



REPUBLIC OF RWANDA
Ministry of Finance and Economic Planning

CONCEPT NOTE - FINAL

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RWANDA - FINANCIAL INCLUSION PROGRAMME (R-FIP)

2016-2020

Support Programme to the Implementation of the Financial Access components
in the EDPRS2 and UNDAF and in the Joint-Programmes



United Nations Capital Development Fund
United Nations Development Programme

Country: Rwanda

Programme Title: Rwanda – Financial Inclusion Programme 2016-2020

Expected Result: UNDAP Result 1 - Inclusive Economic Transformation

Expected Outcome: UNDAP Outcome 4 - Sustainable urbanization process transforms the quality of livelihoods and promotes skills development and decent employment opportunities in both urban and rural areas, especially for youth and women

Expected Outputs: UNDAP Output 1.4.2 - Women and Youth with Enhanced Entrepreneurship Skills
UNDAP Output 1.4.3 - Increased Access to and Utilization of Financial Services Especially for Women and Youth

Proposed Duration of the Programme: 2016-2020

R-FIP Total budget estimate: \$US 10.9 M

Lead UN Agency:

Government Implementing Partner:

UN Capital Development Fund (UNCDF)

Ministry of Finance and Economic Planning (MINECOFIN)

UN Participating agencies and sources of funded budget:

Other Implementing Entities:

- 1- UNDP (partially through RoK funds)
- 2- UN Women
- 3- UN International Trade Centre (ITC)
- 4- FAO
- 5- ONE FUND
- 6- UN Economic Commission for Africa (UNECA)

- 1- Ministry of Trade and Industry (MINICOM)
- 2- Central Bank of Rwanda (BNR)
- 3- Association of Microfinance Institutions in Rwanda (AMIR)
- 4- Rwanda Cooperative Agency (RCA)
- 5- Financial Service Providers (FSPs)
- 6- Technical Service Providers (TSP)

Indicative distribution over funding partners (to be further discussed and confirmed):

Funding Partners:	Year 1	Year 2	Year 3	Year 4	TOTAL
FAO	275,000	450,000	325,000	100,000	1,150,000
ITC	200,000	430,000	345,000	250,000	1,225,000
ONE FUND UNCDF	260,000	470,000	400,000	70,000	1,200,000
ONE FUND UNDP	85,000	70,000	80,000	70,000	305,000
UN WOMEN	75,000	75,000	125,000	125,000	400,000
UNCDF	205,000	925,000	950,000	605,000	2,685,000
UNDP	891,000	625,000	505,000	405,000	2,426,000
UNECA	100,000	200,000	200,000	100,000	600,000
unfunded	200,000	294,000	245,000	170,000	909,000
TOTAL	2,291,000	3,539,000	3,175,000	1,895,000	10,900,000

Abbreviations and acronyms

AMIR	Association of Microfinance Institutions of Rwanda
A2F	Access to Finance
BDF	Business Development Fund Rwanda
BDS	Business Development Services
BIFSIR	Building Inclusive Financial Sector in Rwanda
BNR	Rwanda National Bank, Central Bank of Rwanda
BRD	Rwanda Development Bank
CGAP	Consultative Group to Assist the Poor
DFS	Digital Financial Services
EICV	Integrated Household Living Conditions Survey
EDPRS-2	Rwanda Economic Development and Poverty Reduction Strategy, 2013-2018
FSDP	Financial Sector Development Programme
FSDU	Financial Sector Development Unit
FSP	Financial Service Provider
GDP	Gross Domestic Product
IC	Investment Committee
ITC	International Trade Centre
JP	Joint Programme
MFI	Microfinance Institution
MINECOFIN	Ministry of Finance and Economic Planning
MIS	Management Information System
MSEs	Micro and Small Enterprises
MDGs	Millennium Development Goals
NMS	National Microfinance Strategy
PCU	Project Coordination Unit
PSF	Private Sector Federation
RCA	Rwanda Cooperative Agency
R-FIP	Rwanda Financial Inclusion Programme
RoK	Republic of Korea
RWF	Rwandan Franc
SDGs	Sustainable Development Goals
TSP	Training Service Provider
TVET	Technical Vocational Education and Training
UNDAP	Rwanda United Nations Development Assistance Plan, 2013-2018
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
U-SACCO	Umurenge Savings And Credit Cooperative
VCF	Value Chain Finance

Table of contents

I.	INTRODUCTION	6
I.1	About UN Participating Agencies	6
I.2	Country and Global Commitment to Financial Inclusion for All.....	7
I.3	UN Support for Financial Inclusion in Rwanda	8
II.	THE CASE FOR A SECOND PHASE OF BIFSIR	9
II.1	Situation Analysis: Rwanda’s Financial Sector and Enterprise Development Outlook	9
II.2	The New Programme: Rwanda – Financial Inclusion Programme (R-FIP).....	10
II.3	Gap Analysis: Expanding Access to Financial Markets with a focus on Enterprise Development.....	11
II.4	Barriers and constraints	11
II.5	Opportunities for the R-FIP Programme 2016 – 2020	12
II.6	Key lessons learnt from BIFSIR, YouthStart and Microlead evaluations	13
III.	R-FIP GLOBAL PROGRAMME DESCRIPTION.....	14
III.1	Programme’s Vision, Goals and Objectives following the Theory of Change	14
III.2	Management Arrangements	18
III.3	Financial Resources Framework and Mobilisation.....	19
III.4	Summary of the Financial Resource Framework (indicative).....	19
	ANNEXES.....	20
	Annex 1 - The current situation of the Umurenge SACCO’s in Rwanda.....	20
	Annex 2 - Other Financial Sector Programmes in Rwanda.....	21
	Annex 3 - Strengths and Weaknesses of Financial Inclusion and Entrepreneurship in Rwanda	22
	Annex 4 – Cross check Table of R-FIP with other Programmes and Strategies	24
	Annex 5 - Synthesis Overview of Outputs and Activities	25
	Annex 6 - Results & Resources Framework (indicative, for discussion and confirmation).....	28

I. INTRODUCTION

I.1 About UN Participating Agencies

1. **The United Nations Capital Development Fund (UNCDF)** is the UN's capital investment agency for the world's 48 Least Developed Countries (LDCs). UNCDF uses its capital mandate to help LDCs pursue inclusive growth. It promotes financial inclusion, including through digital finance, as a key enabler of poverty reduction and inclusive growth. It demonstrates how localizing finance outside the capital cities can accelerate growth in local economies, promote sustainable and climate resilient infrastructure development, and empower local communities. Using capital grants, loans, and credit enhancements, UNCDF tests financial models in inclusive finance and local development finance paving the way for larger and more risk-averse investors to come in and scale up.
2. **UNDP** is an active partner of UNCDF on delivering global and nation financial inclusion objectives. In all countries that UNCDF work, UNDP supports its programmes either financially and/or administratively. For this programme, **UNDP intends to support especially those results that are related to capacitating (women and youth) enterprises**, to support financial inclusion for job creation in Rwanda. UNDP also acquires resources from Republic of Korea (RoK) to shape up financial inclusion and entrepreneurship promotion in Rwanda. UNDP will perform as administrative agency for this program.
3. **International Trade Centre (ITC)** is the focal point within the United Nations system for trade related technical assistance. ITC's goal is to assist developing and transition countries to achieve sustainable development through exports. Its main objectives are increased and better trade, which creates employment, entrepreneurial opportunities and generates income. ITC's main focuses are strengthening the integration of the business sectors of its target countries into the global economy, improving the performance of trade and investment support institutions for the benefit of SMEs and thus improving the international competitiveness of SMEs. **ITC brings its SMEs support expertise focused on selected agricultural product clusters to this program.**
4. **UN Women**, grounded in the vision of equality as enshrined in the Charter of the United Nations, works for the elimination of discrimination against women and girls; the empowerment of women; and the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security. **In this program, UN Women will support the efforts of reaching women and young girls with tailored entrepreneur skills and financial services.**
5. **International Fund for Agricultural Development (IFAD)** is a UN agency whose goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security. Through loans and grants, IFAD works with governments to develop and finance programmes and projects that enable rural poor people to overcome poverty themselves. **The role of ITC in this program is proposed to focus on development of favorable environment for agriculture value chain financing in Rwanda.**
6. **UN Economic Commission for Africa (UNECA)** was established by the Economic and Social Council (ECOSOC) of the United Nations (UN) in 1958 as one of the UN's five regional commissions, ECA's mandate is to promote the economic and social development of

its member States, foster intra-regional integration, and promote international cooperation for Africa's development. In this financial inclusion program, ECA's focus will be conducting a comparative study on regulatory reforms for promoting lending to small and medium-sized enterprises and developing sector result tracking mechanisms across the sectors.

