



UMURENGE SACCOS STRATEGY

**Financial Sector Development Secretariat
Ministry of Finance and Economic Planning (MINECOFIN)
Government of Rwanda**

EXECUTIVE SUMMARY

Credit Unions and SACCOs are nothing new to Rwanda where diverse small SACCOs and “Banque Populaire du Rwanda” (BPR), the most important credit union, have operated for many years.

However despite a long history behind, SACCOs coverage remain very limited, with only 3% of the population saving with all MFIs in general, SACCOs included.

To address this issue analyzed as a major factor hindering economic development, a recent National Dialogue Meeting held in December 2008 recommended the creation of at least one SACCO at the level of each Administrative Sector (UMURENGE).

In line with this a task force composed of representatives from diverse Government institutions, especially from MINECOFIN, MINICOM, MINALOC, and BNR was formed and was assigned to propose a strategy to implement this policy directive. The strategy proposed in this document is in line with the National Micro Finance Policy, the National Microfinance Policy Implementation Strategy, and the recently validated National Savings Mobilization Strategy

Towards this aim, the structure of this document is designed as follows : the first step is to explain what is a SACCO, what are its major characteristics and roles, related advantages and specific challenges

Then after having analyzed the current level of development of SACCOs which cover 18% of adult Rwandan population, the document highlights the specific major challenges hampering their development which are a little education on them; poor governance and little human resource capacity, little information on bad clients of; inappropriate legal framework and taxes; lack of adequate infrastructure (energy, roads, offices, equipments...; real return on deposits little or negative

To address the issues analyzed, the strategy recommends to develop a successful SACCO Model in line with national policies and international best practices; the strategy proposes a number of actions to be implemented in three phases: phase one is related to preliminary actions which will pave the way for next phases; phase two is

related to creation of SACCOs and making them operational, and phase three is the development phase once SACCOs will be created and effectively operational. Detailed action plan for all those steps, as well as related time frame, budget and responsibilities, are proposed. The major item in the proposed budget is related to a subsidy to cover in a digressive way the operating costs of starting SACCOs until they reach self-sustainability. This would cost around four billion RwF for the first three years of the plan.

To be effective and successful, this strategy requires a conducive macroeconomic environment. The strategy also needs total involvement of all players: Central Government, Local Governments, Central Bank, community based organizations, and the concerned population. This general mobilization for a radical revolution requires total political involvement at all levels.

1.INTRODUCTION

The ultimate objective of Rwanda's long term development plan is to transform the country into a middle-income country and an economic trade, communication and financial hub by the year 2020. Towards the achievement of this the GoR has recently adopted an Economic Development and Poverty Reduction Strategy (EDPRS), with Financial Sector Development as one of its key components

Indeed Rwanda's economic development agenda can't be achieved without a financial sector that is effective, in particular that is capable to expand access to credit and financial services, and to enhance saving mobilization and to mobilize long-term capital for investment. No economic development will be possible as long as the current situation will persist with domestic savings consistently negative and more than 50% of the population totally excluded from financial services, even from informal ones.

To address the issues hindering the development of financial sector, the GoR has adopted a very ambitious Financial Sector Development Plan which is currently at a very advanced level of implementation. Despite this, the level of domestic savings remain very low and the financial exclusion highly alarming, reasons why a recent National Dialogue Meeting held in December 2008 recommended the creation of at least one SACCO at the level of each Administrative Sector (UMURENGE)

Proposing a strategy to achieve this is the objective of this document. This specific strategy is in line with the National Micro Finance Policy, the National Microfinance Policy Implementation Strategy, and the recently validated National Savings Mobilization Strategy

2. SAVINGS AND CREDIT COOPERATIVES (SACCOS) AND CREDIT UNIONS

2.1. Definition of cooperative

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. The equal members in rights and duties take part democratically in the management and the administration of the company of which they share the duties and the advantages proportionally with the transactions of each member. All active members form the general body and it elects the Board of Directors. The Board appoints its paid employees to run the cooperative. Inculcation of saving habit, finding better ways and means to establish small and micro enterprises so as to create employment and income for the members shall be the strategies of the primary cooperatives.

