

## MICROFINANCE LEARNING PAPER SERIES

# Increasing Savings and Solidarity among Households with Orphans and Vulnerable Children in Rwanda

## BACKGROUND

It is estimated that there are 264,000 children orphaned by AIDS living in Rwanda. The 2005 Demographic Health Survey of the Rwandan government found that 29% of children under the age of 18 surveyed were considered to be orphans and vulnerable children.<sup>1</sup> The exacerbating effects of genocide and war and the high incidence of HIV and poverty make the Rwandan situation even more complex than that of many other countries in Africa with high numbers of orphans and vulnerable children (OVC).<sup>2</sup>

Households headed by children (defined as those between the ages of 13 and 18) identified in national focus groups cited lack of shelter, food, money, household furnishings, land, farming equipment, firewood, and school materials as the key challenges they face. Completing their education is a significant problem for children heading households, who are frequently forced to leave school to work. Those who are able to attend primary school often do so with a sense of futility, as secondary school fees and other costs make continuing on seem an impossibility. Many also expressed concern over the lack of access to adequate health care for them and their siblings, aware that they are particularly vulnerable to illness and malnutrition. As children adopt increasingly risky coping strategies to survive, the lack of information, life skills, and care significantly increases their vulnerability to HIV infection. Child-headed households (CHH) desperately need skills training and access to financial resources to be able to build sustainable livelihoods.

## PROJECT OVERVIEW

Since 2005, CRS Rwanda has responded to the needs of orphans and vulnerable children through programming funded by the President's Emergency Fund for AIDS Relief (PEPFAR) and private donors. The OVC program provides a package of services including school materials, school fees for secondary school and vocational training for CHH, health insurance, nutrition education, and psychosocial support. CRS has carried on its work with OVC through local church partners, primarily diocesan level Caritas groups. Caritas has been able to meet some of the psychological and material requirements of OVC and their households, but a tremendous need remains.

It was into this context that CRS Rwanda introduced the Savings and Internal Lending Communities (SILC) methodology, to help OVC households build financial assets and complement the other services offered through the OVC project. CRS has had extensive experience in implementing SILC activities and has seen tremendous improvements in the economic wellbeing of poor communities. SILC is a proven microfinance tool for reaching very poor and marginalized communities that are unable to access financial services from formal financial institutions. In linking SILC with OVC programming the intent was to provide OVC

1 Institut National de la Statistique Ministère des Finances et de la Planification Économique Kigali, Rwanda and ORC Macro Calverton, Maryland USA <[http://www.measuredhs.com/pubs/pub\\_details.cfm?ID=594](http://www.measuredhs.com/pubs/pub_details.cfm?ID=594)>

2 The Ministry of Promotion of Gender and Family (MIGEPROF) defines the following populations as vulnerable: children living in households headed by children, children in foster care, street children, children living in centers, children in conflict with the law, children with disabilities, children affected by armed conflict, children who are sexually exploited and/or abused, working children, children affected/infected by HIV/AIDS, infants with their mothers in prison, children in very poor households, refugee and displaced children, children of single mothers, and children who are married before the age of majority.



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households with reliable and safe financial services as well as an avenue for basic financial education.

From the outset, CRS Rwanda focused on three key learning objectives, closely linked to overall aims of the project:

1. Understand how savings and internal lending activities can contribute to the economic security of orphans and vulnerable children.
2. Understand better how integrated programming, supported by savings mobilization, can help to reduce poverty.
3. Evaluate how strengthening the capacity of diocesan Caritas staff can increase community confidence in a partner's ability to reach beyond the Catholic population.

At the end of 12 months, the final evaluation showed the following successes:

1. 10,768 households served, approximately 6,000 of which were OVC caregivers or CHH. These numbers exceeded expectations: CRS Rwanda's initial target was to reach 6,860 community members (non-OVC, OVC caregivers, and CHH) with SILC services.
2. Improved access to credit. The proportion of participating households with access to credit rose from 58.7% before the project to 88% at the end.
3. Improved ability to pay for health insurance. The percentage of participants able to pay for health insurance for OVC rose from 13.6% to 44.6%.
4. Improvements in nutrition. The proportion of participants reporting that they were able to eat at least two meals a day rose from 60.9% to 80.6%.
5. Increase from 2% to 7% in the proportion of participating households saving toward children's education.
6. Decrease in the number of school dropouts. At the beginning of the project, 20.7% of households had a child who had dropped out of primary school; by the end that number had fallen to 14.8%.

