



No. 1

Nov. 2011

Microfinance – Newsletter

News for the microfinance sector in Rwanda

Welcome to the first Microfinance-Newsletter!

Dear esteemed members, stakeholders and public in general, I am thrilled to have an opportunity to introduce to you the first microfinance newsletter in Rwanda. As you all know information is power and AMIR feels with the responsibility of disseminating the information to all interested parties including Microfinance Banks, Microfinance Institutions, Saccos, Unions and other stakeholders on the news and information from and into MFI sector in Rwanda. This extends also to other partners and other stakeholders internationally.

Another objective of the newsletter is to provide financial literacy to the public through different titles aiming at educating the mass on the issues related to ABC of running the business, family budgets, loan management and other modules.

This will be an opportunity for MFIs to share some interesting ideas on the best ways of running the MFI business and experience sharing on the best scenarios of solving some of the challenges facing the MFI sector.

Microfinance newsletter will connect Rwanda microfinance sector to the world through linkage it with other websites such as SEEP, CGAP, Mix market and other important microfinance international players. Microfinance is evolving from one era to another with continues innovations aiming at making it to a more relevant tool for poverty alleviation.

For instance, the just ended SEEP conference introduced new financial products with several information on the new technological developments. Microfinance newsletter will hence collect the summary of the presentations from various international conferences and disseminate to the Rwanda Microfinance sector.

Microfinance newsletter will be produced quarterly and distributed to the public and specifically to the interested parties. The newsletter will be in both Kinyarwanda and English so as to extend the readers to rural and poor population in Rwanda. AMIR will distribute the newsletter through microfinance institution branches and also directly to the offices.

I hereby call for articles from MFIs to contribute ideas and issues in the microfinance newsletter. Rwanda has well talented leaders invested with knowledge and information that



Microfinance – Newsletter

News for the microfinance sector in Rwanda

needs to get out of their heads to the benefit of Rwanda microfinance sector and public in general.

Poverty is an enemy that needs to be attacked using workable strategies and synergies to ensure inclusive finance and opportunity for access to finance for all Rwandans. It can be done – let us play our part.

I am also sensitizing everybody to articulate and read the information in the newsletter and want ensure you for a quality and educative articles that will change your way of thinking towards moving out of poverty cycle.

Faustin Zihiga,

President of AMIR

Background information of the Rwandan Microfinance sector

Rwanda's economy was almost abolished during the genocide as people were left without employment or means of production. The economy started to pick up from the scratch as peace and stability were gradually regaining. During this period many international NGOs flooded in Rwanda to provide relief and rehabilitation programs. These NGOs started along with relief credit programs for the purpose of alleviating the critical poverty among the population. At that time the percentage of poor people living under poverty line was 78% according to the World Bank report.

Copy mechanism took place and some investors ventured in establishing their own Microfinance Institutions and Saccos. The access to finance was improving however there was the big problem of poor management of the MFIs and lack of professionalism in running the microfinance activities. This was contributed by lack of appropriate legal framework to regulate the MFIs. In order to prevent more harm in the microfinance market, the government introduced microfinance instructions in 2002 under the banking law. There were 2 types of instruction, no 06/ 2002 for Microfinance institutions and number 05/2003 for the



Microfinance – Newsletter

News for the microfinance sector in Rwanda

Cooperatives. Grace period was granted to apply for the Central Bank license for the existing MFIs and Saccos.

Government launched vision 2020 and one of its priority pillars is to ensure rate of poverty is reduced to 30% from 78%. The poverty strategy paper was introduced in year 2000 to achieve the economic goals in the vision. Microfinance policy was also introduced in year 2006 stipulating the Central Bank's role and responsibilities for the regulation and supervision of the microfinance sector. The policy determines modalities of MFIs licensing, how they get liquidated when needed, defines prudential and non prudential norms, as well as the regular financial statements and their analysis requirement. This was followed by initiating the microfinance strategy.

The microfinance law was launched in 2008 and was officiated in the national Gazette in 2009 for all types of microfinance institutions including Saccos. Rwanda has one of the best microfinance laws in Africa where all the microfinance institutions are regulated under one law.

