

SUMMARY AFR II STRATEGIC PLAN 2016-2020





AFR was established in 2010 to promote access to financial services in Rwanda. AFR is financed by DFID, MasterCard foundation, SWEDEN, USAID and KFW

STRATEGIC GOAL

Contribute to a deeper and more inclusive financial Sector that supports the livelihoods and well-being of low income people in Rwanda

MAIN OBJECTIVE

Low income Rwandans, especially women and youth, benefit from use of a variety of appropriate financial services.

BUDGET 2016-2020

USD 33,561,329

LOGFRAME TARGET 2016-2020

1,840,000 people

OF WHICH 60% ARE WOMEN

BACKGROUND

A sound and growing financial sector is essential to achieving the ambitious development targets set out in Rwanda’s second Economic Development and Poverty Reduction Strategy (EDPRS II). More than a million Rwandans emerged from poverty in the last five years, a commendable achievement attributed to increased agricultural incomes and income transfers. Yet despite the good progress, an estimated 1.3 million Rwandans remain financially excluded and many sectors critical to pro-poor growth – including agriculture and small enterprises – remain under-served by the financial services industry. This failure is the result of constraints on both the supply and demand sides.

On the supply side, financial institutions in Rwanda have weak institutional capacity, inadequate physical infrastructure in rural areas, high default rates, and a lack of limited products that meet the financial needs in the market including low-income groups. This is coupled with high transaction cost of servicing small accounts for low-income consumers in remote areas.

Moreover, effective demand for financial services by low-income households is weak – due to limited business and financial management skills, low financial literacy, cyclical income, and lack of collateral to meet the requirements of financial institutions.

The relationship between inclusive growth and poverty reduction is widely recognised, and increasing financial inclusion is an important step towards achieving this goal. A diverse and inclusive financial system will enable poor people to actively contribute to and benefit from Rwanda’s economic development.

AFR PHASE I: INTERVENTIONS TO ADDRESS MARKET FAILURES

AFR was established in 2010 to increase access to financial services for the rural and urban poor (especially women and youth) and micro, small and medium enterprises (MSMEs).

During its first five years of operation, AFR in partnership with different institutions developed and implemented a variety of financial market development interventions that enabled over 1,000,000 Rwandans to access and use financial services. AFR’s approach is to make targeted

investments in innovative interventions that address key market barriers to financial inclusion in Rwanda.

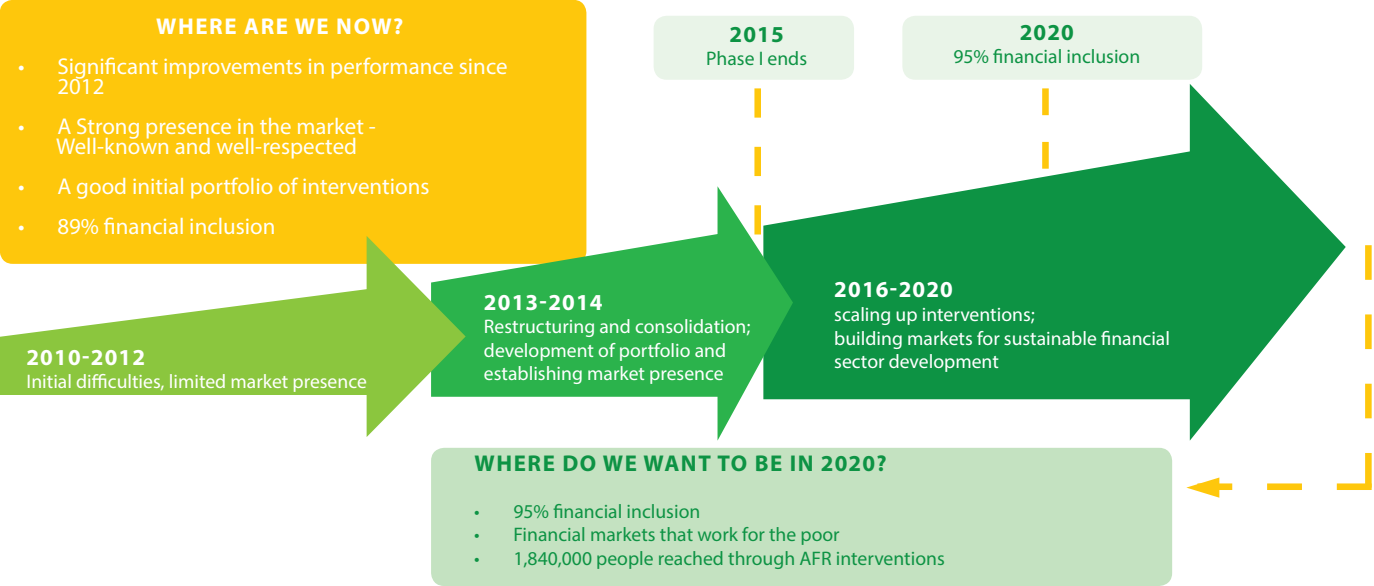
AFR’s phase I interventions stimulated financial-sector stakeholders to provide better products and improve their financial services for enterprises and poor people in line with Rwanda’s national policy frameworks, including FSDP II and the EDPRS, as well as supporting the Rwandan government’s financial policy and strategy development.