## INTRODUCING SILC TO OVC PROGRAMMING

In 2007 CRS Rwanda began its SILC for OVC project in seven dioceses, partnering with Caritas Rwanda. Caritas Rwanda has a comprehensive network of 158 parishes serving more than 10,000 small communities with social and health initiatives. It has been CRS' primary partner in the implementation of the PEPFAR OVC program.

The initial target of the SILC and OVC project was to introduce savings and lending services to more than 6,000 OVC caregivers and CHH. While membership in the SILC savings groups was open to all, children who headed households and OVC caregivers were specifically sought out.

### *Meeting Critical Needs*

CRS Rwanda's OVC programming has been funding school supplies, vocational training fees, and annual health insurance premiums for struggling and economically burdened CHH and OVC households. But such temporary measures are insufficient to address long-term problems of economic insecurity.

The savings and social funds generated within SILC give participating households a sustainable ability to pay for basic services such as health care. Members of SILC save regularly and contribute to a social fund, which is then available to the entire membership to help cover emergency expenses caused by sudden illness, accidents, or death. Thanks to the SILC and OVC project, the percentage of participants able to pay for health insurance for OVC rose from 13.6% to 44.6%.

**Heads of households and OVC caregivers were able to join SILC groups and use their financial services to start or expand businesses, buy seed or rent plots of land for cultivation, purchase livestock, or manage household expenses.**

### *Improving Livelihoods*

The SILC approach was seen as particularly complementary to the OVC programming in that it provided members with basic financial education and access to credit. Heads of households and OVC caregivers were able to join SILC groups and use their financial services to start or expand businesses, buy seed or rent plots of land for cultivation, purchase livestock, or manage household expenses. SILC provides one of the few means for young people to access financial services, and the model encourages mentoring by peers and adults in basic life skills.

While financing is a critical need, OVC also need to acquire skills to support themselves. Many lack the financial means to continue in the formal education system or to pay for vocational training. CRS' OVC program subsidized vocational training in carpentry, tailoring, mechanics, welding, and professional driving. In fiscal year 2008 these subsidies benefited 1,113 OVC and CHH. Typically, once one of the beneficiaries had completed a training program diocesan staff would work to place them in an apprenticeship for at least one month. In a few cases OVC who had received vocational training took on apprentices in their turn. Such programs provide CHH with the income needed to begin to participate in SILC.

One key lesson from this experience is the need to pair vocational trainings with an initial market-opportunity analysis to assist OVC in ensuring future employment. This was identified as a critical need, so that vocational training can be tied to market demand. This important component was missing from the initial program design, and will be addressed in future programming.

### *Choosing Project Participants*

One of the aims of the project was to keep OVC in school, and for that reason the SILC programming focused on CHH and on OVC caregivers. Caritas Rwanda was already working with many individuals in that population, which helped prepare an audience to which SILC services could be promoted. The project also sought to integrate other community members into SILC groups.

### *Making the Link with Partners*

CRS Rwanda introduced SILC to Caritas Rwanda and provided training and technical assistance in the methodology to Caritas diocesan staff. The diocesan staff then worked closely with OVC program managers to promote SILC to program participants. Interested OVC participants and other community members were trained in the SILC methodology and encouraged to join self-selected groups.

Caritas staff helped to support SILC group formation and to select and supervise field agents. They were responsible for organizing monthly and quarterly meetings with field agents to collect reports, discuss successes and challenges, and analyze performance. These meetings also gave field agents and supervisors an opportunity to exchange information about promising approaches and needs for improvement. Friendly competition among dioceses also developed into a motivating factor. The table below shows the principal roles of each partner.

