



Saving for the Future



Rwanda celebrates World Savings Day

By Ivan R. Mugisha

THE discipline of saving for the future is not a new phenomenon. It has been proposed by financial analysts from time immemorial as the one sure way for an individual to gain financial independence.

However, much as everyone hopes that they were better at mobilizing savings, many face challenges that hinder them from saving and therefore, have been trapped in a vicious debt trap.

The World Savings Day was established on October 31, 1924, as an endorsement to savings– to celebrate what savings can do for individuals, companies and countries.

The Rwandan government adopted its own National Saving Strategy, under which, savings are promoted as a means to poverty alleviation, both at individual and national level.

The task of poverty alleviation is strongly emphasized in Rwanda's overall programs such as the Economic Development and Poverty Reduction Strategy (EDPRS) and Vision 2020.

The strategies seek to help Rwanda achieve a gross national savings of 20 percent of GDP, which in turn would propel gross national investment to 30 percent of GDP.

Domestic savings are generally classified in three types; voluntary, involuntary and forced savings. "Voluntary savings are made from intentional abstinence from consumption out of personal income or company profits, while involuntary savings are made from uncontrolled reductions in someone's consumptions. On the other hand, forced savings come as a result of rising prices and the reduction in real consumption," according to the National Savings Strategy.

"Savings can be categorized as short, medium and long-term. Savings can also be from foreign and domestic sources, private public sources and at the individual and institutional level."

Rwanda has generally had a good track record in recent years of maintaining a stable macroeconomic environment and to maintain this, analysts argue, the savings discipline must be adopted by the public.

Much as there is increased risk and uncertainty in the global economy; savings have the capacity to propel economic stability.

Saving as a pillar of economic development

The growth of any economy depends on capital accumulation, which in turn depends on investment and an equivalent amount of savings to match it. Two key issues for developing countries are how to stimulate investment and increase the level of saving to fund increased investment.

To gain a strong understanding of Rwanda's practices, FinScope Rwanda 2012 survey was conducted by Access to Finance Rwanda (AFR), clearly indicating the accessibility, affordability and usage of financial instruments in the country.

The survey revealed that 72 percent of Rwandan adults are financially included –42 percent are formally served (22.8 percent by commercial banks and 19.2 percent by non-bank formal institutions and 58 percent use formal financial mechanisms. This is a great leap when compared to 2008 where more than half (52 percent) of Rwandan adults were financially excluded.

Currently, more than 90 percent of Rwandan adults live within a 5km radius from a formal financial institution, which has helped to reduce financial exclusion by 46 percent since 2008. Despite the significant progress in access to financial services, the level of saving in Rwanda is still low, estimated at 9.7



A client makes a transaction at a local savings and credit cooperative (SACCO).



The saving culture we are trying to promote is one that requires a high level of discipline," Eric Rwigamba, Director General of Financial Development at the Ministry of Finance

percent of GDP.

The government has developed a National Saving Strategy aimed at promoting the culture of saving. **"The saving culture we are trying to promote is one that requires a high level of discipline," Eric Rwigamba, Director General of Financial Development at the Ministry of Finance said.**

"Other than sensitizing people about the need to save, the government had to make sure that the mechanisms through which people can save are available. That is why you see huge amounts of development in the banking infrastructure, in SACCOs and microfinance institutions."

Under the Vision 2020, it is projected that the population will grow at an annual average rate of 2.7 percent, while the country hopes to be a middle income country with per capita GDP of US900.

Poverty has declined from 58 percent in 2001 to 45 percent in 2012. This impressive record is also attributed to the increasing financial inclusion that has helped individuals earn a better living.

Experience from other countries

A number of case studies have been presented from different continents, where efforts to mobilise savings have generally been proven to be successful.

Examples from countries like India, Ghana, Ecuador, Bangladesh & Singapore have been analyzed to learn pertinent lessons on how saving

is essential for personal and national growth.

All the countries above utilized savings mobilization to encourage and further their economic development.

In these countries, the savings mobilization policies and programmes have been used in close conjunction with legislation and policy reforms.

According to the World Bank, these countries realized a boom due to less government spending where, a high level of savings was the driving force. As a result these economies enjoyed extremely high growth rates sustained over decades.

Eric Rwigamba, from the Ministry of Finance is of the view that while each country is different and its experiences unique, there are consistencies in each case that transcends borders.

