

QUARTERLY NEWSLETTER



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



Main objective

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

About AFR

AFR began its operations in 2010 with the core objective of stimulating the development of the financial sector in Rwanda. AFR's intention is to remove the systemic barriers that hinder access to financial services by putting the low-income people particularly the rural poor and women at the centre of its interventions. AFR supports the development and provision of financial services including savings, credit, insurance, payments and remittances. AFR is funded by DFID, Sweden, USAID, and the MasterCard Foundation.

To ensure long-term sustainability and consistency of its achievements, AFR supports the Government of Rwanda's development objectives and aligns all her interventions to the national policy frameworks such as the Financial Sector Development Programme (FSDP) II and the Economic Development and Poverty Reduction Strategy (EDPRS).

NEWS



Ms. Waringa Kibe

Word from the AFR Country Director, Ms. Waringa Kibe

HAPPY NEW YEAR

It's a great start to the year for us here at AFR as we review the initiatives that we are embarking on with your engagement, partnership and support. Thank you!

As we enter the fourth year of AFR's Second Phase of funding (2016-2020), we will take time to examine and share lessons learnt through implementation of various ambitious and innovative projects. Examples of these will include lessons from our public private partnerships in implementing agriculture insurance, the universal voluntary contribution pension scheme launched last year, the development of an interoperable retail payments system in Rwanda and usage of digital financial services.



Word from the AFR Country Director, Ms. Waringa Kibe (continued)

Digitalisation of farmer payment and Saving Groups

In addressing usage and resilience, AFR supported the digitisation of savings groups and digitisation of payments for farmers within the Irish potato, tea and coffee value chains. What impact these initiatives have had on the incomes and livelihoods of the recipient is an invaluable question that needs answering and we will be looking to do just that. We will be applying a lens on vulnerable groups such as women, youth and people living with disability and displaced populations.

FinScope 2020 Survey

Rwanda to date has achieved impressive financial inclusion levels, recorded at 89% during the last FinScope Survey, in 2016, however, there is more work to be done to increase domestic saving and investment levels as a country.

The World Bank's December 2018 Report on "*Future Drivers of Growth*" for Rwanda identified some key priority areas for reform. Some of the areas mentioned are having a strong impact on our focus of activity and in the future will include human capital development, export dynamism, well-managed urbanisation, competitive domestic enterprises and agricultural modernisation.

The call for us at AFR is to review our engagement with the financial sector with the aim of ensuring that our interventions result in improved livelihoods, investment growth and better capital allocation.

With this in mind, we are excited to begin preparations for the Finscope 2020 Survey and will be engaging our partners in the design and funding of the report. This report is essential for us to review progress towards financial inclusion, and understand where efforts must be focused in order to reach our goal of removing systemic barriers to financial sector growth. If you would like to be engaged in this process, please do get in touch.

We continue to stay focused on building an inclusive financial sector in Rwanda that supports growth and look forward to your continued engagement and partnership in 2019.

If you would like to get in touch or find out more on our latest activities, please visit our [website](#) or [Twitter](#) page.



Kind regards

Waringa Kibe

Country director, AFR

Ejo Heza - Brighter Future AT A GLANCE

All Rwandan citizens with a national ID and foreigners residing in Rwanda can open up an Ejo Heza account



Amount and frequency (weekly, monthly, semi-annually, etc.) is **optional**. There are no penalties for missed contributions.



Parents can save for their **children** if they are under 16 years of age.



The **Rwandan Government** will transfer up to **RWF 18,000** per year into each Ejo Heza account.



The LTSS includes a **life insurance** with a cover up to **RWF 1,000,000**.



The LTSS includes a **funeral expenses** cover of up to **RWF 250,000**.



A part of the Ejo Heza account **savings** can be used to get a loan for **education** and **housing**



Ejo Heza account holders will receive a **monthly pension** for **20 years** over the age of 55.

Use the website, or simply dial *506# for MTN Rwanda and Airtel-Tigo and follow the simple prompts to open your own Ejo Heza account.

Rwanda Launches Africa's First Universal Digital Pension Scheme For All

On Friday the 14th December 2018, His Excellency, Paul Kagame, President of the Republic of Rwanda launched the long-term savings scheme named Ejo Heza (Kinyarwanda for Brighter Future) during the 16th National Umushyikirano Council (the National Dialogue).

