FINANCIAL INCLUSION IN RWANDA: EXAMINING POLICY IMPLEMENTATION AND IMPACT ON COMMUNITY AND HOUSEHOLD LIVES

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ABSTRACT

Financial inclusion in Rwanda: examining policy implementation and impact on community and household lives

The research question asks: "Is the policy for financial inclusion in Rwanda explicit, appropriate and effective?" The Government of Rwanda targets 'financial inclusion' for 80% of the population of Rwanda by 2017. The study considers what financial inclusion means, how policy has captured it, and whether policy implementation reaches the grassroots – and with what effect.

Chapter 1 introduces the research study. Chapter 2 gives background to Rwanda's development, the strategic policy cycle and planning processes, the accessibility of policy detail, and the aspiration for economic transformation to be a 'middle income' country by 2020. Professionalising public service, and the role of Rwanda's leadership are considered, as are Rwanda's demographic challenges. Chapter 3 reviews literature relevant to Rwanda's development and to financial inclusion in development. It explores the 'livelihoods' analytic framework. Chapter 4 outlines methods and methodological approaches to this study. A 'grounded theory' approach is used and a mixed methods approach is applied to the data.

The four data chapters (Chapters 5, 6 7, and 8) draw on voices of people involved in financial inclusion policy. In Chapter 5, villagers speak, via a household survey, about good things in their lives, challenges they face, and their actual livelihood activities. They explain their engagement with financial services, and discuss the role of asset ownership. In Chapter 6 senior policy makers speak of vision and pragmatism in financial inclusion policy, and their own rationale for supporting the policy. Chapter 7 focuses on voices at the mid-level of implementation: District level civil servants, cooperative managers, branch bank-managers. All describe challenges and achievements, explaining their personal route to this career position. Chapter 8 returns to grassroots, hearing voices of farmers (in groups and individually), using real lives to show impacts and limitations of the policy.

Chapter 9 draws conclusions from the study: the impact of the policy for financial inclusion; the role of central and local leadership; the wider insights allowed into the nature of inclusive development; and the significance of Rwanda's 'Home Grown Solutions'. The study proposes a wider use of the livelihoods analytical framework as an aid to understanding transformation at diverse levels in development.

Dedication

To My Mother and My Father with admiration and love

Declaration

This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration except as declared in the preface and specified in the text.

It is not substantially the same as any that I have submitted, or, is being concurrently submitted for a degree or diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text. I further state that no substantial part of my dissertation has already been submitted, or, is being concurrently submitted for any such degree, diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text.

It does not exceed the prescribed word limit for the relevant degree committee.

Signed:

Dated: September 2017

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Contents

Abbreviations and Acronyms

AFR	Access to Finance Rwanda
AMIR	Association for Microfinance Institutions, Rwanda
BK	Bank of Kigali
BNR (or NBR)	'Banque Nationale du Rwanda'/National Bank of Rwanda – Central Bank
BPR	Banque Populaire du Rwanda
CSS	SACCO for members of the armed forces
EDPRS	Economic Development and Poverty Reduction Strategy
FDLR	Democratic Force for the Liberation of Rwanda
FSDP	Financial Sector Development Programme
GoR	Government of Rwanda
HGS	Home Grown Solutions
KCB	Kenya Commercial Bank
MFI	Micro Finance Institution
Minagri	Ministry for Agriculture and Animal Husbandry
Minecofin	Ministry for Finance and Economic Planning
Mineduc	Ministry of Education
NISR	National Institute of Statistics Rwanda
RCA	Rwanda Cooperative Agency
RSSP/LWH	Rural Sector Support Project and associated programmes, funded by World Bank, a semi-autonomous unit within Minagri
RUSACCO	Rugarama Urumuri SACCO, in Rugarama Sector, Gatsibo District
SACCO	Savings and Credit Cooperative
SSA	Sub Saharan Africa
Umurenge SACCO	Sector based SACCO – there is at least one SACCO in each Sector in Rwanda under the Umurenge SACCO programme
WFP	World Food Programme

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CHAPTER 1: INTRODUCTION

This thesis presents an institutional analysis of the formation, implementation and take up of a policy for financial inclusion in Rwanda. The research question asks whether 'the policy for financial inclusion in Rwanda is explicit, appropriate and effective.' Rwanda is aiming for 80% of the population to be using financial services by 2017, and 90% by 2020. The investigation looks at the rationale for this policy, and for the plan that financial services should reach those previously un-served. The study goes on to examine closely the notion of 'inclusiveness', and its implications for institutional arrangements, for livelihoods and resilience, and for the approach of leadership. It asks what kind of a state can provide the platform for financial inclusion in particular, and inclusive development in general, to take place. The exploration is wide, encompassing views and ideological positions in relation to micro-finance, evaluation of arguments about 'corner solutions' in institutional change, and approaches to conceptualising livelihoods in order to capture complexity whilst retaining some clarity of the whole.

The discussion is supported by testimonial from diverse voices throughout the policy making and implementation process – from the Office of the President to many farmers and households in rural areas. They construct a layered account of the realities of life: showing how the spade-work for policy formulation and implementation is carried out, how capacity for delivering the policy is developed through different levels in the system, and how the acceptability and take up of the financial services is actually generated.

The study was inspired by the experiences of a 1500-strong group of members of a rice cooperative called Cooproriz Ntende. In 2010, Ntende farmers were getting to grips with cultivating rice, facing technical challenges, and wholly new approaches to working and planning. The rice plots are in government-owned marshland, allocated to farmers on a long-term basis. Farmers are organised into 'associations' according to 'zones', for training and administration purposes. The rice plots are small, much of the land is irrigated, and every farmer grows and harvests their own production. The cooperative provides services to assist the process, including sourcing seeds and inputs, and supporting access to market. Members are formed into 'associations' to assist administration and training. The cooperative leadership promotes farming practices, provides agronomical support and supports complementary interventions that increase the sustainability of production, and of the cooperative itself.

In training discussions Ntende members revealed the constant challenge of getting hold of money when they needed it. In spite of facilitation from the cooperative (for example, with seeds and fertilisers provided on account, and paid for at harvest), there was a constant struggle to meet school costs for children, additional labour costs for the more intense farming, and even day-to-day costs of food and other basic requirements. Most farmers were not using financial services, and relied heavily on the cooperative to steer them through crop production. It was not unusual for families to go without food at certain points in the season.

In June 2010 these farmers were introduced, in their associations, to the experience of farmers in a distant cooperative. The information was conveyed in photographs and examples are seen at Picture 1.1 and Picture 1.2 – showing members of a farming cooperative participating collectively in savings groups. The activity showed how farmers were organising themselves and using a simple approach.

There was instant connection with the photographs and enthusiasm to do the same at Ntende: within weeks almost every farmer in the cooperative was saving – however little – in an organised group, with shared goals and collective accountability.

Picture 1.1: Weekly meeting for cooperative savings groups (Photo: author's own)

Distributions of the savings were made regularly, usually by drawing lots to establish the order in which farmers would receive a pay out. In some groups the goal was for every farmer to buy a goat, in others it was left to each individual to decide how to use the funds. The context emphasised the business opportunities for the farmers, but some used their savings to pay for school costs or health insurance – a more general livelihood benefit. The rules, sanctions for non-compliance and strategic objectives were for each group to decide.

Picture 1.2: 'Associations' form separate savings groups **(Photo: Author's own)**

The Pictures show that the groups are of farmers who have come straight from the field (see the mud on the legs of the scribe in Picture 1.2). Records were kept by each group (see Picture 1.3) and participating in public held each group accountable to its members (see Picture 1.4).

The cooperative leaders (the manager in particular) gave support to the programme of workshops and committed himself to ensuring that the farmers attended. He was confident that farmers would take up savings if they could see how others had done it, understand the benefits it might have for them, and work out the practicalities for themselves.

Picture 1.3: Each group keeps a record (Photo: Author's own)

As soon as the savings groups were established the financial service landscape for the farmers began to change, revealed by periodic visits to Ntende from 2010 onwards,

Each savings group had decided to put small funds aside for emergencies within the group. However, they had no means of storing the money safely, and after a few weeks Ntende's manager offered to bank the reserve funds collectively, keeping a manual ledger at the cooperative office to show what sums belonged to which groups.

Picture 1.4: Accountability in outdoor meetings (Photo: Author's own)

Within months, the combined reserve fund exceeded $1,000 US in value, and the manager proposed organising a social loans fund for the members, drawing on their collective reserves.

The rules of the fund were agreed collectively: a fee is charged for taking a loan as well as interest, and repayment is generally made at harvest time. The social fund has grown and is still in regular use by Ntende members today.

The local bank manager at Bank of Kigali (BK) heard about the social fund, and offered to partner the cooperative in meeting members' financial needs. As a result, an income-smoothing product became available to all Ntende members, formulated in discussion between the BK branch manager and Ntende's manager. At two points in each season farmers were to receive a loan of about $30 US in value. This would be repaid with interest at harvest. Farmers simply had to sign up for the loans through their association, and the money was distributed during association meetings. The loan was wholly administered by the Ntende management team, and was secured against the proceeds of sale of rice. If any farmer defaulted in repaying the loan, the sanction would be temporary confiscation of their rice plot, for it to be rented out to another farmer. The rent would repay the loan, and the defaulting farmer would then get the plot back the following season.

The aggregate loan was guaranteed by the cooperative, and the bank was concerned only with the total amount. Thus the transaction cost to the bank – the administrative cost and the risk of default - was low, yet the additional cost of administration and risk to the cooperative was modest: management systems already tracked incomes and expenditures for every farmer member, and control of rice plots could be managed within the system, too.

As farmers built up credit records, and experience with financial services, BK encouraged them to consider taking business loans. A business loan would be supported by a business plan – and the cooperative offered business planning support to its members at a modest cost. The loans were recommended for acceptance by the cooperative management team, and BK accepted the factual justification from the cooperative for making its lending decisions. The business loans are not guaranteed by the cooperative, but additional collateral is not usually required if the cooperative has backed the business plan.

In 2015, the manager of Ntende confirmed that all of the services are still being widely used. Now that associations have their own accounts in local Savings and Credit Cooperatives (SACCO's), they no longer top up the social fund with their reserve money. However, the social fund continues to grow with the addition of fees and interest payments.

This 'one thing leads to another' growth of a financial services market is reminiscent of 'Making a Market'[1] in which the institutional transformation of an African society is described through the lens, largely, of management of transaction costs. In Ntende's case, transaction costs play a big part in the process: BK gathered new clients at transaction costs acceptable to both sides. However, other perspectives suggest themselves for consideration: What is the role of government in this? The initial training was government funded. Why was there a commercial bank in the rural area? The commercial banking sector has struggled to make services available to small farmers in the past. What is the role of the local participants? The Manager of Ntende and the Branch Manager of BK showed individual initiative and good partnering skills in establishing the wider financial service regime. Is there such a thing as an 'enabling environment'? The farmers jumped on the chance for change, whilst other farmers in other cooperatives might not have done. Did everything just come together, or was there more guidance and direction than at first appears?

This study will address these questions, primarily by listening to the voices of those who have been involved: whether as policy formulators, or as implementers, or as users. The findings will be held up to the mirror of a wide variety of 'explanations' for the particular challenges of bringing inclusive financial services to the wider population in poor Sub Saharan African countries, and more generally to generating sustainable change and growth in these low income countries.

Chapter 2 of the study gives background to Rwanda's development, the strategic policy cycle and planning processes for provision of financial services (and policy in general), the accessibility of policy detail, and the express linkage made between financial inclusion and the aspiration for economic transformation to be a 'middle income' country by 2020. Professionalising public service, and the role of Rwanda's leadership are considered, as are Rwanda's demographic challenges.

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[1] (Ensminger 1992)

Chapter 3 reviews explanations and propositions found in literature that are relevant in financial inclusion and development, and to Rwanda's particular development path. It explores the 'livelihoods' analytic framework, and introduces the conceptualisation that allows experiences and 'real lives' to be placed at the centre of development analysis.

Chapter 4 outlines the methodological approach to this study, and the methods selected to implement it. A 'grounded theory' approach is used and mixed methods are applied to the data. Much of the data gathered is qualitative in nature, capturing opinions as well as experiences. It gives richness, especially to the picture of community life in rural Rwanda, and the significance of financial services. Secondary national statistical data is used largely to triangulate findings, and to place them in the wider national context.

The four data chapters (Chapters 5, 6, 7, and 8) draw on the full range of voices of people involved in financial inclusion policy. The study listens to people from the top (including the Office of the President) to the bottom (householders speak through a representative survey of four villages). The study captures what financial inclusion means to all of those involved.

In Chapter 5, villagers speak, via the household survey, about good things in their lives, challenges they face, and their actual livelihood activities. They explain their engagement with financial services, and discuss the role of asset ownership. In Chapter 6 senior policy makers speak of vision and pragmatism in financial inclusion policy, and their own rationale for supporting the policy. Chapter 7 focuses on voices at the mid-level of implementation: District level civil servants, cooperative managers, branch bank-managers. All describe challenges and achievements, explaining their personal route to this career position. Chapter 8 returns to grassroots, hearing voices of farmers, in groups and individually, using real lives to show impacts and limitations of the policy.

Chapter 9 draws out the conclusions revealed by the study: the impact of the policy for financial inclusion is evaluated, along with its wider implications. The challenges are considered of promoting an 'inclusive' development strategy, whilst also acknowledging that some, often the most vulnerable of all, will be 'left behind'. The emergence of a professional 'Weberian' civil service at the decentralised District level is tentatively proposed, with its mechanisms for meritocratic appointment, public accountability, job security and career progression explored. Finally, attention is paid to the confounding, in Rwanda, of the notion of the 'bloated state' around the policy for financial inclusion and more generally. The significance of the policy initiatives categorised as 'Home Grown Solution' is considered: at their best they encapsulate, in financial inclusion and much more widely, ideas of building institutional changes up from what you already have, nurturing 'ownership' and a capabilities approach all the way down to grassroots, for maximum impact on sustainable livelihood transformation.

CHAPTER 2: AN INSTITUTIONAL STUDY OF FINANCIAL INCLUSION IN RWANDA

2.1: FINANCIAL INCLUSION IN RWANDA

Over the last decade Rwanda has achieved high levels of financial inclusion, with 89% of the adult population (aged 16 years and over) now served by financial services of some kind, whether formal or informal[2]. This ranks Rwanda in second place out of 17 'FinScope' surveyed countries[3]. Uganda closely follows Rwanda; Kenya (known for its surge in use of M-pesa, a mobile money service) lies in eighth place[4]. This represents a rapid expansion of financial inclusion in Rwanda: in 2008 inclusion was at about 48% of the adult population, with 52% being wholly financially excluded[5].