7. The **Food and Agriculture Organisation's** (FAO) focus is on food production and agriculture, reflecting its specialization and responsibility within the United Nations family. FAO is a key player in emergencies. Assisting in preventing disaster-related emergencies, providing early warnings of food emergencies and helping in rehabilitation of food production systems are FAO's predominant roles in humanitarian aid. The main forms of FAO's intervention include needs assessments, provision of agricultural inputs and technical assistance for the planning and management of sustainable recovery and rehabilitation of rural production systems.

I.2 Country and Global Commitment to Financial Inclusion for All

8. H.E Paul KAGAME, the President of the Republic of Rwanda made key notes, during the Central Bank of Rwanda's 50 years anniversary on 18th July 2014 at Serena Hotel, Kigali Rwanda that:

“Financial inclusion is a key component of the pursuit of self-reliance as it is about bringing low income households and SMEs into the formal financial sector to protect their asset and better manage risks.....Financial Inclusion should be taken as public property which must be built for the interest of all and of each one and protected by all”;

9. At global level, the acknowledgement of financial inclusion for development was highlighted by H.M. Queen Máxima of the Netherlands, in her capacity as UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of the Global Partnership for Financial Inclusion (GPII), in her remarks to the UN's meeting on the Post-2015 Development Agenda in Bali, March 2013:

“I think we are well underway to an aspiration global goal for financial inclusion, with a target of 90% for usage of financial services by 2030. This is based on national targets that some countries have set already. Nigeria has a target of 70% by 2020. Tanzania, 50% in 2015 from a very low level, and Rwanda, 80% by 2017 from 21%, So, I think 90% is realistic.”

10. In addition, the World Bank Group President Kim, in the same address as mentioned above, put forward a related ambitious global goal for financial inclusion

“Universal access to financial services is within reach – thanks to new technologies, transformative business models and ambitious reforms. As early as 2020, such instruments as e-money accounts, along with debit cards and low-cost regular bank accounts, can significantly increase financial access for those who are now excluded.”

11. An estimated 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example in Sub-Saharan Africa only 24% of adults have a bank account even though Africa's formal financial sector has grown in recent years. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of global financial inclusion efforts¹.

¹ http://en.wikipedia.org/wiki/Financial_inclusion).

I.3 UN Support for Financial Inclusion in Rwanda

Building an Inclusive Financial Sector in Rwanda (BIFSIR)

12. In 2009 the United Nations Capital Development Fund (UNCDF) in partnership with United Nations Development Programme (UNDP) initiated a support to the Government of Rwanda (GoR) to strengthen financial sector development and the financial inclusion country agenda. **The support was provided through a project called Building an Inclusive Financial Sector in Rwanda (BIFSIR 2010-2015).** Under the leadership of the Ministry of Finance and Economic Planning (MINECOFIN), BIFSIR's key partners included government ministries and agencies (MINECOFIN, MINICOM), National Bank of Rwanda (BNR), Rwanda Cooperative Agency (RCA) and private sector players like the Association of Microfinance Institutions (AMIR), Microfinance Institutions (MFIs), Saving and Credit Cooperatives (SACCOs) and individual clients with the main target being youth and women².
13. BIFSIR was jointly funded by UNDP (US\$2,000,000), UNCDF (US\$2,425,000), One UN Fund (US\$373,606) and the Republic of Korea-UNDP MDG Trust Fund (US\$3,239,758) joined to finance the expansion of BIFSIR in 2013.

UNCDF YouthStart and MicroLead Global Thematic Initiatives

14. In addition to the BIFSIR programme, UNCDF has been implementing two other programmes related to financial inclusion since 2008: MicroLead and YouthStart. MicroLead focuses on financial inclusion through savings mobilization. It supported the establishment of the Equity Bank subsidiary in Rwanda and is currently supporting the consolidation of Umurenge SACCOS through the world council of credit unions (WOCCU). The second programme is YouthStart which supported Umutanguha Finance to provide access to finance and financial education to over 35,000 young people of which 53% are young women. YouthStart is currently developing a new program called YouthStart Global which will seek to link youth with financial services and relevant training. YouthStart Global will be targeting Cambodia, Benin, Mozambique, Rwanda and Zambia.

² to serve 33,851 new clients with credit, 21,088 members of informal saving groups were linked to formal financial institution, 20,998 women led MSEs were able to access credit and 186,974 women accessed saving facilities

II. THE CASE FOR A SECOND PHASE OF BIFSIR

II.1 Situation Analysis: Rwanda's Financial Sector and Enterprise Development Outlook³

15. **At the country level** with an average annual GDP growth of 8% from 2001 to 2014, Rwanda has emerged as one of the fastest growing economies in Africa, reducing poverty levels from 45% in 2011 to 39% in 2014 and extreme poverty from 24% to 16%⁴. The percentage of employed individuals with a main job in wage-employment outside farming has increased from about 17% in 2010/11 to about 20% in 2013/14. The establishment of private companies increased between 2011 and 2014 by about 24.4% to 148,376 firms. This increase is higher in rural areas (38.1%) compared with urban areas (7.3%).

Supply of financial services: Rwandan Financial sector

16. **Since 2008 the size of the banking system has almost tripled** in nominal terms, and increased by half, accounting for about 37 percent of GDP in 2012. **However, compared to its EAC peers, Rwanda has the second smallest banking sector after Burundi.** The Rwandan financial sector remains dominated by banks and is composed of 9 commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank.

17. **The Rwandan microfinance sector is composed of MFIs and SACCOs, with SACCOs playing a major role** in terms of outreach to the unserved population. 490 institutions are active in the market of which 12 are limited companies (microfinance institutions (MFIs)) and 478 SACCOs, including 416 Umurenge SACCOs. The sector witnessed a 21 percent growth in 2013 reaching RWF 122 billion (USD 181 million) in assets⁵.

18. The **payment system and financial infrastructure** in Rwanda have witnessed considerable developments in the past years. These changes have allowed banks and mobile network operators (MNOs) to introduce **ATMs, credit cards, POS terminals and innovative payments mechanisms using agents.** 18% of adults has a mobile account, compared to an average of 13% in Sub-Saharan Africa.

Demand for financial services

19. The proportion of adult **Rwandans accessing financial services** –including informal – **increased from 47% in 2008 to an impressive 72% in 2012, ahead of other countries in the region.** Of those accessing financial services, 42% are served formally by commercial banks and non-bank financial institutions from 21% in 2008. It can be concluded that U-SACCO's have contributed significantly to increase financial inclusion⁶. 58% of Rwandans use informal mechanisms, and this uptake grew even faster than for formal services. A significant part of the informal finance sector is formed by village-level savings groups (6,000 groups, 187,000 members with about USD 3 million in assets). It is also reflected in the fact that more than half (55%) of Rwandans save or invest in financial assets, but only about 26% has an account at a formal institutions⁷.

³ An extensive list of strengths and weaknesses can be found in Annex 3

⁴ EICV4 results published by the NISR

⁵ source WB FISF

⁶ WB FISF and Findex, AFR & Finscope

⁷ WB Findex

20. **Financial exclusion is significantly higher among youth** aged 18 to 24 years (23% included) **and the poorest** (18% is included). The difference in gender and geographic terms is much smaller, as 35% of women and 38% in rural areas are included. But zooming in on the supply of credit this picture changes dramatically. 4.4% of women accessed credit through micro finance institutions compared to 8.3% of men (and percentages at banks are half of this). 37% of Rwandans borrow from family and friends⁸.
21. **Access to financial services is a major bottleneck for enterprise creation and for existing SMEs** to expand and grow. Over two-thirds of businesses queried in the Private Sector Federation's 2008 Business Investment Climate Survey cite finance as a major challenge. Financial institutions perceive SMEs as high risk and are therefore inflexible in terms of collateral and repayment terms⁹.
22. **At the level of regulation and supporting functions** for financial inclusion, the institutional fundamentals are largely in place. Regulations for FSPs, including MFIs and SACCO's have been developed and supervision responsibility is clearly assigned. Also consumer protection issues have been introduced in various financial sector laws and related regulations and guidelines.
(An extensive list of strengths and weaknesses can be found in Annex 3)

II.2 The New Programme: Rwanda – Financial Inclusion Programme (R-FIP)

23. Nevertheless, **access to finance continues to be a crucial component of the contingent development plans for Rwanda**¹⁰ as there is still a large room for improvement. **A key issue is matching the supply of financial services better to the demand.** In other words ensuring that financial product design and delivery channels respond better to the needs of particularly SMEs, youth and women. Another challenge continues to be including people from rural areas into the formal financial system.
24. It can be observed that recent insights about financial inclusion funding and interventions are now **focusing more on improving the functioning of markets for financial services for the end-clients**¹¹. Access to finance is considered as a necessary means to support the end-goal of more enterprise development and employment opportunities (specifically self employment), particularly for youth and women.
25. This new UN funded Rwanda - Financial Inclusion Programme (R-FIP) **aims to support the coordination of the Access to Finance (A2F) components included in the various national strategies and ONE UN joint-programmes (JPs)** that are currently being implemented. It will focus on the necessary complementary interventions ('gaps') or take responsibility for specific components following the ONE UN J.Ps, which are linked to the core competences of UNDP and UNCDF in Rwanda.
26. **UNCDF, UNDP and ONE UN in partnership with the Government of Rwanda have agreed to continue support Inclusive Finance, building on** best practices and lessons learned from

⁸ The National Gender Statistics Report 2013 and WB FINDEX

⁹ flagship JP, OTF/PSF survey

¹⁰ EDPRS-2, UNDP, Youth & Women Employment Flagship J.P., Value Chain J.P., National Financial Education plan, etc....