The launch was attended by over 2,000 participants including members of the Cabinet and Parliament, representatives of the Rwandan community abroad, local government, Civil Society Organisations, media and the diplomatic community. Ejo Heza offers opportunity and incentives for all Rwandan's to save a voluntary share of regular or irregular earnings to mitigate against the risk of old age poverty.

In October 2018, the scheme was pilot-tested in the Gasabo District. Over 30,000 citizens used their mobile phones to open digital Ejo Heza accounts in less than a fortnight and have already contributed over RWF 20 million into the long-term savings scheme using mobile money wallets.

This is the first of its kind as formal pension arrangements in Rwanda are restricted largely to the salaried public and private sector employees. The remaining 94% of Rwandans, including farmers, those working in small and micro enterprises, daily wage earners, domestic help and other non-salaried individuals have been excluded from formal retirement saving programmes.

Due to an increase in life expectancy and the projected growth in the number of older citizens over the next 30 years, there will be significant challenges that Rwanda will face economically. Comprehensive coverage and uptake of the Defined Contribution (DC) pension programme could radically improve the ability of the next generation of old people to lead a financially secure and dignified retirement.

"Over the years, AFR has actively supported the Government of Rwanda through the Ministry of Finance and Economic Planning (MINECOFN) and the National Bank of Rwanda (BNR) in the areas of inclusive financial sector development. Today, millions of Rwandan citizens across the country are already able to easily access savings, credit, insurance and remittance payment services through a range of credible and well-regulated institutions.

"Rwanda is also among the first few nations in the world to have established a robust, digital national ID infrastructure. Access to Finance Rwanda and our funders are very proud to be now contributing to the next phase of Rwanda's financial inclusion efforts. We are very pleased to be supporting the first national-level universal pension program in the world being launched by leveraging existing digital financial inclusion infrastructure in the true spirit of Public-Private-Partnership."

Waringa Kibe
Country Director, AFR

"For a majority of our citizens, and equally for the Government of Rwanda, a vital issue is the management of the longevity risk with the cessation of earnings in old age".

Dr. Uzziel Ndagijimana
Rwanda's Minister for Finance and Economic Planning

30 District Coordinators recruited to drive implementation of Ejo Heza scheme

The District Coordinators are expected to build up momentum and support mobilisation of the masses to enrol for the saving scheme on a monthly basis for a period of one year. There will be a number of sensitisation programmes on the scheme across all population segments in the districts and the District Coordinators will ensure to work with partners and stakeholders on a campaign to educate the public about the long-term benefits of saving through the scheme as well as highlighting all the incentives and benefits of committing to the scheme.

In order to ensure that the scheme has uptake across the country, the Coordinators are urged to use the existing community-based programs such as Umuganda (monthly communal work) to help promote the concept of retirement savings among all citizens.

AFR has appealed to the Coordinators to take advantage of the digital features of the scheme to help accelerate interest. The Coordinators are expected to design and deliver training programmes to empower subscribers to self-activate their savings accounts using mobile or a digital web-based programme.

To ensure sustainability and scalability, the District Coordinators will work closely with districts, sector and cell leaders, to start and finalise the recruitment and setting up Ejo Heza village agents. There is a strong belief that if leadership is built at the grassroots level, more Rwandans will take subscribe, especially in rural areas.



In a bid to support countrywide roll out. AFR have recruited 30 District Coordinators to oversee the implementation of Ejo Heza in all 30 districts across the country.



Annual Financial Sector Growth

12%



The banking sector remains the largest sub-component of the financial sector owning 66% of the total financial sector assets



However, it serves only 26% of the adult Rwandan population

This demonstrates the need to have diversified sources of finance to ensure inclusion of different unserved or underserved segments.

A new dawn for development of diverse sources of financing in Rwanda

On 17th December 2018, a new law was passed to regulate Non-Deposit Taking Lending Institutions and encourages the financial sector to embrace and foster innovation to serve the underserved market.