The new levels of inclusion demonstrate the impact of a series of policies designed, firstly, to secure an 'enabling environment' in which the private sector can develop affordable and useful services for wider segments of the population, making provision available in rural areas, and, secondly, to raise levels of financial literacy. A regulatory framework has been created, with supervision of all financial services located in the Central Bank (Banque National du Rwanda – BNR, or NBR).

The regulatory framework covers all formal services, whether provided by banks, or by non-banks, such as SACCO's or phone-based 'mobile money' providers. Formal services have played an important part in increasing financial inclusion, but uptake of bank-based services remains typically low, in line with other economies in the region. Only 26% of adults in Rwanda use banks (compared, for example, with 29% in Kenya and 20% in Uganda). Uptake of non-bank formal services in Rwanda is high, with 42% of the adult population relying on SACCO's or phone-based services, up from 19% in 2012 (compared with 38% in Kenya and 34% in Uganda). [6]

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[2] See FinScope Rwanda 2016 (Murenzi) http://www.statistics.gov.rw/publication/finscope-rwanda-2016.

[3] 'The FinScope survey was developed by FinMark Trust and was first piloted in 2002 in South Africa. … FinScope assists in establishing credible benchmarks and indicators of financial inclusion, while at the same time providing insights into market obstacles to growth and highlighting opportunities for policy reform and innovation in product development and delivery.' (Taken from website of Finmark Trust http://www.finmark.org.za/finscope/.)

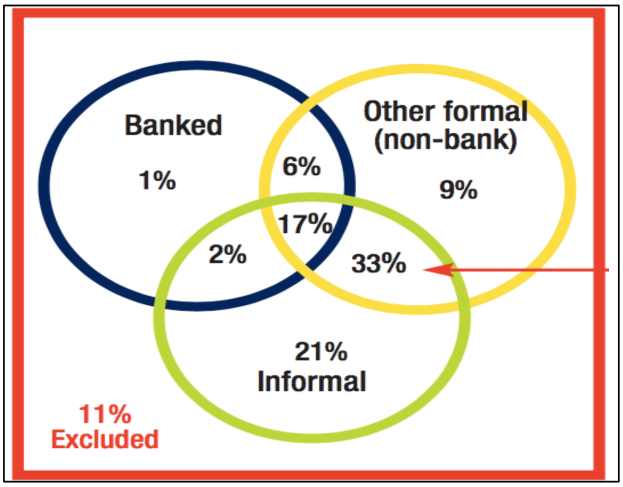
[4] Rwanda's latest Finscope survey took place in 2016, and the exact Finscope ranking must be treated with some caution, since other country surveys date back as far as 2010 (Ghana) and 2011 (Lesotho and Namibia).

[5] 'FinScope Rwanda 2008' (Grundling) http://www.statistics.gov.rw/publication/finscope-survey-report-2008.

[6] See Finscope Rwanda 2016 (Murenzi).

Ultimately, the biggest shift in inclusion has arrived in Rwanda via the 'non-bank formal' financial services, but informal financial services remain important. 21% of the adult population now rely solely on informal services, down from 30% in 2012. However, a total of 73% of the adult population make use of informal services, whether exclusively or in conjunction with bank or non-bank services. 'Informal services' consist mainly of membership of savings groups, plus some use of credit at local shops. Savings groups are the single biggest provider of financial services in Rwanda, with an estimated 3.3 million adults involved (over half of Rwanda's adult population), of whom 2.6 million have loans from their savings groups, as well as engaging in savings activities. FinScope surveys reveal that the access to social support within savings groups is explicitly valued, as well as the financial service provision[7], helping to explain why the groups are such an important feature of Rwanda's financial inclusion landscape.

Figure 2.1: Overlaps between use of different financial services in Rwanda, by % of adult population
(Adapted from Finscope Rwanda 2016, page 36)



About a third of adults choose to combine non-bank formal services (whether SACCO's, phone services, or both) with informal services (usually savings groups). Banks are slowly growing their customer base, but mostly in conjunction with other non-bank services. Only 1% of the population relies exclusively on formal banking services. Over all, about one in six adults actually use every category of service

[7] '… their reasons for belonging to a [savings group] tend to be social rather than financially related, i.e. to exchange ideas (57%) or to socialise (52%) ' Finscope 2008; 'Savings groups were not only a mechanism to save, but also played an important role in terms of social protection. Many Rwandans therefore belonged to savings groups despite their use of formal savings products provided by banks, SACCOs, etc.' Finscope 2012.

available, combining bank services, non-bank financial services, and informal services. Thus a picture emerges of the 'financially included' making use of diverse services, retaining connections as they adopt new activities, and differentiating between services, selecting according to suitability and needs. Figure 2.1, taken from the Finscope survey of 2016[8], shows the current distribution of take-up of financial services in Rwanda – with the overlap of service use clearly shown.

The categories in Figure 2.1 show those who have bank accounts and those who use informal services – usually savings groups. The category of 'Other formal non-bank' combines two important services – mobile money and SACCO's. It is useful for giving a headline figure, but it cannot tell the detailed story. It does show clearly that there is a progression of use of financial services from least formal (most used), through to most formal (least used), with significant overlap of use along the way. The picture is complex.

The target for financial inclusion in Rwanda is 80% of the population to be using financial services by 2017, whether formal or informal (now met) and for 90% of the population to be using services by 2020. (EDPRS2, Government of Rwanda 2013, page 48, and item 29. on page 134). The national targets recognise the potential for informal service users 'graduating into' formal services (ibid, page 48; and Microfinance Opportunities 2013, page A-20).

In general, the rural areas of Rwanda have lower levels of inclusion than the urban city of Kigali. Eastern Province has the highest level of inclusion of the four rural provinces in Rwanda (with overall inclusion ranging across the Districts included in this study[9] from 93% in Nyagatare and Kayonza to 89% in Rwamagana and 87% in Gatsibo[10], compared with the national average of 88%). Formal services in Eastern Province are also used more than in other rural Provinces (with Rwamagana District at 76%, Nyagatare and Kayonza Districts at 69%, and Gatsibo District at 61%, compared with the average national take up at 68%).

This background chapter will outline the recent process, in Rwanda, that has resulted in the policy for financial inclusion being established and implemented. In doing so it will

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[8] Figure 17: Overlaps, page 35.
[9] See Chapter 4 for details.
[10] This ranks Gatsibo at the crossover point, nationally, between the middle third and the bottom third of Districts, by level of financial inclusion.

also look at the general structure of policy implementation processes in Rwanda. The chapter will mention some of the features of policy implementation in Rwanda that may offer some particular insights into the system, with its strengths and weaknesses. The chapter will consider, briefly, what the impact is of certain foreign policy concerns in Rwanda on policy processes in general, and on financial inclusion in particular. Finally the chapter will set out a snapshot of Rwanda, with its socio-economic challenges and some recent development achievements.

2.2 POLICY FORMULATION AND IMPLEMENTATION

There is a well-established policy framework in Rwanda, and the key components are shown in a timeline at Table 2.1. The Central column shows (in bold) the key policy documents from the centre of government – Vision 2020 and the first and second Economic Development and Poverty Reduction Strategies (EDPRS 1 and 2). Also in the central column are FinScope surveys, commissioned originally from the centre of government, to establish the status of financial inclusion in Rwanda.

Vision 2020 appeared after a period of national dialogue in 1999/2000, as the country was emerging from the effects of the Genocide against the Tutsi of 1994. Vision 2020 sets out the vision for Rwanda to '... transform from a subsistence agriculture economy to a knowledge-based society, with high levels of savings and private investment, thereby reducing the country's dependence on external aid'. [11] Thus, the interconnectedness of various strategic objectives was explicitly laid out: to reduce dependency on outside sources of funds, whilst driving a fundamental change in the basis of the economy, all to be facilitated in part by mobilising private savings. The aspirations of Visions 2020 are consistent with general development principles, but difficult to achieve in a small land-locked nation in Sub Saharan Africa (SSA) with an economy based on subsistence agriculture, few natural resources and a very low base of human capital.

Vision 2020 remains the guiding strategic policy document in Rwanda, and is always referred to in policy planning. In 2008, Vision 2020 was supplemented by EDPRS 1, and by EDPRS 2 in 2012/2013. Both EDPRS 1 and 2 are grounded in Visions 2020 objectives and principles.

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[11] Vision 2020 – Government of Rwanda (2000), page 4.

Table 2.1: Timeline showing policy, strategy and development partner documents from Centre of Government, Minecofin and Minagri

Date	Minecofin	Central Policy/ Surveys	Minagri
2000		**Vision 2020**	
2005	Microfinance Sector Assessment		
2007	National Microfinance Strategy (NMS)		
2007/ 2008	**Financial Sector Development Programme 1 (FSDP I) (2008 – 2012)**	**Economic Development and Poverty Reduction Strategy 1 (EDPRS 1) (2008 – 2012)**	**Strategic Plan for the Transformation of Agriculture in Rwanda Phase 2 (2008 – 2012)**
2008	National Microfinance Policy Implementation Strategy (NMS)	FinScope Survey 2008	Rural Sector Support Project 2 (RSSP 2) (2008 – 2012)
2009	Building an Inclusive Financial Sector in Rwanda (BIFSIR)		
	Umurenge SACCO's Strategy		
2012	Rwanda Financial Sector Strategy (2013 – 2017)	FinScope Survey 2012	RSSP 3 (2013 – 2017)
2012/ 2013	**FSDP 2 (2013 – 2017)**	**EDPRS II (2013 – 2017)**	**Strategic Plan for the Transformation of Agriculture in Rwanda Phase 3 (2013 – 2017)**
2016		FinScope Survey 2016	

In parallel with the central strategic planning process, similar programmes have been rolled out of each Ministry. Two of them are shown in Table 2.1: The Ministry of Finance (Minecofin) and the Ministry of Agriculture (Minagri). The left hand column shows (in bold) the key strategic plans for Minecofin, coinciding with EDPRS 1 and 2. In between are the strategic plans for implementation of parts of the bigger picture. Also shown (in grey text) is one important programme document funded by development partners. All documents reference the principles of Vision 2020 and of EDPRS 1 or 2.

In the right hand column are the Minagri documents. The main strategic plans are shown in bold, showing how they coincide with EDPRS 1 and 2. Also shown (in grey text) are two of the three phases of the Rural Sector Support Project (RSSP 2 and 3). The RSSP project has been run, for several years, with the Land Water and Hillside Management Project (LWH). Together they represent tens of millions of US dollars of turnover each year, and both projects are run in partnership with the World Bank. They are generally referred to as RSSP/LWH. All of their core documentation refers to Vision 2020 for its guiding principles.

Table 2.1 illustrates how policy-making moves in step across the centre of government and Ministries. There is a series of five year programmes (shown in bold) to fit in with each period of government. The significant agreements with development partners (shown in grey text) have their own project cycles. Each Ministry negotiates its own agreements, and produces strategic plans for various Ministerial priorities. These smaller plans are usually of shorter duration. A comparison between Minecofin and Minagri shows how each Ministry develops its own approach, in precise structure. However, every policy document and agreement with a development partner will explain, explicitly, how they support the principles and objectives of Visions 2020 and the current iteration of EDPRS.

The interconnectedness of policy operationalization, and the constant reference back to Vision 2020 lends coherence to the process, even though there are multiple (sometimes overlapping) strategies, policies and partnerships in existence.

The importance of mobilising savings was recognised in Vision 2020. Rwanda's aim, to transform itself into a middle-income economy was explicitly linked to the need to mobilise savings in the population. This is the foundation for what has become the financial inclusion policy. Other policy documents from Minecofin recount the progression from Vision 2020 to the current ideas, focused on financial inclusion as a mechanism for economic growth and poverty alleviation.

'Microfinance' is frequently mentioned in policy documentation. Microfinance means 'very small financial transactions'. There is no ideological package associated with the term, and Rwanda has not pursued the small credit programmes exemplified by the Grameen Bank, with its ethos of small loans and group guarantees. On the contrary, microfinance has become associated first with savings in Rwanda, with loans an important, but secondary service.

In the preamble to BIFSIR, for example, the development partners recall:

> In 2007, the main actors of the micro finance sector in Rwanda validated the National Microfinance Strategy (NMS) for a five-year period. The main objective of the NMS, which was approved by the Government of Rwanda, was to support "sustained economic and social development" in Rwanda. The NMS aimed to promote a vibrant microfinance sector offering inclusive, diversified, efficient and sustainable financial services.'[12]

Thus, the idea of 'inclusiveness' was being expressed by 2007, and is reflected in subsequent policy documents and partnership agreements. 'Strengthening and broadening the financial sector' is the first priority flagship programme in EDPRS 1, and reducing poverty, especially in rural areas, is the second. The executive summary of FSDP 2 says:

> FSDP 1 helped catalyze a dramatic increase … of the population with access to financial services… . Perhaps less noticeably but equally importantly, since FSDP I the major regulatory and institutional elements of a developed financial sector have been put in place.[13]

In its needs analysis, BIFSIR recognises the need for at least one Savings and Credit Cooperative (SACCO) to be created in each administrative Sector ('Umurenge'), thereby recognising the central importance of the Umurenge SACCO programme for

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[12] Recited in the Support Programme for the Implementation of the National Microfinance Strategy, entitled 'Building an Inclusive Financial Sector in Rwanda' (BIFSIR), page 3 United Nations Development Programme, United Nations Capital Devlopment Fund, and Ministry of Finance and Economic Planning, Government of Rwanda 2009.

[13] Executive Summary, Financial Sector Development Program 2, 2012 page viii.

bringing formal (non-banking) services to the wider population (ibid, page 18). The Umurenge SACCO programme and process itself was described in the Umurenge SACCO's Strategy of 2009, and that document in turn recites both Vision 2020 and EDPRS1 as its foundation.

The roll out of the Umurenge SACCO programme was complete by the time of FSDP 2, in 2012. The financial service landscape had changed completely since the Microfinance Sector Assessment of 2005, which made no mention at all of 'financial inclusion' (it having not yet become part of development terminology), but noted the importance, at that moment, of developing financial services delivery to the 'lower income market segment'[14]. In 2005 SACCO's were actually the most numerous financial institutions in Rwanda, but most (over 90%) were part of the Union des Banques Populaire du Rwanda, subsequently converted into a commercial bank in 2007.[15] The Umurenge SACCO programme was launched at a time when only 3% of the population was using SACCO's or any other micro-finance institution.

