efforts have also come with some challenges. There was a period when MFIs and COOPECs experienced losses due to the country's economic crisis and most members lost their capital as well. This resulted in VSLAs not completely relying on MFIs and COOPECs. There are still challenges in the development of products that meet the needs of the clients as well as the proximity of these products. Members of VSLA groups mentioned that there was limited capacity to easily access credit due to the distant location of their preferred MFIs.

MFIs believed that the distribution of credit and withdrawals could be done efficiently using mobile money services but would require long-term partnership with mobile companies. It would be necessary for MFIs to work with mobile companies in defining appropriate products. Several informants suggested ways of improving linkages with beneficiaries of USAID-funded activities to formalize savings, insurance and loan programs, such as:

- Strengthening the governance systems of the VSLA group prior to formalization as cited by one VSLA group member in Kasai Central:

“ Formalization should start by strengthening our VSLA structures—start by raising awareness of what we should do and what we should avoid, respecting the deadline for repaying the loan, creating other agencies that will be close to us to reduce the distance. The association must respect the internal regulations to facilitate us to have a status to avoid worries with the State or else we will have a failure. ”

VSLA FGD participants in Kasai central

- Supporting VSLAs to obtain the required documentation for the formalization process. The VSLA groups mentioned the need for COOPECs and MFIs to assist them with acquiring the necessary documents.
- Community mobilization and awareness raising on formalization of VSLA groups. Women-led VSLA groups in Ituri indicated that strong community mobilization was required to clarify the benefits of formalization.
- The process of formalization will depend on the composition of the VSLA groups. For example, vulnerable young people and minority groups will require training and other supplementary resources for the formalization process.

### 3.5 Marginalized populations have access to VSLAs

VSLA group members indicated that there is no discrimination of who has to be a member of the group. Any person who is in business or who has an activity was free to join their group. As a result, all groups had a mixed membership of adult men and women, and youth, regardless of their disability status. Local organizations provide training on literacy and sensitization on social inclusion issues before the establishment of VSLAs.

USAID-funded partners (e.g. EDC, Tetra Tech, Mercy Corps) provide training. They go into the field to meet the authorities and explain the programs objectives and criteria. Thereafter, they meet the communities to explain the criteria used to select VSLAs groups. Self-identification lists are given to the leaders of each VSLA group and the members who have self-selected are part of the group. An agent of a local organization then visits the self-selected groups where they undergo a series of trainings. The first meeting consists of governance lessons (setting up a committee), while the second focuses on the development of the internal rules, savings and solidarity group credits.

Ana Micheli, a local organization, supports not only able-bodied people, but includes disabled persons. The organization also supports minority, disadvantaged and marginalized groups in the community. Focus group discussions with one minority group in South Kivu reiterated the non-discriminatory nature towards women amongst the groups. Women are eligible to occupy any position within the group (e.g., president, secretary, treasurer etc.) if they have the capacity and support of group members.

Since North Kivu is a conflict zone, addressing ethnic issues is very sensitive and so local organizations work with the VSLAs and producer organizations that are recognized in the community. Women, the disabled, and minority populations are all represented in the VSLAs and producer organizations. Members of a VSLA self-select by considering the marginalized group criteria that is based on non-discrimination. To reinforce inclusivity, literacy training for women is prioritized and there were more women than men in most of the VSLAs that were consulted during the assessment. The EDC youth project under the USAID IYDA Activity deliberately targets more women than men to be part of the SILC groups. The project particularly focuses on girls who come from vulnerable communities. Before implementing the SILC group, youth must meet the project criteria: being vulnerable and willing to participate. Similarly, a lot of the

sensitization efforts are carried out before the groups of young people are created (from 3 to 6 months).

### 3.6 Women-led VSLA groups are successful

Most respondents agreed that women-led VSLAs are more successful than those led by men and several reasons were put forward to support these statements. Men were perceived to be less trustworthy than women and more likely to misuse funds. IPs all agreed that women generally occupied high-level positions (e.g., president, secretary and treasurer) within VSLA groups. Women were said to be active and dedicated to the group, but also strong enough to hold group members accountable to repaying their loans by the due dates. Furthermore, many women were considered cautious, wise, open, and transparent about money compared to men. Other VSLA participants mentioned that women-led VSLAs succeed when men do not interfere to weaken their leadership, as some men belittled women and always wanted to lead the group.