The fundamental objective of a cooperative is not "to maximize the profits" as in a capitalist company, nor to act initially like "actor of a social change" as in the non-profit-making associations, but "to maximize the benefit which the members users can obtain from their commercial transactions with the cooperative."

In fact, with their cooperative, the members try to obtain the maximum of individual benefit through the particular type of commercial transactions which they carry out with it. It is thus for example, that a SACCO could promote by the mutual aid, the economic welfare and social of its members in their granting loans to cover their economic needs, by supporting the spirit of initiative and agricultural or industrial local work, by the careful use of the saving produced locally.

2.2. Definition, characteristics and role of SACCOs

A SACCO is a financial institution under the cooperative form. As such it is a cooperative which operates in the financial system; it is a legal entity, in which individuals save their money and can get loans in order to invest in various activities.

The basic structure of the SACCOs and credit unions is what differentiates them from banks; they are user-owned financial intermediaries. Members typically have a “common bond” based on geographic area, employer, community, industry or other affiliation. Each member has equal voting rights regardless of their deposit amount or how many shares they own.

Their principal products are savings and credit, however some offer money transfers, payment services and insurance. SACCOs sometimes join together to create second-tier associations for the purposes of building capacity, liquidity management and refinancing; these second-tier associations can play a useful role in monitoring (CGAP; Brian Branch, WOCCU, August 2005)

Credit Unions and SACCOs are nothing new to developing countries and Rwanda is no exception. “Banque Populaire du Rwanda” (BPR), the most popular private institution for banking, has operated as a credit union until its recent merger with Rabobank. Organizations such as BPR and other credit unions and SACCOs play a vital role in the economic development of a country by providing access to services to all members of the population with a particular focus on the lowest income members and increase microfinance outreach, capacity, liquidity management and refinancing; these second-tier associations can play a useful role in monitoring.

It is commonly agreed that poor people have a significant capacity to save, proven by the existence of various informal savings mechanisms found throughout the world and by a few recent empirical studies. It is further understood that many people, particularly in rural households, are obliged to save during certain times of year, such as harvest, in order to compensate for periods when their income is drastically reduced, such as the dry season. Finally, it is widely accepted that though only a certain number of people will need credit at any given time, virtually all people need to save at any given time. We can therefore conclude that poor people will deposit their savings in a financial institution if an appropriate institutional structure and appropriate savings products exist to the depositor’s mix of savings needs.

SACCOs reach out to low savings and income individuals by offer products geared towards their unique needs within a secure and accessible structure. In order to ensure

that appropriate financial intermediaries for the poor to exist, appropriate external and internal incentives must exist. High performance standards required by regulatory authorities and effective supervision will necessarily translate into higher management capabilities, especially with regard to cost, liquidity and risk management.

Access to secondary structures is another key issue for all financial institutions under consideration. SACCOs need to be strongly supported in political terms by secondary structures such as the Ministry of Commerce and the Ministry of Local Government. In addition, government need to facilitate alliance formation between SACCOs and MFIs so SACCOs are able to delegate functions to their respective secondary structures in order to benefit from economies of scale and scope and also provide their clients with the opportunity to upgrade in order to access larger loans.

2.3 Advantages of SACCO

SACCOs and credit unions hold some real advantages for microfinance outreach and development. An organized SACCO is:

- a. an easy way of organizing a community to save and recycle savings in a given locality;
- b. Since the nature of a SACCO is local, it mobilizes savings locally, within the community, and then the profits are returned to members in the form of loans. The money stays and works within the membership and the area.

This mutually achieved success helps to not only build a sense of ownership and pride in an area, it creates a culture of saving and investing.

Reach

The reach of SACCOs is local, as mentioned above. SACCOS reach members and areas (i.e. rural) that are unattractive to banks. They can provide access to members of the population who would not normally save in the formal sector, nor be able to physically access a traditional financial institution, especially commercial, due to locality and deposit restrictions.

Savings

One of the key elements of a SACCO is their savings product. Unlike most micro-credit NGOs and institutions they provide a savings product which offers interest and a return on their deposits, which provides a new income stream for the individual and can either be reinvested or withdrawn for use.

