

ANNUAL REPORT 2016

SUMMARY

INTRODUCTION TO AFR

AFR is a Rwandan not for Profit organisation, established in March 2010 by the governments of the United Kingdom (UK) and Rwanda with support from the UK Department for International Development (DFID), and the World Bank. Existing funders of AFR include DFID, The MasterCard Foundation, Sweden, USAID, and KfW.

AFR works as a catalyst for financial inclusion by stimulating financial sector stakeholders to provide appropriate products and adequate services. AFR supports the development objectives of the Government of Rwanda by aligning all its interventions to the national policy frameworks including the Financial Sector Development Programme (FSDP) II and the Economic Development and Poverty Reduction Strategy (EDPRS).

BUDGET 2016-2020

USD
33,561,329

LOGFRAME TARGET 2016-2020

1,840,000
of which 60% are women

STRATEGIC GOAL

TO CONTRIBUTE TO A **DEEPER AND MORE INCLUSIVE FINANCIAL SECTOR** THAT SUPPORTS THE **LIVELIHOODS AND WELL-BEING** OF **LOW INCOME PEOPLE** IN RWANDA.

AFR key focus areas:



Development of
SACCOs and Savings
Groups



Agriculture
finance



Innovations with
a focus on digital
financial services



Risk mitigation to
include micro insurance
and the establishment
of an informal sector
pension scheme



Market development
and facilitation

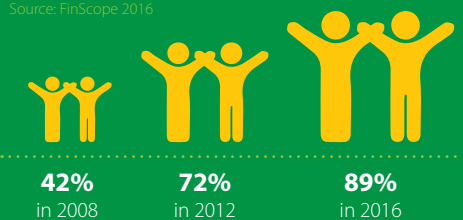


Key Focus Area 1 •

Development of SACCOs and Savings Groups

The Savings and Credit Cooperations (SACCOs) have considerably contributed to the increase in financial inclusion in Rwanda.

Source: FinScope 2016



However, the SACCOs face managerial and operational challenges that threaten their ability to evolve into professional and sustainable financial institutions that are able to serve their members effectively and grow their customer base.

AFR supports the provision of technical and financial assistance to SACCOs to develop their management systems, automate their operations, and develop and improve the SACCOs' financial services and products. AFR's support will enable the SACCOs to meet the needs of financially under-served people particularly in rural areas.

Through AFR and other stakeholder partnerships and support, it is expected that SACCOs will improve their operational management to effectively and efficiently manage their transactions, generate reliable reports for both management and regulatory authorities, and increase their customer base resulting in increased financial inclusion and the usage of financial services & products.

ACHIEVEMENTS IN 2016

Umurenge SACCOs Automation Project

AFR supports the Rwanda Cooperative Agency (RCA) in automation and training of staff in all 416 SACCOs in the country. In 2016, the project was approved by the AFR Investment Committee (AFRIC) and the inception report was submitted. Ongoing User Acceptance Tests (UATs) were carried out for the global administration, transaction, accounting, loan and membership modules. The installation of the Local Area Network (LAN) in 16 pilot SACCOs has also been initiated.

Improving Payments to Smallholder Tea Farmers and Low Income People through Automation and Use of Electronic Channels

Following the completion of the *"Tea SACCOs Capacity Building to Increase Efficiency in the successful Disbursement of Green Leaf Payments Project"* in Phase I, AFR will scale up a similar intervention to five other tea SACCOs: Gisakura, Pfunda, Gatara, Kinyihira and CSTCR. In partnership with AMIR, AFR will support the development of a shared IT platform to facilitate access to various electronic payment channels for 30 MFIs and SACCOs. The project seeks to increase financial inclusion through the use of mobile services.