For details of the achievements realised by AFR in Phase I, please refer to our website: www.afr.rw. Under publication for AFR Annual Report 2015; AFR Project Profiling Report 2010-2015 and AFR project intervention map.

AFR PHASE II: KEY AREAS OF INTERVENTION

In Phase I, AFR demonstrated its capacity to address many challenges to support the development of the financial sector. In Phase II, these gains will be scaled up and consolidated, ensuring the sustainability of the positive outcomes achieved to date. AFR has identified five key result areas for Phase II.

AFR TIMELINE FOR FINANCIAL INCLUSION



KEY RESULT AREAS



KRA 1 •
DEVELOPMENT OF SACCOS AND SAVINGS GROUPS

The potential of SACCOs to support financial inclusion is not being fully realised. Under Phase II, AFR will provide technical and financial assistance to strengthen management systems, automate operations, and develop financial services for SACCOs, to meet the needs of the financially underserved – particularly those engaged in agriculture.

AFR will leverage the potential of e-payments and mobile banking to reach customers, and facilitate linkages with saving groups, commercial banks, and MFIs to deepen Rwanda’s financial market.

AFR will collaborate with policymakers to develop the appropriate regulatory framework and prudential oversight to support the growth of SACCOs in a sustainable manner. This is a high risk but high reward intervention, which requires working with multiple stakeholders and government on high profile issues.

The potential of supporting Government-to-People (G2P) payments electronically linked to SACCO accounts in an effort to drive down transaction costs and support more timely payments will also be explored.



KRA 2 •
SUPPORT ACCESS AND USAGE OF VALUE CHAIN FINANCE BY SMALLHOLDER FARMERS ENGAGED IN MAIZE, COFFEE, TEA, DAIRY AND IRISH POTATO

AFR will support the development of the agricultural insurance, digital finance for small holder farmers and capacity building in setting up agriculture finance units.

On the supply side, AFR will build capacity of eligible and interested institutions; promote diverse products tailored to the needs of the sector; and facilitate increased access to leasing, input credit finance, and guarantee schemes.

On the demand side, AFR will promote value-chain financing in subsectors with high scale and outreach; build capacity within agribusinesses; and promote the use of digital channels to facilitate rural financial services.



KRA 3 •
INNOVATIONS WITH A FOCUS ON DIGITAL FINANCIAL SERVICES

AFR will support the design and delivery of innovation in deposit mobilisation, mobile banking, and agent banking services that reach women and the unbanked.

AFR will also facilitate and promote the uptake of digital finance for the delivery of social protection payments, and government to people.



KRA 4 •
RISK MITIGATION TO INCLUDE INSURANCE AND THE ESTABLISHMENT OF INFORMAL PENSION SCHEME

AFR will promote initiatives to increase the usage of savings, pension, and insurance products by low-income people, particularly women; promote innovative insurance products to enable agribusinesses to better manage risk; and facilitate a micro-pension pilot scheme to meet the needs of low-income earners in the informal sector. Innovations around micro-pensions will draw on the results of the feasibility study carried out in partnership with MINECOFIN and BIFSIR during Phase I.



KRA 5 •
KNOWLEDGE BROKER AND MARKET FACILITATOR

AFR will stimulate research and analysis to better understand Rwanda’s financial services market. This will include commissioning reviews of financial sector strategies, laws and regulations focused on SACCO development, value chain financing, insurance, and informal pensions.

AFR will continue to facilitate cooperation between MNOs and banks, and will promote the uptake of e-payments across government, as well as provide institutional support to Rwanda’s financial sector associations.

By analysing the complex financial habits and demands of low-income consumers in Rwanda, AFR will help to identify unmet demand and improve financial inclusion. Research findings will be used to improve the enabling environment through appropriate regulation and policy.

THEORY OF CHANGE



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