Ease

SACCOs can be started with relative ease. They are typically started by a group with a 'common' bond' such as farmers, teachers, artisans or women and tend to have very little major external support. They do not require donations from outside resources to start-up since it is funded through members' deposits, which makes the process simpler and more straight forward.

Stability

Due to the nature of SACCOs they have a solid base of small savings accounts which creates a stable and relatively low-cost funding source. This stability creates confidence in the institutions and in the financial sector and as confidence grows so too does the use of financial products.

Low Overhead

Well-run SACCOs are known for having low overhead and low administrative costs, which enables them to make loans at interest rates that are lower than those charged by other micro-credit providers.

2.4 Challenges for SACCOs development

While SACCOs and credit unions have distinct advantages to banks regarding access, they face challenges which banks would not normally encounter.

Governance weakness

SACCOs are usually governed by a volunteer board of directors elected by the membership; small, young SACCOs are also often staffed entirely by volunteers. As they grow and perform more risky operations they require more professional managers, it is at this point problems occur when volunteer board members continue to make operational decisions after professional managers have been recruited when they should be focusing on the monitoring of operations.

It is difficult for board members to balance the contradictory interests of net borrowers and savers. Borrower domination is unhealthy for SACCOs because they have few incentives to ensure prudential discipline or profitability; whereas, net savers are most interested in protecting their deposits and earning an attractive rate of return. The “one person, one vote” decision-making system is meant to ensure equality of interests, but many people do not exercise their right because of they feel they wield very little influence as an individual; as a result, in some cases, community elites or net borrowers dominate the structure for their own gain.

Inadequate regulation and supervision

Competent external regulation and supervision can identify, avoid and resolve many common problems experienced by SACCOs and credit unions. In many countries SACCOs are supervised by the same government agency that is responsible for all kinds of non-financial cooperatives, including agricultural and marketing; such agencies do not have the financial skills or political independence needed to oversee financial intermediaries effectively.

In Latin America, more bank superintendence are adding supervision departments for SACCOs and in West Africa, central banks have designated a department, such as microfinance, to supervise SACCOs. Delegated supervision to an outside body only works if that body is not controlled by the SACCOs being supervised, but requires an understanding of their unique risk profile and supervision must be adapted accordingly(CGAP; Brian Branch, WOCCU, August 2005)

Limited Menu of Products

Traditionally SACCOs offer only one type of loan a 3:1 or 5:1 multiple of a member’s savings balance, with no variations to risk levels (borrower repayment capacity, type of activity financed etc...). These types of loans are not flexible enough to meet member’s diverse credit needs, including short-term working capital for micro-entrepreneurs and agricultural inputs for small-holder farmers. Many SACCOs are introducing a greater variety of products, such as housing loans and use better tools to assess and manage loan risk. SACCOs in Mexico and Ecuador apply credit scoring tools for risk analysis and offer flexible lines of credit to find working capital needs.

Damage done by external credit

Donors have channelled funds through SACCOs to target specific types of clients. Experience has shown that this practice tends to harm participating SACCOs; external funds decrease the incentive to mobilize deposits, skew incentives toward net borrowers, and are not managed as carefully as the members' own money. External funding does have the advantage of being resources for longer-term loans, but it should be limited in relations to members' deposits and the internal capacity for managing a larger loan portfolio. In Benin, FECECAM, a federation of cooperatives, suffered loan quality and asset deterioration when donor-driven credit increased and was channelled through cooperatives that did not meet prudential standards.

2.5 .The SACCO Model

Despite the challenges faced by SACCOs they can be an effective tool if governed, regulated and held to best practices, and if guided by the core values of self-help, self-responsibility, democracy, equity, solidarity, honesty, openness, social responsibility and caring for others.

There are a variety of SACCO models throughout the world and there is not one model which applies to every country or group of people, but there are some best practices and standards.

The International Cooperative Alliance (ICA) stresses that SACCOs are essentially cooperatives. Cooperatives are democratic organizations controlled by their members who set their own policies. Therefore, SACCOs are self-determined and self monitored; its policies must be set by its members and should not be externally managed.

Education is the key to success

Due to the nature of democracy within SACCOs, it is important to have an informed membership; an uninformed membership the ICA says is the greatest threat to any SACCO. The ICA stresses that cooperatives and SACCOs in return, should provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives.