FSDP 2 sets out four main strategic programmes for the period from 2013 to 2017. The first is an 'Action plan for financial inclusion', with four sub-programmes, namely: Defining and Monitoring Financial Inclusion; Action Plan for Financial Education and Literacy; Promoting Products for Financial Inclusion; and Action Plan for Strengthening the Umurenge SACCO Program. Financial Inclusion is now a central priority in the wider strategy for developing Rwanda's financial sector.

FSDP 2 outlines the policy actions to be undertaken to achieve the financial inclusion goals (including reaching the target of 90% financial inclusion by 2020). These actions include a series of measures to improve the quality and breadth of monitoring of financial inclusion, which are largely reflected in the enhanced detail of the FinScope survey of 2016, when compared with those of 2008 and 2012. Other policy objectives include developing a national education policy for financial literacy, and for creating an institute within which formal vocational qualifications can be awarded to those working in cooperatives and microfinance institutions. There are proposals for enabling the extension of phone based financial products and also for extending the number of agents authorised to support mobile transactions.

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[14] Microfinance Sector Assessment, page 1 2005 Enterprising Solutions Global Consulting, LLC.

[15] Ukwibishaka 2010 'The rationale and impact of Banques Populaires transformation from a cooperative to a commercial bank' http://www.memoireonline.com/06/10/3610/m_The-rationale-and-impact-of-Banques-Populaires-transformation-from-a-cooperative-to-a-commercial-ban4.html.

In summary, the financial inclusion programme is now central to the financial sector strategy, and the role of non-bank and even of informal service providers is recognised and targeted for further support.

2.3 The Policy Framework in Rwanda

The policy for financial inclusion sits within a policy framework that has linkages between different Ministries, public and private sector organisations, development partners and different levels of Government, from the centre all the way to community level, via Province and District government structures.

As shown in Table 2.1, Vision 2020 governs all of the policy space. It serves as a baseline report - capturing the state of play in Rwanda in 2000. It also sets out a vision for Rwanda – describing the kind of society and economy that Rwandans seek to create, with inclusiveness, equity and increased wealth. Finally, Vision 2020 sets out the means by which progress will be made in order to achieve the vision. It establishes six pillars for development: good governance; human capital development towards a knowledge-based economy; private sector-led development; infrastructure development; high value, productive and market-led agriculture; and regional and international integration.

EDPRS 1 was effective from 2008 to 2012; EDPRS2 came into force in 2013 and expires at the end of 2017. The six development pillars are addressed in each of them, and the objectives and targets for each sector in the economy are identified.

Beneath the national documents come sector strategic plans, each drafted with the objectives in mind that are set out in Vision 2020, as elaborated in EDPRS 1 or EDPRS 2. Finally, implementation is devolved down to the appropriate level in government. For much of the financial inclusion programme, including the Umurenge SACCO component, the District is responsible, led by the elected District Mayor. Each District Mayor will sign an annual performance contract, based on his own formulation of a plan. The financial inclusion obligations imposed by the Umurenge SACCO programme, for example, will become part of the Mayor's performance commitment. The Mayor's performance is measured against the agreed objectives, and accountability to the electorate, to employers and to the Government is thereby maintained.

The Umurenge SACCO programme is a major part of the government intervention in support of financial inclusion.[16] SACCO's in Rwanda share universal characteristics: they are owned by their members and offer financial services. However, each one has an individual story, based on location, socio-economic standing of its members and the strategic approach taken by the Mayor of that particular district to establish the SACCO's.

The financial services provided by Umurenge SACCO's are innovative. There is an emphasis on savings services, as well as on loans. The SACCO's employ staff – especially a manager - but the leadership is elected from amongst the members, and different SACCO's achieve different levels of professionalism. Costs are managed in order to provide the service as inexpensively as possible.

The current national micro-finance policy implementation strategy contains plans to professionalise and strengthen SACCO's further. Both FSDP 2 and the NMS discuss mechanisms for consolidating SACCO's, first to District level, and possibly to become part of a cooperative bank. The stronger SACCO's will have improved electronic systems, so that they provide some interoperability amongst other SACCO's and services. There will be a shift from Sector to District level coordination, and the objective is to professionalise SACCO's further, creating independent, sustainable micro finance institutions (MFI's). There will still be a SACCO 'branch' in each Sector, so that 90% of the adult population will continue to live within 5 km of a SACCO. The precise future of SACCO's remains a little unclear, but there is a commitment to maintaining the coverage that they offer, and to raising them, as quickly as possible, to a more consistent, professional level wherever possible.

In rural areas there has been some success amongst SACCO's at working with associations and cooperatives in order to provide tailored services to their members, particularly those involved in agriculture. Group lending and group guarantees, of the kind seen in MFI's in other parts of the world, have not emerged as a preferred mechanism within the SACCO's. This highlights some of the differences between Rwanda's current experience of SACCO's and those of other countries where MFI's, led by loans rather than savings, have dominated, and where inter-group guarantees have often substituted for other forms of collateral.

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[16] The strategy is reviewed and judged a success in the AFI case study of 2014 (Alliance for Financial Inclusion 2014).

SACCO's have become widespread in SSA, and there are warnings of difficulties. In Kenya there are poor controls, putting funds at risk. Poor performing loans go unreported, and other difficulties threaten the system's survival.[17] Commentators blame lack of paid professional staff, poor regulation and very rapid growth for the problems[18]. Rwanda has the advantage of a regulatory framework, a move towards professionalising staff, and a strategy for consolidating and automating systems. However, the experience of Rwanda's near neighbours shows potential tension between local, affordable, community-based action, and the need for safe, accountable institutions for handling money, however small the transactions.

2.4 Strong policy, flexible implementation – and Home Grown Solutions

Vision 2020, reinforced in documents, leadership speeches and journalism, has provided a strong guiding framework for development in Rwanda over the last seventeen years. Vision 2050 is currently being drafted, with public consultation and policy discussion in progress. The provision of a strong over-arching set of principles seems to have enabled each Ministry, Province, District or community to formulate its own response, whilst maintaining an overall sense of unity. Thus, each Ministry has built different development partnerships, and has identified its own priorities, whilst aligning its activities with Vision 2020 (and most recently, with EDPRS 2).

The essential model is, therefore, a clear, consistent guiding vision, with a flexible approach to implementation, allowing actions to be tailored to available resources, capacities and opportunities. This 'strong at the top, flexible at the bottom' has allowed innovative initiatives to be developed, and some have become grouped together, and are known as 'Home Grown Solutions'.

The essence of Home Grown Solutions is that they are strongly guided from the top of Government, but the detail of implementation is completely local and flexible, driven by community. The original Home Grown Solution was the Gacaca courts for dealing with Genocide crimes at community level. Each of the hundreds of local Gacaca courts

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[17] Weak control puts billions of Sacco cash at risk of loss: 17 February 2017 – The East African http://www.theeastafrican.co.ke/business/Weak-control-puts-billions-Sacco/2560-3816670-l7gosc/index.html.

[18] Kembo M. B. and Mwakujonga J. 'Issues in SACCOS Development in Kenya and Tanzania: The Historical and Development Perspectives' - http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.455.9347&rep=rep1&type=pdf.

had its own detailed approach, whilst complying with broad guidelines. Similarly, Umuganda, a monthly (compulsory) community service is organised at community level. In some communities it is very well attended, whilst in others it has become less central to community life. Umuganda, in some areas, has become a powerful tool for organising community activities, and for overseeing community welfare and development.

Home Grown Solutions are varied in their themes: they include providing cows to the poorest families (Garinka), supervising people in public office or public service (Imihigo), promoting community-based strategic planning (Ubudehe) and annual national dialogue on policy performance and new objectives (Umushyikirano). In each case a traditional Rwanda practice (pre-colonial) is identified, and re-purposed to meet perceived needs in the development process.

'Garinka' (meaning 'Give a cow') is a valued intervention amongst the poorer households in villages. An initial distribution of cows allocated one animal to each of the poorest families in a village. Each recipient received training and was expected to look after the cow. The first calf from the cow would be given back into the scheme, and passed to the next eligible household. Thereafter the offspring belonged to the beneficiary. Owning a cow is a sign of wealth and status, so that the definition of 'Tutsi' in precolonial times is someone who owns cows – and 'Hutu' is someone who does not. The Garinka programme disrupted old ideas about status and 'ethnicity', as well as affording families a source of milk, manure and a chance to own a significant asset.

'Imihigo' is the performance target-setting for people in public office, whether elected or appointed as an employee. Each year the person is held accountable in public for the targets he or she signed up to a year before. The practice is based on the 'boasting' that would occur before battle in pre-colonial times. A warrior would be judged by the scale of his intended achievements in battle, but only if he actually achieved them. There was skill in making bold claims to impress, but also in acting to meet the claims. Modern performance contracts follow the same principles, and there are penalties for failing to meet objectives – including losing your post if you fall below a given level of success.

'Ubudehe' requires each community to prepare and implement a development strategy that prioritises the needs of the most vulnerable. Training is available to Ubudehe leaders for project planning. Modest funding is available for implementation, but the essence of Ubudehe is for the stronger members of a community to support the vulnerable – the original, precolonial meaning of Ubudehe. As part of the original Ubudehe roll out, each household had to be categorised by socio economic standing in order to identify the needy. The categorisations were aggregated at District level – and used to define who would receive health insurance and education funding from Government. The classification system has now been simplified and formalised, but it was striking to see how a quick, inexpensive community-based process achieved a national audit against which means tested support could be delivered.

'Umushyikirano', meaning 'exchange of ideas' - is the annual national dialogue. It is a forum where participants debate issues relating to the state of the nation, the state of local government and national unity. The Office of the Prime Minister is responsible for the overall co-ordination of Umushyikirano, and it is a commitment of the constitution. Chaired by the President of Rwanda, people from all walks of life have the opportunity to ask questions directly to their leaders. The event is attended by members of the Cabinet and Parliament, representatives of the Rwandan community abroad, local government, media, the diplomatic community and others invited by the President. Those unable to attend in person at Rwanda's parliament building can participate via telephone, SMS, Twitter and Facebook as well as follow the debate live on television and radio.[19]

This rhetorical linkage to pre-colonial times reinforces the idea that Home Grown Solutions are essentially Rwandan in nature, and have not been imposed from outside. A sense of pride and self-reliance is fostered.

> Rwanda did not have to wait for favourable winds, but rather generated her own winds to sail through the difficult times, in order to change the course of her economic and social history. To reconstruct Rwanda and nurture a shared identity and responsibility, the Government of Rwanda drew on aspects of Rwandan culture and traditional practices and the result was a set of Home Grown Solutions based on culturally owned practices that could help shape sustainable development programmes.[20]

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[19] The detail of each Home Grown Solution is drawn from 'Rwandapedia', a public information website supported by the Government of Rwanda.

[20] Robert Kayinamura, Counselor to Rwanda's Netherlands Embassy, February 2016 http://www.diplomatmagazine.nl/2016/02/06/home-grown-solutions-for-rwandas-steady-progress/.

Savings groups (Ikimina in Kinyarwanda) are not often explicitly mentioned as a Home Grown Solution. However, they share important characteristics. Each group can determine its own size, rate of savings, methods of distribution and rules for covering sickness or hardship. Each group can decide whether to limit itself to saving, or whether to offer loans – and whether those loans should be limited to group members, or extended beyond the group to other community members. Some groups work towards a specific project, such as to buy a goat for each member. Others focus more on accumulating reserves for difficult time[21].

The 'enabling environment', with increased financial literacy, community leadership promoting savings groups, and public information about the benefits of saving, has increased participation in savings groups to the point where more than half of all adults are involved. Yet no two savings groups need have the same rules or arrangements, allowing each group to cater for its particular priorities, capacity and membership.

Savings groups illustrate distinctive elements of Home Grown Solutions: they positively encourage flexible adoption, and community-led ownership. As such, they can be seen as a desirable development activity in their own right – with the highly valued sense of social support and participation, for example – as well as a means to an end, namely saving and increasing resilience or accumulating capital for investment in development projects[22]. Furthermore, Home Grown Solutions, when promoted from the centre of government, cause take-up to occur in numerous communities at the same time, so that national initiatives are created out of numerous individual projects. The result of the flexibility and national spread of Home Grown Solutions is that important policy initiatives are initiated and implemented in a cost effective manner (as for example Ubudehe, and socio-economic classification at community level, mentioned above). Regulation, or monitoring and evaluation, or consolidation can all happen once the basic framework is up and running. With modest training budgets and community-based leadership, Home Grown Solutions have generated significant social and economic changes in Rwanda. Arguably, savings groups embody these principles precisely.

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[21] This 'ownership' by participants is recognized as important for sustainable collective action – see Chapter 3.

[22] In this sense they make an intrinsic contribution to well-being, as well as an instrumental one. See Chapter 3, part 4.4.

2.5 FOREIGN POLICY AND ITS IMPACTS

The progress of financial inclusion is obviously affected by general economic stability and growth in Rwanda. This, in turn, will be affected by external events, and reactions to those events. The scope of Rwanda's foreign policy challenges is beyond the reach of this study, but two specific matters are mentioned in order to illustrate how Rwanda is placed within regional and international relations, and how those can have an impact on strategic planning.

The Genocide and its aftermath are well documented, but the detail of continued destabilising activity close to Rwanda's borders for years afterwards is not always recognised. Concurrently with the changes in the policy for financial inclusion, when economic growth in Rwanda was already established, and the prudence of the management of Rwanda's economy had begun to be recognised, a World Bank-funded report captured a difficult set of forces still playing out their post-Genocide agenda in the DRC, just across the border from Rwanda[23]. The armed group, the Democratic Force for the Liberation of Rwanda (FDLR), was still 7,000 strong and operating with the express intention, communicated to all its members, of overthrowing the current government of Rwanda in order to bring in a Hutu majority government including genocidaires. External FDLR communications refer to an inclusive government, but the report found that these 'official' objectives were not known to the FDLR rank and file. The report also noted that most of the FDLR members were foot soldiers who wanted to return to Rwanda but were prevented from doing so by their leaders[24]. Following the report, steps were taken to enable those soldiers to return to Rwanda, where they have been reintegrated into the country. The report notes, too, that many genocidaires are still sheltered in nations around the world, and it asks those nations to assist in bringing such individuals to justice[25].

Dealing with instability at its borders (and a somewhat unsympathetic international community) is an inevitable drain on Rwanda's resources. However, the country has succeeded in maintaining a steady course, with uninterrupted economic growth for many years. It has established itself as a place where it is easy to launch a business, and has a reputation for being an economy in which corruption is at very low levels, and

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[23] Opportunities and Constraints for the Disarmament and Repatriation of Foreign Armed Groups in the Democratic Republic of the Congo: The Cases of the FDLR, FNL and ADF/NALU 2007 Multi-Country Demobilization and Reintegration Program, World Bank.

