

Empowering Rwandan youth through savings-led microfinance

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MICROFINANCE
CASE STUDY



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Background

The situation of orphans and vulnerable children (OVC) has become an important issue facing the world. In 25 years, the human immunodeficiency virus (HIV) has infected almost 70 million people, and illnesses related to acquired immunodeficiency syndrome (AIDS) have killed more than 25 million people. HIV continues to strike adults during their reproductive years, and AIDS-related illnesses unfortunately have resulted in the orphaning of millions of children. Worldwide, it is estimated that 15.2 million children under the age of 18 have lost at least one parent to acquired AIDS.¹ In sub-Saharan Africa alone, 12 million children have lost one or both parents to AIDS-related illnesses, and this number is expected to grow to more than 14 million by 2015.

The number of children without parents continues to multiply in the developing world. At the same time, the economic opportunities for these children as they become adolescents and young adults continue to decrease. Oftentimes, vulnerable youth drop out of school early and have few opportunities for their future development. Without options for improving their livelihoods, many of these youth will adopt risky coping strategies to survive.

CRS' work in Rwanda

It is estimated that there are 220,000 children orphaned by AIDS in Rwanda.² Additionally child headed households (CHH), where the child has lost both parents and has taken over the responsibility of caring for younger siblings, pose a particular challenge due to the 1994 genocide and the AIDS epidemic. These children are at greater risk than other OVC to suffer from malnutrition, illness, emotional distress, abuse and sexual exploitation.

Rwandan youth, especially OVC, have limited access to education. Only 30% of primary school graduates go on to secondary school.³ Of those

¹Report on the Global AIDS Epidemic. (2005). UNAIDS: Geneva, 509.

²Rwanda country statistics. (2007). UNICEF. Available from <http://www.unicef.org/infobycountry/rwanda_statistics.html>

³"Rwanda Humanitarian Country Profile". March 2007. Available from <http://www.irinnews.org/country.aspx?CountryCode=RW&RegionCode=GL>

who do graduate from secondary school, an even smaller percentage is able to continue on to university. As a result, many young people are unable to find work in the formal sector and must instead create their own small businesses to earn money.

CRS has been operating in Rwanda since 1963, providing humanitarian and development assistance in a variety of sectors. Through financial support from the President's Emergency Plan for AIDS Relief (PEPFAR), CRS Rwanda has been providing a comprehensive package of services to OVC consistent with their needs. In 2008, CRS Rwanda and its partners served over 50,000 OVC. The project described in this case study, the CRS Rwanda OVC Track 1.0 project, supported more than 3,151 children with a variety of interventions. The project is implemented in collaboration with local implementing partner, Caritas Rwanda, in the dioceses of Butare and Kibungo, covering seven administrative districts.⁴ Core services offered to every OVC in the program are education (primary, secondary and vocational training), health care, and psychosocial support. Additional services offered beyond this basic core package are nutritional education and training on bio-intensive gardening techniques, child protection and economic strengthening. CRS is a strong proponent of holistic care and support to OVC.

Among the services offered through the OVC project, vocational training has shown promising trends in helping to build sustainable skills among CHH. Children who are unable or unwilling to participate in the formal school system are offered vocational training in a trade of their choice. A typical training course lasts between six months and one year. The project also arranges for post-training apprenticeship opportunities where children can further refine their technical skills before fully entering the workforce. Many children later find work in the same establishment where they served as apprentices while others decide to work as independent entrepreneurs. For the latter, CRS often provides startup kits containing essentials materials related to their trade, and organizes trainings in business skills development. For example, young women undertaking the vocational training course in tailoring receive a sewing machine, needles, measuring tape, a pair of scissors and a charcoal iron. Youth who chose to follow the course in mechanics receive a full tool box, extra screw drivers, wire cutters, pliers and a pair of overalls.

⁴Caritas is the Catholic Church's community development arm, implementing relief and development projects throughout the country using a comprehensive network of dioceses, parishes and small Christian communities.

Why Youth-Inclusive Financial Services?

Despite the need for increased micro-enterprise development, youth in Rwanda have little or no access to formal credit to start or expand micro-businesses. This is often due to their young age and lack of physical assets, collateral and/or social connections. In addition, formal microfinance institutions in Rwanda often charge exorbitant interest rates that surpass the capacity of very poor households to manage.