"The common factor in these countries is that they carried out successful financial education. What we have to do is instill the saving discipline in the young people, right from childhood," Rwigamba says.

In a nutshell, the importance of World Savings Day in the development of Rwanda cannot go unnoticed.

As Rwanda celebrates, the government and its partners are aiming at tackling the lack of financial awareness, which is still singled out as a significant barrier to the use of financial products and services.

In tomorrow's edition, Amb. Claver Gatete, the Minister of Finance and Economic planning, talks about why it's everyone's responsibility to save.



Amb. Claver Gatete

Saving is key for Rwanda's sustainable development – Amb Gatete

By Ivan R. Mugisha

Today Rwanda joins the rest of the World to celebrate the World Savings Day. Saving directly feeds into household future incomes and development. When there is a critical mass of households that are sensitized and actively save, it creates bigger latitude of the propensity to invest and in the long run national development. The Minister of Finance, Amb Claver Gatete, believes that the savings culture should begin at an earlier age, with the children nurturing that value as they transit into the adult life. Ivan R. Mugisha, writes.

- Savings deposits in banks had by June this year increased by 11.5 percent
- SACCOs deposits by June 2013 stood at Rwf940 billion, indicating an increase of 31.5 percent
- The target is to reach savings of 20 percent of the GDP by 2020

Qn: Honourable Minister, why is it an important practice to start saving at an early age?

Gatete: If you want a better life for you and your family, you must save so you can provide in the future. If you have a job, there is no guarantee that you will have that job forever. But if you have insured and have saved, you guarantee that there are no big risks and shocks when you lose or leave the job. This is something we are trying to educate Rwandans about.

The local government is doing a great job in telling people not to keep their money at home but to save it in banks. By starting slowly, you develop. We want to link them to the financial sector through their own savings no matter how small the amount is.

Qn: In your opinion, how much should a person save?

Gatete: Savings depend on one's income. It is not about minimum or maximum but about a culture. There is no small money because we are all in different age and income groups. You can start saving for your child right from the time of birth because you know that the child will need a better life and an education. If you start saving early no matter how much the money is, it will accumulate and increase because of its rate of return. It is a mentality that people should adopt. If you have to grow, you need to save. It is the only way you can accumulate capital.

Qn: Does that mean that people without jobs can't save?

Gatete: Everyone can save. Those with no jobs can save the little money they have. If you don't have a formal job, you can always get something to do, from which you can save. There are very many success stories of poor people in the villages who have a better life only because they

chose to save through their informal groups like "Amashirahamwe." Our role as government is to support, educate and sensitize the Rwandan institutions and Rwandans in terms of savings.

Qn: Why is saving so important to the government? Isn't it an individual gain?

Gatete: this is why it is important. The money which people kept at home initially before the establishment of the banking system and SACCOs, was neither beneficial to them nor to the country. It was just dormant; not being used by bank and neither was it bringing interest to the bearer. Once you have cash with you, you always find reason to spend it, but when you save, you don't spend unnecessarily. More so once you save it in a bank or SACCO, you help them to lend to the private sector or begin other investments. Saving is good for individuals but also for economic development because it leads to investments and job creation.

Qn: What has government done to make it possible for Rwandans to save?

Gatete: The government has invested heavily in financial systems including the banking system, insurance, pension and the capital markets, which act as mechanisms through which people can save. Initially there were very few banks with very few branches that were not reaching the entire population, but now, many other instruments apart from banks exist.

The government in 2008 took a decision to make sure that there is at least one SACCO in each sector. This mission has been very successful. If you look at the SACCOs and microfinance institutions now, they are more than 500 in number and are really crucial in helping people to save.

In addition, the banking sector has also increased branches significantly and has reached almost every part of the country. They have also brought about other innovations like Agency Banking and other products like MVisa, deposit taking ATMs- all these methods have provided people with more efficient saving avenues.

The insurance and pension sector are also trying to be innovative by adopting efficient methods which make it easier for their clients to save. On the other hand we are working with schools and universities to introduce courses that are relevant to the saving culture, so that people can understand the financial sector better and improve financial literacy.