TABLE 1: ROLE OF PARTNERS

KEY PARTNER	ROLE
CRS Rwanda	<ul style="list-style-type: none"> <li>• Reinforce partner capacity with training and quarterly meetings.</li> <li>• Monitor project implementation</li> </ul>
Caritas	<ul style="list-style-type: none"> <li>• Identification of field agents</li> <li>• Management of field supervisors and field agents</li> <li>• Regular visits to provide technical assistance to SILC groups</li> <li>• Liaison and collaboration with local authorities</li> </ul>

## MODIFICATIONS DURING PROJECT IMPLEMENTATION

### *Managing Expectations and Influencing Change*

Local officials and church authorities initially resisted a project that offered neither material nor financial support. To overcome that resistance, CRS and Caritas sought to educate the community at large on the benefits of SILC. Stakeholders were invited to educational sessions and trainings and were encouraged to attend SILC group meetings to hear the testimony of participants. These measures helped church authorities come to appreciate the methodology.

### *Selection of Field Agents*

At the beginning of the project, field agents were selected by the parish priests from among the OVC volunteers. But these agents had other responsibilities in the parish as well, and those other demands on their time reduced their availability to follow up with SILC activities.

With encouragement from diocesan supervisors and the CRS economic strengthening officer, gradually field agents were recruited from among SILC members. CRS' experience elsewhere has shown this to be an effective approach, since persons familiar with the community and trusted by SILC members make the best field agents.

### *Ensuring Success*

To give field agents and their supervisors an opportunity to achieve a more nuanced understanding of the SILC methodology, three SILC groups were formed with membership limited to agents and supervisors. These groups met monthly, and as a result of their activities the program staff have been able to offer better assistance to other SILC groups.

### *Volunteerism versus Fee for Service*

Pure volunteerism proved an insufficient motivation for field agents to carry out the activities and do the follow-up required by the SILC methodology. SILC groups therefore started to pay field agents. This fee-for-service model has helped to create a transparent and competitive system in which the quality of the field agents' work is now being evaluated by the community.

### *Learning Tours*

Learning tours at the parish level were organized for SILC groups that were struggling with start-up activities or that wanted to benefit from the experience of more mature groups. Meetings that took place as part of the tours focused on, among other topics, how to increase periodic savings, diversifying income-generating activities, and improving internal rules and regulations. Diocesan SILC staff organized the visits with the field agents and coordinated transportation.

## RESULTS OF THE PILOT

As of June 2008, the seven dioceses had 10,768 households participating in 461 SILC groups. Women make up 71% of the membership. The groups have been able to save nearly 23 million Rwandan francs (FRw), equivalent to approximately USD \$42,000, and have loaned cumulatively to members almost 44 million francs (about USD \$80,000).<sup>3</sup>

CRS Rwanda in collaboration with Caritas Diocesan partners conducted a baseline study at the beginning of the pilot, measuring degree of poverty, access to credit, frequency of savings, access to health care, food security and available assets at the household level, and followed up that initial survey ten months later. (Only SILC participants were surveyed for the baseline and the follow-up evaluation.) The evaluation report was a descriptive cross-sectional study with a parent population consisting of 440 groups (corresponding to 10,768 members).

<sup>3</sup> This represents the cumulative amount loaned out over several loan cycles.

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TABLE 2: HOUSEHOLD WEALTH INDICATORS

INDICATOR	BASELINE VALUE	END OF PROJECT VALUE
Monthly credit 1001–5000 FRw (\$2–\$10)	24.1%	26.7%
Monthly credit 5001+ FRw (\$10+)	3.4%	7.9%
Households with access to credit	58.7%	88%
Households with assets of large livestock	19%	30%
Household with small livestock	21%	28%
Households with at least two meals per day	60.9%	80.6%
Households saving toward children’s education	2%	7%
Households able to buy health insurance for OVC aged 0–5 years	13.6%	44.6%

Additional benefits for OVC and their caregivers resulting from their engagement in SILC activities included:

1. SILC activities helped improve groups’ ability to manage their own resources. In building the habit of savings and repaying loans regularly, SILC members are preparing to become better members of cooperatives and to participate in other programs offered by microfinance institutions.
2. Participation in SILC helped to improve social cohesion. There is anecdotal evidence that SILC has helped to foster unity and promote community reconciliation. For example, a single SILC may include women caregivers whose husbands were imprisoned due to crimes committed during the genocide and widows whose husbands were killed. That common economic interest has helped them to reconcile.
3. SILC has helped reduce the stigma associated with HIV by providing a platform for communicating messages on stigma and awareness. A number of SILC groups in the program have both HIV-positive and HIV-negative members.
4. Some OVC graduates of vocational training have taken on apprentices in their turn. Approximately one hundred OVC are now receiving training through this system.
5. Self-replication of groups has already been reported. Diocesan SILC staff noted that savings groups had been formed by community members that participated in SILC groups from the OVC projects.