Government played its role in creating the favourable conditions for the microfinance sector to develop. The main purpose is to have all Rwandan population access the financial services. To achieve this goal, AMIR in its mandate works with development partners to provide needed services to the Microfinance institutions and coordinate with the stakeholders to ensure the microfinance sector is growing in terms of outreach, competency and effectiveness.

To achieve the goal of access to finance, AMIR promotes social performance program including client protection, transparent and responsible pricing to foster inclusive finance with the objective of enhancing microfinance sector to deepen their activities to reach the very poor and also marginalized population.

Rita Ngarambe,

Executive Secretary of AMIR



Microfinance – Newsletter

News for the microfinance sector in Rwanda

Responsible and Transparent Pricing within MFIs

The principle of transparent and responsible pricing rests on the assumption that clients are capable of making smart financial decisions when they have access to and understand all the necessary information. Transparent pricing goes beyond just stating an interest rate. This means that financial institutions are responsible for making sure that they communicate a product's true total cost, along with its applicable terms and conditions, in a way that clients can understand, given educational and language considerations. In reality, it means that the financial institution sets prices so that they are affordable for the consumer at the same time that they enable the financial institution to operate sustainably.

Microfinance practitioners understand transparent pricing as loan agreements and other documentation in which the client can clearly understand the repayment schedule on a given loan amount and can easily distinguish between the principal amount and the total interest on the loan. A second important element is clear communication from loan officers to clients whereby long-term relationships is developed with clients and to identify the need to communicate clearly with clients to ensure client satisfaction and loyalty. Responsible and transparent prices are key elements of ensuring client satisfaction. It is against this backdrop that AMIR argues MFIs to ensure transparency by screening potential hires, adhering to strict marketing guidelines, and taking time during the loan process to be sure that clients understand their rights and responsibilities, this will be a useful tool for client retention, satisfaction and loyalty hence institutional sustainability.

But how can MFIs ensure that the pricing is responsible and transparent? This can be done by loan officers while providing clients with clear and complete verbal explanations of product benefits and risks prior to sale. They should explain how the MFI calculates installment payments, the consequences of late payment and how payment will affect the loan and more importantly candidates at the posts of loan officers should be screened with this responsibility in mind or while advertising the vacant post, there should be a way of integrating these elements into job responsibilities and tasks. In addition to that, MFIs should state the effective interest rate (EIR) in all their marketing materials and explain costs in cash terms, including the monthly installment payments, before the client signs the loan agreement; and finally tell their clients about the fees that an MFI charges.



Microfinance – Newsletter

News for the microfinance sector in Rwanda

All loan officers should communicate this information to all clients to ensure that they understand the loan terms, and this three-step process would be helpful while making sure that the client understands all the information; first, during the client visit in the branch, loan officers read loan contracts aloud. At each step they check to see if the client understands the terms of the contract. Then, loan officers test the client's understanding with questions about loan terms, installment payments and borrower obligations. Finally, loan officers encourage clients to repeat loan terms in their own words to cement their understanding. Branch managers should support this process by emphasizing that loan officers must take the necessary time to ensure that clients understand their loan contracts.

Peter Rwema,

AMIR

Start of AMIR's CEO-Dinner-/ Lunchroundtables

This summer, AMIR in collaboration with the German Savings Banks Foundation for International Cooperation (SBFIC) started with series of CEO-Dinner-Roundtables or rather CEO-Lunch-Roundtables. This is to get in a closer contact with the MFI's CEOs, as well as to collect ideas and recommendations from them and to discuss issues that are affecting the microfinance sector in the country.

The first CEO-Dinner-Roundtable took place in Kigali in June 2011. The AMIR chairman of the board of directors, Mr. Faustin Zihiga, welcomed the CEOs and presented the purpose of this meeting. He said that this kind of meeting is long overdue and requested for more events like this to be organized around the country.

Mrs. Rita Ngarambe, AMIR's Executive Secretary, was the moderator of the workshop. She thanked all CEOs for coming and encouraged all participants to discuss all issues in an open-minded and lively way. Then all participants had the possibility to write down on moderation cards their expectations and recommendations from AMIR and all other topics of their choice. The cards have been collected and clustered. Afterwards the participants discussed the different issues, such as capacity building, computerizing the MFIs, AMIR's advocacy, savings

Microfinance – Newsletter

News for the microfinance sector in Rwanda

mobilization, financial education, product development, limited entrepreneurial drive of the MFI's clients and information sharing among the MFIs. The participants also developed a lot of ideas and possible solution to solve the named challenges. AMIR and SBFIC contributed some information about new activities and projects as well.