Most men strongly agreed that women were better savers than themselves and always looked for viable options for investing their money. In addition, women were considered highly dedicated to the groups compared to men who demonstrate little interest. Respondents stated that women were always willing to bring new ideas on how the VSLA group could grow and share their skills. USAID-funded IPs in North and South Kivu concurred that women led-groups were more successful than those led by men due to their rigor in accountability and financial management of group funds.

A few respondents preferred groups led by men as they believed that men were good managers. Male respondents who participated in a group discussion organized in South Kivu indicated that women were overburdened and lack the time to undertake effective follow-up and monitoring of group members. Some believed that managing a VSLA does not depend on gender but on the leader's integrity. Proponents of this thought believed VSLAs were designed to promote women's economic empowerment because of their general marginalization in the communities. Indeed, the IPs consulted confirmed that most of the VSLAs are led by women, and over the years they have been found to be successful.

### 3.7 Opportunities exist to formalize VSLA groups in the DRC

Based on interviewees' perspectives, there are a series of steps that could be taken for VSLAs to transition from voluntary-type community-based associations to a legal-type organization to access loans.

#### Development of supportive legal and policy frameworks

As already discussed, there is no legal framework that formalizes VSLA groups in the DRC. It is necessary to lobby at the Senate and National Assembly levels for this to be integrated into the country's policy. According to BCC in North Kivu, VSLAs are not recognized by law. To date, two laws have been promulgated to regulate the microfinance sector:

- i. Law number 002/2002 of February 2, 2002 on the COOPEC: This law defines the institutional framework specific to the COOPEC and is designed to safeguard the inherent specificities of their organizational and operational methods, without compromising their status as a credit institution. The law considers the COOPEC as a special type of credit institution, whose vocation is to provide assistance to its members by ensuring that clients have access to financial services.
- ii. Law number 11/020 of September 15, 2011 setting the rules for microfinance activity in the DRC: This law establishes the rules relating to microfinance activity in the DRC. It applies to legal persons who, regardless of their legal form, carry out microfinance operations as a regular profession. These microfinance operations include collecting savings, granting microcredit, leasing operations, safe deposit box rental, transfer of funds, and distribution of electric money. To meet the criteria currently set by BCC on MFIs, respondents suggested that VSLAs would likely need to adhere to conditions outlined in Box 2.

For example, a female-led VSLA group in Kasumbalesa, Haut Katanga, highlighted the need for support in terms of understanding and completing the certificate of registration forms associated with the legalization process. Generally, all VSLAs consulted expressed the need for technical support from USAID-funded implementation partners for legalization of their status.

#### Box 2. Proposed conditions for legislating VSLAs

- A common bond among VSLA group members (common way of life, having the same financial challenges, having the same financial concerns or difficulties)
- People that can lead (having the means and skills, knowing the risks, and proposing possible solutions to the problems)
- At least 20 members and qualified staff
- Material and financial means
- A business plan and a preliminary study
- Qualified leaders of at least 11 people
- A constituent assembly organized

Source: KIs with BCC respondent in South Kivu

#### Capacity building of VSLA

IPs such as Mercy Corps implement seven modules on capacity building, good governance, internal regulations, savings, loans, and fund sharing. In the case of IMA World Health, greater effort is placed on addressing illiteracy challenges, especially amongst women. The project set up a literacy activity in the different areas of intervention in order to build the capacity VSLA members. In addition, refresher courses are regularly organized on improving management tools within the VSLA groups. These trainings from IPs have facilitated the ownership and independence of each VSLA group, highlighting the importance of training in the formalization of VSLAs.

#### Supporting VSLA activities

The IMA World Health project implements two main approaches: The VSLA PLUS approach strengthening VSLAs on themes relating to community development, and the VSLA platform approach facilitating the formation VSLA networks. Both initiatives are important to the development of statutes and the legalization of VSLAs. VSLAs also expressed the need for support of their agriculture and non-agriculture income generating activities. In Kasai Central, VSLAs members mentioned challenges with livestock diseases and gaps in knowledge on how to treat them. Minority groups in North and South Kivu indicated a lack of finance to start income generating projects and to sustain their contributions to the VSLAs.