The education of SACCO members is an absolute must for maintaining democracy, member control and transparency within the SACCO. Once a SACCO is badly managed to benefit a limited few, it is very difficult to bring the institution back to the fundamentals; this is where greater regulation has a role.

Best Practices and Regulation

Cooperative legislation should provide promotion, registration and governance supervision to SACCOs and credit unions; whereas, financial sector legislation is meant for the protection of savings and prudential supervision of the industry. The WOCCU recommends credit union laws which create financial management disciplines, controls and supervision. The licensing of SACCOs and credit unions is an instant way in creating confidence and should be done by the government to ensure best practices. In Rwanda, SACCOs as other financial institutions are licensed and supervised by the Central Bank.

The basic standards which should be applied to achieve a license according to WOCCU are the following:

- Standardized accounting reporting
- External audit
- Capital Adequacy (capital reserves/assets)
- Fully funded provisions for loan losses
 - Loan Loss provisions
- Liquidity standards
 - Liquidity reserves
- Limits on non earning assets
- Internal controls
 - Borrowing/leverage limits
 - Loan concentration limits
- Policies: credit, collections, savings
- Bylaws

Below are the WOCCU international standards for financial performance monitoring, which was developed for monitoring and managing credit unions.

PEARLS International Standards (WOCCU)	
(Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity and Signs of growth)	
Indicator	Standard
Provisions/Delinquency >12 months	100%
Provisions/Delinquency <12 months	35%
Delinquency/Total Loans	5%
Capital Reserves/Total assets	10%
Non-earning Assets/Assets	5%
Administrative Expenses/Assets	5%
Liquidity Reserves/Deposits	15%

3. STATUS OF SACCOS DEVELOPMENT IN RWANDA

MFIs registered by BNR as at 30th June 2008 were 108, with 706.947 members for the whole country. Those MFIs are concentrated in Kigali Town (26%) and Western Region (26%), while the Eastern Region is the least covered with only 10% of the total number of MFIs.

60% of clients are concentrated in Kigali Town. Out of those 108 MFIs, 95 are SACCOs

The table below summarizes the MFIs consolidated financial situation as at 30/09/2008 (rwf' in millions)

Item	31/12/07	%	
		variance	30/09/2008
Total assets	47 940	23	59 129
Deposits	28 670	39	39 857
Loans (gross amount)	27 390	41	38 616
Non performing loans	2 254	35	3 042
Provisions	1 476	-2.4	1 440
Loans (net amount)	25 914	43	37 176
Cash (on hand and held in banks)	10 851	34	14 489
Equity (subsidiaries included)	12 022	27	15 267

The table above shows an increased activity in the microfinance sector in the first three quarters of the year 2008. As at 30th September 2008, total assets amounted to Rwf 59 129million compared to a total asset of Rwf 47 940 million as at 31st December 2007, thus an increase of 23%. Meanwhile, deposits and loans have increased, respectively by Rwf 28 670 million and Rwf 27 380 million as at 31st December 2007 compared to Rwf 39 857 million and Rwf 38 616 million as at 30th September 2008 which represents a percentage increase of 39% and 41% .

The Credit and Saving Society (CSS) holds 66% of total deposits and 81% of total loans as at 30th September 2008. Its deposits amounted to Rwf 26 474 million and Rwf 23 168 million for loans.

Regarding the quality of the loan portfolio, non-performing loans amounted to Rwf 3 042 million, i.e. a delinquency rate of 8% as at 30th September 2008 against 8% as at 31st December 2007. This rate is 5% for SACCOs and 11% for limited liability companies. On 30 December 2008, this rate was 20% for limited liability companies and 5% for SACCOs.

Non performing loans passed from Rwf 2 254 million to Rwf 3 042 million, i.e. an increase of 35%. The equity has increased by 27%. The comparison between equity and total assets reveals a solvency ratio of 26% for the all system as at 30th September 2008 against 25% as at 31st December 2007.

In terms of outreach, the number of beneficiaries of services provided by microfinance institutions is estimated at 719 thousands as at 30th September 2008 against 632 thousands as at 31st December 2007.