[24] Ibid, page 40.

[25] Ibid, page 14.

where systems tend to work.

It is worth noting that Rwanda learnt some important lessons about financial inclusion and the need for financial services early on in its post-genocide years precisely because of the border instability that prevailed. The security hazards of paying soldiers (in cash) whilst in the field were huge, and the risk of disaffection and indiscipline, if soldiers were not paid, was also considered high. So the Government of Rwanda established a SACCO just for soldiers, so that they would receive their payment by way of transfers into their SACCO accounts. This removed the need for lorry loads of cash to be shifted, and allowed soldiers to support their families whilst deployed in the army. Indeed, this was recognised as an important morale boost for the soldiers, strengthening loyalties to the new leadership in Rwanda, and encouraging defectors to return to their home country (with many soldiers of the former regime becoming members of the new national army)[26]. Known as CSS, the SACCO is still the vehicle through which the military receive their salaries.

A second source of instability has been Rwanda's relations with international donors – underpinned by its dependence on international aid. Rwanda has consistently identified reducing dependency on aid as a national objective, but in the mean time it has suffered from episodes of reduced aid flow, causing disruption in economic development strategies, and seeing falls in its economic growth rates. In August 2014, an IMF Working Paper noted that the impact of the 'aid shock' in the latter half of 2012, although normalised by the beginning of 2014, had been difficult for Rwanda to manage economically, with on-going economic impacts (Charry, Gupta, and Thakoor 2014, pages 6 and 16). The reasons for the interruption in aid flow are not the subject of this study, but the impact is noted for its significance in a country trying to maintain economic growth and stability.

In March 2014 Rwanda's objective of reducing reliance on foreign aid, whilst maintaining public investment and economic growth, was evaluated in another IMF Working Paper (Clark and Arnason 2014). The goal was judged to be achievable provided the efficiency of public investment increased. The working paper explained that, in this context, 'efficiency' means that for each dollar of investment directed to public infrastructure, an increased proportion is turned into productive (productivity-

[26] Chemouni (2014) 'Paying your soldiers and building the state in post-genocide Rwanda' https://blog.politics.ox.ac.uk/paying-soldiers-building-state-post-genocide-rwanda/.

enhancing) public capital – which '… enters as an input to firm production' (ibid, page 22). The paper highlights the impact on economic performance if Rwanda is not successful in finding increased efficiencies, plus 'modest tax adjustments and some commercial borrowing' (ibid, page 2). The economy would be vulnerable to 'sclerotic growth'. This would '….undo much … recent success' (ibid, page 4).

Reservations about this IMF working paper must be expressed: its model is built on estimates, rather than data, in relation to key parameters. However, the sentiment is clear: reducing aid, or shutting it off unexpectedly, provides shocks to Rwanda's economy, just as other foreign policy interventions are capable of doing.

2.6 RWANDA'S NATURAL ADVANTAGES – AND CHALLENGES

Compared with other Sub-Saharan African countries Rwanda does not suffer from the challenges of sparse populations spread across large areas. Rwanda is a small country, landlocked, most of whose Districts can be comfortably visited in a single day-trip from Kigali, roughly at the centre. The small, densely populated nation (currently 493[27] people per square kilometre), allows the development of a sense of national cohesion, and enables communication from the centre to reach all parts of the country.

The population of 12 million is still growing rapidly, but the birth rate has slowed down significantly. Nonetheless, the population is predicted to be over 21 million by 2050, with the median age rising from 19 years at present, to about 30 years. By 2050 fertility rates will have fallen to about 2.1 children per woman, and thus population growth will eventually cease. The challenge of the locked-in population increase is a key imperative behind Rwanda's quest to become an information-based economy[28].

Rwanda is currently a predominantly agricultural society, with most (80% or more) of its population engaged in farming in one way or another. Most farmers are still using subsistence farming approaches and remain very poor. Farm sizes are usually very small – with the average size being about 0.5 hectares. Farming conditions are difficult, with hills in every part of Rwanda providing challenging terrain. Food production has increased significantly, however, with 60% more food grown in 2013 than in 2004[29].

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[27] The population and density data are taken from 'Worldometers' whose data and predictions are an elaboration of data provided by United Nations, Department of Economic and Social Affairs, Population Division. http://www.worldometers.info/world-population/rwanda-population/.

[28] Ibid.

[29] World Data Atlas https://knoema.com/atlas/Rwanda/Food-production-index.

Much of the improvement in agricultural production has been achieved through the combined RSSP/LWH projects, carried out in partnership with the World Bank. The projects have introduced tens of thousands of farmers to cooperatives and associations, thereby supporting their access to training and to services. Hillside protection to reduce erosion, terracing to increase productivity and irrigation to increase resilience in the face of unreliable weather are all components of the projects. A large increase in rice production has been achieved by creating rice plots in marshland in valleys throughout Rwanda. The marshland is owned by government, and farmers are allocated long term occupation – thereby increasing their land holding and giving access to a relatively lucrative crop.

Rwanda has achieved notable successes in health - reducing infant and maternal mortality[30], and in increasing life expectancy at birth from 48 years in 2000[31], to over 66 years in 2017[32]. It has increased the reach of its education system[33], and the number of women giving birth between the ages of 15 and 19 years has almost halved[34]. Women's combined representation in its two Parliamentary chambers is currently 56%, leading the world in that respect[35].

Rwanda has a national income per capita of about 700 USD, with sustained economic growth averaging 7.6% year on year from 2000 to 2015[36]. However, Rwanda remains a poor country, with high levels of inequality and faces considerable challenges with its young, fast growing population and still limited economic opportunities. Figure 2.2 shows that in some Districts over 50% of the population are living in poverty, most Districts still have poverty levels at 35% or above. Extreme poverty affects fewer than 20% of the population, but is unevenly spread through the Districts, with some still

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[30] More than halving the infant death rate between 2000 and 2017, from 120 deaths to 57 deaths per 1,000 live births; and reducing maternal deaths from 540 per 100,000 births in 2008 to an estimated 290 in 2015: Index Mundi http://www.indexmundi.com/rwanda/infant_mortality_rate.html and http://www.indexmundi.com/rwanda/maternal_mortality_rate.html.

[31] World Bank World Development Indicators, 2017 - http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators.

[32] Rwanda's statistical projection, RPHC4: Population Projections - National Institute of Statistics http://www.statistics.gov.rw/publication/life-expectancy-birth.

[33] Primary school enrolment is at 97%; education is compulsory and free for 12 years. However, dropout rates are high, and only about 30% attend secondary school. https://www.unicef.org/rwanda/education.html.

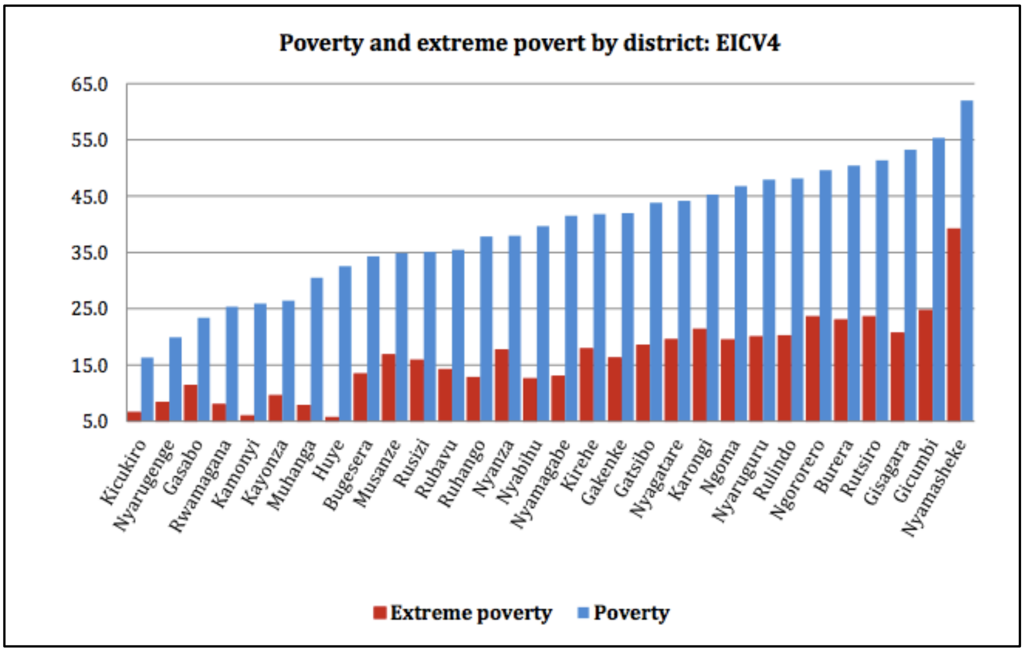
[34] Dropping from 49 per 1,000 women in 2000 to 25 per 100 women in 2015: World Bank DataBank Gender Statistics http://databank.worldbank.org/data/reports.aspx?source=gender-statistics.

[35] 49 women in the Lower house (out of 80 seats) and 10 women in the Upper house (out of 26) http://parliamentafrica.com/rwanda-tops-un-list-of-countries-with-most-women-in-parliament/.

[36] Atlas method (current USD), World Bank DataBank http://data.worldbank.org/country/rwanda?view=chart.

close to 25%, and in one District over 35% of the population are in extreme poverty.

Figure 2.2 Poverty and Extreme Poverty by District in Rwanda 2013/2014



Source: Integrated Household Living Conditions Survey, EICV4 (2013/14); National Institute of Statistics, Rwanda

The following chapters will set out in more detail the way in which progress towards financial inclusion has been pursued in Rwanda – at the policy level, in terms of implementation and at the community level, in terms of take-up. Attention will be paid to the attitudes, understanding and capability of those charged with making progress on financial inclusion, showing how a poor country with scarce resources can, nonetheless, instigate change in parts of its population, but showing, also, that poverty remains a real obstacle to transformation for many people.

CHAPTER 3. LITERATURE REVIEW

The key objective of Rwanda's policy for financial inclusion is to extend the reach of financial services to those who have not been included in the past, ultimately including almost all of the adult population by 2020. Particular target groups in order to make this policy effective are the rural poor, youth and women. Because of the dominance of agriculture as a means of gaining a living in Rwanda, especially amongst the poor, this policy must be delivered successfully to small-scale farmers across much of the country if the policy targets are to be reached. If 80% or higher (90% by 2020)[37] of the population as a whole are to be using financial services, then this implies a good take-up of services by farmers.

Part A of this chapter will review the significance of financial inclusion for the poor, with emphasis on financial services in rural areas, including for farmers (especially smallholder farmers), with the objective that they participate in the economic growth of their sector – and ultimately their country. It will review the challenges and expectations of micro-finance, in particular, and the caution that must be expressed about over-reliance on financial services as a driver of development. It will note the burden often placed on micro-finance borrowers to off-set high risk, low value transactions. The concept of resilience at community and household level will also be explored in this and the wider livelihoods context. Part A will go on to consider the importance of agriculture to Rwanda, especially in rural areas, and the rationale for supporting the sector as a primary driver of economic growth, noting suggested policy requirements for growth in the agricultural sector – and recalling historic attitudes to the sector that have contributed to some of the current challenges. Part A will also note that, historically, financial services in the market place have not been suitable for smallholder farmers, or for the rural poor – and will ask what may be done about this to ensure that meaningful choices in financial services exist for rural communities.

Part B of the chapter introduces ideas about the obstacles to bringing financial services to the rural poor, especially in the farming sector. It will consider the importance of institutional arrangements in the face of the cost and risk associated with financial services for the provider and for the user. The role of government in this area of policy

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37 See Chapter 2 for policy objectives.

will be looked at, and government actions will be placed into context by considering existing institutional arrangements and the specific limitations they may impose in terms of market failure and general arrangements. The notion of an 'enabling environment' will be explored, with consideration given to the ideas of 'good' institutions and development, and to the efforts of imposing institutional arrangements from outside, versus ideas of working to modify existing arrangements in order to achieve familiarity and local ownership of new arrangements. Attention will be paid to the idea of 'the firm' in business and domestic contexts, and will ask how these might be present in local institutional arrangements. Three practical components of financial inclusion – proximity, services and literacy, will be mentioned, and attention will be given to the significance of institutional arrangements on each of these components.

Part C of this chapter will note the (often unhelpful, reductionist) arguments about theories of the nature of the African State – and consider whether these discussions indicate that any particular approach is called for, whether efforts are doomed, whether it is possible to impose change to ease constraints on policy uptake, or whether there are other approaches which may yield good development results. The body of literature that is critical of Rwanda's leadership and its approach will be noted – seeking to identify what is relevant to this study, and checking briefly for counter-evidence where relevant. This part concludes with a brief discussion about the idea of a Developmental State: what are the markers, is there something special about a Developmental State in rural Africa, and what might be the focus of attention in this study to identify barriers or enabling features to uptake of the policy for financial inclusion.

Part D of this chapter looks for practical ways of conceptualising policy, impact, intervention and transformation from the perspective of the end user. It will consider the ideological background to this approach, looking at Sen's ideas of capabilities (and mentioning Nussbaum and her lists). It will recall the approach of Chambers to putting farmers first in rural development – learning 'from, with and by them' (Chambers 1994, page 953). It will consider resilience, vulnerability and sustainability in the livelihood context. Using this theoretical starting point, the chapter will introduce the livelihoods theoretical framework and explore its potential for simplifying the conceptualisation of the components in a livelihood without losing the essential individuality and/or complexity of the idea of a livelihood. The chapter shows how the livelihoods framework has been used in the past, noting successes and challenges, and will look at its usefulness at different levels of disaggregation in the development process. The interaction between different levels of development activity will be considered. The chapter will draw the links between multiple levels of development activities, each with their own 'livelihoods' framework. The links between livelihoods, 'Hanging in, Stepping up and Stepping Out' as characterised by Andrew Dorward, and the DFID framework on agriculture (Department for International Development 2015) will be traced. This part of the chapter will conclude with observations about the essential process captured in the livelihoods framework: that, at any level of disaggregation, development processes can be observed as the deployment of **these assets** by **this entity** in **this environment** so as to produce **these choices** from which a **livelihood** is selected.