We are also working with the capital market to be an important tool for mobilizing long term resources through the sale of shares to the public. That is why we introduced the bond and stock market. We have introduced the commodities



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exchange market and soon a Unities Trust where people can buy small shares, bonds and treasury bills will be introduced. Therefore people can either save in insurance companies, pension, capital market, or banking system, this is the best way they can ensure that their future is promising.

Qn: What challenges are persistent in this savings drive?

Gatete: Our savings rate is still very low at 9.7 percent of GDP. We have to move forward. We are targeting 20 percent by 2020 in order to achieve our investment of 30 percent of GDP. This is how we hope to become a middle income country by 2020. Some countries are already advanced, like the Asian Tigers moved forward because they have had a long term sensitization in terms of savings. Their savings culture is now unrivaled. For us to reach such a level, we need to combine several initiatives and sensitize the people about the importance of savings in promoting self reliance.

The initial challenge was to have institutions in place. Institutions are the ones that provide incentives for people to save. We have been developing the banking system and it has done a great job. Savings deposits in banks had by June this year increased by 11.5 percent. Introduction of SACCOs has also helped and deposits by June stand at Rwf940 billion, indicating an increase of 31.5 percent. If you add that to the assets of

pension which stand at more than Rwf350 billion and insurance standing at Rwf220 billion, you find that there is a substantial increase in savings. These banking systems with their several products, including a larger branch network, will help people to invest and save from the comfort of their stations without having to go through the inconveniences of traveling far distances for a service.

Qn: How do you plan to celebrate World Savings Day?

Gatete: The Ministry will work with the Central Bank, commercial banks, partners like Access to Finance Rwanda, as well as NGOs promoting savings in order to widen financial education to Rwandans.

We are doing it in a participatory manner where the different partners are doing a variety of activities all over the country aimed at promoting the culture of saving. Some of the activities include; radio and TV programs, school debates, workshops and trainings in the communities. An official statement of the government that will be aired on radio and TV on this day (October 31st). We hope that through these initiatives, people will understand the role of saving in their own perspective. Once we do this successfully, we hope to increase savings from 9.7 percent to 14 percent of GDP, which is going to help in terms of reaching the 20 percent that we target by the year 2020.



The power of saving: Escaping the poverty trap



Delphina Mukantwari, 33, joined Tuzamurane Integrated Saving and Lending Group (ISLG) in Gisagara District, in May 2012.

By Ivan R. Mugisha

SAVINGS and loans groups have had a positive impact on the lives of Rwandans, especially the poor who previously had no jobs.

It is through these informal saving groups that people meet regularly and lend or borrow small amounts of money to each other. This informal way of saving, which is part of Rwanda's strategy to improve financial inclusion, has benefited thousands of residents.

As of October 2013, there are over 30,000 savings groups operating in various sectors of the country, serving over 700,000 people, of which 67 percent are women. These groups were an initiative by various NGOs in the country including CARE, Duterimberere, AMIR, SBFIC, Umutanguha, HOPE International, TearFund, World Relief, Global Communities, RIM, PEACE Plan, CRS and Plan Rwanda.

The savings and loans groups have proved to be beneficial to communities, especially since they promote trust amongst the members as well as avoid the extra charges involved in formal transactions with banks. Since joining Abishyizehamwe ("Putting ourselves together") the Saving and Lending Internal Communities (SILC) Group in Kirehe District, Victoire Mukagashongore, has acquired three loans from the group, which she has used to establish income generating projects.

She used the first and second loans of Rwf10,000 Rwf20,000 to trade in bananas, and used the third of Rwf50,000 to buy a cow that provides her with an alternative income generating activity.

Having had no source of income in the past, Mukagashongore is now earning regularly, thanks to a decision she took to start saving. Her fellow SILC member, Jean Mvuyekure, has created a lucrative banana business after investing Rwf100,000, from a loan he acquired from his savings group.

Today he generates Rwf250,000 per month from selling bananas and fruits. He uses part of the income to pay for his daughter's university tuition and can ably provide for

his family.

"If you want to know the power of saving, look no further than my history. I have a house, am self employed and I can pay my daughter's tuition," Mvuyekure says.

Mvuyekure and Mukagashongore are two of the 74,214 members of SILC, an initiative that is supported by Global Communities, which is one of the many NGOs promoting the savings culture countrywide. As of August 2013, members to these groups saved approximately Rwf18,000 per month. Similarly, Delphina Mukantwari is a 33 year-old mother of two, residing in Gisagara District, Gatoki Cell. She is a member of Tuzamurane Integrated Saving and Lending Group (ISLG), which she joined in May 2012.