¹¹ ICGAP, New Funder Guidelines: Market Systems Approach to Financial Inclusion, September 2015

BIFSIR phase one, MicroLead and YouthStart. This programme (R-FIP) also builds upon the UNCDF Strategic Framework 2014-2017 and best practices and lessons learned from other UNCDF programmes. Innovative areas such as agricultural value chain finance and micro-Insurance that are implemented in other developing countries are also considered.

27. In addition, **R-FIP will focus on responding to government priorities in the area of financial inclusion and enterprise finance promotion** as highlighted in EDPRS II, FSDP II and other national strategies. Also, the United Nations' priority areas related to the access to finance and entrepreneurship promotion which are laid out in UNDAF 2013-2018 and the UN universal commitment on inclusive finance as reflected in the SDGs provide an important basis to the new programme

28. **Other donors active in financial inclusion in Rwanda** are DFID, KFW and World Bank through their joint initiative Access to Finance Rwanda (AFR) and World Bank through its Financial Inclusion Support Framework (FISF) programme and the Financial Sector Strengthening programme. This demonstrates a multi-dimensional approach taken by Rwanda, addressing various aspects of financial sector development and builds on particular technical qualities of all development partners. Coordination of the programmes - to set priorities, ensure complementary and to prevent overlap - is ensured via the Working Group Financial Sector Development headed by MINECOFIN (for quick overview of the AFR and WB programmes refer to Annex 2).

II.3 Gap Analysis: Expanding Access to Financial Markets with a focus on Enterprise Development

29. Increasing access to financial services through expanding the frontiers of access to formal market players is essential in its own right for pro-poor growth. It is also important in order to reduce systemic risk and support financial sector deepening through increasing transactions with diversified financial instruments and financial institutions. There are a **number of systemic barriers in Rwanda** to expanding the frontiers of access to finance with a focus on entrepreneurship development.

II.4 Barriers and constraints

30. The currently 146,000 annual off-farm job creation rate lags behind the targeted 200,000 jobs annually and is insufficient to absorb the annual average 235,000 new entrants in the labor market¹². SME creation and creating opportunities for Youth and women supported by **access to finance is considered a necessary means in order to support the required economic transformation** from (subsistence) agriculture based to an export oriented industry and services economy.

31. There exists a **fundamental mismatch between supply of financial services and quality of FSPs compared to the demand**, especially in the rural areas, meaning that the products or delivery channels currently available may not be responding to people's needs (especially for youth and SMEs). Even when client's capabilities will increase with new knowledge, skills, attitudes and behavior, they will not achieve their full potential if there are no changes in available financial services.

¹² EICV 4 and MINYICT calculations

32. There is still a lot of progress to be made to include the majority of the Rwandan population into the formal financial system. **This applies especially to rural areas** to support the transition from subsistence to commercial farming and better rural-urban food supply chains (e.g. value-chain finance (VCF) products, micro leasing, productive agri-asset transfers). The U-SACCO project is well-underway, but major challenges continue to exist. This is understandable as it is a massive undertaking with many different stakeholders.
- 33. Rwandans have varying degrees of knowledge of different financial services.** Only a small part says they are knowledgeable about how to choose a financial product or service provider and about half Rwandans feel out of control with their borrowing and debt¹³. As source for advice in the area of financial services, banks or financial institutions are mentioned by only 10 percent of population. **SMEs in the broad sense and potential youth and women entrepreneurs overall lack experience and understanding of financial products and FSPs and do not have the necessary technical skills to make successful loan applications.**
34. **58% of Rwandans still use informal mechanisms, and this uptake grew even faster than for formal services.** It is also reflected in the fact that more than half (55%) of Rwandans save or invest in financial assets, but only about 26% at a formal institutions¹⁴.
- 35. Financial products and delivery channels in rural areas are to a large extent manual and cash-based** and need to innovate to computer supported FSPs and digitally based delivery and use of cashless payment services.

II.5 Opportunities for the R-FIP Programme 2016 – 2020

36. This R-FIP Programme framework has been developed in response to key constraints in the context of financial inclusion for enterprise development in Rwanda, considering key evaluation recommendations and contingent ONE UN and GoR current programmes. The following opportunities were identified:
37. At the level of **Supporting Functions**:
- **Improving the level of UN support for the policy dialogue on financial inclusion in Rwanda through better programme definition and strengthened coordination** between different financial inclusion efforts. This includes applied research investigating the mismatch, both in urban and rural areas and with special attention for Youth and women. This approach should lead to deepening and widening of financial inclusion with quality products and services.
 - **Supporting the implementation of National Financial Education Strategy in Rwanda, particularly addressing the defined target group of FSP staff**, focused on 1) understanding consumer protection and explaining consumer rights and 2) Identifying and evaluating available financial services to determine if these meet consumer needs.
 - Promote **improved access to funding for FSPs servicing the lower end** (SACCOs and MFI), by supporting development of a functioning market (e.g. wholesale loans, credit lines, refinancing, guarantees, etc for MFIs and SACCOs).

¹³ National Financial Education Strategy NFES

¹⁴ WB Findex

38. Targeting the improvement of the mismatch between **Supply and Demand for Financial Services:**

- Supporting **entrepreneurship development at the level of SMEs by promoting interventions offering an integrated approach** of entrepreneurship development, financial literacy and support to effectively access finance. These interventions explicitly include women and youth SMEs as target groups.
- **Supporting effective delivery and the transition to cashless payments**, through the development and provision of technology based financial services. Promote implementation of Digital Financial Services (DFS) by FSPs to facilitate savings and making payments.
- **Improving access to finance in the rural areas**, on the one hand by completing the establishment of the U-SACCO structure and on the other linked to (selected) value chains, which will require specific products and services. *A focused approach is required to complete the consolidation of the Umurenge SACCO's and improving their governance (e.g. consolidation at district level in combination with centralized APEX support) in exchange for selected support measures for funding, automation, and linkage to Rwandese payments system.*
- Supporting the sector players to develop and deliver **customer centric products to enhance formal inclusion and rural finance, such as attracting VSLAs** to link with FSPs, development of leasing products for SMEs, value chain finance products and promotion of adequate savings products and asset building opportunities. The programme will continue to support capacity building of SACCOs and MFIs, to deliver those products professionally. It is understood that AFR and other some DPs are supporting the development of some of these products. UN will continue to partner with those DPs for more results and bigger impact to Rwandans.

39. At level of **Rules and Regulations**

- **Targeted support to the central bank** for development and dissemination of selected regulations (innovative payments DFS, agent banking, leasing products, Value Chain Finance, consumer protection) and improving the quality of supervision of U-SACCO's, as a key risk control mechanism for the U-SACCO structure.