PART A

3.1 FINANCIAL SERVICES AND FINANCIAL INCLUSION FOR THE POOR

'Financial Inclusion', namely the provision of financial services to all, and the take up of those services by the general population, is considered an important policy objective in Rwanda[38]. Furthermore, financial services are recognised as a tool for unlocking entrepreneurial potential (a market-based notion) or as part of an 'enabling environment' in which positive change can occur (an institutional economic perspective).[39] If rural people (the majority of the population in Rwanda, and in most of Sub Saharan Africa) are to participate in growing their national economy, then they must have access to the means of doing so: new business, or intensification of existing economic activity requires investment. Investment implies using savings or loans, and both require access to financial services of some kind; transactions will tend to be small, and may be described as 'micro-finance'.

In most cases, an important economic activity at household level for the rural poor is agriculture, whether alone or in conjunction with other economic activities. Thus any discussion about access to financial services for the rural poor must encompass the challenges of providing financial services suitable to smallholder farmers. 'Financial inclusion' also supposes that financial services will be available and accessible within rural communities, and that the poor will be able to actually benefit from the availability of the services.

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[38] See Chapter 2.
[39] See, for example, 'Financial Inclusion Overview, The World Bank, April 2017 - http://www.worldbank.org/en/topic/financialinclusion/overview.

The challenges of providing appropriate financial services to the poor in developing countries, especially in rural areas, are well recognized. (See, for example, Steel and Charitonenko 2003, page 5.) Transaction costs make conventional financial services inaccessible: transactions for individuals will be very small; the risks of default may be high; collateral may be difficult to secure – or completely unavailable; rural populations may be scattered, so that traditional service provision cannot serve a viable critical mass of customers. The challenges of high transaction cost to low transaction value are difficult to overcome: conventional banks may, perfectly realistically, have little to offer the rural poor in the poorest nations. In Rwanda the Sector-based Savings and Credit Cooperative Organisation (SACCO) programme (See below for more details about SACCO's) has been identified as the main intervention to address these issues[40], but this approach is different from that taken in other economies in the past.

During the 1990's the notion of providing access to financial services for the poor was focused on the provision of loan services. The Grameen Bank is the best known example of the successful promotion, development and take up of micro-finance lending services for the poor (Sarker 2001). The principle of group guarantees was established to reduce reliance on asset-based collateral, and the inter-mediation within groups also reduced the expense of individual transactions. The group guarantees offered a solution to challenges of imperfect information, and the payback for group members of access to loans arguably justified the additional burden of guaranteeing peers' loans (Hoff and Stiglitz 1990). However, the group-guarantee system is onerous. Arguably, no one who had a choice would take up such service with its weekly meetings, rigid repayment requirements and the risks associated with providing guarantees for other group members (Harper 2007).

Initially considered a major contribution to development success, harnessing market-based logic, Grameen-style lending was considered innovative and very effective, especially in empowering women (Pitt and Khandker 1998). This particular micro-finance model attracted commercial providers into the market place, and thus the 'micro-finance industry' was born. The term came to mean exactly the Grameen-type approach, generally as a stand-alone intervention.

[40] See Rwanda Background Chapter 2.

Doubts arose about the effectiveness of the approach as a mechanism for sustainably tackling poverty. This was linked to concerns about the causation of the benefits claimed for micro-finance in development when the Pitt and Khandker results proved difficult to replicate. A working paper highlighting the replication issues appeared in 2009, and its core concerns were confirmed in subsequent revisions (Roodman and Morduch 2014). A review of micro-finance studies was commissioned by DFID in 2010. It suggests that the robustness of 'success' studies is suspect, and, at the very least, a more nuanced view of the impact of micro-finance is advised (Duvendack et al. 2011). It is difficult to see how micro-finance could have done as much as was claimed of it to alleviate poverty. 'Providing micro-finance services to poor people is part of a poverty reduction strategy, but only part. Those who present micro-finance as a magic bullet to reduce poverty … encourage policy to be simple-minded.' (Hulme 2007, page 21).

Concerns about the claims for micro-finance as a success story did not come out of the blue: as early as the mid 1990's there were worries about the over-stated claims for the benefits conferred upon the poor by having access to micro-finance, and in particular for claims that women were particularly empowered by Grameen-type borrowing. Arguably, micro-credit can become another mechanism for over-burdening women, whilst maintaining their subservience within the social structure (Fernando 1997). In an attempt to unpack the weaknesses of micro-credit as a development initiative, it is important to note that micro-credit happens in a context, and that economic orthodox theories fail to take account of the power dynamics and inequalities inherent in communities where micro-finance has been asked to do so much (Hsu 2013).

Not only is the success of micro-finance as a 'stand-alone' solution to poverty alleviation in doubt, there are clear cases where the promotion of micro-credit services has caused hardship to the poor and commercial disaster for market providers. At the height of its popularity, commercial investment in micro-finance caught on in India in a big way, especially in Andhra Pradesh. Suicides of borrowers, and ultimately government intervention leading to large- scale default, threatened to destroy the economic viability and the developmental credibility of microcredit.[41] In summary, the

[41] See, for example, 'Hundreds Of Suicides In India Linked To Microfinance Organizations', Business Insider February 2010 http://www.businessinsider.com/hundreds-of-suicides-in-india-linked-to-microfinance-organizations-2012-2?IR=T; 'India's Microfinance Suicide Epidemic', BBC December 2010 http://www.bbc.co.uk/news/world-south-asia-11997571; 'India Microcredit Faces Collapse From

poor discipline of lenders caused by rapid expansion was a problem, and the reliance on lending without a savings history led to further risk. Access to credit was an important service for the poor, but it needed to couched in good consumer care and better lender-discipline (CGAP 2010).

Negative stories about micro finance have also shown the dangers of diverting effort and investment from important interventions into the provision of micro-finance to the poor. The most negative assessment of micro-credit as a development initiative argues that a few lucky individuals might do well out of it (and are likely to be featured in the 'feel good' reports that have caused the industry to flourish), but the reality is that there is huge opportunity cost to developing economies if they focus on micro-lending at the expense of more coherent strategies to develop, for example, infrastructure and education (Bateman and Chang 2012). In short, the hope that access to small amounts of capital would be enough to trigger economic development at grassroots level has proved unfounded.

Whilst the history of micro-finance as a driver for change and development provides reasons to be cautious, financial services have a part to play in an inclusive development strategy. In a development environment where no financial services are available, it is difficult to imagine what 'development' is possible at the individual or household level, where the exercise of meaningful livelihood choices usually depends on the ability to organise finances.

Financial services can improve resilience[42] at household and community level, with the possibility of income smoothing, and creating reserves for difficult times – an important feature, since many poor households have low, and also very uneven, incomes (Rosenburg 2009). In addition, access to savings and loans encourage planning and investment in business ventures. In a review of agricultural sector success stories, all countries with a good record in production increase are found to have created some sort of access to credit for their farmers (Dorward et al. 2004, Appendix A).

Financial service provision needs to be part of a coordinated set of strategies for development: it clearly should not replace strategic plans for infrastructure, education or

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Defaults', New York Times November 2010 http://www.nytimes.com/2010/11/18/world/asia/18micro.html; 'India Rocked by Micro-finance Crisis, NPR December 2010 http://www.npr.org/2010/12/09/131935206/India-Rocked-By-Microfinance-Crisis.

[42] See Part 1.2 below for discussion of resilience.

health, for example. In agriculture, a clear need for access to small amounts of credit or finance is tied into the transition from subsistence farming to more intense production (Dorward et al. 2004).

A review of financial inclusion in development concludes that micro-credit on its own has, at best, uncertain long-term impacts on welfare, but access to micro-credit for businesses is probably necessary. Furthermore, group financial schemes may offer a range of social benefits, with improved mental health, and greater levels of trust within the community. At the macroeconomic level, financial inclusion is found (via cross-country comparisons) to correlate with growth and employment, especially where the institutional framework is supportive, with financial regulation in place, and well-managed inflation (Cull, Ehrbeck, and Holle 2014).

This study will use the term 'micro-finance' to describe small-scale financial service transactions in the context of intervention coordinated with other strategic efforts, thereby reclaiming the term from the problematic context of market-driven, 'magic bullet' solutions. The burdens of group lending and borrowing will be born in mind when evaluating such approaches in Rwanda.

An effective policy for financial inclusion is likely, in summary, to promote very small financial transactions for the poor. Both formal and informal services may play a part, given that group schemes can provide a financial service and can also contribute to social capital in the form of increased trust. Services most required will probably be savings and credit (with insurance services emerging, too) (Zeller and Sharma 2000). Of these, micro-credit - once thought to have potential to be the most important service – has since shown itself to be potentially the most damaging, and 'financial inclusion' interventions need to promote savings and insurance services widely, and credit services with some caution, in coordination with other strategic interventions for poverty alleviation.

3.2 RESILIENCE AT HOUSEHOLD AND COMMUNITY LEVEL

Resilience is now '… a normative concept in … development…' (Oven and Rigg 2016). Resilience (or vulnerability, its mirror) can be measured in relation, first, to the degree of exposure to risk, and then by reference to sensitivity to that risk, and the ability to recover from the risk. (IPCC-recognised framework, cited in Parker 2015, page 5). In a community context, natural risks are particularly salient: crop failure from drought, or damage to physical assets by flood, are experienced across whole communities simultaneously, exacerbating the challenges of coping and bouncing back. At the household level, there is a tendency for the poorest to be the least resilient: they are less likely to have savings to fall back on; their houses are likely to be less robust; their health may already be compromised, making physical challenges harder to deal with. However, the relationship between poverty and resilience is not direct – and '… the devil is in the detail' (Oven and Rigg 2016, page 2). Strategies for improving resilience may include diversifying economic activity. Financial services may also have a role. Savings and access to loans may improve the opportunities for building resilience before a challenging event occurs, thereby reducing sensitivity to the event; they may also improve recovery from an event, reducing sensitivity and strengthening adaptive capacity. Insurance could play an important part. Thus there is a role for financial inclusion in increasing resilience. For Rwanda, wider economic vulnerability is a complex interaction between economic and environmental factors (Parker 2015). That complexity is experienced all the way down to household level, as this study will show.

3.3 FINANCIAL INCLUSION IN RURAL AREAS, ESPECIALLY IN AGRICULTURE, THE DRIVER FOR RURAL DEVELOPMENT

The role of agriculture in the quest for economic growth and poverty reduction in the least developed countries has undergone a reassessment in the last decade. The food price crisis of 2008 is thought to have played a part in re-invigorating interest and investment in the sector (de Schutter 2010). This is in contrast to the situation described in the 1970's, when government investment in agriculture was non-existent, and farmers were under-paid for their production as they supplied food to urban markets – ultimately resulting in exhausted agricultural sectors, achieving negative production growth (Bates 1981, page 81).

However, even when it is acknowledged as useful, investment in farming and smallholder education has been too small to release potential. Some of this history is captured in various, optimistically entitled, reports of the World Bank. (For example, 'Towards Sustained Development', World Bank 1984; 'From Crisis to Sustainable Growth', World Bank 1989). Attention was generally on the core economic policies of structural adjustment, with additional interest in governance by the time of the 1989 report, and thereafter (World Bank 1992; Stein 2009).

Agriculture in general, and smallholder farming in particular, is now recognised as having the potential to be an effective driver of economic growth, and also of poverty alleviation – two fundamental objectives of development. The pathways are various: agricultural growth leads to increased food production, increased productivity and release of labour for other industries. It can also drive wider economic growth in rural areas (see, for example, Ellis and Biggs 2001; citing Johnston and Kilby, 1975 and Mellor, 1976; or Dorward, Kydd, Morrison and Urey, 2004, page 75). However, it should be noted that, whilst attending to growth in agriculture addresses the challenge of making interventions that provide both growth and poverty reduction, the very worst off in poor communities may be excluded even from the benefits of agricultural improvements (Fafchamps, Teal, and Toye 2001). In this case, interventions are also needed to protect the very poor – providing support to those who need help just to stay where they are, sometimes characterised as 'Hanging in' (Dorward 2009; Department for International Development 2015).

Improved opportunities in rural areas have the capacity to reduce the rate of typical migration patterns from rural to urban areas as described in the Lewis model (Lewis 1954), avoiding some of the challenges of mass urban migration and open unemployment found, for example, in South Africa (Knight 2007). Whilst the specific role of agriculture in economic growth of a nation will vary from case to case, and the pathway from poverty may not mirror the experiences of the 'Asian Tiger' countries, there is little evidence to suggest that African countries can bypass growth in the agricultural sector. Furthermore, there is a distinct role for small farms in such growth (Diao, Hazell, and Thurlow 2010).

On balance, Improving agricultural output from smallholder farms in rural areas in Africa is a sound strategy for inclusive economic development. In the long run, agriculture can be expected to decline in relative importance to a large economy, but production may still be higher in value than when it dominated the national economy (Timmer 1988).

Development partners of Sub Saharan African countries now share the realization that agriculture will have an important role in economic development. For example, the Department for International Development in the UK has identified different roles for agriculture according to other economic opportunities available to a country: but in all cases agriculture will be important. 'Agriculture and agro-industry's contribution to wider growth is likely to depend on a number of factors within a country, in particular the stage of economic development, geography and resource endowment, and the pattern of agricultural investment and growth' (Department for International Development 2015, page 9). According to the DFID typology, agriculture can be expected to play the role of 'Principle Growth Driver' in Rwanda, since it is a low-income, landlocked country. Importantly, it is noted that different areas, even within a country, will have to develop differentiated strategies that respond appropriately to real geographical and topographical circumstances. There are no simple, quick fixes.

The World Development Report of 2008 seeks to capture the reasons for the neglect of agriculture, in spite of its powerful proven potential to boost development: amongst several key challenges, ranging from the international trade regime to a policy bias against agriculture in developing countries themselves (though reduced in recent years), there is poor development of institutional arrangements to support smallholder farmers. This is especially so following the descaling of the state in agriculture during the 'structural adjustment' of the 1980's and thereafter (World Bank 2008, page 226).

Rwanda has, since at least 2000, noted the importance of Agriculture to its economic growth, but it has also neglected, at times, the investment and focus needed to achieve the growth potential. This is seen in the policy process[43] - where the investment and clarity of purpose improved from about 2008, and the benefits of the new focus become clear in the national data series from about 2011. Some commentators noted the positive strategic steps taken in Rwanda in the agricultural sector over that period, but until 2011 often found negative evidence about its impact (see, for example, Ansoms 2008). The absence of evidence of immediate positive feedback from the strategic interventions allowed speculation about a possibly malign political context. In fact the data, once it was available, showed that the interventions achieved the kind of impacts predicted by the consensus about smallholder agriculture[44].