The group was created by USAID Ejo Heza, another NGO that promotes the saving culture in Rwanda.

"With the loan I got from my savings group, I have been able to establish a grocery shop. At first I borrowed Rwf100,000, which I used to start a small shop. I again borrowed Rwf200,000 which I used to expand my business. The grocery shop enables me to have everything I need including paying my child's school fees and family medical insurance," Mukantwari says. Mukantwari narrates that joining a savings group was a crucial decision that paid off very well in her life. She adds that joining a savings group connected her with micro finance institutions, where she currently

holds an account with a local SACCO.

For Gilbert Hitimana, 35, life was not rosy. With three children and with an unproductive a piece of land, he found it hard to provide for his family.

"It is not until I joined ISLG in May 2012 that my life changed," he narrates.

"As a man I had to feed my family but it wasn't easy because I had no source of income. When I joined ISLG I acquired a small loan of Rwf10,000 and bought a goat. After a year it gave birth and I sold it for Rwf25,000, which I used to clear the loan and saved the rest."

Hitimama now boasts of a prosperous business from which he trades ten goats each month and has a stable savings account in Umurenge SACCO where he deposits Rwf10000 each week.

"Through this, I have been able to connect electricity to my house and provided for my family's need," he adds.

Scope of Umurenge SACCOs According to the National Bank of Rwanda, the microfinance sector recorded a positive performance with 20.8 percent asset growth rising from Rwf101 billion to Rwf122.1 billion between December 2012 and June 2013.

The Microfinance Sector comprises 490 institutions, of which 12 are limited companies and the rest are SACCOs.

By June 2013, the sector registered an increase in deposits of 26.6 percent; from Rwf54 billion to Rwf68.9 billion

and gross loans increased by 7.9 percent; from Rwf59.2 billion to Rwf63.9 billion, in the same period.

Additionally, SACCOs continued to play a significant role in expanding financial access. There are 478 SACCOs including 416 Umurenge SACCOs, spread throughout the country

Umurenge SACCOs recorded a growth of 31.5 percent in deposits to reach Rwf37 billion in June 2013, from Rwf28.2 billion recorded in December 2012.



Saving is not for the rich only. Everyone can save as long as you are focused. I save because I want to have financial independence

Savings and the nurturing of potential millionaires

Over 200,000 savings accounts were opened by primary school pupils across the country, a landmark hailed as 'an incredible step into a bright future' by banking experts.

The 210,337 savings accounts, worth Rwf61.9m, were opened by the young savers in the past three years.

This is the outcome of the Financial Literacy Initiative that urges school-going children to save early, which was launched in 2010 by the Association of Microfinance Institutions in Rwanda (AMIR) and the Savings Banks Foundation for International Co-operation (SBFIC) as part of the Financial Education Project.

Operating across 30 sectors, the project convinced students to open savings accounts and linked them to 35 micro-finance institutions.

"Through these young people, we foresee a bright future of micro-finance sector, with educated and responsible clients," said Claudien Nsengimana, the manager of COOPEC Inkunga, a micro-finance institution in Karongi District.

Ferdinand Feldgen, the deputy managing director of SBFIC, was satisfied with the financial literacy initiatives and pledged more support from his institution towards creating a generation accustomed to financial literacy in Rwanda.

He was echoed by Peter Rwema, the director of research and development at AMIR, who believes that savings at early age will break down the high cost of financial ignorance among Rwandans, which he said has hindered the growth of micro-finance institutions in Rwanda.

"A child who saves early will always save in his adult age. This is the discipline that we emphasise. We are also eager to uphold these initiatives of financial education as it taps into its mission of energising the micro-finance sector in Rwanda," Rwema said.

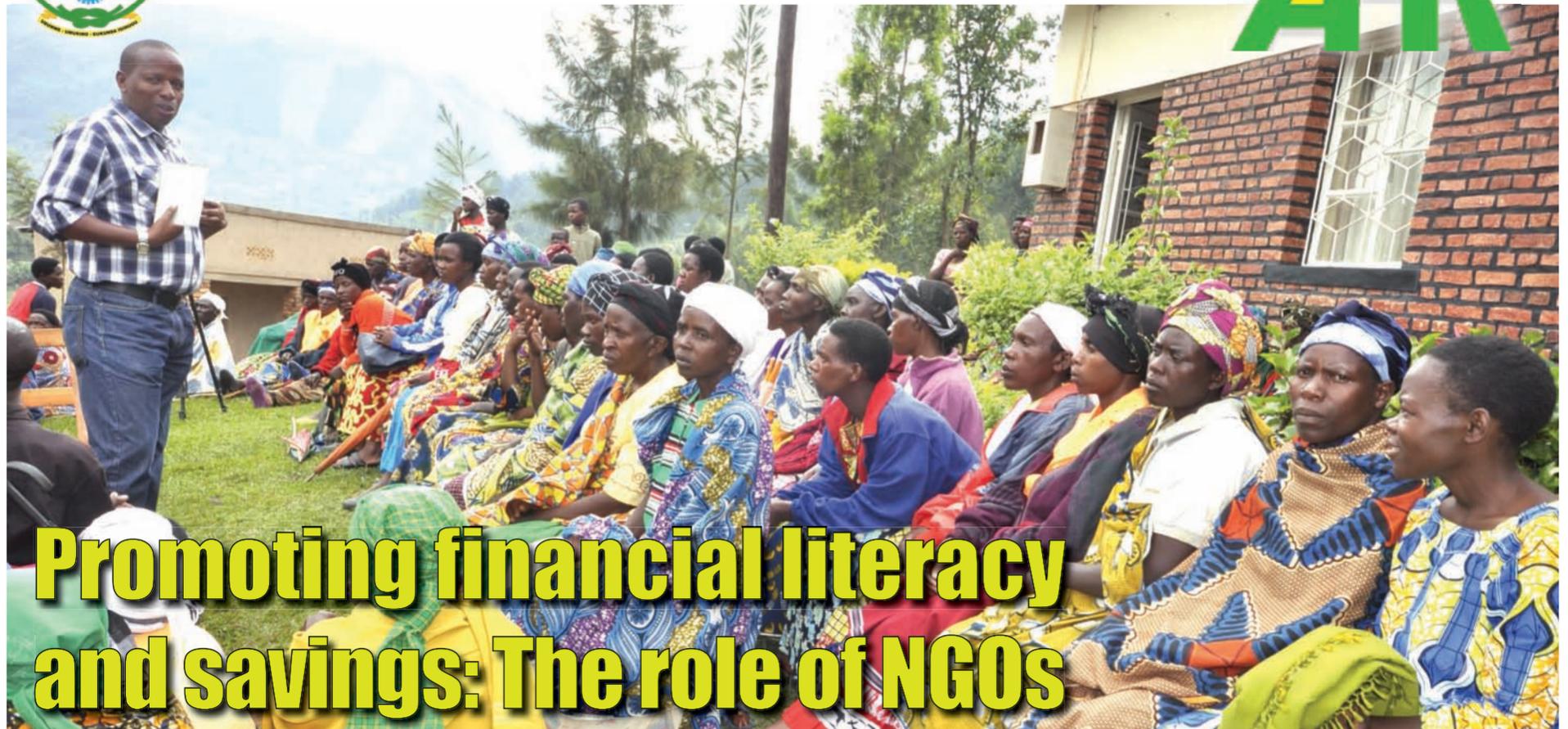
"Saving is not for the rich only. Everyone can save as long as you are focused. I save because I want to have financial independence at school, and during my holidays, I can start a business," Sarah Tuyisenge, a primary five student at Rubagabaga Primary School in Karangazi, Nyagatare District, said.

Information from AMIR indicates that some of the students who graduated from primary began using their savings, especially by starting up small joint businesses.

Rwanda's overall National Saving Strategy under the Ministry of Finance seeks to mainly alleviate poverty and meet the country's Vision 2020 that targets an annual growth rate of 8 per cent over the next 12 years.



World Savings Day



Promoting financial literacy and savings: The role of NGOs

By Ivan R. Mugisha

A number of non-government organizations (NGOs) have, for long, promoted financial literacy and saving in Rwanda. The impetus, however, gained strength in the early nineties.

As Rwanda marks the World Savings Day, over 10 NGOs have partnered with government to augment their activities, especially in the rural areas where they have helped many residents understand the importance of saving for the future.

