

Micro-credit: a Rwandan experience

Context

The Rwandan economy is based on the largely rain-fed agricultural production of small, semi-subsistence and increasingly fragmented farms. It has few natural resources to exploit and a small, uncompetitive industrial sector.

Food security is threatened by a decline in soil fertility and poor crop management, pests, diseases, poor storage, unavailability of fertilizers to maintain crop yield, scarcity of farm land, poor agricultural practices and high population density. Chronic malnutrition in Rwanda has increased from 43 per cent to 45 per cent among children in the past five years. According to United Nations Development Programme, 78 per cent of Rwandan households are exposed to some vulnerability in access to or consumption of food while 28 per cent of households suffer from malnutrition.

There is much concern about a food crisis emerging in low altitude areas of the Eastern Province. Accordingly the Rwandan Red Cross (RRC) has set about evaluating food security situation in the country and looking at measures to combat the instability at its roots. According to the results of an assessment conducted by RRC in 2001, the consensus has been to focus on the establishment of micro-credits projects, in particular those aimed at integrating crop-livestock and other income generating micro-projects.

Project background

The micro-credit projects spearheaded by the RRC have as a main objective the improvement of communities' livelihoods. This is to be achieved by contributing to effective poverty reduction and complimentary economic development activities for sustainable food security. The overall objective is to provide a venue for income-generating activities through a rotating micro-credit scheme which is aimed at a number of sectors including in kind agricultural inputs, livestock, commerce and retail, carpentry, tailoring, etc.

The projects are currently being implemented in Rwanda's Eastern Province, Kigali city and Northern Provinces while a second project referred to as the 'food security project' is being carried out in the Southern Province (Huye district). The first phase of the projects



People working marsh land with tools, seeds and extension to enhance agricultural production.

was implemented in 2004 and reached 35 associations with a budget of USD 69,000. The second phase started in 2007 with a funding USD 98,000. The third phase has been initiated since 2008 and earmarked funding for this stands at USD 236,198. Currently more than 117 associations with 2,447 members are organized under the revolving fund scheme. Approximately 447 vulnerable persons have gradually become self-sufficient under this scheme while some 2000 are progressing under the projects.

Main project activities/approaches

- a Capacity-building of local RRC committees/branches including training of volunteers in community risk assessment, sustainable risk approach and cooperative movement as well as training in HIV and AIDS prevention.
- b Capacity-building of the 17 associations/cooperatives that have been involved in the projects, thereby increasing their agricultural production in the long-term. This has included preparing agro-forestry and forestry nurseries in every district (30 districts countrywide).
- c Creation and capacity-building of new associations/cooperatives as well as identification of beneficiaries (new vulnerable members and associations/cooperatives) with consideration for gender equity in the implementation of the projects.
- d Provision of agricultural input and livestock to the members of cooperatives through the distribution of tools, seeds and fertilizers.

- e Provision of a revolving fund for the promotion of other income generating activities.
- f Creation of steering committees comprised of representative members (associations/cooperatives), local authorities, RRC staff and volunteers for monitoring and project evaluation. This has included follow-up of project implementation and the rotation credit system by defining the rate of reimbursement. Contracts between the RRC and community representative (associations/cooperative committees) have been set up for the implementation and reimbursement of credits.

Impact

An interim assessment has shown the positive impact that the RRC funded projects have had on individual households. A snapshot of the impact and the benefits reaped from the micro-credit initiatives include:

- improved agricultural production and other incomes
- improved household nutritional status
- families are able to respond to non-food household needs
- communities' capacity to manage rotating fund has improved
- small shops and stocks available in the community
- enhanced knowledge and skills in the families to resolve problems, manage projects or cooperative organizations and group works
- new practices are replicated in other areas, more associations and vulnerable communities are being covered
- RRC staff and volunteers' capacity to plan, monitor and evaluate such projects is enhanced.

Lessons learned

Overall the micro-credit projects have provided for a number of key lessons to be observed and implemented in the future. These include the fact that in order for project activities to be sustainable there must be a concordant level of understanding between all stakeholders. Additionally, it is imperative that vulnerable groups are encouraged to participate in the

steering committees and working groups. The main indicators that these committees are functioning effectively include the fact that mechanisms exist for conflict resolution, project management and organizational structure. It is imperative that assessments of the associations be conducted with all the members and that the information is then disseminated to others involved in the same line of activities.

Furthermore, the involvement of Red Cross committees at provincial, district and sector branch levels should remain solely focused on the planning, management and follow-up of activities while providing a continuous role in monitoring and evaluation.

Way forward

While the assistance provided in the initial onset of the projects proved fruitful there is still need for more financial assistance in order to expand the project's reach to cover significant areas of the country.

Trainings and regular meetings with beneficiaries and Red Cross branches should be encouraged as long-term projects are being developed. Moreover, there should be a strong emphasis on supporting and diversifying income-generating activities.

Change of government policy on cooperatives/ associations should be regularly disseminated to the beneficiaries.

The rotating micro-credit schemes have shown the best results in terms of credit reimbursement. Currently the projects are in their third stage since being implemented in 2003 and reimbursement figures at approximately 90 per cent threshold.

The following activities should be ensilaged for the long-term:

- re-investing of reimbursed credit into others activities
- increasing the capital fund
- disseminating best practices to associations/ cooperatives on a regular basis.

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