II.6 Key lessons learnt from BIFSIR, YouthStart and Microlead evaluations

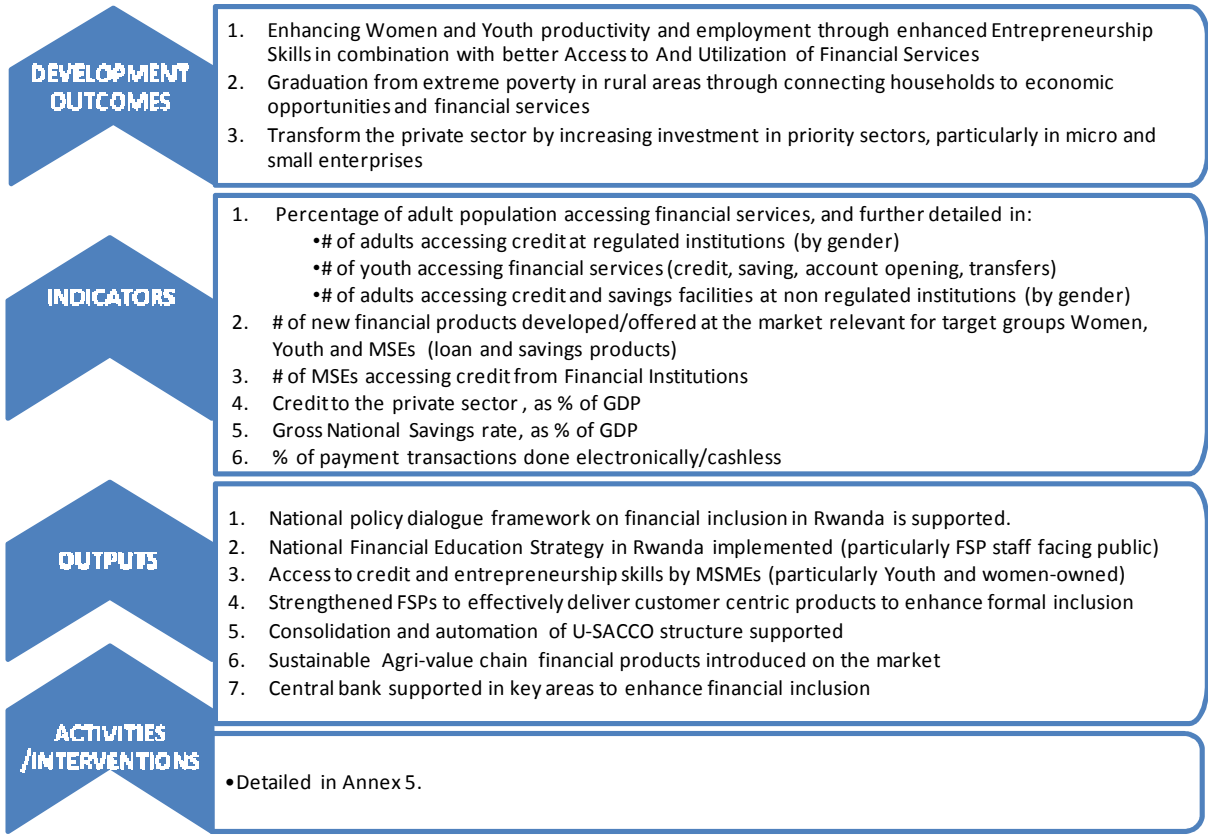
40. This section will be included in the Programme Document, after the BIFSIR evaluation report is formally approved at all required levels. Note that the lessons were taken into consideration.

III. R-FIP GLOBAL PROGRAMME DESCRIPTION

III.1 Programme’s Vision, Goals and Objectives following the Theory of Change ¹⁵

41. As the lead UN agency in financial inclusion, the role of UNCDF through the ONE UN system in Rwanda is to coordinate the support for financial inclusion. This has been a point of departure for designing this Support Programme for the promotion of inclusive finance and entrepreneurship. It is consistent with the prevailing EDPRS programme of the GoR and the mirroring UNDAF of ONE-UN for Rwanda¹⁶. These are focusing on the all-encompassing goal of poverty reduction in Rwanda, through the Development Outcomes of (Inclusive) Economic Transformation, Rural Development and Productivity and Youth unemployment. More specifically, access to finance is considered an indispensable means to realize a range of outputs. **These EDPRS and UNDAF outputs are considered as the Development Outcomes of the R-FIP programme.**

Figure 1 - Theory of Change for R-FIP programme



Below follows a description based on this Theory of Change.

¹⁵ For this programme we apply the theory of change concept for Financial inclusion that was recently presented by CGAP, (CGAP, New Funder Guidelines: Market Systems Approach to Financial Inclusion, September 2015).

¹⁶ In the recently approved UN Sustainable development goals (SDGs), financial services are mentioned as means to especially the following SDGs: 1) Ending Poverty, 2) Ending hunger (linked to agricultural development), 5) Gender Equality, 8) Inclusive and sustainable economic growth and employment and 9) Inclusive and sustainable industrialization (including SMEs). EDPRS and UNDAF development outcomes and their linkage of financial services are particularly well aligned to the new SDGs.

For convenience of decision makers, the R-FIP outputs and activities are cross checked against UNDP, GoR and UNCDF programmes, in Annex 4.

III.1.1 Development Outcomes:

42. For this R-FIP programme it is proposed to select as Development Outcomes:

- Enhancing Women and Youth productivity and employment through enhanced Entrepreneurship Skills in combination with better Access to And Utilization of Financial Services (EDPRS III.3.1 and UNDAP Outputs 1.4.2. and 1.4.3)
- Graduation from extreme poverty in rural areas through connecting households to economic opportunities and financial services (EDPRS II.3.1)
- Transform the private sector by increasing investment in priority sectors, particularly by increasing credit to the private sector (SMEs) (EDPRS I.3);

III.1.2 Financial Inclusion & Entrepreneurship Indicators:

43. For this programme we propose to steer on indicators set for financial inclusion and financial sector development by the UN and GoR:

- Number of youth and women with applied entrepreneurship skills having access to financial products and services, especially credits and savings (*UNDAP*)
- % of youth and women using financial products and services (*UNDAP*)
- Number of FSPs demonstrating growing sales of proven women and youth friendly financial products and services (*UNDAP*)
- Percentage of payment transactions done electronically from 42 to 75% (GoR FSDP)
- Percentage of adult population accessing financial services from 71% to 90% (GoR FSDP)
- Domestic credit to private sector (percent of GDP) from 13 to 30 % (GoR FSDP)
- Gross national savings (percent of GDP) from 11 to 20% (GoR FSDP)

44. The more specific indicators for this programme will be:

- # of adults accessing credit at regulated institutions (by gender)
- # of youth accessing financial services (credit, saving, account opening at a bank, money transfers, etc)
- # of new financial products developed/offered at the market and relevant for target groups Women, Youth and MSEs (loan and savings products)
- # of adults accessing credit and savings facilities at non regulated institutions (by gender)
- # of Micro and Small Enterprises (MSEs) accessing credit from Financial Institutions

III.1.3 Proposed Programme Outputs and Interventions

45. The following Outputs and Intervention are proposed, further detailing the opportunities identified and contributing to the outcomes and Indicators set. These were validated and prioritized in discussion with the Technical Reference group on 28 October 2015¹⁷. A more detailed overview can be found in the Synthesis in Annex 5 and the Results & Resources Framework in Annex 6:

Supporting Functions (macro and meso level):

1. **National policy dialogue framework on financial inclusion** in Rwanda is supported:
 - Conduct MAP and develop a financial inclusion road map for Rwanda;

¹⁷ This R-FIP Technical Reference Group consist of Rwanda UN entities and GoR ministries who are supporting Access to Finance Components in their Strategies and Programmes.

- Review and align global and national financial inclusion performance indicators with UNDAP and other International best practices;
 - Disseminate on financial Inclusion and the programme results.
2. **National Financial Education Strategy in Rwanda implemented**, particularly addressing the defined target group of FSP staff and other platforms facing the general public:
- Scale-up the Financial education modules for youth in secondary schools and roll-out the Financial Education modules that were developed and piloted by WB to remaining U-SACCOs and TVETs graduates;
 - Implement a coordinated national communication programme to FSPs and the general public on new Consumer Protection guidelines and the use of DFS.

Supply and Demand for financial services (client, micro & meso level):

3. **Access to credit and entrepreneurship skills by MSMEs** (particularly youth and women-owned) through an integrated approach (of entrepreneurship skills, financial education and financial access):
- Continue the implementation of successful approaches of combined financial education, entrepreneurship, mentoring and coaching modules targeting youth and women MSMEs/VSLAs/Cooperatives and ensure linkage with FSPs;
 - Develop, pilot and support Youth Cooperatives Model in various sectors (construction, agriculture, ICT).
 - Develop a framework at National Level for the existing government BDS support structures.
4. **Strengthened FSPs to effectively deliver customer centric products** to enhance formal inclusion and rural finance:
- Support the establishment of a shared IT-platform for non Umurenge-SACCO's and small MFIs, allowing them to automate their operations and link to DFS;
 - Design and implement a micro leasing product for a specific value chain (1st mover pilot)
 - Support FSPs in implementing Agency Banking (Agency Banking 1st mover)
5. **Consolidation and automation of U-SACCO structure supported.**
- Complete the U-SACCO process focused on consolidation (at national level and 30 districts) and automation. This will result in a strong and high quality FSP offering savings and credit facilities at the rural level for individuals and micro-enterprises:
6. **Sustainable Agri-value chain financial products** introduced on the market:
- Support the Ministry of agriculture to develop a value chain financing model for selected clusters (e.g. product based financing, trade receivable finance or physical asset collateralization);
 - Support FSPs and service providers with TA & FA for the implementation of the recommended VCF models/VCF financial products adequate for different levels of the agri-value chains for selected clusters;
 - Support FSPs technical capacity to develop, manage and deliver agriculture loans.

Rules and Regulations (macro and meso level):

7. **Central bank supported in key areas to enhance financial inclusion**, focusing on selected regulations & standards and on further strengthening of supervision of U-SACCO's and MFIs:
- Support to NBR payments unit to update and disseminate regulations on DFS and especially agency banking.

- Strengthening BNRs capability to effectively support and supervise SACCOs, by targeted TA to the MF-unit for more effective onsite and off-site inspection of SACCO's and MFIs.
- Capacity Building for MFI external auditors for more effective auditing of FSPs (SACCOs, MFIs) servicing the lower end of the market.