Introducing Financial Services to OVC in Rwanda

At the end of 2007, more than 100 OVC graduated from vocational training and completed the CRS business skills development curriculum. However, CRS realized that access to financial services was a critical need and important in ensuring that these children can build successful businesses. As a result, the CRS Savings and Internal Lending Communities (SILC) methodology was introduced to the OVC program. Through Caritas, CRS currently manages the implementation of SILC activities in eight Catholic dioceses, covering virtually the entire territory of Rwanda.

SILC is a savings-led microfinance methodology developed by CRS to increase access to financial services for the poorest of the poor. SILC groups are made up of people who meet on a regular basis to save small sums that are pooled to be able to offer loans to individual group members. The methodology focuses on building assets for poor households, based on savings. These groups are self-selected and can include no more than 25 individuals in a single group. The groups operate for a cycle of 8-12 months after which the savings, plus interest earned from the internal loans, is returned in proportion to their savings contributions at a share-out or graduation ceremony. After the share-out, the group can decide to disband or continue on for another cycle of saving and lending. No special adaptations were made to the Rwanda country context or to OVC in particular; the SILC methodology is broad and flexible enough to suit any resource poor environment or vulnerable population.

The integration of vocational training and SILC in the OVC program has proven to be a winning combination: youth undertake the vocational training course where they learn practical skills for self-employment and

gain financial literacy through simultaneous participation in SILC groups. When they graduate from the vocational training course, the OVC project links them with an apprenticeship opportunity where they can further refine their skills. The project also provides them at that point with startup kits as well as training in business skills development and basic accounting.

The contents of this comprehensive package of service have evolved over the years with the help of CRS' OVC and microfinance technical advisors, Caritas partner staff and input from the children themselves who voice their needs and ideas to improve on this aspect of the OVC program.

Alexis Habimana: An OVC and Microfinance Success Story

Alexis Habimana is a 16-year-old Rwandan boy who was left to care for his mother, six siblings and two cousins after the passing of his father. In order to shoulder the family responsibilities, Alexis dropped out of school after completing only six years of studies.



Alexis at work. Photo by Caritas staff for CRS

Through the support of CRS' local OVC partner, Caritas, Alexis joined a professional training program that taught him carpentry skills. In six months of study, Alexis learned the basics of his new trade. He then completed a two-month internship during which he put his new skills into practice in a proper work environment.

Equipped with his new skills, Alexis is now earning more than \$52 a month, a dramatic improvement from the \$8 a month he previously earned. He is now able to provide food for his family and save approximately \$2 a month through his local Savings and Internal Lending Community (SILC) group.

He knows this is still only a small amount but he hopes that in a year or so he will have saved enough to purchase other tools for his business. With a few more tools, Alexis knows that he can expand his services and increase the profit he brings home for his family.

Benefits of Youth Engaging in SILC

Strengthening Human Assets

Under SILC, OVC have been able to learn the skills that are critical to helping them increase and diversify their micro-businesses. In the process, they are also taught how to better manage and incrementally grow their own small resources, thus providing an outlet for them to learn basic financial literacy. As OVC continue to save, access credit and repay their loans responsibly, SILC allows them to develop healthy financial behaviors that could potentially make them good clients for formal microfinance institutions.

Strengthening Financial Assets

Evidence from the OVC program shows that 90% of OVC participating in SILC have been able to pay into the Rwanda national health insurance scheme. It is mandatory for households to make contributions to the national insurance premium, which often puts financial burdens on poor households. While the OVC program has been helping with support for health services, CRS and Caritas Rwanda have been looking for ways to ensure sustainable access for households once grant funding has ended. SILC has been one mechanism that has enabled households to save toward critical needs, health care being one identified need in Rwanda.

Many child heads of household have also been able to conduct small repairs on their homes, purchase small animals, purchase modest plots of land for cultivation, and even buy clothes and school materials for themselves and their siblings.

The SILC methodology is therefore particularly well-suited for the needs of vulnerable youth. In fact, CRS staff and Caritas field officers involved in the SILC component have remarked that OVC seem to have more strength and enthusiasm to work and creatively engage in new business ventures than the adults.