Given that agriculture is important to Rwanda's future growth, and given that the focus of that growth is in smallholder farming, the question of how farmers, individually, achieve growth is central to the overall economic strategy. Farmers are recognised as rational economic participants (Singh 1990; Ellis and Biggs 2001, citing Schultz 1964;

[43] See Chapter 2.
[44] See for example 'How did Rwanda cut poverty so much?', 2012 interview with Paul Collier, Los Angeles Times: http://latimesblogs.latimes.com/world_now/2012/02/how-did-rwanda-cut-poverty-so-much.html.

Nsanzabaganwa 2012) – even peasant farmers (Bates 1981, Preface, page x) - whose main opportunity for economic development will often be to take up use of high yielding varieties of improved seed in order to increase yield on the land they farm. Take up is found to occur when it is 'suitable and profitable' to do so (Singh 1990, page 200), and the success is 'neutral to scale' (Ellis and Biggs 2001, citing Lipton and Longhurst 1989). Improved seed must be purchased, and its use needs to be supported with inputs such as fertilisers and insecticides. There will be new processes as well, such as timely weeding and composting, and with labour intensive activities through the growing seasons. All of this requires investment – and incurs risk. Small farmers may lag behind larger ones in taking up such opportunities, but they have eventually benefited in countries with Green Revolution experience (Singh 1990).

The need for investment by individual farmers in improved farming methods encapsulates the importance of financial services to smallholder farmers. Farmers must be able to invest in production: to make concerted use of improved seeds, of fertilisers, soil management techniques and production and post-harvest strategies that raise production quantity and quality to levels where livelihoods become viable. Such investment requires an environment in which complementary services support the provision of financial services alongside extension services (through which the new methods are communicated and perfected) and access to market (through which the increased production is sold) (Hazell et al. 2007). The full range of supportive services required will vary from instance to instance, but the general argument for coordinated interventions, including consideration of access to credit or other financial services, is clear. It is in this context that the issue of financial services for farmers has returned to prominence, having been neglected for decades along with agriculture in general.

Historically, credit services were often provided to farmers, by Governments, through central marketing boards. Since the structural adjustment programmes of the 1980's, this approach has disappeared. The expectation was that commercial providers would enter into the space if government withdrew, and that markets would provide the required services. This has not happened (see, for example, Bates 1995).

In recent decades, financial services have simply been unavailable in rural areas in general, and to smallholder farmers in particular. The main reason for the absence of such services seems to be the market failures triggered by high costs of information in sparsely populated, poorly connected rural areas. Monitoring costs are high, quality control is difficult and debt repayment is expensive to enforce following default. (Bates 1995, page 32) In addition transaction sizes for smallholder farmers are very small, so the relative cost of providing such services will be even higher.

The current state of thinking about the need for financial services in support of the sector's development is summarised in the World Bank Report of 2008: Agriculture for Development. The focus of the report is on the pathways to agricultural development. On financial services, it says: 'The ability of agricultural enterprises and rural households to invest for the long term and make calculated decisions for risky and time-patterned income flows **is shaped by an economy's financial services**' (World Bank 2008 page 143, emphasis added).

Given the challenges to market players in the financial services sector in poor rural areas, the potential role of non-market institutions has been explored, seeking ways in which credit services and risk sharing can be developed amongst the poor. (Besley 1995). Group borrowing with mutual, intra-group guarantees, is one option, creating ways for reducing transaction cost, to make services affordable (see also Hoff and Stiglitz 1990). The increased burden on borrowers of group guarantees may be worthwhile for the financial opportunity gained. Another non-market option is cooperative or collective savings arrangements, whereby groups provide their own capital through saving, and provide services within the group, keeping cost and risk in check (Besley 1995).

Clearly, such non-market approaches have limitations: group repayments do not adapt easily to seasonal patterns where income is received unevenly and infrequently through the year, and nor do they work well if all members of a cooperative need loans at the same time – a likely scenario where all are involved in farming and may need investment loans to maximise production, with no prospect of repaying their loan before harvest. However, group savings activities may enable access to practical mechanisms and incentives for saving which would otherwise be difficult for individuals, allowing group members to achieve stated goals together. These arrangements provide illustrations of adaptive solutions, and further variants may have a role to play when few formal services are available. Savings groups are widespread throughout the world in general, and within east Africa in particular (Ledgerwood and Rasmussen 2011).

SACCO's play an important role in increasing access to finance: they are user-owned financial institutions that offer both savings and credit services to their members.

Members of these financial institutions can be both net savers and net borrowers. SACCO's may have a training and education ethos '…encouraging and promoting members to develop a thrift culture…' (Tache 2006, page 3) for example. SACCO's originated in Europe in the 19th Century, but are more often found in developing economies (ibid, page 1). South Africa has tried promoting cooperatives as a way of providing financial services in rural areas (Mashigo and Kabir 2016). However, the International Labour Organisation (ILO) reports that SACCO's are most successful when dealing with people in the formal sector, implying a predominantly urban setting (Allen, Maghimbi, and International Labour Office 2009).

ILO reports that about 8% of the adult population of SSA are involved with SACCO's, amid concern for their survival in the financial crisis, when loan demand goes up, savings drop and the relatively shallow resources of a SACCO may be exposed. ILO highlights the importance of financial literacy training for members, and the need for a regulatory framework to support SACCO's through difficult financial times, when their importance to poor communities may be heightened (Allen et al 2009).

If financial services are to be promoted and universally available, and suitable, to smallholder farmers, as with promotion of agricultural technology (see, for example, Tripp 2001), there is a clear role for government. Government support, or intervention, can take different forms. A favourable regulatory environment, coupled with a functioning financial infrastructure, may be sufficient to boost financial services by enabling MFI's to broaden their offering to include savings services and, perhaps, seasonal credit offerings in rural areas (World Bank 2008, page 145). However, spontaneous market developments alone, even when supported by an 'enabling environment' are unlikely to generate the range of services that smallholder farmers require. 'Promoting, improving, or even creating rural institutions to support a wide range of rural financial transactions, remains one of the fundamental challenges facing developing-country governments' (ibid).

In its wide-ranging review of approaches to the provision of financial services for smallholder farmers the World Bank flags up the full range of options – self-help groups and group collateral; extending the reach of existing financial services; developing both formal and semi-formal services directed at agricultural client. All may have a part to play.

Given the interconnectedness of challenges for smallholder farmers who decide to try and intensify their production (characterised as ‘stepping up’ in Department for International Development 2015, citing Dorward 2009), there is a clear benefit to be gained from a coordinated approach to policy and strategic intervention, which is frequently mentioned in evaluation of successful policy (as noted in various instances in this section, above). Indeed, there is a basic ‘policy prescription’ for such a coordinated approach, which is found to assist the success of smallholder agriculture as it ‘steps up’. The policy prescription, based on an extensive review of the relevant literature, always includes arrangements for credit services to farmers. Other factors are diverse, including creating a system of securing property rights, organising irrigation, securing fertiliser distribution and use, providing extension services, developing rural infrastructure (roads, water supplies, power), and paying attention to local research and development for seeds and outputs (Dethier and Effenberger 2012).

This analysis confirms that credit arrangements of some kind are needed for improving the economic performance of smallholder farmers. Indeed, the observations made by Dorward et al (2004), precede and underpin the general ‘policy prescription’ approach. About 20 countries with successful Green Revolutions, producing huge and quick increases in agricultural production, demonstrated areas of broad common experience in line with the policy prescription proposed by Dorward et al, in spite of great geographical and political diversity (although the detail of each policy package varied). In all cases, the policy package included some sort of provision for credit arrangements for farmers. The intensification of agricultural production in each case had very clear benefits: it led to the end of food insecurity in all of the countries listed (Dorward et al 2004, Appendix A). The rewards are clearly high for economies that succeed in intensifying agricultural production, and the importance of a coordinated approach to policy interventions emerges strongly from the success stories.

The arguments set out here show that there is a distinct rationale for the approach currently taken by the Government of Rwanda, with its commitment to promoting financial services to all of its population. There is clearly a role for the state in a well-coordinated set of interventions, as required for the greatest chance of success. The role of a state will include a broad oversight and coordination ((Dethier and Effenberger 2012), and may invite a more direct (though temporary role) where ‘kick-starting’ market activity is desired (Poulton and Dorward 2008). The choice of SACCO’s as a vehicle for intervention requires engagement with a regulatory process, and with financial literacy, if the ILO warnings, above, are to be heeded: Rwanda has taken those issues into its financial inclusion policy.

Before moving away from the discussion of how financial services are made accessible, and their potential impact on end users, it is important, also, to recognise the newfound presence of mobile phone-based financial services ('mobile money'), which have become widespread in East Africa in general, and are reaching some 50% of Rwanda's adult population (the figure is close to 80% in Kenya) (Villasenor, West, and Lewis 2016 - in 'the Brookings Report'). The Brookings Report evaluates, by country, the dimensions that make mobile phone-based services accessible and safe to use. Using a scoring system where 100% is the best possible, Rwanda scores highly on country commitment (94%), mobile capacity (83%), and regulatory environment (100%). Adoption lags somewhat behind (50%), but overall Rwanda is placed 7th out of the 26 countries evaluated with its average score of 76%.

The importance of 'mobile money' is accelerating: in 2016 there were more mobile phone financial transfer accounts registered than the total number of existing bank accounts in Sub Saharan Africa, and more than 40% of adults in a range of Sub Saharan African countries were registered users. Mobile money has the capacity to strengthen the banking industry through the use of Trust accounts by mobile money providers whereby all customer mobile money balances are stored within the banking system. The mechanisms are explained by the Finance minister of Rwanda, and the realities are reflected in an increased volume of flows through the Sub Saharan African banking system of 120% between September 2015 and June 2016 (GSMA 2017). Uptake of financial services via mobile phones is rapid in some markets, and, whilst it has the capacity to extend financial inclusion, it also opens new risks (such as agent-related risks or technology disruptions to services), and demands new policy-making attention (such as cross sectoral coordination) (Lauer and Lyman 2015).

Mobile money is distinct form other financial services referred to, in that it is a simple mechanism (for which a transaction fee is paid) for transferring money quickly from one person to another via mobile phones. On the face of it, the ability to transfer money in this way does not add to an individual's resources, nor increase resilience. However, there is an association between take up of mobile money and livelihood enhancement (Suri and Jack 2016). The impact seems to occur via two particular livelihood impacts: money can be moved over distances, more or less instantly, reducing the transaction cost; and vulnerability to crime is reduced, since cash is no longer carried. These two factors appear, in Kenya, to increase the circle from whom people can ask for help, and to provide enough additional resilience to allow some – women in particular – to engage in new, more resilient livelihood activities (ibid). Whilst there has not been rapid product innovation, mobile money in its basic form may play a part in poverty reduction and increasing resilience. It has been associated with '…poverty decrease in Kenya of two percentage points.' (Suri 2017) Mobile money can be considered a genuine contributor to financial inclusion, with the proviso that further work on its impact in other countries should be monitored to see if Kenya's experience is generalised.

Financial services have not, historically, done well in rural areas in Africa, and formal service provision for smallholder farmers has been very poor, or non-existent in Rwanda in the past (Grundling 2008). This discussion has shown that there are good reasons for thinking that the provision of financial services will have a positive effect upon the ability of smallholder farmers to achieve economic growth at the individual level, thereby boosting the economic growth of the agricultural sector as a whole. Provision can range from the adaptation of formal services, to promotion or support for informal services and the encouragement of mobile phone-based services. In this context, Rwanda's approach to developing and enabling financial services across the whole range of platforms and arrangements is a strategically appropriate one. Whilst the impact of financial services, especially in rural areas, and for smallholder farmers in particular, depends on the actual realisation of many varied projects, the strategic intention of promoting such services is well-founded.

PART B

3.4 'GOOD' INSTITUTIONAL ARRANGEMENTS – AND WHY THEY ARE THOUGHT TO BE DIFFICULT TO FIND IN SUB SAHARAN AFRICA

Any discussion about the provision of financial services to smallholder farmers, whether in rural Africa in general or Rwanda in particular, involves assessing how the services will actually reach the farmers at whom the services are targeted, and in a form likely to be affordable, understandable and of use to the target group. The challenge is to find arrangements that manage risk, share information as fully as possible and provide affordable mechanisms for offering very small loans and savings services. This challenge is essentially about the 'rules of the game', or institutional arrangements that govern the provision of, and access to, financial services. If the right institutional arrangements are in place, and work well, then well-designed services will be capable of delivery to their intended customers. It has been rare to find delivery of financial services to farmers in Sub Saharan Africa, in general, and was very difficult in Rwanda, in particular, at the time of the Finscope survey in 2008 (Grundling 2008), when most of the population were financially excluded. It is necessary to conclude, therefore, that neither market nor non-market institutions were delivering such services.

There is economic gain to be won from the existence of appropriate institutional arrangements (North 1991), but it is important to align those arrangements with existing power dynamics in order for intended changes to come about (Khan 1996). The inter-relationship between institutions and government acknowledges that arrangements can be deliberately made to improve economic activity (by reducing risk or improving access to information, for example) but that the **choice** of arrangements is essentially political, in that it will be shaped by the power and influence within a particular economy (Bates 1995).

It is important to bear this idea of power dynamics in mind when evaluating the institutions model promoted, for example, by the World Bank. The World Bank view is that 'good governance' is essential for development; and that good governance means, essentially, creating an institutional framework for improving market efficiency (World Bank 1992). The institutional arrangements that are emphasised in the 'good governance' agenda are formal: legal rules and mechanisms to support contract enforcement ('rule of law'); formalised property rights; mechanisms for accountability (privatised services, for example). There is a clear correlation between the advanced economies and the existence of these formal institutional arrangements. The argument therefore goes that deliberately introducing those institutions will bring about the development gains that are often found in association with them (ibid). However, there are a number of reasons for approaching these ideas with caution.

Firstly, it is possible that the economic gains precede the institutional arrangements (so that the institutions will look after themselves if the economic gains can be made) (Chang 2011). Instances certainly exist where arrangements emerge **after** economic development, rather than before. In Wenzhou, China, a large, highly differentiated industrial zone developed with few formal institutional arrangements in place. Some financial practices were not legal, so formal enforcement was impossible. Brokers played an important part in arranging terms and conditions of trade, thus extending the reach of 'personal' transactions greatly. Gradually formal institutional support has caught up with the economy. Thus, the causal direction of institutional and economic change is not fixed (Yu and Zhang 2008) .