46. The current pipeline of UNCDF projects foreseen under this R-FIP programme include:

- MAP: drawing the financial inclusion road map;
- YouthStart Global: project to create financial and economic opportunities for young people in Rwanda (building on the success of the YS pilot in Rwanda in 2010-2014);
- MicroLead expressed its hope that the R-FIP would finalize the consolidated and automated U-SACCO entity, building on the MicroLead ground work of the U-SACCO support (through the WOCCU TA, until 2015).

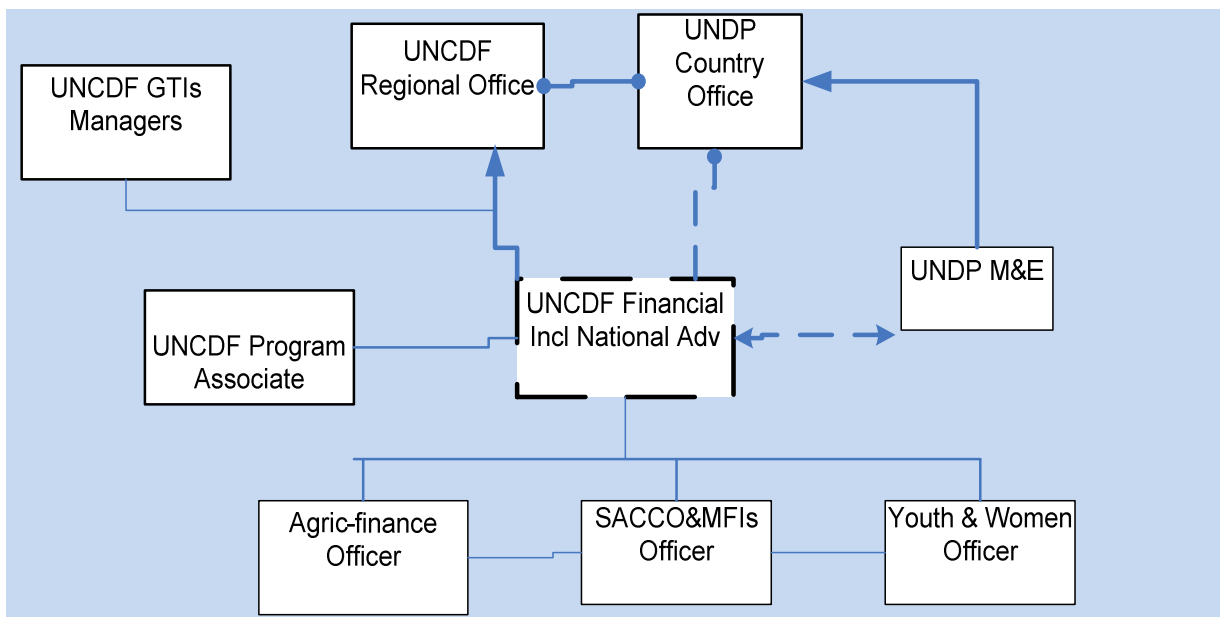
III.2 Management Arrangements

At the ONE UN level, UNCDF will assume the lead agency role for this joint programme and will provide leadership in terms of overall coordination, including joint day-to-day monitoring and reporting. Each participating agency will be responsible for its vertical or core funds contributed to this programme and will report the programme results through the lead agency. UNDP will remain the Administrative Agency for ONE Fund that might be given to this program and is accountable for timely disbursement of funds to participating agencies and implementing partner in case allocations from the ONE UN Fund are made to the programme.

At leadership level this R-FIP Programme will be managed through a joint UNCDF, UNDP and MINECOFIN investment committee chaired MINECOFIN and supported by the UNCDF National Technical Advisor, who is working under technical supervision of the UNCDF Senior Regional Technical Advisor. Moreover, it is advised to use the existing mechanism of the MINECOFIN-led Working Group Financial Sector Development to coordinate R-FIP with the activities of the Financial Inclusion programmes of other Development Partners.

Refer to R-FIP proposed project team as in graph below. Relevant roles and reporting channels will be provided at project document level.

Figure 2 – Proposed management structure of R-FIP



III.3 Financial Resources Framework and Mobilisation

The total programme budget is indicated to be USD 10.9 M for four years. Part of tentative available budget has been identified, the remainder has to be mobilized. UNCDF YouthStart, UNCDF MAP, UN Women, FAO, ITC and IFAD have been consulted and were interested towards participating into this programme.

The Republic of Korea (ROK-KOICA) expressed its intention to support Rwanda women and youth and rural development under UNDP-ROK agreements, which will run via UNDP (US\$ 800,000 for 2016).

III.4 Summary of the Financial Resource Framework (indicative)

To achieve its mission and targets in sync with the UNDAP & EDSPRS approach, R-FIP will work at output areas that are linked to the three development outcomes.		Budget		Budget
	Outputs (market system approach)		Outputs (UN approach)	
Outcomes 1, 2 and 3 combined	Demand and Supply side - high quality and strong FSPs, offering relevant products and services via accessible delivery channels to equipped clients	US\$ 7,850,000	Client level	US\$ 2,700,000
			Micro level	US\$ 4.280,000
	Supporting services informed Financial Policy dialogue and Financial Education support	US\$ 2,550,000	Meso level	US\$ 1,470,000
	Rules and regulation An enabling and supportive environment for innovative financial products and channels	US\$ 500,000	Macro level	US\$ 1,540,000
Programme Management & Monitoring and evaluations		US\$ 910,000		US\$ 910,000
Programme Total		US\$ 10,900,000		US\$ 10,900,000

ANNEXES

Annex 1 - The current situation of the Umurenge SACCO's in Rwanda

A special section is attributed to the U-SACCO' as they have been key to open up access to finance and are centerpiece in the donor and government focus to financial inclusion. This process is in progress, but still requires targeted support to reach the finish line:

What has happened?

- *About 90 SACCO's have been strengthened and trained by WOCCU (paid by MicroLead & BIFSIR) and 90 other SACCOs by AFR, on all elements of offering Financial Services to clients. RCA is responsible to train the remaining SACCOs, which it achieved only partially.*
- *Financial and client data of about 75 SACCO's have been collected and validated and a Chart of Account for each of these SACCO's was constructed.*
- *These data are included in a well constructed and easy accessible database.*
- *NBR has established a SACCO supervision unit with specialized inspectors that apart from supervision also provide hands-on advice to improve SACCOs.*

What is the current situation:

- *416 SACCOs are established, with a huge variation in size and in quality.*
- *Governance of SACCO's is still at the Umurenge level, with guidelines being provided from national level (RCA and NBR) and support from external parties like WOCCU (and RCA and NBR).*
- *At political level there is a discussion about the next steps in the consolidation process of U-SACCOs.*
- *MIS systems are still manual and internal control systems are weakly developed. A technical steering committee is working on the procurement process for an MIS system (or Core Bank System CBS) to serve all SACCO's. Requirements have been finalized, but it is unclear in what phase the procurement process is.*
- *Loan quality is not great (average PAR is 8.2%, based on manual systems, so in reality probably higher).*

What still needs to be improved:

- *Consolidation of the SACCO structure and making the institutional change happen. Creating a national APEX type of institution and merge the SACCO's at the district level (30 district circles) could be instrumental to achieve this. This is expected to improve governance and support for SACCO's and contribute to the quality of staff, also by increased empowerment through respecting coop principles (e.g. different credit authority per level (Umurenge, district, central)).*
- *Better support is required, e.g. at national level, in the areas of Audit, IT& MIS, international payments & funding from lenders.*
- *Strengthened supervision and support from NBR.*
- *Automate the SACCOs and link them to the Rwanda payments system. The U-SACCO database needs to be maintained up-to-date so it can be migrated once the MIS/CBS is procured.*

Annex 2 - Other Financial Sector Programmes in Rwanda

Access to Finance Rwanda AFR (DFID, KfW, WB)

AFR focus for 2016-2010 (indicative):

- micro-insurance and micro pensions
- agri-finance for specific value chains (coffee, tea, potato, dairy),
- promotion of savings

As AFR is continuing support of 80 SACCO's and will also build expertise in finance for 4 specific value chains, it is advised to coordinate this well.

World Bank

The World Bank has two ongoing programmes for Strengthening the Financial sector in Rwanda:

Financial Inclusion Support Framework (FISF) programme focus:

- 1. Micro and SME Finance - reviewing the legal and regulatory framework as well as strengthening the BNR's supervisory capacity for the SACCO and microfinance sectors and supporting the guarantee programme of BDF.
- 2. Consumer Protection
- 3. Financial Education: support the design of the national financial education programs NFES and development of curriculum for SACCO's and pilot of it
- 4. Payment Systems and Financial Infrastructure -> assistance to develop a regulatory framework for retail payments to ensure the adequacy and consistency towards the development of innovative payment instruments and delivery channels. (diagnostics, implementation plans, and oversight capacity)
- 5. Monitoring & Evaluation (M&E) -> effective measurement of progress towards financial inclusion targets and policy goals as robust base to inform policymaking.