During the last two decades, new developments have emerged in the financial sector across the globe characterised by the introduction of a myriad of firms disrupting the market offering financial products and services through a diverse range of distribution channels. These parallel institutions are functionally very similar to traditional financial institutions yet barely supervised or regulated.

Some of them do not hold any capital for security reasons and are not subject to any meaningful prudential requirements regarding liquidity, leverage or any other feature of their assets and liabilities. They also have very few reporting obligations and have to meet few governance standards.

Mr. Jean Bosco Iyacu, the Director of Programmes at AFR, therefore, observes that the proportionate regulatory regime for Non-Deposit Taking Lending Financial Institutions will allow the provision of responsible finance that focuses on credit only, mortgage finance, credit guarantees, refinancing, factoring, debt collection and other financial services.

AFR Supports Financial Services industry to improve financial inclusion in Rwanda

Digital Financial Solutions (DFS) are proving to be a successful contributor for increasing the uptake and use of financial services in Rwanda. However, a great deal of work remains to target and reach more customers.

With donor funds, AFR has earmarked financial support for the development of digital financial solutions and services in Rwanda. AFR has embarked on a digital financial solution strategy for the next four years that will focus on four pillars; interoperability of digital financial services, digital payments, innovation and customer protection.

Several projects will be implemented with the objective of creating more sustainable business models through shared infrastructure for digital financial service providers, customer-centric digital product development by service providers to create value proposition for rural low-income people.

AFR believes that there is a need for the financial sector to look beyond technology and explore more innovative business models and processes that drive broader and deeper financial inclusion in Rwanda.



ONLY 46% of Rwandans use DFS from banks and mobile money providers



89% of the 54% who never use DFS, prefer to pay goods and services in cash



60% of all mobile money transactions were remittances



48% of all mobile money based purchases were for airtime



44% of digital financial services users utilise their digital accounts for savings



39% digital financial services users make payments other than airtime purchases



A majority of customers use their digital accounts in the most basic form; to receive money through a mobile wallet but then they draw cash out to make their payments.

The above figures imply that the majority of the users do not keep electronic-value. The large cash demand causes low liquidity at the agent level, and many agents are struggling to remain in business. The expansion of digital financial services is further challenged by a lack of valuable, convenient and affordable products and services.



AFR will continue to contribute towards enhancing the availability of quality insurance services for underserved or unserved low-income populations.

New microinsurance products launched for the poor in Rwanda

The new Microinsurance Regulation was announced on 24th December 2018 in anticipation of developing and unveiling products tailored for the underserved market in Rwanda.

"There is growing evidence that Microinsurance is changing the insurance landscape in developing countries to address the challenge of insurance penetration, efficient risk management and contributing to breaking the cycle of poverty,"

Mr. Christian Kabeza, the
Head of Inclusive Insurance at AFR.

In Rwanda, the insurance sector recognises the business potential in targeting and working with low-income citizens but expressed the need for skills development, a conducive environment as well as practical business models that can be tested locally. The industry is confident about how the new regulation will facilitate development of microinsurance products and this would address the needs of the majority of the Rwandan population.

Mr. Gaudens Kanamugire, CEO of MUA Rwanda Insurance Company Ltd and Chairperson of the Rwanda Insurance Association (ASSAR) described the newly adopted microfinance regulation as a strong sign of development for the insurance market in Rwanda:

"The Microinsurance regulation draws the doors open wide for products development targeting the informal sector and low-income market segment. The new regulations render the existing insurers an opportunity to leverage on the existing infrastructure and experience to be innovative."

Mr. Gaudens Kanamugire,
CEO of MUA Rwanda Insurance Company Ltd and Chairperson ASSAR

"This is going to increase insurance penetration rate that has been for many years stagnant at 1.7%. We are grateful that the National Bank of Rwanda has put in place this regulation. There is no doubt that the regulator will continue being proactive in helping the insurers serve the unserved market segment particularly low-income earners."

CEO
Radiant Insurance Company

Mr. Gregoire Minani, CEO of Prime Life Insurance Company noted that the microinsurance regulation will address risk mitigation needs for those whom the conventional insurance has not been serving.

Mr. Christian Kabeza concluded that AFR will continue to contribute towards enhancing the availability of quality insurance services for underserved or unserved low-income populations.



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