Secondly, a simple decision to introduce (or impose) institutional arrangements upon a developing economy may have unintended consequences. The evolution (or immovability) of institutions is influenced by the holders of de facto power, the losses they face in the event of change, and cost of repression. The premise is that all such accommodation is driven by the self-interest of those in power (Acemoglu, Johnson, and Robinson 2005a; Khan 2010). Conditionality in the development relationship risks ignoring the power and the political dynamics, and may simply be thwarted by circumvention. If, for example, an existing arrangement operates as a mechanism for redistribution of wealth within an economy, there is probably a political imperative for this to take place. A condition imposed from outside that seeks to 'correct' the situation, in economic terms, thereby preventing that mechanism from functioning, may simply result in a shift to a new mechanism, which will probably be more costly (Coate and Morris 2004).

Thirdly, the prescribed 'good institutions' favoured by the World Bank and other development partners are, self-evidently, expensive to implement, and the opportunity cost of adoption may in fact be detrimental to economic development in a poor economy (Chang 2011).

Finally, the imposition of prescribed institutions seems to assume that there is a vacuum into which any arrangement may be introduced. This is far from the truth: every society is governed by arrangements that are complex, often unwritten and ranging in formality from very formal to very informal. Any new arrangements have to be fitted in – and the impact of outsider intervention of this kind can be unhelpful. People stick to the arrangements that they know, and resent the interference of others, or fail to take ownership of innovations that might be helpful, but seem essentially alien to the way of doing things (Hyden 2008).

Part of the difficulty of discussing institutions in development arises because of a shift from the inclusive ideas first put forward by North, to a narrower perception of what 'good institutions' (ie those relevant to development success) might be. Originally, 'institutions' were characterised as '…the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange' (North 1991).

In the purely economic sphere, these ideas were anticipated and illustrated by observations about the business world: the unfettered, freely negotiated market transaction of every element of daily commercial life makes no sense, and economies of effort are derived when business is conducted via an agglomeration of individuals – a firm (Coase 1937). In this business world of firms, many elements of daily transactions are never formalised, rarely written down, and are often promulgated via shared educational experiences or social codes of conduct.

'The essence of the firm lies in the planning and coordination of economic activities over time and space vastly wider than the coverage by specific markets' (Fennell 2010, page 13). Thus, an effective service cooperative supporting agricultural production is a good fit with this conceptualisation. Service cooperatives offer members a planning and coordinating service – ensuring that production timing is optimised, or that cash flow is available when needed, for example. It provides economies of scale, professionalism and a critical mass as a commercial entity in commodity chain transactions. Even though the land holding of a farmer remains unaltered by membership, transaction costs may reduce, risk will be better managed, and production is likely to increase – with livelihood benefits. Sometimes the economic logic of a cooperative may be complex (Leathers 2006), but they have a potential role to play for small-scale rural farmers.

Even households may be characterised as firms in certain dimensions. The norms of patriarchy, for example, govern roles and negotiations within a household so as to designate roles and responsibilities and reduce transaction costs of negotiating and allocating resources. This is by no means necessarily a benign environment for weaker household members, with the permanent risk of conflict. However, it is sustainable in the absence of meaningful choices available to vulnerable individuals (Fennell 2010, page 31).

Similarly, the kind of arrangements described within firms exist in every sphere of private and public life: North was alive to the importance of taboos, customs and traditions, just as he understood the importance of formal arrangements within an explicit legal framework.

Within developed economies, formal arrangements visibly reduce transaction cost and risk (though informal arrangements, rarely acknowledged, are arguably just as important). North recognised that, in a developed economy, banks, firms, law-courts, shops and stock exchanges have all evolved to make transactions easier, better informed, lower in risk – and therefore lower in cost (North 1991).

In subsistence economies, where personal interactions dominate, reciprocal social obligations entitle community members to support, often at exceptional times – marriages, deaths, harvest and festivals etc. There is little place for formal institutions, such as law courts or land registration: but the 'informal' systems that prevail are often complex, well understood and capable of enforcement through community mechanisms (North 1991).

Institutional arrangements clearly matter for development. 'Promoting a growth-oriented agenda will require adjustments in the structure and functions of government at the regional, national and local levels' (Juma 2011, page 175). A new vision for a society clearly implies new arrangements for that vision to be realised. At the micro level, any transaction undertaken by an individual will still be analysed for cost and risk. Behaviour change, leading to economic growth, will occur only if it makes sense to individual actors (Nsanzabaganwa 2012). Indeed, evaluation of change is approached with scepticism, and fear of loss, so resistance can occur even where the advantages of change seem self-evident (Juma 2016). The question is whether, and if so how, the institutional changes can be introduced.

The discussions about institutions in development, and the capacity for conscious change has produced 'unhelpful corner solutions' (Chang 2011, page 489). One corner says institutional change is simple, and new institutions should be prescribed by development partners (for example, World Bank 1992), whilst the opposing corner says that institutional change is difficult – maybe impossible – with the status quo largely pre-determined by history (for example, Bratton and Van de Walle 1994; Acemoglu and Robinson 2008). Probably neither 'corner' is right. Institutional change is not simple, but 'history is full of examples of big institutional changes made through deliberate human actions, not totally determined by the existing institutional structures.' (Chang 2011, page 491) Institutional change may have a major role to play in service provision, but '[it] is a process that is difficult to fast track!' (Poulton, Dorward, and Kydd 2010).

Conscious effort and intervention may not be enough. As already noted, de facto arrangements can persist in spite of formal, legal changes to institutional arrangements, thus failing to deliver the anticipated outcomes. The assumption seems to be, however, that the conscious effort in question is exerted from outside, imposing change on reluctant incumbents within an existing political and power arrangement. Imposed institutional reforms have little impact on economic institutions if the underlying power structure remains intact. (Acemoglu and Robinson, 2010, page 148). The 'corner solutions' tend not to address the potential for effective change if it is driven from within a country, or where the changes build on existing institutional and political arrangements. A more fruitful approach might be proposed, whereby existing arrangements are identified, and adapted (in terms led by the African state itself) so as to achieve desired policy outcomes (Hyden 2008).

The challenges of understanding institutional arrangements within African states – and how they work, and why they persist in particular ways – can be tackled, in part, by thinking about two separate (but interconnected) elements of the picture: first, the nature of the African state is arguably different from the Western construct, and ethnic tension within a state may have different meaning than that attributed to it by external commentators; second the nature of leadership within the African state is also unlike the forms of government more usually found in western liberal democracies. Each of those elements is considered briefly before moving on to propose and flesh out an analysis of institutions and institutional reform in Rwanda itself.

PART C

3.5 THE AFRICAN STATE – AND OBSERVATIONS ABOUT 'ETHNIC TENSION'

Assessments of 'the African State' generally assume that politicians are motivated by self-interest – and by greed for wealth in particular (Van de Walle 2003; Khan 2010). Arguably this state of affairs arises because the state is an exogenous construct imposed upon Africa. It 'lacks embeddedness' and is 'divorced from underlying norms and networks of social organisation'. 'Patterns of predation, neo-patrimonialism, rent seeking … and administrative decay can be thought of as deriving from the legitimacy deficit of the African state' (Englebert 1997, page 768). These considerations support regimes of 'Presidentialism' and 'clientelism', in which parties secure control or leverage of the state resources, with no intention of providing services to the aggregate population (Van de Walle 2003).

In this characterisation of the African state, ethnic competition is easily understood to be a rational strategy for accumulation rather than a spontaneous expression of difference or antagonism, for example. 'Weak states', facing problems of legitimacy, made up of populations who often identify first with a sub-section of the population, rather than with the national identity, are common in Africa. Weak state politics are characterised by constant crisis management and the politics of survival (R. Jackson 2002; Migdal 1988, pages 227-229).

Formation of a middle class – with its status, access to education, consumption and wealth – is understood to be driven by the desire for capture of government jobs, accompanied by the expansion of government to create yet more jobs for those in the privileged groups. This creates the 'swollen' or 'bloated' African state (Diamond 1987). The extent to which the state is typically 'overgrown' in this way is contested. Arguably, the problem is not the enlargement of state bureaucracies per se, but rather their aimlessness or inattentiveness (Goldsmith 1999). Indeed, there is unlikely to be economic growth without bureaucracy – as captured in the characterisation of a Weberian state, but a capricious public administration will undermine private sector confidence (ibid, page 524).

Discussion about the Rwandan state after independence but before the Genocide would probably focus on the authoritarian and repressive nature of the regime, its ethnic politics and its manipulation. These are characteristics of a weak state (R. Jackson 2002), with its concomitant crisis management and politics of survival. But the weak state description belies the strength of organising and convening power available at the time. Indeed, in coercive terms, the Rwandan state demonstrated great strength during the Genocide. In reality, there had been an upsurge in activity in civil society preceding the Genocide, but this was balanced – and ultimately outdone – by a rapid expansion by the state of military personnel and armaments acquisition. The increased coercive force allowed resistance to reformist pressures, leading ultimately to the Genocide (Longman 1999). In specific terms, this shows that a reformist spirit was alive in Rwanda in parallel with the factors that led to chaos, violence and complete social breakdown. In more general terms, Rwanda's history demonstrates the complexity of characterising states as 'weak' or otherwise. Perhaps a more appropriate approach is to think about 'effective' or 'ineffective' states – where effectiveness depends on the ability (and presumably the inclination) to protect life and limb of the population, and to prevent arbitrary interference with private property (Bryceson et al. 2009).

The Genocide in Rwanda was, of course, founded in supposed ethnic tension. The nature of ethnicity in Rwanda is not straight forward – and is arguably a construct of colonialism, rather than a real ethnic distinction[45]. This typical 'politics of ethnicity' promoted during the colonial period (Ihonvbere 2001, page 71), nonetheless had the capacity to channel and direct individuals and communities into actions resulting in the Genocide against the Tutsi – ultimately causing social disintegration and actions of groups that no individuals would have committed on their own, or under their own initiative (Widner 1995, page 148). In various cycles of political manipulation those Rwandans who were classified as Tutsi, and those classified as Hutu were consistently played off against each other. 'In this kind of ethnically stratified pecking order lies an extraordinary potential for violent conflict.' Such was the manipulation that 'killing [became] a moral duty.' With 'an eye for an eye' morality, and retaliation the norm, there is little room for reconciliation and compromise (Lemarchand 1997, page 7 - 8).

Against this background, the stability and peacefulness of contemporary Rwanda is noteworthy, and in contrast to the preceding 'bi-ethnic, vertically structured social arenas, [where] exclusionary policies [were] a major source of erosion of state legitimacy (ibid, page 12). The stability gained offers opportunities that were beyond Rwanda's reach before the Genocide, during extended periods of political instability. 'The basic problem of political stability must be solved before all others – or everything else may be in vain' (Roth 1968).

The stability gained has resulted in a period of government that is demonstrably purposive and development oriented, seeking to improve the mass of people's quality of life. These are desirable characteristics that '… may involve … accepting styles of rule which may not be especially light or deft, but which are judged to be essential for delivering concrete development' (Haynes 1993).

3.6 Leadership in the African State: Patrimonialism and Authoritarian Presidentialism

The wider discussion about institutions, and the importance of power and politics within the prevailing order, invites consideration of the motivation of politicians and policy makers: why do leaders exercise their power in a particular way, and how do particular

[45] See, for example, John Lichfield in the Independent 16th November 1996: Guide to the Zaire Crisis – The difference between a Hutu and A Tutsi http://www.independent.co.uk/news/world/guide-to-the-zaire-crisis-the-difference-between-a-hutu-and-a-tutsi-1352558.html.

political settlements arise? A detailed assessment of these issues is beyond the scope of this study. However, it is helpful to see Rwanda and its most recent development agenda against the context of its post-colonial history, with civil war and the Genocide against the Tutsi in 1994, and the relative stability of the government that has been in place since then.

The history of Western states shows that depatrimonialisation and democratisation are long-term processes, and even when attained may not be permanent. It is usual to see leaders of African states as 'patrimonial', confusing – or not respecting – the distinction between the public and the private domains (Médard 1996), and to decry their resistance to change. Whilst undoubtedly presenting some of the characteristics of personalised leadership, with the implied difficulties that may be stored up for the future, Rwanda does not easily fit the broad stereotype of a patrimonial leadership system.

The style of leadership in Rwanda is often described as authoritarian. This authoritarian style is arguably consistent with the 'frequently occurring' instances that 'draw heavily on indigenous cultural patterns of authority [and] leader-follower relations…' (Robinson 1991). However, 'strong presidents have not imposed themselves on society simply by individual cunning and expertise; social forces in society and the conflicts among such forces' have a bearing (Anyang' Nyong'o 1989). In other words, Rwanda has a style of leadership that fits in with its recent and longer term history: that style may have elements of the patrimonial, and may be authoritarian in certain aspects – but it is worth teasing out the detail implied by such stereotyping, and considering whether the descriptions accurately reflect Rwanda's contemporary experience.

Patrimonial states typically endure high levels of corruption, accompanied by '…widespread impoverishment of the population, with only the top leaders of the state who continue to prosper despite all pressures' (Médard 1996, page 200). Their public sectors are inefficient, government is based wholly on rent-seeking, with the main concern being the 'distribution of prebends and predation, which is the opposite of development' (ibid, page 194). Rwanda, by contrast, is noted for its absence of corruption (being 'by far the least corrupt country in East Africa' according to the BBC in 2010[46]) and a general reduction in poverty across its population in recent years. The World Bank formally reports that 'the poverty rate dropped from 44% in 2011 to 39%

[46] http://www.bbc.com/news/world-africa-10726324.

in 2014 while inequality measured by the Gini coefficient reduced from 0.49 in 2011 to 0.45 in 2014.'[47] In her analysis of Rwanda's sector differences and market reforms, Behuria concludes that the commitment to economic development in Rwanda is driven by vulnerability of the ruling groups (related to the ethnic divisionist history referred to above) – without shared growth they will lose the support of the wider population (2015). This offers some insight into the drivers of political motivation in Rwanda that set it apart from patrimonial states in general. Behuria carries out an analysis of two opposing schools of thought, in the literature, about Rwanda.

It is beyond the scope of this study to seek to analyse these antagonistic views, in which Rwanda is portrayed either as committed to 'long-horizon rent centralisation' (Behuria 2015, page 417, citing Booth & Galooba 2012, and Kelsall 2013) to support strategic development or it is aligned with the neo-liberal argument that '… the close relationship between [government-backed enterprises] and a 'narrow' group of elites' means that such enterprises are used for unproductive purposes – such as to make the elites rich '… (without any evidence) …' (Behuria 2015, pages 417, citing Gokgur 2012, and Reyntjens 2013; and page 428). Views of Rwanda are often polarised[48], highlighting the difficulties of categorising it neatly into the typologies of leadership and state that are relied on to understand the dynamics of state in Africa.