Financial Sector Strengthening program:

- supporting NBR with regulations and dissemination of those on micro-insurance and micro pensions

Based on information received from these other programmes on their financial inclusion focus, it is suggested NOT to include certain Financial inclusion interventions in R-FIP as they are addresses already by other donors.

Annex 3 - Strengths and Weaknesses of Financial Inclusion and Entrepreneurship in Rwanda

Strengths	Weaknesses
<i>Macro</i>	
Average annual GDP growth of 8% from 2001 to 2013, Rwanda has emerged as one of the fastest growing economies in Africa, reducing poverty levels from 45% in 2011 to 39% in 2014 and extreme poverty from 24% to 16% (EICV4 results published by the NISR).	The currently 104,000 annual off-farm job creation rate lags behind the targeted 200,000 jobs annually and is insufficient to absorb the annual average 125,000 new entrants in the labour market. (source: flagship JP 2015)
The percentage of employed individuals with a main job in wage-employment outside farming has increased from about 17% in 2010/11 to about 20% in 2013/14 from 61.2 % to 58% in the same period.	
The establishment of private companies increased between 2011 and 2014 by about 24.4% to 148,376 firms. This increase is higher in rural areas (38.1%) compared with urban areas (7.3%). In the same period, large enterprises have more than doubled to 103 firms. Micro, Small and medium firms increased by around 20-30 %. There exist almost 140k micro and 10k small companies (EICV4). ¹⁸	
<i>market supply and demand</i>	
Since 2008 the size of the banking system has almost tripled in nominal terms, and increased by half relative to GDP. The Rwandan financial sector remains dominated by banks and is composed of 9 commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank. As of June 2013, commercial banks held 80.5 percent of total sector assets. A24	Rwanda's financial sector accounts for about 37 percent of GDP, at approximately RWF 1,715 billion (USD 2.54 billion). Compared to its EAC peers, Rwanda has the second smallest banking sector after Burundi (Source WB FISF)
The Rwandan microfinance sector is composed of MFIs and SACCOs, with SACCOs playing a major role in terms of outreach to the formally unserved population. 490 institutions are active in the market of which 12 are limited companies (microfinance institutions (MFIs)) and 478 SACCOs, including 416 Umurenge SACCOs. The sector witnessed a 21 percent growth in 2013 reaching RWF 122 billion (USD 181 million) in assets.(source WB FISF)	There exists a large variation in the quality of 416 U-SACCO's (size, quality of staff & governance and portfolio, etc)
Data of 75 U- SACCO's have been collected and validated and are included in a well constructed and easy accessible database. (source: WOCCU)	
As significant part of the local finance sector, 6,000 village-level savings groups are composed of about 187,000 members with about USD 3 million in assets. (source WB FISF)	Uptake of informal financial products increased to 58 percent in 2012 and 66 percent of individuals using formal financial products also use informal mechanisms. Efforts remain as regards including the majority of the Rwandan population into the formal financial system, especially in rural areas.

¹⁸ NISR definitions: Large company: 100+ workers, medium (31 – 100 workers), Small (4-30 workers) and micro (1-3 workers)

Strengths	Weaknesses
<p>The proportion of adult Rwandans accessing financial services –including informal – increased from 47 percent in 2008 to an impressive 72 percent in 2012. Of those accessing financial services, 42 percent are served formally by commercial banks and non-bank financial institutions from 21% in 2008. 58 percent use informal mechanisms. It can be concluded that U-SACCO's have contributed significantly to increase financial inclusion (source, WB FISF and Findex, AFR & Finscope).</p>	<p>Access to financial services is a major bottleneck for enterprise creation and for existing SMEs to expand and grow. Over two-thirds of businesses queried in the Private Sector Federation's 2008 Business Investment Climate Survey cite finance as a major challenge. Financial institutions perceive SMEs as high risk and are therefore inflexible in terms of collateral and repayment terms (source: flagship JP, OTF/PSF survey). B22</p>
<p>Although male and urban areas go ahead in financial inclusion, the difference in gender and geographic terms are relatively small, as 35% of women and 38% in rural areas are included. (source WB Findex)</p>	<p>Financial exclusion is significantly higher among youth aged 18 to 24 years (23% included) and the poorest (18% is included). Focusing on formal credits, low access overall and a gender gap can be observed: only 2.7% of women accessed credit through banks compared to 4.1% of men, while 4.4% of women accessed credit through other formal means (e.g. Micro finance institutions) compared to 8.3% of men. 37% borrows from family and friends (source: The National Gender Statistics Report 2013 and WB FINDEX)</p>
<p>The payment system and financial infrastructure in Rwanda have witnessed considerable developments in the past years. These changes have allowed banks and mobile network operators (MNOs) to introduce ATMs, credit cards, POS terminals and innovative payments mechanisms using agents. 18% of adults has a mobile account, compared to an average of 13% in Sub sahara Africa</p>	<p>There exists a mismatch between supply of financial services and quality of FSPs compared to the demand, especially in the rural areas, meaning that the products currently available may not be responding to people's needs (especially for youth and SMEs).</p>
<p>At least 8 initiatives targeting young people and women that focus on Entrepreneurship and inclusive financial services</p>	<p>SMEs lack experience and understanding of financial organizations and do not have the necessary technical skills to make successful loan applications (source:)</p>
<p>More than half (55%) of Rwandans save or invest in financial assets, of which about 26% at a formal institutions (source WB Findex)</p>	<p>Negligence of the importance of savings for asset building (source AFR, consultant)</p>
	<p>Rwandans have varying degrees of knowledge of different financial services. Only 23% of respondents say they are knowledgeable about how to choose a financial product or service provider. About half Rwandans feel out of control with their borrowing and debt (source NFES)</p>
	<p>As source for advice in the area of financial services, banks or financial institutions are mentioned by only 10 percent of population (source NFES)</p>
<i>Rules and norms & supporting functions</i>	
<p>Institutional fundamentals are in place. Regulations for FSPs, including MFIs and SACCO's have been developed and supervision responsibility is clearly assigned. Also various Consumer protection issues have been introduced in various financial sector laws and related regulations and guidelines. (source WB FISF)</p>	<p>Payment systems reform is now more than 5 years old and due for revision in line with the new areas of focus and priority which include the regulation of innovative payment mechanisms. (source WB FISF)</p>

Annex 4 – Cross check Table of R-FIP with other Programmes and Strategies

The table below indicates that R-FIP outputs and interventions are closely aligned with the UNCDF Strategic Framework 2014-2017, UNDAP, EDPRS, Women &

Youth Flagship JP, Value Chain JP and FSDP II.

R-FIP Outputs	R-FIP Activities	UNCDF Strategic Framework	MAP	Youth Start Global	MicroLead	UNDAP	EDPRS	FSDP II	Youth & Women flagship	Value Chain J.P.	NFES	UN Women	ITC	IFAD
1	1.1	X	X											
	1.2	X						X						
	1.3	X						X						
2	2.1						II.3.1	X	3.1.1		X			
	2.2					1.4.2	II.3.1	X	3.1.1		X			
	2.3					1.4.2	II.3.1	X	3.1.1&3.2		X			
	2.4							X	3.1.2		X			
3	3.1					1.4.2 & 1.4.3	I.3.2&II.3.1		3.2&3.5.1			X	X	
	3.2					1.4.2 & 1.4.3	I.3.2&II.3.1		3.2			X	X	
	3.3	X		X		1.4.2 & 1.4.3	III.3.1	X	3.2&3.3					
	3.4	X		X		1.4.2 & 1.4.3	III.3.1	X	3.2&3.3					
	3.5	X		X		1.4.2 & 1.4.3	III.3.1	X	3.2&3.3					
4	4.1	X												
	4.2	X					I.3.2		3.5					
	4.3	X												
5	5.1	X			X		II.3.1	X						
	5.2	X			X		II.3.1	X						
6	6.1	X								2.3				X
	6.2	X					II.3.1			2.3				X
	6.3	X					I.3.2&II.3.1			2.3			X	X
	6.4	X					I.3.2&II.3.1			2.3			X	X
7	7.1	X						X						
	7.2	X						X						
	7.3							X						

Annex 5 - Synthesis Overview of Outputs and Activities

Outputs and Activities were validated and prioritized in discussion with the Technical Reference group on 28 October 2015. Budget and Proposed funding agencies are indicative and for further discussion.

	Proposed Output	Interventions/Key activities	Indicat. budget \$
Supporting Services for Financial Inclusion			
1	National policy dialogue framework on financial inclusion in Rwanda is supported.	1.1 & 1.2 Conducting MAP and develop a financial inclusion road map for Rwanda (macro)	310,000
		1.3 Develop an FI coordination mechanism (donors, private sector and government task force)	80,000
		1.4 Comparative policy analysis for improving domestic private financing (esp. regulatory reforms for promoting lending to MSMEs)	100,000
		1.5 Conduct sector workshops on financial inclusion and dissemination various results on FI in Rwanda (macro)	100,000
	Sub total Output 1		590,000
2.	National Financial Education Strategy in Rwanda implemented , particularly addressing the defined target group of FSP staff and other platforms facing the general public	2.1 Scale-up the existing Financial education modules focusing particularly youth in secondary schools. (meso)	200,000
		2.2 Roll-out the Financial Education modules that were developed and piloted by WB to the remaining U-SACCOs (meso)	200,000
		2.3 Roll-out the Financial Education modules that were developed and piloted by WB to the TVETs graduates (meso)	300,000
		2.4 Implement a coordinated national communication programme to FSPs and the general public on: 1) new Consumer Protection guidelines (e.g. APR, complaints); 2) using DFS/e-payments, to support the transition to cashless payments. (macro)	350,000
	Sub total Output 2		1,050,000
TOTAL Supporting Services			1,640,000
Supply and Demand of Financial services			
3.	Access to credit and entrepreneurship skills by MSMEs (particularly Youth and women-owned)	3.1 Develop a framework at National Level for the existing government BDS support structures (sector BDAs, BDF Korawigire centres, etc) (macro)	100,000
		3.2 Develop and implement new combined financial education, entrepreneurship, mentoring and coaching modules, targeting youth and women MSMEs/VSLAs/Cooperatives and including the linkage with FSPs. (client)	600,000 400,000 25 300,000
Concept Note Rwanda Financial Inclusion Programme - FINAL			

		3.3 Develop, pilot and support Youth Cooperatives Model in the Construction sector (client)	730,000
		3.4 Develop, pilot and support Youth Cooperatives Model in selected Agri-business chains (client)	650,000
		3.5 Develop, pilot and support Youth Cooperatives Model Youth ICT Micro-franchising Model ('ICT kiosk in a box') (client)	620,000
	Sub total Output 3		2,800,000
4.	Strengthened FSPs to effectively deliver customer centric products to enhance formal inclusion and rural finance.	4.1 Support the establishment of a shared IT-platform for non Umurenge-SACCO's and small MFIs, allowing them to automate their operations (or migrate from existing MIS) and to introduce DFS (meso)	250,000
4.2 Design and implement a micro leasing product for a specific value chain (1st mover pilot) (micro)		300,000	
4.3 Support FSPs in implementing Agency Banking and DFS (DFS 1st mover SACCO) (micro)		300,000	
	Sub total Output 4		850,000
5.	Consolidation and automation of U-SACCO structure supported. Complete the U-SACCO process and network to result in a strong and high quality FSP offering savings facilities at the rural level, responding to the financial services needs of individuals and micro-enterprises:	5.1 Support to complete U-SACCO automation process (micro)	721,000 659,000 340,000
		5.2 Institutional Framework of APEX U-SACCOs is developed to support the institutional consolidation (APEX and 30 district circles) (meso)	120,000 250,000
	Sub total Output 5		1,750,000
6.	Sustainable Agri-value chain financial products introduced on the market	6.1 TA Support the Ministry of agriculture to develop a value chain financing model for selected clusters (e.g. product based financing, trade receivable finance or physical asset collateralization) (macro)	150,000
		6.2 TA to support FSPs technical capacity to develop, manage and deliver agriculture loans. (micro)	450,000 250,000
		6.3 TA & FA for the implementation of the recommended VCF models/VCF financial products for selected clusters adequate for different levels of the agri-value chains (micro & client) .	550,000 400,000 100,000
		6.4 Train and Intensify use of existing BDF/DBA infrastructure targeted the 'high end SMEs' in the value chain (such as processing firms, CPCs, etc) of 6 agri-value chains/clusters, to improve the capacity end users on making bankable proposals. (micro & client)	550,000

	Sub total Output 6		2,450,000
TOTAL Supporting Services			
Rules and regulations to enable Inclusive Finance			
7. Central bank supported in key areas to enhance financial inclusion (selected regulations & standards and further strengthening of supervision of U-SACCO's and MFIs)	7.1 TA support to NBR payments unit to update and disseminate regulations on DFS and especially agency banking. (macro)		150,000
	7.2 Strengthening BNRs capability to effectively support and supervise SACCOs, by targeted TA to the MF-unit for more effective onsite and off-site inspection of SACCO's and MFIs. This includes particularly 1) better processing of collected data (off-site) and 2) growing the coaching skills of inspectors to guide SACCO's and MFIs. (macro)		200,000
	7.3 Capacity Building for MFI external auditors in collaboration with ICPAR, AMIR and BNR, by development of special training modules extracted from selected ACCA/CPA topics for more effective auditing of FSPs (SACCOs, MFIs) servicing the lower end of the market. (meso)		150,000
TOTAL Rules and Regulations			500,000
Programme Management & Monitoring and evaluations (10%)			910,000
TOTAL PROGRAMME			10,900,000

Annex 6 - Results & Resources Framework (indicative, for discussion and confirmation)

UNDAP Result 1: - Inclusive Economic Transformation Outcome:									
UNDAP Outcome 4 - Sustainable urbanization process transforms the quality of livelihoods and promotes skills development and decent employment opportunities in both urban and rural areas, especially for youth and women									
Programme Outcome 1: Enhancing Women and Youth productivity and employment through enhanced Entrepreneurship Skills in combination with better Access to And Utilization of Financial Services									
Programme Outcome 2: Graduation from extreme poverty in rural areas through connecting households to economic opportunities and financial services									
Programme Outcome 3: Transform the private sector by increasing investment in priority sectors, particularly in SMEs									
Outputs (and relevant indicators at output level)	Planned activities for each output	UN Partner/ Source of Funds	Implemen- ting Partner	Resource allocation and tentative schedule (In US\$)					Total
				Year 1	Year 2	Year 3	Year 4		
0 Programme Management, monitoring and evaluation are conducted efficiently	0.1 The management unit and Programme bodies (SC, IC) are operational	UNCDF	MINECOFIN	50,000	50,000	50,000	50,000	200,000	
		UNDP		50,000	50,000	50,000	50,000	200,000	
	0.2 Midterm and final project evaluation conducted	UNCDF	MINECOFIN	-	20,000	-	30,000	50,000	
		UNDP (RoK)		-	30,000	-	30,000	60,000	
	0.3 Monitoring and Evaluation function of ROK funding and partnership is strengthened	UNDP (RoK)	MINECOFIN	100,000	100,000	100,000	100,000	400,000	
	Subtotal								910,000
1 National policy framework on financial inclusion in Rwanda is supported. <i>Indicators:</i> • Percentage of adult population accessing financial services from 71% to 90% (GoR FSDP) • Gross national savings (percent of GDP) from 11 to 20% (GoR FSDP)	1.1 Conducting MAP (data collection and reporting)	ONE FUND UNCDF	BNR & MINECOFIN	60,000	20,000	20,000	20,000	120,000	
	1.2 Develop and monitor a financial inclusion strategy and road map for Rwanda	UNCDF (MAP)		30,000	30,000	-	-	60,000	
		ONE FUND UNDP		60,000	20,000	30,000	20,000	130,000	
	1.3 Develop an FI coordination mechanism (Donors, private sector and govt task force)	ONE FUND UNCDF		50,000	-	30,000	-	80,000	
	1.4 Comparative policy analysis for improving domestic private financing (esp. regulatory reforms for promoting lending to MSMEs)	UNECA	NBR	50,000	50,000	-	-	100,000	
	1.5 Conduct sector workshops on financial inclusion and dissemination various results on FI in Rwanda	UNCDF (MAP)	MINECOFIN	-	25,000	-	25,000	50,000	
ITC		-		25,000	-	25,000	50,000		
Subtotal				-				590,000	

	Outputs (and relevant indicators at output level)		Planned activities for each output	UN Partner/ Source of Funds	Implemen-ting Partner	Resource allocation and tentative schedule (In US\$)				
						Year 1	Year 2	Year 3	Year 4	Total
2	National Financial Education Strategy in Rwanda implemented , particularly addressing the defined target group of FSP staff and other platforms facing the general public	2.1	Scale-up the existing Financial education modules focusing particularly youth in secondary schools and formation of savings clubs with secondary schools.	UNDP (RoK)	TSP	50,000	50,000	50,000	50,000	200,000
		2.2	Implement financial education modules developed by the World Bank to roll out the modules to clients through village	UNDP (RoK)	TSP	50,000	50,000	50,000	50,000	200,000
	<u>Indicators:</u> • # of youth that are member of savings clubs • # of adults that were enrolled in a Financial Education module • Number of SACCO's that participated in the Financial Education programme	2.3	Roll-out the Financial Education modules that were developed and piloted by WB to the	UNDP (RoK)	TSP	75,000	75,000	75,000	75,000	300,000
		2.4	Implement a coordinated communication programme to FSPs and the general public on: 1) new Consumer Protection guidelines (e.g. APR, complaints); 2) using DFS/e-payments, to support the transition to cashless payments.	UNDP	BNR	25,000	50,000	50,000	50,000	175,000
				ONE FUND UNDP		25,000	50,000	50,000	50,000	175,000
Subtotal									1,050,000	

	Outputs (and relevant indicators at output level)		Planned activities for each output	UN Partner/ Source of Funds	Implemen-ting Partner	Resource allocation and tentative schedule (In US\$)				
						Year 1	Year 2	Year 3	Year 4	Total
3	Access to credit and entrepreneurship skills by MSEs (particularly Youth and women-owned)	3.1	TA/FA to develop and monitor a coordination mechanism at national level for the existing government BDS and A2F support structures (sector BDAs, BDF Korawigire centres, etc)	UNDP	MINICOM & TSPs	25,000	25,000	-	-	50,000
				ITC	MINICOM & TSPs	25,000	25,000	-	-	50,000
	Indicators: <ul style="list-style-type: none"> • # of youth accessing financial services (credit, saving, account opening at a bank, money transfers, etc) • # of new financial products developed/offered at the market and relevant for target groups Women, Youth and MSEs (loan and savings products) • Number of MSEs with applied entrepreneurship skills having access to financial products and services, especially credits and savings • # of adults accessing credit at regulated institutions (by gender) • # of adults accessing credit and savings facilities at non regulated institutions (by gender) • # of VSLAs and Coops involved in the combined education & financial access modules 	3.2	Develop and implement new <u>combined</u> financial education, entrepreneurship, mentoring and coaching modules, targeting youth and women MSMEs/VSLAs/ Cooperatives/Chambers of Women and including the linkage with FSPs. Including new phases, new voices approach.	UN WOMEN	TSPs	75,000	75,000	125,000	125,000	400,000
ITC				75,000		75,000	75,000	75,000	300,000	
		3.3	Develop, pilot and support Youth Cooperatives Model in the Construction sector	UNCDF (YS)	TSPs (YSOs)	100,000	200,000	230,000	200,000	730,000
		3.4	Develop, pilot and support Youth Cooperatives Model in selected Agri-business chains	UNCDF (YS)	TSPs (YSOs)	25,000	150,000	150,000	100,000	425,000
				FAO	TSPs (YSOs)	25,000	100,000	50,000	50,000	225,000
	3.5	Develop, pilot and support Youth Cooperatives Model Youth ICT Micro-franchising Model ('ICT kiosk in a box')	UNCDF (YS)	TSPs (YSOs)	-	200,000	220,000	200,000	620,000	
	Subtotal								2,800,000	

	Outputs (and relevant indicators at output level)		Planned activities for each output	UN Partner/ Source of Funds	Implemen-ting Partner	Resource allocation and tentative schedule (In US\$)				
						Year 1	Year 2	Year 3	Year 4	Total
4	Strengthened FSPs to effectively deliver customer centric products to enhance formal inclusion and rural finance. <i>Indicators:</i> • Number of FSPs demonstrating growing sales of proven women and youth friendly financial products and services(UNDAP) • # of Micro and Small Enterprises (MSEs) accessing credit from Financial Institutions • Number of MSEs and individuals accessing financial products or services (including payments) using DFS	4.1	Support the establishment of a shared IT-platform for non Umurenge-SACCO's and small MFIs, allowing them to automate their operations (or migrate from existing MIS) and to introduce DFS	ONE FUND UNCDF	AMIR & FSPs	50,000	100,000	75,000	25,000	250,000
		4.2	Design and implement a micro leasing product for a specific value chain (1st mover pilot)	ITC	FSP	-	125,000	125,000	50,000	300,000
		4.3	Support FSPs in implementing Agency Banking and DFS (DFS 1st mover SACCO)	ONE FUND UNCDF	FSP	100,000	100,000	75,000	25,000	300,000
Subtotal										850,000
5	Consolidation and automation of U-SACCO structure supported. <i>Indicators:</i> o Number of U-SACCO's being consolidated in the U-SACCO structure of sufficient quality and properly supported in automation, funding, audit and other support areas o % of VSLA (or their members?) using FSPs for their savings or loans (FSPs are either SACCO's or to other formal institutions)	5.1	Support to complete U-SACCO automation process . Provide financial assistance to expand the number of U-SACCOs automated	UNDP (RoK)	TSPs	471,000	150,000	100,000	0	721,000
				unfunded		140,000	209,000	205,000	105,000	659,000
		5.2	Institutional Framework of APEX U-SACCOs is developed to support the institutional consolidation (APEX and 30 district circles)	UNDP (RoK)	TSPs	45,000	45,000	30,000	-	120,000
				unfunded		60,000	85,000	40,000	65,000	250,000
Subtotal										1,750,000

	Outputs (and relevant indicators at output level)		Planned activities for each output	UN Partner/ Source of Funds	Implemen-ting Partner	Resource allocation and tentative schedule (In US\$)				
						Year 1	Year 2	Year 3	Year 4	Total
6	Sustainable Agri-value chain financial (VCF) products introduced on the market	6.1	TA Support the Ministry of agriculture to develop a value chain financing model for selected clusters (e.g. product based financing, trade receivable finance or physical asset collateralization) (macro)	FAO	MINAGRI	100,000	50,000	-	-	150,000
		<i>Indicators:</i> o Number of SMEs (MSEs and SMEs/missing middle) in rural areas being offered Value Chain Finance (VCF)-credit products	6.2	TA to support FSPs technical capacity to develop, manage and deliver agriculture loans. (micro)	ONE FUND UNCDF ITC	FSPs	-	250,000	200,000	-
	6.3		TA & FA for the implementation of the recommended VCF models/VCF financial products for selected clusters adequate for different levels of the agri-value chains.	UNCDF	FSPs,TSPs	-	250,000	300,000	-	550,000
				FAO		100,000	200,000	200,000	-	500,000
	6.4	Train and Intensify use of existing BDF/DBA infrastructure targeted the 'high end SMEs' in the value chain (such as processing firms, CPCs, etc) of 6 agri-value chains/clusters, to improve the capacity end users on making bankable proposals.	ITC FAO	BDF, FSPs, TSPs	50,000	100,000	75,000	50,000	275,000	
			50,000		100,000	75,000	50,000	275,000		
	Subtotal									2,450,000
7	Central bank supported in key areas to enhance financial inclusion (selected regulations & standards and further strengthening of supervision of LL-SACCO's) <i>Indicators:</i> o Domestic credit to private sector (percent of GDP) from 13 to 30 % (GoR FSDP) o Nr of FSPs (MFIs and SACCO's) regulated by NBR. o # of adults accessing credit at regulated	7.1	TA support to NBR payments unit to update and disseminate regulations on DFS and especially agency banking.	UNECA	NBR	50,000	50,000	50,000		150,000
		7.2	Strengthening BNRs capability to effectively supervise lower-end serving SACCOs/MFIs (onsite and off-site inspection).	UNECA	NBR	-	100,000	100,000	-	200,000
		7.3	Capacity Building for MFI external auditors.	UNECA	NBR & ICPAR	-	-	50,000	100,000	150,000
	Subtotal									500,000
	TOTAL PROGRAMME									10,900,000

Indicative distribution over funding partners (to be further discussed and confirmed):

Funding Partners:	Year 1	Year 2	Year 3	Year 4	TOTAL
FAO	275,000	450,000	325,000	100,000	1,150,000
ITC	200,000	430,000	345,000	250,000	1,225,000
ONE FUND UNCDF	260,000	470,000	400,000	70,000	1,200,000
ONE FUND UNDP	85,000	70,000	80,000	70,000	305,000
UN WOMEN	75,000	75,000	125,000	125,000	400,000
UNCDF	205,000	925,000	950,000	605,000	2,685,000
<i>UNCDF CORE</i>	<i>50,000</i>	<i>320,000</i>	<i>350,000</i>	<i>80,000</i>	<i>800,000</i>
<i>UNCDF (MAP)</i>	<i>30,000</i>	<i>55,000</i>	<i>-</i>	<i>25,000</i>	<i>110,000</i>
<i>UNCDF (YS)</i>	<i>125,000</i>	<i>550,000</i>	<i>600,000</i>	<i>500,000</i>	<i>1,775,000</i>
UNDP	891,000	625,000	505,000	405,000	2,426,000
<i>UNDP CORE</i>	<i>100,000</i>	<i>125,000</i>	<i>100,000</i>	<i>100,000</i>	<i>425,000</i>
<i>UNDP (RoK)</i>	<i>791,000</i>	<i>500,000</i>	<i>405,000</i>	<i>305,000</i>	<i>2,001,000</i>
UNECA	100,000	200,000	200,000	100,000	600,000
unfunded	200,000	294,000	245,000	170,000	909,000
TOTAL	2,291,000	3,539,000	3,175,000	1,895,000	10,900,000