Sensitising tea farmers to use mobile money services through Tigo Cash

The three tea SACCOs that were supported in Phase I requested additional support to help them sensitise their members and non-members on the benefit of registering with the TIGO platform to increase the use of mobile payments. AFR supported in the sensitisation and registration of the members and non-members of the three tea SACCOs. About 3,672 farmers were registered on the platform. Farmers are immediately notified when payments hit their accounts. The quick payment process has allowed the SACCO to invest more time in building their business and improving their customer service.

Dissemination of Savings Groups and Financial Institution Linkages Report

In May 2016, AFR conducted a research facilitated by MicroSave Africa in order to understand and analyse the landscape of savings group linkages in Rwanda. The report was shared with stakeholders in October 2016 at the workshop in which the Savings Group Map developed through AFR support was also made public. Based on the findings and recommendations of the study, AFR will support proposals to link saving groups to formal financial institutions as a step toward formal financial inclusion.

ACHIEVEMENTS IN 2016

Supporting the Evaluation and Development of the National Strategy on Rural and Agriculture Financial Services

AFR took the lead in supporting the Ministry of Agriculture and Animal Resources (MINAGRI) in evaluating the Rural and Agriculture Financial Services Strategy Phase I (2011- 2014) and designing RAFSS II. The evaluation committee comprised MINAGRI, the Rwanda Private Sector Driven Agriculture Growth (PSDAG), DFID, the World Bank, and the International Fund for Agricultural Development (IFAD). Key activities included development of a Terms of Reference and supporting the procurement process.

Value Chain Analysis

AFR contracted Maxwell Stamp Ltd. to carry out a value chain financing analysis to identify potential areas of support under this strategic area. A dissemination workshop with 30 key stakeholders was held to share the report findings and recommendations. AFR is using this report to determine its implementation strategy for agriculture financing projects.

Workshop on Agriculture Lending Evaluation Tool (ALES)

In collaboration with the Frankfurt School of Finance and Management, AFR conducted a workshop to demonstrate the value of using an agriculture-lending evaluation tool (ALES) within financial institutions. ALES strengthens the agricultural lending capacity of financial institutions and establishes links between farmers, agricultural enterprises and financial institutions. ALES increases access to finance for agricultural enterprises while maintaining the risks and costs for financial institutions at a controllable level.

Agriculture projects in 2016

Two projects were approved in the last quarter of 2016: *“Institutional support to establish agricultural credit units in two MFIs Umutaguha MFI and Unguka bank”* and *“Partnership with Heifer International to support payment of dairy farmers through a mobile platform”*.

AFRACA Conference

In collaboration with the Development Bank of Rwanda (BRD) and Africa Rural and Agricultural Credit Association (AFRACA), AFR organised the AFRACA Conference in August 2016. The conference aimed at bringing together international, regional, and local experts and practitioners in the rural and agricultural finance sector to share best practices and experiences.

Learning trip to Kenya on digitising the dairy value chain

AFR, with Heifer International and KCB Rwanda Ltd., organised a field visit to New Kenya Cooperative Creameries (KCC) in Nairobi, Kenya. The purpose of the visit was to acquire knowledge on how best to implement the dairy value chain financing project in Rwanda.



Key Focus Area 2 •

Agriculture Finance

Support access and usage of value chain finance by small-holder farmers engaged in maize, coffee, tea, dairy and Irish potato farming.

In Rwanda:



33%
of the GDP
comes from
agriculture



90%
of the national
food need is
covered by
agriculture



50%
of the export
revenues are
generated from
agriculture



69%
of the labour
force are
employed in
agriculture

Source: EICV4

AFR promotes increased access and uptake of financial services in order to sustainably increase on-farm productivity and subsequently improve people's incomes and livelihoods. AFR has supported various innovations/projects in Phase I that enhanced small-holder farmer financing. The key lessons learnt from these projects will inform the development and implementation of projects in Phase II.



Participants at the AFRACA conference

To enrich the discussions and to bring in different perspectives from around the globe, AFRACA was joined by its sister-networks and member institutions namely, Asia-Pacific Rural and Agricultural Credit Association (APRACA), Association of Latin American Development Finance Institutions (ALIDE), Confédération Internationale de Crédit Agricole (CICA) and the Near East-North Africa Regional Agricultural Credit Association, NENARACA.



Key Focus Area 3 •

Digital Financial Services

Innovative Fund to Support Digital Financial Solutions

Digital Financial Services (DFS) has been identified as a major contributor to increasing the uptake and use of financial services in Rwanda. It is also in line with government objective of moving into a cash-lite economy.

AFR:



Supports the design and delivery of innovative DFS products and services.



Facilitates and promotes the uptake of digital finance services.



Facilitates cooperation between Mobile Network Operators (MNOs) and banks



Provides institutional support to Rwanda's financial sector associations;



Analyses the habits and needs of low-income consumers.

In 2016, AFR embarked on a series of activities to support the development of DFS in Rwanda at the national, sector and institutional levels which included policy research, support of financial service providers and steering innovative ideas.

ACHIEVEMENTS IN 2016

Market facilitation

The launch of AFR Phase II started with stakeholder consultations on the relevance of AFR-planned activities. The stakeholders consulted included banks, MFIs, MNOs, the National Bank, and Ministry of Finance and Economic Planning. The feedback covered the need to commission sector studies to inform policy makers and private sector practitioners. Another aspect of market facilitation involved the dissemination of FinScope thematic report on DFS.

Development of Agency Networks

AFR commissioned a study to understand the risks, constraints and opportunities of agent banking. The assessment was conducted by MicroSave Africa during the second quarter. Based on the recommendations from the study, AFR has resolved to support up to three financial institutions in strengthening their agency network.

Digitisation of Government to People (G2P) & People to Government (P2G) Payments

AFR commissioned Enclude Ltd. to conduct a study on the landscape of G2P and P2G payments to understand the constraints and opportunities of digitising payment streams between government and people. The findings from the study were presented at a workshop organised in partnership with CGAP in August 2016. The workshop brought together various financial sector stakeholders including banks, MNOs, BNR, RDB, MINECOFIN, and MFIs. Since then, AFR has had follow up engagements with government to explore digitisation of social transfers and health insurance payments.

Supporting the development of Financial Technology (FinTech) companies in Rwanda

In partnership with the ICT Chamber of the Private Sector Federation, AFR organised a workshop in July 2016 for 23 leaders of FinTech companies and financial institutions. The workshop explored the contribution of FinTech companies in promoting the uptake and use of formal financial services by targeting the unbanked and under-banked population. As a direct outcome of the workshop, AFR in partnership with Insight2Impact (i2i) and the ICT Chamber funded an innovation competition for more than 30 technology companies and start-ups. The competition facilitated development of ideas in the form of financial products. It is anticipated that the best ideas will translate into viable businesses.

Supporting the Development of the Credit Reference Bureau

In November 2016, AFR approved grant support to TransUnion (TU) Rwanda worth USD 120,000 to roll out Credit Scoring tools to financial institutions and to develop a mobile platform to enable clients of financial institutions to access their credit status. The credit scoring tools facilitate financial service providers to offer loans in a quick and efficient way thus increasing access to credit services. AFR is also supporting the development of a mobile information system platform. The project will be used to educate and sensitise the general public on how to use a mobile application that tracks loan repayment via the mobile phone. This will support individuals in honoring their financial commitments.

Key Focus Area 4.1

- Development of the Pension Scheme's management structure and job descriptions for the key positions and roles.
- Agreement to have the pension scheme as a project under MINECOFIN for the first few months.
- Development and approval of the draft law that will govern LTSS (approved by the Cabinet on 13th September 2016). This was followed by a press conference where the Minister of Finance and Economic Planning presented the pension scheme to the public.

For more details: www.newtimes.co.rw/section/article/2016-09-15/203550 and www.theeastafrican.co.ke/business/Rwanda-to-roll-out-long-term-savings-scheme/2560-3382002-item-1-5c7ddx/index.html;

- Call for Proposals for the Consultancy to provide expert Technical Assistance (Pension, Insurance and related Information Technology) for the implementation of the long term Saving/Pension Scheme in Rwanda. The closing date for submission of bids was 13th January 2017. The successful bidder will support MINECOFIN in operationalising the scheme.

Key Focus Area 4.2

- Development of the inclusive insurance intervention framework. This was approved by the AFRIC on 1st December 2016 and will focus on the crop, livestock and simple life products accompanied by other enabling interventions such as regulation, supplier capacity building and demand awareness creation.
- Call for proposals for the Inclusive Insurance Acceleration Fund (IIAF). AFR received seven project proposals and two were submitted to AFRIC for review and approval.
- AFR, in partnership with the Association of Insurers of Rwanda (ASSAR), organised a half day workshop which was attended by 21 participants.
- In partnership with PSDAG, MINECOFIN and MINAGRI, AFR co-hosted a half day roundtable on Agriculture Insurance on 10th November 2016.
- Creation of a National Technical Committee that will advise and oversee the implementation of the proposed National Agriculture Insurance Scheme. The committee met once during the year and their terms of reference was discussed. Based on final recommendation, the committee will draft the TORs for the development of the scheme.



Key Focus Area 4 •

Promotion of Risk Mitigation Approaches

- Informal Sector Pensions and Inclusive Insurance Market Development

Key Focus Area 4.1

Establishment of the Rwanda Long Term Savings Scheme (LTSS)/ Informal Sector Pension Scheme

The current Rwanda Social Security Board (RSSB) pension products covers only about 6% the people working in the formal economy. However, it is estimated that around 70% of the working population in Africa work in the informal sector. In June 2016, the AFR Investment Committee approved funding (USD 3,547,200) to support the Government of Rwanda to establish an informal sector pension scheme that will provide an alternative old age saving plan for the vast majority of the population working in the informal sector.

Key Focus Area 4.2

Inclusive Insurance Market Development

According to the FinScope Survey 2016, only 8.5% of Rwandan adults have insurance and the uptake of insurance in Rwanda is skewed towards medical insurance mainly consumed by the salaried or formally employed.

AFR supports the development of an inclusive insurance intervention framework.



Key Focus Area 5 •

Market Development and Facilitation

Market facilitation for a vibrant, coordinated and inclusive financial sector

AFR supports research and advocacy for increase knowledge and understanding of rural finance needs, regulatory and market barriers and drivers that will spur usage and uptake of financial services in Rwanda.

AFR applies the M4P approach.

ACHIEVEMENTS IN 2016

MasterCard Foundation Symposium on Financial Inclusion

AFR participated in the MasterCard Foundation Symposium on Financial Inclusion that was held in October 2016 in Kigali. Under the theme of putting the needs and expectations of people living in poverty at the center of all financial interventions, the symposium attracted over 300 delegates from all over the world. For more details refer to <http://mastercardfdnsymposium.org/resources/>

Savings Week Coordination and Report

In October 2016, AFR in collaboration with the Ministry of Finance and Economic Planning, the National Bank of Rwanda and a number of financial sector stakeholders organised a Savings Week Campaign under the theme "*Saving: The Right Path to Self-Reliance*". The main objective was to sensitise and encourage Rwandans to embrace a savings culture, the campaign included a three-day digital financial service exhibition and numerous expert discussions on the importance of saving on several media platforms, as well as school debates, etc.

Launch of the Savings Group Map on 13th October 2016

In collaboration with MINECOFIN and savings group practitioners, AFR developed a map to illustrate the status and location of Savings Groups in Rwanda (2010-2014). The map was launched in October 2016 and it is anticipated that financial sector players will use it to identify opportunities for business and collaboration in promoting financial inclusion to low income people. For details refer to <https://savingsgroup.bnr.rw/>

Dissemination of FinScope 2016 District Reports

AFR funded the development of district specific FinScope reports for each of the 30 districts in Rwanda. The reports were disseminated at a workshop organised in partnership with MINECOFIN and BNR. The workshop was attended by 955 delegates from the districts' Access to Finance Forums i.e. mayors, vice-mayors, executive secretaries, staff of Umurenge SACCOs and other financial institutions.

Launch of the Tea SACCOs Project in partnership with TIGO and the Wood Foundation

On 12th July 2016, AFR, Tigo and the Wood Foundation launched a mobile payment product for tea farmers working with Mulindi and Shagasha tea factories with the aim of facilitating their access to timely and appropriate financial services. The launch was the result of a successful pilot project with Ishema SACCO which improved farmers' access to finances through the mobile phone. For more information: <https://youtu.be/awniR4CtB4Q>

Project	Target	Achievements in 2016*
Technical assistance and refinancing to Umutanguha Finance Company	<ul style="list-style-type: none"> Recruitment of at least 50,000 new active clients (savers and borrowers). Realise at least 40% of the savings mobilisation and lending 	<ul style="list-style-type: none"> 34,512 new clients recruited since January 2015 96% of the clients are in rural areas
Strengthening responsible lending operations and productivity for Letshego Rwanda	<ul style="list-style-type: none"> Recruitment of at least 20,000 new active clients (savers and borrowers). Realise at least 40% of the savings mobilisation and lending volume 	<ul style="list-style-type: none"> 2,767 new clients registered 32% of the clients are in rural areas
Technical assistance to improve efficiency and sustainability of operations - Umwalimu SACCO	<ul style="list-style-type: none"> Recruitment of at least 25,000 new active clients (savers and borrowers). Realise at least 40% of the savings mobilisation and lending volume 	<ul style="list-style-type: none"> 13,421 new clients registered 63% of the clients are in rural areas
Institutional capacity strengthening of Duterimbere IMF	<ul style="list-style-type: none"> Recruitment of at least 43,000 new active clients (savers and borrowers). Realise at least 40% of the savings mobilisation and lending volume within rural areas of Rwanda. 	<ul style="list-style-type: none"> 3,069 new clients have been registered 71% of the clients are rural
Strengthening deposit mobilisation capacity and building a sustainable business model for lending to small-holder farmers - Vision Fund Rwanda	<ul style="list-style-type: none"> Recruitment of at least 12,840 new active clients (savers and borrowers). Realise at least 40% of the savings mobilisation and lending volume within rural areas of Rwanda. 	<ul style="list-style-type: none"> 39,792 new clients have been registered 75% of the clients are in rural areas

* The figures for Umwalimu SACCO, Letshego and Duterimbere are for September 2016. The December 2016 reports were in progress at the time of compiling the AFR Annual Report.

Overview of the utilisation of funds

Parameter	Amount (EUR)	Percentage
Funds dedicated to MFIs as per KfW/AFR agreement	2,775,000	100%
Funds committed to Technical Assistance	551,251	19%
Funds committed to Refinancing	2,375,842	81%
Total funds committed by the CF	2,927,093	
Fund reflows re-committed(EUR)	152,093	

EUR 2,633,192 (Assuming EUR/RWF exchange rate of 882.277 being the BNR average rate on 23rd June 2016) is estimated to be left once every instalment is paid back and the Bank of Kigali administration fees have been paid.



The Microfinance Challenge Fund Rwanda

The Microfinance Challenge Fund Rwanda was established in accordance with the financing and project agreement between the Government of Rwanda represented by the Ministry of Finance and Economic Planning (MINECOFIN), the German Development Bank KfW and AFR as the Project Executing Agency (PEA).

The Microfinance Challenge Fund aims at contributing to broad based and sustainable economic growth and to create income and employment for poor households, particularly in rural areas of Rwanda. To achieve these goals, the Fund uses two complimentary approaches:



REFINANCING of MFIs in the form of loans for onward lending to their clients in rural areas.



TECHNICAL ASSISTANCE (TA) to partner MFIs aimed at addressing the institutional capacity challenges prevent them from fulfilling their growth ambitions and sustainably providing financial access to microfinance clients.

Frankfurt School of Finance & Management as Challenge Fund Manager is responsible for the set-up, administration and management.

Other Achievements

Many MFIs do not have dedicated structures, procedures and tools in place to allow for professional and strategic Asset and Liability Management (ALM). This poses a significant risk with regards to payment obligations and refinancing of their loan portfolios. Accordingly, the capacities of the financial managers and CEOs needed to be developed further and necessary structures for ALM established. Frankfurt School, as the manager of the Challenge Fund, conducted an Asset-Liability Management Modelling and Reporting training for select MFI partners. This 3-day course conducted in August 2016 provided participants with an understanding of the main activities undertaken within a financial institution's treasury/ALM function including liquidity risk management, interest rate risk management and foreign exchange risk management and capital adequacy management.



MONITORING AND RESULTS MANAGEMENT (MRM)

AFR's knowledge management system encompasses a comprehensive Monitoring & Evaluation function to facilitate timely result-based monitoring, demonstrating value-add by each intervention so that replication and scaling up can be justified. In 2016, AFR achieved:

- *MRM Training for Financial Sector Deepening (FSD) MRM Leads*
- *AFR Phase I Project Completion Review*
- *Social Impact Training*

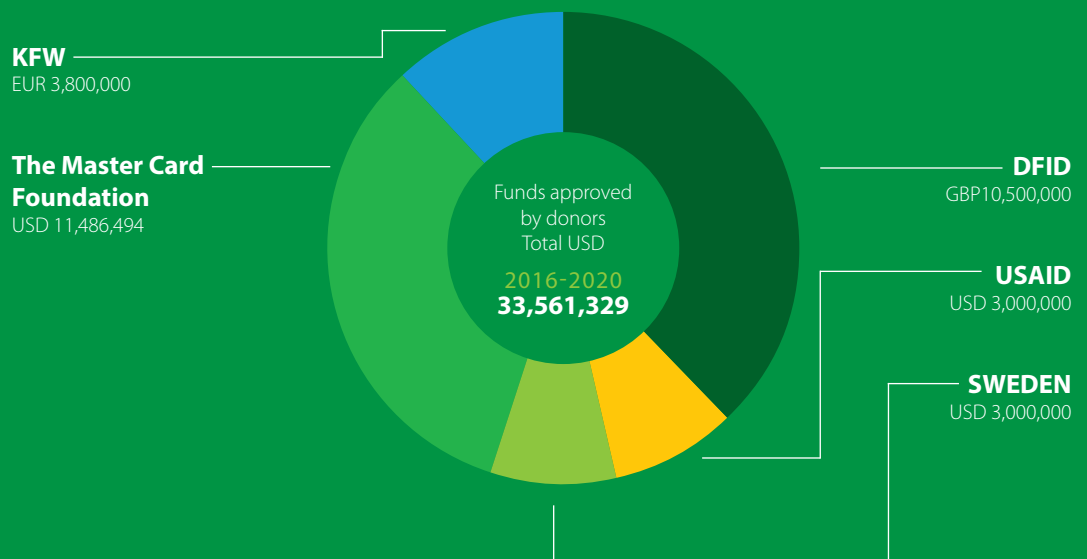


HUMAN RESOURCES

After serving AFR for a period of about three years, during which AFR experienced great growth and additional donor funding, Technical Director Judith Aguga bid farewell to the staff and board of AFR in September 2016. Judith Aguga was replaced by a new Country Director, Waringa Kibe, who joined AFR in October 2016 having worked in Rwanda for the last five years with Global Communities.



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