Finally, the moderator invited all participants to a networking dinner where discussions continued in small groups.



The second CEO-Lunch-Roundtable took place in Rwamagana in July. This group was smaller than the first one, but nevertheless it was a very lively discussion. The participants brought similar issues, but they added further ideas and possible solutions. In this roundtable, Mr. Aristote Narayisenze from AMIR was the moderator. This roundtable was as successful as the first one in Kigali.

In autumn, we organized further CEO-Roundtables in Rubavu, Musanze, Muhanga and Rusizi. All of them were very successful – we liked the active participation within the groups and the big number of ideas and contributions.

Next year we will continue with a new round of CEO-Roundtables to enforce the collaboration between AMIR and her member-MFIs.

Britta Konitzer,

Savings Banks Foundation for International Cooperation (SBFIC)



Microfinance – Newsletter

News for the microfinance sector in Rwanda

AMIR in collaboration with Terrafina begins Social Performance Management (SPM)

Social Performance Management, according to Social Performance Task force, is defined as “effective translation of an institution’s mission into practice in line with accepted social values.” In other words, Social Performance is about making an organization's social mission a reality, whatever that mission is. Some of the more commonly promoted social values in microfinance are as follows:

- Providing financial and/or nonfinancial services to greater numbers of poor and excluded people
- improving the quality and appropriateness of services already being offered
- increasing revenue from clients' businesses
- building clients' sense of empowerment
- reducing vulnerability
- alleviating poverty
- improving an MFI’s impact on the environment or the community.

It is against this back drop that AMIR with the support from Terrafina has started this important activity in Rwandan microfinance sector last year. This activity started by building the capacity of AMIR staff in relevant fields of Social Performance and there after partnering with SMART campaign and Microfinance centre in strengthening SPM expertise in Rwandan microfinance industry.

AMIR as umbrella institution will carry out the following activities to promote Social Performance Management;

- Provide relevant services in accountability and transparency that will improve social performance reporting



Microfinance – Newsletter

News for the microfinance sector in Rwanda

- helping member MFIs to align their activities to their social mission which will help in collecting data that will gauge their progress towards social stated objectives and create benchmarks for the future, this will help the sector to offer innovative and relevant services to MFIs
- encourage member-MFIs to track, report and discuss social performance objectives and outcomes which will help us to get enough data to make informed advocacy decisions
- AMIR is in a unique position to share local and regional SP information with technical assistance providers and investors. It will provide information on clients, staff, social and gender dynamics, non-financial services and mission, so that external stakeholders can offer MFIs the most relevant services and investments.
- AMIR will support healthy growth of its members by promoting social, as well as financial performance. MFIs that are only required to manage and report financial performance may suffer from mission drift: The pursuit of wealthier clients or lack of focus on client protection.

These are the specific services that AMIR will be offering to MFIs:

- Offering training to partner-MFIs and stakeholders to raise awareness about SPM and to increase MFI-capacity to implement SPM initiatives
- considering an MFI's social performance during the new member process
- publishing SP data from MFIs to publicize their successes
- creating opportunities for MFIs to share experiences and best practices in SPM
- providing technical assistance and/or financial support specifically for SPM
- verifying SP data reported by member MFIs
- assisting social audits of the member MFIs
- assisting MFIs in choosing appropriate SPM solutions and tools
- contributing to SP standards development through participation in the different SP forums.

Peter Rwema,

AMIR



Microfinance – Newsletter

News for the microfinance sector in Rwanda

AMIR's first Partner-Meeting

In summer 2011, AMIR's first Partner-Meeting took place in Kigali, supported by the German Savings Banks Foundation for International Cooperation (SBFIC). This one-day-workshop brought together AMIR and his partners. The objectives of this workshop were to give updates about the microfinance sector and about AMIR's activities in 2010, 2011 and the plan for 2012 as well as to coordinate the partner's interventions.

The workshop was moderated by Mr. Anthony Nderitu, Managing Director of Rwanda Microfinance Limited, who started to welcome all participants. The Vice Chairperson of AMIR, Mr. Jules Ndahayo, expressed AMIR's gratitude to all partners. He went ahead to highlight opportunities and challenges facing the microfinance industry and added that with combined efforts, possible solutions to the said challenges will be found so that the microfinance sector will have a stable and rapid development.

Mrs. Rita Ngarambe, AMIR's Executive Secretary, presented the agenda and then started with the presentation of AMIR's activities in 2010, 2011 and with the plan for 2012.

Mr. Aimable Nkuranga from the Ministry of finance and Economic Planning (MINECOFIN) continued with a presentation about the actual development in the microfinance sector in Rwanda whereby he stressed that the government of Rwanda intends to create a favorable environment for the microfinance activities. He also assured all participants of the government's commitment to work with all stakeholders in the microfinance sector and thanked AMIR for the work done and for organizing this first Partner-Meeting.



These presentations were followed by an interactive and participative discussion session. Participants directed questions to the presenters and added comments, observations and opinions. Topics like capacity building and transparency, AMIR's sustainability, advocacy and coordination services, research and development services and ICT-Management were discussed.

Microfinance – Newsletter

News for the microfinance sector in Rwanda

The final discussion concerned what each donor can contribute to AMIR's activity-plan.

In his closing remarks, Mr. Aimable Nkuranga from MINECOFIN thanked AMIR for this workshop and the participants for attending it. He added that this workshop will help to build a sustainable microfinance sector and to improve economic development in Rwanda.

Britta Konitzer,

Savings Banks Foundation for International Cooperation (SBFIC)

Let's inculcate the savings culture in children to make their future brighter

“Good habits are acquired at an early age”

In order to avoid in the future problems caused by some people who have not yet understood the importance of saving in banks the little money at their disposal, Savings Banks Foundation for International Cooperation (SBFIC) in collaboration with the Association of Microfinance Institutions in Rwanda (AMIR) launched a program of sensitizing children to making deposits and savings at an early age.



Savings are considered as foundations for a sustainable development. Savings improve the economy of those who make savings and enable them to reach the development and make

Microfinance – Newsletter

News for the microfinance sector in Rwanda

investments. Possessing a savings fund enables someone to have a good functioning, acquire meaningful assets and invest their finances in sectors of their choice besides facing any unexpected expense.

As they grow up, children must get accustomed to the habit of making savings. They must be initiated into using bank services so as to gain support enabling them to implement their projects after they became adults.

This program is operational within chosen schools from all Provinces. SBFIC and AMIR collaborate with “Umwalimu Sacco” whose members are teachers. We provided ten trainings for 300 teachers in the whole country who now help us to educate children on saving matters and on financial education. This enabled us to cover a great number of children.



Our aim is not to find out the child who managed to save a greatest amount of money. Instead, it is to make endeavors in inculcating this culture in our children so that they get accustomed to bank services as they grow up and to its eventual support benefiting to them after they became adult people. In the future, we hope that even the misuse of a little money will be regarded as out of date.

As Rwandan laws do not allow a child to open a bank account alone, they open accounts assisted by their parents. When you visit any bank, be it a Commercial Bank or a Microfinance Institution, you find an agent who will provide you with enough explanations on how you can help your child to make savings for himself/herself.



No. 1

Nov. 2011

Microfinance – Newsletter

News for the microfinance sector in Rwanda

Many children attending school with which we began the program in October 2010 have already understood our aim. This is evidenced by some pilot schools which have recorded a number of 1000 children who opened their bank accounts in MFIs.

Madeleine Büttner-Mukantagara,

Savings Banks Foundation for International Cooperation (SBFIC)

Editorial:

Microfinance-Newsletter is published by the Association of Microfinance Institutions of Rwanda (AMIR) supported by the German Savings Banks Foundation for International Cooperation (SBFIC). Responsible: Britta Konitzer (SBFIC), Peter Rwema (AMIR). AMIR, P.O. Box 6526, Kigali, Rwanda, Telephone: +250 25255117720, e-mail: amir@amir.org.rw, website: www.amir.org.rw