Regarding the liquidation of 9 MFIs which went bankrupt in 2006 and recovery of loans, the process is on going but the process is very slow (as at 11th December 2008 the amount recovered was around Rwf 201 million, representing 10.7% of the total inventory of loans)

4. CHALLENGES HINDERING THE DEVELOPMENT OF SACCOS IN RWANDA

- **Very little education on SACCOs :**

Only 18% of adult population are members of SACCOs, and according to a recent FinScope survey, only 3% of adult population declared to save with MFIs. This a result of combined factors such as poor savings culture and individualism, little education/sensitization of the population, financial illiteracy, no or little ownership by Local Government, bad reputation (SACCOs and MFIs in general perceived as characterized by low solvency, high bad loans, little safety for deposits, corruption, and poor governance), image biased by NGOS' intervention which made the SACCOs to be perceived as grants providers; etc.

- **Poor governance and little Human Resource capacity :**

The gaps in skills observed for the country in general and for the financial sector in particular are exacerbated by the nature and the size of SACCOs. Indeed as micro or small sized community owned and managed organizations, most of the SACCOs can't have within their membership skilled human resource with capacity to face the challenges related to market, innovation and adaptation to change, financial management and respect of prudential rules, etc.

- **Little information on bad clients of SACCOs and MFIs:**

For MFIs in general and for SACCOs in particular, the lack of information sharing system on bad clients expose those institutions to high lending risks which should be avoided if information were better coordinated and shared within the profession. This lack of information sharing was one of the major factors which caused some MFIs to get bankrupt, and in most of the cases this was combined with little effort by local government, police, and legal authorities to prosecute bad clients of SACCOs and MFIs

- **Inappropriate legal framework and taxes**

Compared to the capacity of the grass root level jurisdictions, the contracts related to loans are too sophisticated and too difficult to handle, especially by Abunzi

jurisdictions. This causes a lot of delays and exacerbates the negative perception of SACCOs when people who misappropriate the funds are not effectively prosecuted

“Patente” tax for 200.000 Frw per year per point of service (main branch, branch or counter) in most of the districts is perceived by SACCOs as too heavy and as a major hindering factor for expansion. Also 20.000 Frw for mortgage registration regardless the amount of the credit is for most of the SACCOs operations out of proportion and discourages people from borrowing. Same for registration fees with notaries.

- **Lack of adequate infrastructure (Energy, roads, offices, equipments...):**
Most of existing SACCOs have no source of energy; few of them access Electrogaz network or have solar energy. Poor road network in some remote areas is also a major factor hindering the expansion of MFIs and SACCOs to grass root level
- **High inflation rate**
To be able to mobilize effectively savings, SACCOs have to propose real positive return on savings, which was not the case for many years.
However recent trend in inflation which was lowered to almost zero for the last months of 2008 is very encouraging

5. RECOMMENDATIONS

In order to develop a successful SACCO Model in line with national policies and international best practices, the following actions should be top priorities and should be implemented in three phases: phase one is related to preliminary actions which will pave the way for next phases; phase two is related to creation of SACCOs and making them operational, and phase three is the development phase once SACCOs will be created and effectively operational

Detailed action plan for all those steps, as well as related time frame, budget and responsibilities, are described below:

5.1 Immediate preliminary actions:

Following actions should be immediately coordinated by MINALOC and implemented in fifteen days by local authorities (district or sector)

- Make Census and mapping of SACCOs and other MFIs, branches and Counters per Sector
- Identify Imirenge with no point of Services by any SACCO
- Identify location of new SACCOs to be created and secure offices at a well accessible place, with adequate infrastructure (electricity, IT,...)
- Sensitize the population on advantages of owned SACCOs, both in terms of savings and accessing credits
- Sensitize the urban and semi-urban population in the creation of activity-based SACCOs (groups organized by profession, by employers, workers in organized groups in informal sector, workers organized in women and youth associations, ...)