### 3.8 Reducing financial risks to increase access to microcredits

Interviews with MFIs indicated that they generally lend to savings groups utilizing safeguards such as joint and solidarity guarantees, self-selection, and engagement with respective management committees. Joint guarantees in savings groups ensure that if a member is unable to repay a loan, the other registered members to this guarantee will settle the outstanding loan amount. Self-selection helps savings groups select trustworthy and honest members to become guarantors. The use of financial analysis (for example, whether the savings group generates enough cash to repay the loan) in assessing loan repayment ability forms another safeguard against loan losses for MFIs. Vision Fund DRC stated that they require 10 percent of the loan amount to be held as compulsory savings in the savings groups account.

Most MFIs prefer to engage peacefully with savings groups regarding non-repayment of loans and will involve the management committee to resolve the issue. The courts are viewed as a last resort, and MFIs are cautious about the reputational risk of groups deciding not to pay their outstanding loans. Repayment deadlines are typically respected, and occasional delays are usually rectified.

Most VSLAs are reluctant to engage with MFIs that can safeguard their savings and reduce their risk. They also worry about the risk of saving with COOPECs, whereby deposited funds can be unavailable for various reasons. The BCC has enacted laws regarding money laundering and requiring VSLAs to be legally identifiable/registered. MFIs have argued that VSLAs are not integrated into the BCC's regulations, as there are specific difficulties related to VSLAs.

To reduce the credit risk for MFIs, one USAID-funded IP mentioned that extension agents who are service providers provide coaching and guidance to maintain good financial management within VSLAs. Furthermore, some MFIs always provide financial education to these VSLAs and ensure regular follow-up for the microcredit granted.

There was a consensus amongst informants that there is a need to invest in technical assistance on risk management for both MFIs and VSLAs. In addition, local organizations are working on regulations that will allow VSLAs to be formalized so that they can access credit. In South Kivu, a USAID-funded IP has set up mechanisms for addressing the default of payments on joint credits. This is achieved by organizing workshops for VSLAs and MFIs which has been successful in reducing the risk of non-payment. Training is also provided on good governance of VSLAs' transactions.



# 4. CONCLUSIONS

USAID has been promoting financial inclusion in the DRC and has partnered with some financial institutions to help increase access to microcredit and savings to low-income individuals. Only a few MFIs have received direct financial support from USAID. COOPECs have not received financial assistance from USAID. Most of the MFIs and COOPECs are not aware that they could receive financial support from USAID. Overall, the MFIs that have received support have partnered with local organizations and communities to increase access to financial services to the poor and marginalized populations. In the past years, MFIs and COOPECs have made great strides in connecting people to financial services; however, gaps still exist. There is still limited technical and financial capacity of MFIs to assess and manage risks, high staff turnover, and a lack in general management skills that limit their reach to potential clients and groups.

USAID-funded organizations have invested in establishing new and or strengthening the capacity of existing VSLAs groups in many communities. These VSLA groups have received training support in financial literacy, cash management, and credit risk management which has increased their potential and promoted the sustainability of these groups. VSLA groups have played an important role in improving access to savings and loans services for poor Congolese citizens, which has contributed to improving the livelihoods of local populations. Due the presence of these VSLAs in communities, people can make improved financial decisions, such as investments in their farms, sending their children to school, and establishing businesses or savings for unexpected events like illnesses. Interestingly, this assessment found that women-led VLSA groups are more successful than those led by men. VSLA groups supported by USAID-funded organizations have a non-discriminatory policy towards group membership. Consequently, any interested individual in the community is free to join a VSLA group of his/her choice without any form of discrimination.

Although VSLAs in the DRC fill a gap by facilitating access to informal financial services to poor and low-income individuals, there is currently no national regulatory framework governing VSLAs in the country. However, some actions (although not adequate) to

formalize VSLAs have been successfully implemented through USAID-funded projects using approaches that facilitate interactions between VSLAs and MFIs at various levels. There is need for more awareness raising amongst VSLAs for these initiatives to produce tangible results.