Moreover, SILC programming only requires minimal investment; the cost of implementing SILC amounts to no more than \$50 per child as a one-time expense. With the inclusion of all vocational training services (course fees, start up kit, complementary business and accounting course), the total

cost per child is only \$318. A one-time investment of \$318 can therefore provide vulnerable children with the opportunity to earn a living and work themselves out of poverty.

Strengthening Social Assets

SILC also has advantages that go beyond financial impact. The SILC methodology, through small group formation and inter-lending, builds understanding and trust among group members which leads to greater social cohesion. In Rwanda, participation in SILC groups provides youth with needed social connections with community networks, allowing them to build social assets that can help them work themselves out of poverty. It also serves as a platform whereby OVC can break patterns of isolation and interact with other children who are in a similar situation.

Chantal Umutesi: An OVC Success Story

Chantal lives in the District of Ngoma with her mother and two siblings. She received vocational training from the Sisters of the Visitation training center with the support of the CRS Rwanda OVC project. After the training she did an internship in a sewing workshop in the town of Kibungo and last year, she began working for herself. She now makes between 500 RWF (90 cents) and 700 RWF (1 dollar and 28 cents) on every item she sews and is able to go home each day with 800 RWF (1 dollar 46 cents) to 1200 RWF (2 dollar and 20 cents) in her pocket.



Chantal at her work station at the Sister of the Visitation vocational Photo by Caritas Kibungo staff for CRS training center.

Chantal later opened up a bank account and has now managed to save up more than 35,000 RWF (64 dollars). The money she has earned from her work as a seamstress has dramatically changed her way of life and that of her family. She can now help her mother with buying things for the household and has decided to invest some of her money in building an annex to her home, which she plans to use as her own sewing boutique. Chantal is very happy with her work and what she has been able to accomplish. She hopes to open her boutique in the months to come.



SILC group Humura received vocational training on basket weaving after SILC

Targeting OVC—Marketing and delivery channels

CRS and Caritas Rwanda first engage youth to participate in SILC through large-scale community awareness-raising events. These events are usually organized through Caritas' extensive network of small Christian communities, as well as parish and sub-parish youth committees. Youth served through the OVC program tend to be the primary audience. SILC however targets other community members, some of whom are caregivers of OVC.

Once the youth show interest and are ready to self-select into groups, CRS provides training on how to implement the SILC methodology and manage group transactions. It should be noted that to date the training curriculum offered to youth on the SILC methodology is the same training provided to adults. Since SILC generally targets youth 15 years and older, CRS has observed no relative difference in youth absorbing and applying the methodology.

CRS also provides basic equipment for each group like a cash box, padlocks and ledgers. Members save on a weekly basis and typically borrow very small initial loans of \$5 to \$50. These loans are appropriately tailored to each member's savings and borrowing capacity.

The percentage of OVC participating in SILC groups is approximately 23% of the current 27,233 SILC group clients supported by CRS and Caritas. The majority of participating OVC are child heads of households and OVC enrolled in vocational training. Most SILC groups comprise of mixed adults from within the community and youth. However, the program currently has six SILC groups exclusively composed of youth.

Some of the benefits of having mixed SILC groups (adults and youth) are that OVC are able to receive mentoring, basic business advice, financial management skills and general life skills from the adults participating in their group. The transfer of knowledge and experiences within the SILC groups however impacts both youth and adults. Youth engaged in vocational training are able to bring valuable bookkeeping skills to assist in recording more complicated group transactions. These skills are seen as an asset particularly in groups where many of the adult participants have low levels of literacy. Adults in the group also benefit tremendously from the courage and enthusiasm of the young as they take on new business ventures with their loans.

There are however several benefits to having groups made up solely of OVC participants. Youth exclusive groups often have a more unified vision of what they want to achieve. They are also more likely to engage in group income generating activities. For example, one youth exclusive SILC group decided to pool their resources together to build houses for members who were getting married. In this manner, the newlyweds could have adequate housing to start their lives together.



Theo Maniraho is a 22-year-old Rwandan head of household who cares for three siblings. He is from DUFASHANYE group, Rushaki Parish, Byumba diocese.