**One of the important lessons learned was the importance of taking a household approach to OVC service delivery.**

### *Challenges and Lessons Learned*

A number of challenges surfaced during the course of the project. Several of the CHH noted that saving regularly when they were first starting their businesses was extremely difficult. It was only after some time that they were able to contribute a small amount of money to their SILC.

Because OVC are dispersed throughout communities, it proved difficult to group them geographically and track their progress. Additionally, while OVC and their guardians were the primary target group, many of the SILC groups also included other types of beneficiaries. While it diluted the focus on OVC caregivers and CHH, this approach did help reduce risk for the groups.

One of the important lessons learned was the importance of taking a household approach to OVC service delivery—that is, providing support services specifically targeted to OVC caregivers and other members of the household. Most OVC programs tend to focus their services on only 1 or 2 children in the household, when in reality the caregivers and other members in the households are likely to be just as vulnerable and in need of support. The OVC program therefore provides access to health care, nutritional education, and bio-intensive agriculture training, in addition to SILC training targeted to OVC caregivers and other children living in the household.

Another important lesson was the importance of focusing on child-headed households, which are the most vulnerable of all OVC groups. This target group profited the most from the SILC and vocational training integration of the Lifelines and OVC program. A number of SILC group participants have since been able to start their own businesses and are using that income to support their younger siblings. Some have even been able to send their siblings to primary school or pay for vocational training.

One key consideration for future programming would be to provide more tailored counseling services to OVC who wish to engage in vocational training. Additionally, an analysis of local market opportunities would furnish a basis for giving better direction to OVC on scalable business opportunities, avenues for skills development, and potential job prospects after graduation.

Finally, while the effects of linking CHH and caregivers with SILC are beneficial, funding limitations restricted the number of parishes that could participate.

### **LOOKING TO THE FUTURE**

In FY 2009, CRS Rwanda will continue working in collaboration with Caritas Rwanda to develop a durable framework for the SILC and OVC project. One of the goals will be conducting operations research to better understand what comparative advantages, if any, derive from providing business-development skills to SILC members. The program seeks to understand if business skills training will improve group members' capacity to change or expand their businesses, in pursuit of greater profitability and financial stability. SILC members have also requested training in cooperative development to start micro-businesses.

### **BUILDING FOR FUTURE GENERATIONS**

Angelique Muhimakazi is a 21-year-old Rwandan who is a member of the "DUFASHANYE" SILC. Her younger sister is a beneficiary of CRS Rwanda's OVC program. Angelique started SILC in February 2008, and took her first loan (3,000 FRw [\$5.45] to purchase and resell ripe bananas) in June 2008. Her second loan was for 5,000 FRw (\$9.09) to diversify her business. A third loan of 10,000 FRw (\$18.18)

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funded further growth, and she was able to rent a small shop for 5,000 FRw (\$9.09) a month.

Angelique was able to purchase a small goat thanks to her understanding of the SILC methodology and the success of her group. She says that she is now able to take care of her sister and to increase the household assets.

Angelique wants to continue her small business and diversify her products. She says that SILC is important especially for the very poor, because it helps them understand how to save the little that they have so that little by little they can ask for credit. DUFASHANYE has also helped alleviate the isolation that comes with being a vulnerable household

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*The Learning Paper Series is produced by MF Lifeline Grant recipients from various CRS country programs and partners. The purpose of these papers is to document key lessons learned via the grant projects and to disseminate that learning to other CRS programs, partners and interested practitioners.*

*CRS serves the poor in more than 100 countries on five continents and ranks among the world's major players in microfinance. Its investments in microfinance have helped to eliminate sources of economic injustice around the world.*

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