- Waiving or reducing some local taxes, especially “patente” for branches and counters, as well as mortgage registration fees
- Sensitize the population for organizing all rural activities through cooperatives, be it for production or for distribution
- Provide support by Local Government to SACCOs in bad debts recovery
- Appoint a specialist within Umurenge Administration in charge of SACCOs development

5.2 Making SACCOs operational

The creation of SACCOs at every UMURENGE level will be under the supervision of the staff at District level and Sector level that will follow up on daily basis the activities of the SACCO. The key activities to make the SACCOs operational will be executed as per plan below

Activity	Leading entity/ major partners	Time frame	Budget
Mobilize and educate the population	MINALOC-Local Gov/ Minecofin, Minicom	March 2009	9mn (1)
Elect organs	Local Government	March 2009	-
Raise capital	Elected organs/ Local Government	March-Dec 2009	-
Recruit staff	Elected organs	March 2009	-
Train staff	BNR-MINICOM/ Local Government	April 2009	63mn (2)
Acquire equipments	MINALOC- MINECOFIN/ Local Government	April 2009	0.85bn (3)
Start operations	SACCOs	April 2009	3.33bn(4)

	Management		
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Total budget : 4.252.000.000 in three years (2.588.000.000 for year 1)

Notes on budget details

- (1) : 300.000 Frw per district to support sensitization program
- (2) : The training concerns the SACCO staff(a manager, a cashier and an accountant) + Sector's coordinator + district Coordinator
 30trainers * 7 days * 200.000 per trainer per day : 42.000.000 Frw
 20.000 Frw par trainee* 7 days* 1700trainees: 238.000.000 Frw
- (3) : 2.000.000 Frw support per Sector for equipments : 832.000.000 Frw
- (4) : subsidy declining from 80% for the 1st year, 50% the 2nd year, 30% the 3rd year, for operating costs estimated at 5mn Frw pr month per SACCO :
 $1.664.000.000 + 1.040.000.000 + 624.000.000 = 3.328bn$ Frw

5.3 Development actions:

Once SACCOs will be created, moving from a one size-fits-all model based on traditional savings/credit schemes will require the following actions:

Forming a strategic alliance with other MFIs and Banks:

SACCOs will be encouraged to establish strategic alliances with MFIs and Banks for managing cases beyond their capacity. SACCOs will also deposit their own funds with their Financial Institution partner(MFI, Popular Bank or Commercial Bank) in return for easy access to a line of credit.

A co-branding alliance mechanism will be applied in order to strengthen these strategic alliances. This is particularly valuable in the value chain market. SACCOs and MFIs or local banks can come to a negotiation/agreement whereby MFIs/Banks would provide credit to medium scale middlemen, input

suppliers, processors and exporters and the SACCOs would provide credit to farmers in the same value chain.

It is also recommended that BNR, MINICOM, and MINECOFIN work together in order to raise MFIs awareness of the commercial viability of lending to SACCOs and forming such strategic alliances.

Creation of 30 SACCOS Unions at district level, and eventually creation of a National Cooperative Unions Bank

Topping Up Microfinance Capacity Building Fund (Mcbf)

It is recommended to top up the existing microfinance capacity building fund to assist SACCOs with access to technical assistance that can be used to enhance their capacity, especially for SACCOs Institutional Development (ID) programme, and SACCOs management in the areas of marketing, outreach, public information; design and operation of fund application and assessment procedures, arranging of technical assistance and outreach to assist emerging and weak SACCOs to submit applications, assessing applications against set criteria, monitoring of grantees, etc..

Deposit Guarantee Fund

It is proposed to create a Deposit Guarantee Fund which will provide protection for members' deposits, but not shares, up to an amount to be determined by MINECOFIN/BNR. The Fund will be managed by a Board of Trustees

The Deposit Guarantee Fund will consist of:

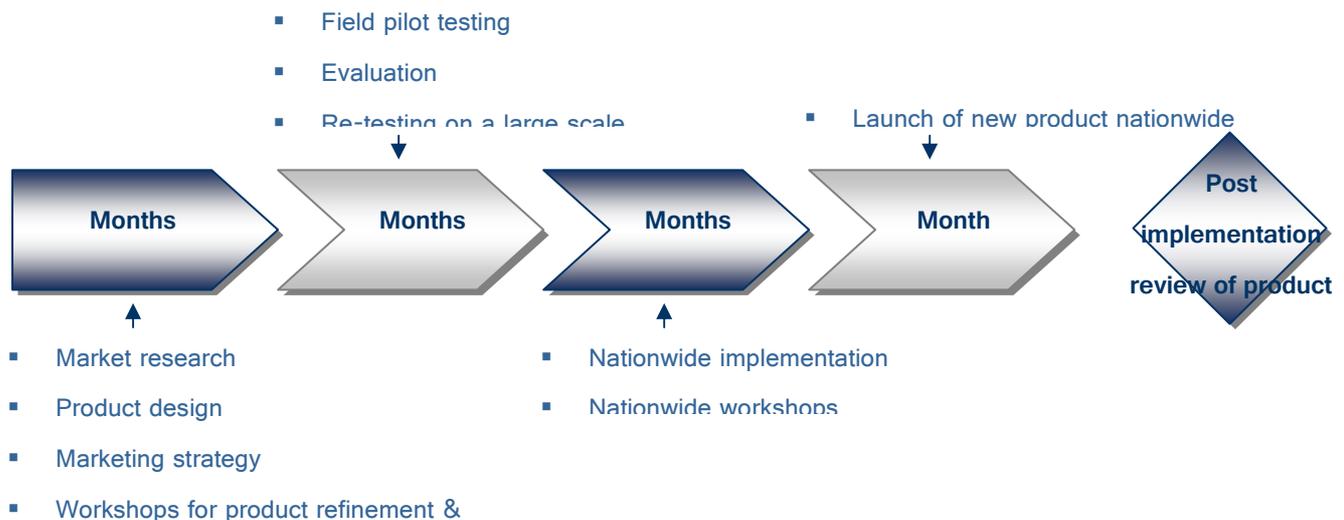
1. Monies contributed to the Deposit Guarantee Fund by licensed SACCOs (a small annual amount shall be paid into the fund)
2. Income investment interest accruing to the Deposit Guarantee Fund
3. Moneys borrowed for the purposes of the Deposit Guarantee Fund

Promotion through products

In addition to strong government support SACCOs should be encouraged to offer a wider variety of products and services to their members other than just simple deposits and credit to encourage higher savings rates.

Implementing new products can give new life to SACCOs and renewed interest from the public and their members. However, it is important to get these new initiatives right the first time by doing the due diligence needed to create a new product. Due diligence takes time and shouldn't be rushed just to meet an arbitrary deadline, the timelines need to be realistic and flexible. The standard amount of time for developing and implementing a new product is around 24 months. However, this can be shortened depending on resources, accessibility to needed data and ultimately the commitment of all parties involved.

Timeline for new product development and implementation:



Pilot testing products is vitally important in order to ensure they are geared towards the target market and meeting their needs. Below are some recommended products to pilot test in Rwanda.

5.4 Coordination, monitoring and evaluation

- The overall coordination will be under the responsibility of MINECOFIN, in close collaboration with MINICOM/RCA, MINALOC, and BNR.

- R.C.A will put in place additional internal capacity to monitor and evaluate the implementation of the strategy
- Mobilization and education will be coordinated by MINALOC and local governments
- Regulation will be operated at two levels: by B.N.R for the financial aspects, and by R.C.A for the Cooperative aspects
- BNR will consider putting in place arrangements for easing supervision through professional associations or other specialized bodies with required skills

6. CONCLUSION

SACCOs at Umurenge level can play a significant role in savings mobilisation, promotion of investment, economic growth and poverty alleviation. They have huge potential to play a key role in Rwanda's sustainable economic growth based on national resources. To be effective and successful, this strategy requires a conducive macroeconomic environment. The strategy also needs total involvement of all players: Central Government, Local Governments, Central Bank, community based organizations, and the concerned population. This general mobilization for a radical revolution requires total political involvement at all levels. Policy makers must also ensure an effective regulatory framework that entails adequate protection of savings and provides incentives for sound management, while permitting a diversity of institutional models, institutional development paths and financial innovation. Regulatory and supervisory bodies face the challenge of striking a balance between these two objectives. They should follow a cautious, tiered approach in regulation in response to the scale, level of efficiency and experience of deposit-taking MFIs.

Once these conditions are in place, the success of SACCOs will be based on following elements: security; low minimum balance; liquidity; strong regulating/governing body; tailored products; public education; staff training: