

A model for livelihood development October 2012

The Government Assistance Fund for Survivors (FARG) has contributed significant funding for income generating activities (IGAs) for vulnerable survivors. Though such funding has made a vital contribution to the welfare of vulnerable survivors, it has arguably failed to generate a long-term sustainable source of income for this target group. This concept note presents an overview of a new, proven, model that can deliver that end.

Background

The goal of delivering a long-term sustainable source of income for vulnerable genocide survivors has been a challenge for all organisations working with genocide survivors in Rwanda since the genocide. There have been occasional successes with small-scale local projects. However, these successes have to date not been replicated on a national scale.

The most ambitious IGA programmes have been through funding from FARG and the UK Department for International Development (DfID), which from 2007-2010 developed a Care and Treatment Project for HIV+ Women Survivors (CTP), which included funding for IGAs for over 2,000 HIV+ women survivors in membership of AVEGA Agahozo and Solace Ministries.

In both cases, the programmes have largely been unsuccessful. In two independent reviews by DFID and SURF, there were a number of lessons as to why this proved to be the case:

- IGAs are made more complex by the involvement of genocide survivors
- For associations to succeed (especially to avoid the boycott of goods), they should be mixed (HIV+ survivors and non-infected survivors, survivors and non-survivors)
- Subsistence farming associations succeed in delivering food security but often not profitability as they are at risk of seasonal factors and competition
- Entrepreneurial skills are vital for the success of IGAs
- Business planning and development is critical for the success of IGAs
- Greater monitoring is required to secure a return of grant funding or loans
- Early interventions are sometimes required to ensure success of new IGAs
- A partnership with a formal microfinance institute (MFI) is required to ensure the effective disbursement, management and collection of any loans made to IGA groups

As such, in a new HIV+ Survivors Integration Project (SIP) project funded by Comic Relief, Survivors Fund (SURF) developed a new model for the development of an IGA programme with members of AVEGA Agahozo and Solace Ministries, which is outlined below.

SIP commenced in June 2011 with a pilot of 15 groups, with an average of 20 survivors in each group, in the Western, Central and Eastern Provinces of Rwanda. To date, 50 groups in

total have received training. In October 2012, an independent evaluation commissioned by Comic Relief on the project concluded:

“The development of more carefully structured approaches to Income Generating Activities in collaboration with an independent micro-finance institution, appears on early indications to have been an extraordinary success, resulting in 100% repayments of loans, significant increases in member’s daily consumption and monthly savings. Enhanced economic resilience has had significant positive impacts on women’s self-confidence and self-esteem, with corresponding benefits in social dynamics.”

Following the successful evaluation, Comic Relief agreed to extend the project for a further eight months through to May 2013 to enable a further 30 groups to be trained.

In April 2012, Survivors Fund (SURF) initiated the replication of the work in partnership with AVEGA Agahozo in the Southern and Northern Provinces through a new three-year grant from DfID, and in January 2013 will extend further the IGA model across five new districts in the Western Province through a three-year grant from the Big Lottery Fund.

The model

The SURF Livelihood Development model is based on the learning of past failures, identified through the review of FARG and CTP funded IGA groups. In the case of CTP, where training or support was not provided to IGA groups applying for loans, the repayment rate amounted to only 27%. This was the benchmark against which the new model can be assessed.

The SURF Livelihood Development model was piloted through SIP and grounded in a higher-engagement approach to building the knowledge and confidence of IGA groups through training and support, exposure to successful and failed small businesses, and a more rigorous understanding of all aspects of the business cycle.

SURF, in partnership with AVEGA and Solace Ministries, recruited and trained a network of cooperative business development (CBD) assistants which deliver intensive training and support to survivors from the period of their formation into IGA groups through to the time they secure a loan from the MFI which is a critical partner in the model.

Predominantly, the CBDs are recent graduate students from relevant degree programmes (business, management, economics), and critically most were recruited from AERG (National Student’s Survivors Association), because as survivors themselves they are able to win the trust of the IGA groups, which otherwise may not have been possible, and can also more closely identify and understand the unique challenges and obstacles that survivors face.

The CBDs underwent an intensive induction programme, through which they were trained in all aspects of the project, to strengthen their skill-base, and also to critically ensure that they can monitor, evaluate and report on the progress of the groups.

The CBDs deliver training once a week to each group over a four month period, working through a forty-module curriculum which covers all aspects of knowledge vital to the establishment and running of successful small enterprises. This includes working with the groups on their numeracy and financial literacy, understanding profit and loss, helping to identify and research market opportunities, develop their business plans and to ultimately establish new ventures which are sustainable and profitable.

It is this training component which has proved critical to the success of the IGA programme. Participants in the training not only benefit from and apply that learning in their new ventures, but also leverage the knowledge to bolster their income from small household livestock and livelihood projects (such as selling surplus farmed produce). The training builds the confidence and the self-esteem of the participants too, and results in marked increase in the rates of household income, expenditure and saving (see the evaluation report excerpt below). This is true even in those cases where the participants do not choose to set up their own businesses.

The process of learning is very practical, and interactive, with a number of tailored exercises relevant to the context and experience of the participants. The CBD adapts the pace of the training to the needs of the group, continuously assessing that they have understood each module before progressing to the next.

This training programme is complemented by the support provided to the groups through the IGA Officers of the partner organisations. The IGA Officers managed the CBDs, facilitating regular meetings to share learning and best practice, and ensure that the progress of all groups is being monitored and, where required, additional assistance can be provided.

The training culminates in the development of a business plan which constitutes the loan application. The group can choose to develop a group project, or else to choose members of the group to develop and apply for individual projects. In either case, the loan is made to the group, and the group is collectively accountable for its repayment.

Once the application has been developed, the CBD and IGA Officer internally assess and can help the group to improve and strengthen it, before it is submitted for consideration by MFI. Following submission, the applications are assessed independently by the MFI against their standard criteria, and a loan will only be agreed if they meet the requirements. In cases where applications are rejected, the groups can refine and adjust the application and reapply.

Through this process, the loan officers are an integral member of the team, working with the groups to help them understand the expectations of UOB if they are accepted for a loan. If the loan is agreed, the loan officers work with the groups to ensure repayment rates, and flag up issues and concerns to the CBDs and IGA Officers, before they escalate into problems.

An additional critical component of the model is that the groups have to accumulate savings from the outset of the training, and the savings must constitute at least 10% of the total loan value for which they apply. This inculcates a disciplined approach within the groups, to accumulate the savings required, as well demonstrates the value and importance of savings which then fosters a savings culture with the groups too. It demonstrates as well to UOB, that the group has the ability to work together as a team, critical for the repayment process.

In the case of SIP, SURF partners with Urwego Opportunity Bank (UOB), a licensed and regulated MFI, and member of Opportunity International. UOB provides access to capital through a FRW 25 million Loan Guarantee Fund (LGF) set up by SURF, and which UOB independently manages. UOB though reports monthly on the status of the active loan book to SURF, AVEGA and Solace Ministries.

The LGF provides security to UOB, minimising the risk of the loan portfolio in case of default. As such, UOB reduces the rate of interest on loans made to SIP groups from its market rate of 3% per month to 2.5% a month. Though the rate is still high compared to other MFIs, it has delivered a return of that investment in the more intensive follow-up, support and additional training provided by the loan officers to the groups.

Once groups have successfully completed the first loan cycle, ordinarily after a six month period, they can then apply for a higher loan. Once three cycles have been completed, it is then hoped that the groups will graduate from the LGF to become independent, and where appropriate, individual, clients of UOB.

This model has delivered an unprecedented 100% repayment rate on the FRW 45 million in loans disbursed, and now repaid, to date. Due to this success, UOB has agreed with SURF for the LGF to now be leveraged fourfold, so that at any one time there can be up to FRW 100 million in active loans.

Budget

The primary cost of the project is the salaries for the CBD Assistants and the IGA Officers, and a transport and communication stipend for them. This investment is the critical component of the model, enabling high-engagement and intensive support to the IGA groups.

A microfinance fund can be established separately at a MFI partner, potentially as a loan guarantee fund, as in the case of SIP, enabling the fund to be leveraged to make a greater sum of capital available for IGA groups – at a below market rate of interest.

On average, a CBD Assistant can undertake training with one group each day, and over the course of one year can complete the training of fifteen groups over three four-month phases. With an average of twenty participants in each group, this amounts to 300 beneficiaries. This work is supported by an IGA Officer at each association, providing the additional support and orientation which has proved critical to the success of the groups. Potentially one IGA Officer can manage up to three CBDs at any one time.

The costs for such a model amount to:

Base salary for IGA Assistants – FRW 250,000 a month

Transport and Communication Stipend for IGA Assistants – FRW 50,000 a week

Base salary for IGA Officers – FRW 286,000 a month

Transport and Communication Stipend for IGA Officers – FRW 25,000 a week

In addition, the project needs to factor in the contribution to the microfinance fund, as well as management, monitoring and evaluation costs of the partner organisations. SURF adds value in its coordination of the project, with a dedicated IGA Project Officer collating and collecting all relevant data from the MFI and partner organisations, consolidating reporting and evaluation of the project, and providing additional training and support to CBDs in particular.

Conclusion

Sustainable poverty-reduction is the holy grail of the work of all organisations supporting survivors of the genocide, in order to rebuild the lives of particularly more vulnerable and marginalised survivors – such as orphans and widows of the genocide.

This model proves that this goal is achievable if the right support is made available – in particular through a high-engagement approach to training and support for IGA groups, and a strong partnership with an MFI that can deliver regular follow-up and additional training and support required by IGA groups to ensure repayment of loans.

We appeal to FARG and the Social Protection Working Group to consider this model if further investment is to be made in IGAs in order to realise the potential of the funding to deliver the maximum benefit to the vulnerable survivors which it strives to assist.

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**From the Review of Survivors Fund (SURF) HIV+ Survivors Integration Project (SIP)
Funded by Comic Relief People Affected by HIV Programme 2010 – 2012**

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The basic model is that project staff work with existing associations for a period of four months on skills training (once a week), at the end of which they introduce the UOB loan officers to review loan requests. Before an application for a loan is approved, group members have to generate savings of 10% of the loan they are seeking, to deposit with UOB.¹ Once this is done and the loan is approved and given to the group, members repay on a biweekly basis, to the visiting loan officer. The groups vary in size, but can number over 30 members, and the repayment periods range from five to six months. One beneficiary summarised the learning as follows:

I have learned how to approach clients, how to buy without being ripped off, and how to sell so that I cover my costs and get some benefit.²

In Phase 1 77% of beneficiaries identified received training. UOB began to accept and evaluate proposals in September 2011, and 47% took loans before the end of the year. In Phase 2 63% of the beneficiaries identified received training and 42% took bank loans.³ In Phase 3 the proportion of beneficiaries receiving training rose to 91%, but loans had not yet been issued at the time the data was collected.⁴

From these early loans, it appears that rural groups are more likely to opt for group projects, while in urban areas individual members tend to take a portion of the monies loaned to the group to further their own existing business interests. The way in which the loans allow individuals to significantly scale up their level of activity was evident in one beneficiary group, which had come together with a contribution of 5,000 FRW per person, and when they first engaged with AVEGA had a total savings of 100,000 FRW. After the training, the group members took loans from UOB ranging from 100,000 to 500,000 FRW.⁵ The majority of individual recipients of loans were able to report a clear indicator of change in their economic status and place in economic systems. The woman who had gone from selling bananas to beer makers, to brewing beer herself, was typical in this regard.⁶

For those who have been through the training and received loans, the early signs are that this process takes them considerably closer to achieving economic self-reliance. The small telephone survey of 20 beneficiaries that SURF conducted for this evaluation in July 2012 suggests that the improvements in regular income have been remarkable, particularly changes in income: The cumulative average spending per week of the 20 respondents had increased by 57%, from FRW 9,650 per respondent, in 2011, to FRW 15,125 per respondent in 2012. At the same time, the cumulative average saving per month of the 20 respondents had increased 263%, from FRW 11,400 per respondent per month in 2011, to FRW 41,420 per respondent per month in 2012. 17 of the 20

¹ In some instances where an individual is unable to raise the 10% by herself, fellow group members have clubbed together to provide her with the necessary deposit (IGA Officer, AVEGA Central, 17 July 2012)

² IGA training beneficiary, Kigali, 17 July 2012

³ Not all those who received training took loans; some already had economic activities which the training helped them to manage more effectively, and others had existing credit which they had not yet repaid, so bank refused to give them another credit (Group Discussion with AVEGA Central staff, 17 July 2012)

⁴ SURF, July 2012, Spreadsheet of SIP IGAs and their locations

⁵ Interview with IGA group, Muryemba Kimihura, 17 July 2012

⁶ Interview with IGA group members, Gitambi, 15 July 2012

respondents reported making a net profit, 17 reported increased trust in others, and 15 reported increased confidence in accessing healthcare.⁷

The other major and prominent success of this model to date has been the loan repayment rate. For the first three groups, repayments were 100% of loans;⁸ this compares to a repayment of 27% of loans made under CTP.⁹ Initial indications for repayments from Phase 2 were also of 100% repayment rates.¹⁰ Whereas under CTP, 73% of loan monies were never paid back, and thus became *de facto* one-off grants, under SIP the credit offered is all being paid back and thereby opening up the prospects of further loans from financial institutions, as well as related activities such as rotating credit schemes. As one senior staff member noted:

I remember past experience in the use of money; they wasted money because we used a wrong methodology - but this time they are really 100% responsible for that money. This time we made people repay everything and it works better. They also put their contribution; if the project asks 2 million, they have to put 10% of the total budget. That has been happening, you can see it on our reports. It is an approach we shall continue to use in WSEP and other projects.¹¹

Such has been the consistency of repayments to date, that SURF recently requested that the Loan Guarantee Fund be redeployed to fund further training of IGA groups who did not benefit during the SIP funding period. In the correspondence with UOB, the following statement stands out as summarizing how important SIP has been as a model for working with a population that otherwise has a very low credit-worthiness even for micro-finance institutions:

“UOB has been impressed by the progress of SIP to date, the model of training and support provided to the groups of members of AVEGA and SM, and the repayment rate of the participants in the programme to date. This is testament to the training and follow-up provided by the IGA programme team of the partnership of SURF, AVEGA and SM. The challenge now ahead is to manage the transition of the current groups that access loans through the LGF into becoming independent clients of UOB. The aim of the programme has always been that once the groups complete three cycles of loans, UOB will conduct an independent assessment to determine if they can be taken as UOB's independent clients without the support of LGF. We are now nearing the point of completing three cycles for the first phase groups that accessed loans at the start of our partnership.”¹²

An equally important, but perhaps less visible success of this process, has been the transformation in loan-takers' self-perception and self-confidence. Whereas in previous visits to Rwanda, the evaluators had found deeply entrenched and internalised gender expectations (especially among rural women) that women should have nothing to do with money and should therefore not take loans, these have been substantially overcome by this project, as suggested by the following exchange during an interview with AVEGA Central staff:

Q: can you say that the project has helped them to be dynamic?

⁷ SURF, July 2012, Main Findings of SIP Survey Respondents

⁸ SURF, July 2012, Spreadsheet of SIP IGAs and their locations

⁹ Enfield S, August 2010, Project Completion Report, p. 18

¹⁰ SURF, July 2012, Spreadsheet of SIP IGAs and their locations

¹¹ Odette Kayirera, 13 July 2012

¹² Email from Jeffrey J. Lee, President and CEO, Urwego Opportunity Bank, dated 20th September 2012

A: today there is a member of a group who has been able to go to Uganda to buy things and sell here. If an old woman of 50 can go outside the country... ..traditionally women in Rwanda were scared of taking credit. Currently the Rwandan woman has understood that she can participate in economic activities.¹³

The level of initiative in many instances is high, as indicated by one survivor who sells charcoal in Kigali:

Sometimes I have gone looking for charcoal, rather than waiting for it to be delivered. Found it in southern and western provinces. Went there, loaded it onto trucks, and brought it back. I go to the forest, buy a forest, bring in guys to chop it, they make the charcoal from there, and bring it back to Kigali. The cost of making it is 4,000, and I sell here at 5,500. If I put it in a depot I can sell it at 6,500 or 7,000.¹⁴

Women survivors have gained self-confidence in working with financial institutions, and a blanket refusal to even think about taking credit has been replaced with a medium-long-term vision amongst many individuals of how they can use loans to build up their capital and savings. Those who received the training are also able to apply the skills developed to other issues as well, as in the case of one survivor who, following the business skills training, gained sufficient insight into key administrative and bureaucratic procedures that she was able to register her own house properly.¹⁵ While the majority of beneficiaries are women, male survivors engaging in the IGA programme also report enhanced self-esteem ('we used to sell on the street; now we have space on the market, have an employment card') and respect in the community.¹⁶

As a result of the combination of increased credit-worthiness, increased income, and increased self-esteem, there has been a diversification of survivors' livelihoods and asset-base/capital, including subsistence farmers gaining a foothold in the off-farm economy. Even as these successes have reportedly strengthened a sense of group belonging among survivors, they have also generated increased openness to interaction with non-survivors.¹⁷

The contrast with the preceding CTP project is striking. For the senior counselor at Solace Ministries, the IGAs also helped '*from counselling perspective, because previously they (survivors) sat at home thinking about the genocide, but now they are working, their thoughts are not stuck on genocide, but looking forwards.*'¹⁸ According to AVEGA Central staff;

On the psychosocial side CTP left some dependency. The difference with SIP is that each person knows that she can succeed in her life, with work, with integration into society. In CTP each person was just thinking of themselves, now they are capable of helping one another.¹⁹

¹³ AVEGA Central staff, 17 July 2012

¹⁴ Interview with IGA Group, Mумыembe-Kimihura, 17 July 2012

¹⁵ SURF, February 2012, Feedback on GR002-01910-DQUI Annual Report

¹⁶ Interview with two male beneficiaries of SM IGAs, 18 July 2012

¹⁷ SM alerted the evaluators to one SM beneficiary whose husband is in prison as a genocide perpetrator

¹⁸ SM Senior Counsellor, 13 July 2012

¹⁹ AVEGA Central staff, 17 July 2012