A method known as the Integrated Savings and Lending Groups (ISLGs) is one of the approaches Global Communities (an international NGO) uses to build loan assets and increase resilience among low income and vulnerable populations.

"Promotion of savings groups has become a cornerstone of Global Communities' assistance programs, particularly targeting low income and vulnerable households, and as a basis for building their assets to prepare them for higher level integration into economic activities," Waringa Kibe, the Rural Finance and Marketing Advisor of Ejo Heza, an affiliate of Global Communities, says.

Through its efforts, Global Communities and its partners have supported over 41,000 poor people organized in 2,200 groups spread across 20 districts of whom, 61 percent are women.

Another NGO, CARE International Microfinance, shares the same experience. Since 1991, it has implemented an approach based on savings, credit and insurance to subsistence farmers, primarily women.

In that time, CARE has supported 245,000 poor people in 21 Districts to access financial services through savings groups of whom, 78 percent are women.

According to its directors, between 20 and 30 percent of its members with time, are likely to demand a greater array of financial services than those offered by savings groups. This indicates the natural progression that happens

once people start to understand the basic knowledge and value of saving.

For Duterimbere and Umutanguha Finance Ltd, the focus is on extending financial services to farmers and traders, as well as to youth and women.

Duterimbere has so far reached 46,878 people while Umutanguha has reached 59,000 clients in Rubavu, Ngororero, Nyabihu, Musanze, Nyanza, Nyamagabe, Nyarugenge districts.

Their work is supplemented by Hope International, which started in 2008 by partnering with the Anglican Church of Rwanda and the Pentecostal Church of Rwanda.

Hope International's main focus is to train and build the capacity of partner leaders at different levels, program volunteers as well as savings group leaders in the savings methodology.

Another organization, World Relief Rwanda, also partners with the government and the church to alleviate poverty, especially focusing

on the poor.

World Relief Rwanda has so far established 682 groups with 14,535 members in 4 districts (Bugesera, Kicukiro, Musanze and Nyamasheke).

Like World Relief, Tearfund is another faith based organization that began its work in the 1990s, with an initial focus on emergency response, in areas of peace building and reconciliation through local churches in Rwanda.

The organization now works in 10 districts across the country empowering communities to access finance, clean water and food security.

Similarly, the Catholic Relief Services has been conducting savings programs in agriculture, health, nutrition and HIV/AIDS in both rural and urban areas since 2006.

The Savings Banks Foundation for International Cooperation (SBFIC) is another non-governmental organization that helps promote financial education among the

youth in partnership with the Association of Microfinance Institutions in Rwanda (AMIR).

Together with AMIR, SBFIC also seeks to build capacity in the microfinance industry to develop financial products and services that address the needs of different population segments. It currently has 62 active members.

Another NGO, Plan Rwanda focuses on empowering children. Since 2010, Plan Rwanda in partnership with PAJER, a local NGO, has contributed to the promotion of access to finance through the formation of village savings and loans associations in Gatsibo and Bugesera districts in the Eastern Province.

The savings groups constitute both adults and youth in 485 savings groups with a savings total of Rwf192 million.

RIM is another non-governmental organization involved in savings financial literacy programs. Having started its operations in 2004, RIM has since opened 11 branches and 23 sub branches, where Rwandans can open savings accounts or access small loans. It has so far reached 119,554 clients in 28 districts.

Savings NGOs activities in figures (2012)

Organization	# of Groups	Total Members	Men	Women	Saving value this cycle (USD)	Average saving per member (USD)
CARE	8,160	245,523	54,015	191,508	2,578,903	17
Duterimbere	500	46,878	11,719	35,159	2,707,750	58
AMIR and SBFIC		21,337	8,535	12,802	94,377	4
UMUTANGUHA	650	18,030	9,917	8,113	1,063,000	18
HOPE International	8,805	176,234	70,720	105,513	3,572,791	20
TearFund	377	7,540	980	6,560	55,465	80
World Relief	682	14,535	4,056	10,479	619,636	147
Global Communities	2,194	41,997	10,499	31,498	516,210	12.3
RIM	4,336	46,950	28,922	18,028	910,721	19
PEACE Plan	220	5,436	1,565	3,871	141,203	26
CRS	3,148	74,473	25,837	48,636	140,534	9
Plan Rwanda	485	17,611	7,800	9,811	291,168	24