Partnerships for increasing access of youth to financial services

CRS implements the OVC program in collaboration with Caritas Rwanda. Caritas Rwanda implements social, health and development activities through its comprehensive network of nine dioceses, 158 parishes and more than 10,000 small Christian communities established throughout the country.

Caritas Rwanda programs are administered through three major departments: 1) the development department aims to support the livelihoods of poor communities through technical and financial assistance programs. These include microfinance, agricultural production and environmental conservation activities; 2) the social work department is responsible for support to OVC, refugees and Internally Displaced Populations (IDPs); and 3) the health department currently manages over 95 health centers and seven hospitals across the country. Other activities include the implementation of a number of HIV related programs, including HIV prevention and support to People Living with HIV (PLHIV).

Caritas has been engaged in OVC programming since its foundation through its social work department and various projects in collaboration with CRS and other partners. According to Caritas, the SILC methodology has helped to unite local communities. The SILC model has taught members that they can work together to solve their own problems and has served as an effective means of community reconciliation.

Monitoring and evaluation considerations for youth-inclusive financial services

A goal of vulnerable children and youth programs is to improve wellbeing. However, wellbeing is often difficult to define and measure. In response to this gap, CRS developed a standardized tool in an attempt to assess child wellbeing. OVC program interventions are targeted at multiple levels, but the unit of interest is the individual child. To track OVC progress, CRS' has developed an OVC wellbeing tool (OWT) to quickly capture information that will provide insight on the holistic "wellbeing" of adolescent children.⁵ Designers of the instrument thought

that understanding the perceived wellbeing of a child, from the child's vantage point, could serve as a powerful program monitoring tool.

The tool is administered periodically with the intention of tracking changes in OVC wellbeing over time. Program implementers can then determine if sufficient progress is being made and to identify gaps so that appropriate services may be provided. The OVC wellbeing tool is divided into ten domains: (1) education, (2) health, (3) mental health, (4) spirituality, (5) family, (6) community cohesion, (7) economic development, (8) food and nutrition, (9) protection, and (10) shelter, which reflect the major areas of OVC programming defined by PEPFAR and CRS. The tool was piloted in five different countries, including Rwanda, with more than 890 children aged 13-18 years providing self-reported responses.

The OWT is currently being used in a variety of country programs within CRS, as well as by several other agencies in Africa. The tool is generally administered by trained enumerators. On average, it takes approximately 15-20 minutes to administer. Programs vary in their frequency of administration, but generally re-administer the tool on an annual basis. The results are aggregated to identify trends within programs to make program adjustments as needed. Serving as a rapid assessment and monitoring tool, the OWT allows implementers to see changing trends by intervention area within OVC programs. It also allows programs to identify potentially weak programmatic areas and highlights areas for additional investigation and more in-depth assessment.

In addition to the OWT, both the OVC and MF team have determined that a joint M&E tool is needed to help understand what if any impact exists in linking microfinance or saving-led services to OVC. While SILC is not the only form of economic strengthening possible within the OVC programming for economic development, it is seen as a promising way to engage OVC caregivers, older OVC (e.g., child-headed households), and other community members in sustainably mobilizing financial resources that can be utilized to improve community capacity to care for OVC. As such, a combined M&E tool to help understand the impact of SILC on participating OVC and their caregivers is currently being developed and will be tested in early 2010.

³For CRS' purposes an adolescent is a child between the ages of 13 to 18.

Looking to the future

CRS will continue to seek the expansion of its SILC programming, especially for vulnerable youth in Rwanda. In fact, working as part of a consortium of various other NGOs, CRS anticipates USAID funding for a new OVC project at the end of 2009. This project will provide holistic support to OVC with an emphasis on reducing vulnerability and increasing the resilience of families and communities against health and economic shocks. In particular, the project will develop relationships with microfinance institutions (MFIs) to complement SILC programming and increase participants' access to credit. Also, in order to ensure that assets built under this component are protected, this OVC project will work in collaboration with a local human rights group called Haguruka to provide children with training in legal rights and succession planning, focusing on the legal protection of children's inheritable assets as well as access to legal services.



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