There is a strong indication that more diverse client strategies for increasing the number of clients is related to the amount of the capital base, technical capacity of portfolio managers and agents, presence of staff incentives, and use of technology/digitization. The most common MFI client growth strategies involve increasing the capital base, retaining and expanding their client base, and recruiting loan officers to improve the quality of the service provided. Additionally, investments and loan portfolio guarantees from donors like USAID, and more support towards greater mobilization of savings deposits would be supportive of these growth strategies.

Although data on performance indicators was limited, financial performance and outreach varied across the MFIs and COOPECs that participated in the assessment with regards to indicators such as number of clients, active accounts, number of borrowers and percentage of female borrowers. Among the MFIs, Societe des Microcredits Congolais, Baobab RDC, Institution Financières pour les Œuvres de Développement SA (IFOD), Tujenge, Hekima SA and PAIDEK were the most effective in reaching a large number of clients with their services. PAIDEK and Hekima SA were the most effective in mobilizing female borrowers and are a potential partner for USAID livelihood programs that promote gender and women's economic empowerment. The COOPEC with the largest number of borrowers was COOPEC MKONO MKONONI and it also supports the largest number of savings groups.

Most MFIs are using safeguards such as joint and solidarity guarantees, self-selection, and engagement with respective management committees to manage financial risks. However, there is still a reluctance to engaging fully with VSLAs due to their non-legal status. MFIs have been providing financial literacy to VSLAs and regular follow-up for the credits that were granted, but it is still insufficient to manage the risks associated with working with VSLAs.

# 5. RECOMMENDATIONS

- i. USAID should continue to **promote financial inclusion** by contributing to increased access to financial services for the Congolese population, thereby fueling economic growth and improving livelihood opportunities. USAID should improve the capitalization of MFIs by increasing access to guarantee funding and exploring opportunities for linking MFIs to commercial banks. The desired financial support can be provided in the form of a guarantee fund, line of financing or subsidies. A guarantee fund would enable the MFI to serve poor members of the population who do not have any collateral or adequate guarantees. While promoting financial inclusion in the DRC, USAID should also strengthen the technical and financial capacity of MFIs and COOPECs in the country.
- ii. USAID should continue to **fund projects with a livelihood component** to enable beneficiary IPs to continue to establish new or strengthen existing VSLA groups in the different communities given their benefits. The VSLA groups should continue to receive training on financial literacy, promoting increased utilization and demand for formal financial products, increasing savings, and better decision-making regarding the investments of group members. Financial literacy and education programs should optimize existing platforms and approaches in collaboration with MFIs. USAID-funded organizations should continue to train women on how to run VSLAs, save money, borrow and start businesses, write the constitution, and address other issues of governance.
- iii. USAID should **support the BCC to establish a code and legal framework for VSLAs**. The main task of the BCC would be to outline a common definition of formalization and develop incentives for MFIs to support VSLAs to be formalized. The policy options could include incentives for MFIs to become a one-stop-shop for information on financial services and enterprise formalization. In pursuit of developing a legal framework on VSLAs in the DRC, USAID could support the government in applying the MFI law as a model for a new legal framework for VSLAs in the country. There should be increased regulation to manage problems commonly associated with VSLA's, including fraud and theft.
- iv. USAID should **support MFIs' client growth strategies** by increasing the MFI capital base and building the capacity of portfolio managers and agents. USAID can consider providing grants, loans and equity investment and credit guarantees to MFI partners and provide technical capacity on greater mobilization of savings deposits. USAID should also support MFIs and COOPECs in their efforts towards digitization (e.g., software and digital apps) and capacity building. This will enable these financial institutions to increase operational efficiency, open additional distribution channels, extend their geographical coverage and develop new products and services. Digitalization would help MFIs and COOPECs save time in providing services to clients and improve their working conditions.
- v. USAID should **target MFIs and COOPECs by savings group** regardless of the number of registered clients. Alternatively, USAID should partner with MFIs based on the extent of their outreach and the highest number of female borrowers. Overall, USAID should conduct a financial performance review of MFIs and COOPECs in the DRC and based on their performance, determine which of these financial institutions are most suitable for engagement in a partnership. Capacity strengthening should be provided to those with weak financial indicators.

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