A World Bank blogger used the Rwandan case as evidence that 'something to do with agriculture' coupled with 'the commitment, discipline and goal congruence of Rwanda's leadership; the commitment of that leadership to a broad-based consultative and inclusive approach to Rwanda's economic development; rules of the game that enshrine accountability to Rwandan citizens for delivery against that vision; the determination of the Rwandan authorities to drag its development partners kicking and screaming towards complying with that loftiest of the Paris Declaration goals – alignment with a country's own development goals; and finally the incorporation of traditional institutions and programs into modern development theory and practice' have brought about change in Rwanda, and could therefore do the same in Africa[49].

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[47] The World Bank in Rwanda: Country Overview March 27th 2017 http://www.worldbank.org/en/country/rwanda/overview.

[48] Chapter 2 has sought to put this tendency into recent historic context.

[49] Omowumni Lapido: One million more out of poverty in Rwanda 02/10/2012 – Published in 'Africa Can' by the World Bank http://blogs.worldbank.org/africacan/one-million-more-out-of-poverty-in-rwanda.

These words are not the description of an undiluted patrimonial state, with its implied selfish leadership, clientelism and a self-serving agenda for a powerful clique to the exclusion of all other sections of the population. It is unlikely that any country in Africa will display all of the characteristics of a smoothly functioning liberal democracy. However, Rwanda's direction of travel, consistent with an apparent 'relative depatrimonialisation and democratisation of the state in order to make it more efficient and more accountable to the society' (Médard 1996, page206) is at least worthy of note.

Government in Rwanda (and its President in particular) receives most of its criticism for being authoritarian, rather than patrimonial[50]. This implies a government that allows little space for civil society, political discussion or challenge. Again, this is contested as a proposition along the same divide identified by Behuria referred to above. Thus, Golooba-Mutebi and Booth (2013) detect consensus building and bilateral cooperation at the centre of political action in Rwanda, whereas others perceive the state '… as the engineer 'hover[ing]' above the local without consulting those affected…' (Ansoms 2009). More recently, agricultural policies in Rwanda were criticised in part for their imposition of change on farmers – and the resulting capture of benefits by the relatively well off (Dawson, Martin, and Sikor 2016). Aspects of the Dawson et al analysis are actually flawed on the evidence they present – for example the detail of their data reveals that 13 – 20% of farmers in their 'well off' designation suffer regular food scarcity, at least one day per month. It is difficult to infer 'elite capture' from such findings, or that there is systematic neglect of part of the population.

Again, without critiquing the contrasting points of view, there are general observations to be made. In African states the 'authoritarian' is often the 'strong man' leader, the President, rather than the government as a whole. In a state governed by this kind of 'Presidential Authoritarianism' the presidency 'becomes the biggest bureau in terms of administration and policy making: all other organs of government … stand in awe of the President.' If the President feels weak he will allow less power to his bureaucrats (Anyang' Nyong'o 1989, page 231).

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[50] See for example, David Smith: 'Paul Kagame's Rwanda: African success story or authoritarian state?' The Guardian 10th October 2012 https://www.theguardian.com/world/2012/oct/10/paul-kagame-rwanda-success-authoritarian or Laura Seay: 'Is Rwanda's authoritarian state sustainable?' Washington Post 3rd June 2016.

If Rwanda tends towards a Presidential Authoritarian state, the position is at least more ambiguous than the label suggests. Rwandan Ministries are led by Cabinet members, and Cabinet meetings are challenging, with individuals in Cabinet being held accountable by reference to policy objectives, commitments and outcomes.[51] However, the authority of the President is recognised within Rwanda as being paramount, and his personal reputation stands alone. The President has consistently, thus far, used his authority to empower others, and to build and strengthen the institutions of government. Arguably, he could use the same personal authority to other ends entirely. The next section will look at the behaviour exhibited by the President of Rwanda, and will ask if there is an extant model for a political settlement of this kind.

3.7 The President of Rwanda: What is the model?

Presidentialism usually manifests a highly centralised government operation, above the law, with little authority delegated outside the office of the president (Van de Walle 2003). In this respect, again, Rwanda differs: all levels of government and governance are active throughout the country, and are held accountable for their programmes and outputs, for example during the annual period of 'national dialogue' when meetings are made public, questions from the public are allowed, and many debates are reported in local press or aired on the radio.

The President himself makes frequent public appearances at which he emphasises the rule of law, and the power of government bodies to resolve problems in accordance with rules and procedures. At public meetings the President accepts numerous verbal reports, from individual citizens, of problems in their lives (such as property disputes or administrative failings). He listens and then refers each of the problems, publicly, to the appropriate organisations of government or administration. He does not dispense solutions, largesse or capricious decisions himself. He calls forward the District Mayor or the relevant Minister (many of whom accompany him to such public meetings) and asks for explanations. In conclusion, he promises each person who has presented a problem that he will follow up to make sure that things have been resolved through the proper channels. Members of his office then follow up with the formal representatives identified as having a role in the particular problem.[52]

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[51] See Chapter 2 for details of National Dialogue, and Imihigo (Performance Targets) in public roles.
[52] Summarised from personal attendance at a series of public meetings in 2010 and 2011.

In Rwanda a programmatic discourse has been adopted around government activity – in direct challenge to the history of reliance on the 'political saliency' of ethnicity. This is in spite of the acknowledgement that '…if other parties adopt appeals to ethnic loyalties and clientelism, it is very hard for a programmatic party to win', so that 'programmatic debates have been muted and rare' (Van de Walle 2003, pages 315 and 297). This focus on a programmatic approach is central during campaigning at election times, when campaigners work to remind voters of the programmatic promises made, and the achievements won against those promises during the current term of office.[53] The aim is to achieve stability and economic growth such that the future becomes more attractive than the past. The intuition is clearly that 'Stability will come from economic growth: converting pragmatic tendencies of personal leadership into stable government….' (Roth 1968).

In spite of some of the hallmarks of a shift towards transparency, securing the breadth and depth of government and civil service, extending and reinforcing the powers of Ministries and local government, the position of the President remains highly personal, and much of the approach outlined seems to remain at the will of this particular President at this particular time. It is sobering to recall what was being written about Uganda in the 1990's: 'Uganda has … introduced political liberalisation, given early emphasis to human rights … used military force to enhance state cohesion and stability without overt repression…' (Joseph 1999). Uganda today faces many of the problems of a personalised presidential regime in which the current incumbent has clung on to power for five terms of office, and turned away from some of his earlier state building, to recreate a more personal (patrimonial) presidentialism. He faces criticism from Amnesty International (amongst others): 'The rights to freedom of expression, association and assembly were severely restricted in the context of general elections [in Uganda] marred by irregularities. Human rights defenders faced new restrictions on their activities and some organizations were harassed. The rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) people continued to be violated.'[54]

The experience of Uganda, whilst not wholly comparable in detail, serves as a reminder that the situation in its neighbour, Rwanda, as in any country, is never static, and

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53 Personal communication from RPF party member who was active in campaigning during the 2010 elections.

54 Amnesty International 2016/2017 Annual Report Country summary: https://www.amnesty.org/en/countries/africa/uganda/report-uganda/ .

progress towards Médard's 'relative depatrimonialisation and democratisation of the state' may not always be in one direction. Since the end of the Genocide in 1994, Rwanda has shown a capacity for resurgence, whilst its neighbours have continued to struggle with regional and local crises. As early as 1997 '…only in Rwanda [had] something resembling a state system re-emerged from the chaos of the Genocide.' (Lemarchand 1997, page 16). At that point 'Kagame's Rwanda [had] all the hallmarks of [military] ethnocracy.' Evidence for the proposition was the wholly Tutsi-manned army underpinning the formal government institutions, with key decisions made by the President and trusted allies, flowing from the top down, with an 'appointed parliament, little more than a fig leaf' (ibid, pages 16 and 17). Within a few years of those remarks, they were out of date as the process of state building continued: the army integrated many returning soldiers from the former Rwandan Armed Forces (FAR), the national army under the previous regime (Burgess 2014); parliamentarians are elected in national elections under the Constitution of the Republic of Rwanda 2003 (Government of Rwanda 2003).

Whilst there remains uncertainty about the future, the current leadership has overseen positive changes. The recent historic focus on 'ethnic' differences has been consciously diminished. Rwandans, whether Tutsi or Hutu, are culturally homogeneous: 'it would be difficult indeed to imagine two groups in the continent that have more in common in terms of language and culture, history and social organisation' (Lemarchand 1997, page 7). This homogeneity is emphasised in public discourse, although the 'I am a Rwandan' campaign has controversial elements and outspoken critics.[55] One strand of discussion about the nature of a state offers insights into how the risk of future ethnic tension may be managed through the creation of a sense of national identity, superseding ethnic identity.

Rwanda and its neighbours share a long and intertwined history, and the tensions between Hutu and Tutsi have played out in different ways as people have moved back and forth across national borders – sometimes centuries ago, and some more recently in response to national pressures in the region. This has added a 'kin country' dimension to people's identity that sits awkwardly with a notion of national identity. People may easily feel more Hutu or more Tutsi than they do Rwandan (or Burundian or

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[55] 'State pushes campaign that critics say is ethnically divisive' November 16 2013 The East African http://www.theeastafrican.co.ke/Rwanda/News/Mixed-reactions-to--Ndi-Umunyarwanda-initiative-/-/1433218/2075366/-/6ktcmf/-/index.html.

Congolese…) (ibid). If the notion of being a Tutsi or a Hutu prevails over being Rwandan, then 'the thorniest question of all is how a Tutsi minority, the victim of a horrific attempted genocide, can feel secure if majority rule were restored' (Cooper 2002, page 192).

African states were, of course, created in artificial ways, ignoring allegiances to geographical areas, or to strong kinship groups. African states have persisted in 'juridical' terms, even where the usual characteristics of the state have seemed absent: the monopoly of force (a signature of statehood) may not, for example, reach all sections of society or all areas of a state – often weakening towards the periphery, even where it is strong at the centre. The juridical state has the opportunity to bring influence to, and to benefit from, membership of the international community (R. H. Jackson and Rosberg 1982). However, the strength of the juridical state does not, in itself, create a sense of belonging amongst the population. If, however, 'state' membership becomes more relevant to communities and individuals, then ethnicity may be able to become less relevant – reducing ethnic tensions (Ihonvbere 2001). If for no other reason than to avoid a repetition of the ethnic violence of the Genocide, Rwanda as a state has good reason to develop a sense of 'belonging' for all of its population.

Undoubtedly, the question of leadership transition remains problematic in Rwanda. Internally the issue has been postponed, following amendment of the constitution in 2015[56] allowing the incumbent to run for further terms. However, this accentuates external concerns about 'clinging to power'. Rwanda is, arguably, a former Military Oligarchy, according to the Bratton and de Walle typology of regime variants, and might now be categorised as a Competitive One-party System (Bratton and Van de Walle 1994, figure 1, page 471). Transitions from competitive one-party systems are more likely than other neopatrimonial regimes to result in a democratic outcome, so there are certainly reasons to be hopeful that any future transition will be more successful than the attempts in 1994 '…where democratic transition decanted into veritable ethnic holocaust…' (Young 2000). The exact trajectory for change will be strongly influenced by the current President, by his real motivations, and by the real capacity he has for bringing those motivations to fruition.

[56] The new constitution is published at: http://www.minijust.gov.rw/fileadmin/Law_and_Regulations/Official_Gazette_no_Special_of_24.12.2015__2___1_.pdf .

A complete analysis of the drivers for the particular regime in Rwanda, and the overall political settlement achieved is beyond the scope of this study. However some apparent paradoxes require consideration. For example, formal institutional arrangements seem to work, in the sense that there is a consensus that Rwanda does not experience high levels of corruption, and it is not ethnically exclusive or divisive in the way resources are allocated or delivered, as might be expected in a developing country with a very small productive sector, '…where the goal of a Weberian good governance state is simply not achievable' (Khan 2010). This implies that the existence of stable, formal arrangements is part of the political settlement, in the sense that those with the power to decide (arguably the President and his like-minded leadership group) have chosen to promote such institutions. This runs counter to expectations. The modest level of resources accepted by the leadership group as part of this overall settlement is inconsistent with the ideas of the African state and of Patrimonial leadership.

Perhaps in Rwanda the 'spoils' of leadership are different from those of other countries, as hinted at in Behuria (2015), mentioned above. Most of the current leadership are known to have spent large parts of their lives as refugees. Their stated objective was to be able to return to their own country and to live peacefully. Most of those who returned after the Genocide are regarded as members of an ethnic minority, so an inclusive government programme was required, in which all sections of society would experience the benefits of the current settlement, in order to avoid further ethnic-based organisation and violence from the majority: the majority group members need to be as impervious as possible to calls to arms by those who would reactivate the ethnic definitions and schisms. The challenge of inclusive government was apparent from the beginning of the Post-Genocide period, when the ethnicity of government members was openly discussed, and the fleeing Hutu population vowed to return with military force.[57] By contrast, the incumbent government promoted messages of non-violence and non-retaliation, in favour of reliance on the rule of law.[58]

In addition to the logic of ruling from a minority power base, the voices of those who left Rwanda are consistently heard. The ethnic discourse, and the characterisation of the

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57 The mood of that time is eloquently captured in the Raymond Bonner's New York Times report of 19th July 1994 in which the suspicion and intention of those leaving Rwanda was so clearly articulated. http://www.nytimes.com/1994/07/20/world/rwandan-rebels-name-cabinet-hutu-tutsi-but-those-fleeing-are-still-fearful.html.

58 In contrast Donatella Lorch's New York Times report of 1st October 1994 of the first public meeting in Kigali after the Genocide shows how the message to end violence was already being promoted. http://www.nytimes.com/1994/10/02/world/rwandan-rulers-warn-against-violence.html.

current government as oppressive and motivated by ethnic hatred is at odds with observed development outcomes, but is pursued all the same[59]. In terms of political settlement, there is a 'cost' of maintaining stability against this disruptive background, and that is the requirement that most members of society within Rwanda should prefer the existing arrangements and settlement of resource allocation, rather than leaning towards a renewal of ethnicity based politics. The ultimate 'benefit' for the powerful in Rwanda, in this analysis, is the peaceful coexistence of formerly divided ethnic groups, and the achievement of economic growth, so that the resource base expands.

This analysis is somewhat speculative, but it is one possible explanation for the current state of play which is consistent with the political settlement in Rwanda, and which seeks to '…locate the analysis of particular institutions in a particular country in the context of power defined by its current political settlement' (Khan 2010).

Whatever the reason may be, Rwanda has achieved a level of organisation that allows policy and strategy to be implemented in a relatively predictable manner. This is perhaps the reason that it is compared, from time to time, with the 'development states' of South Korea or Singapore: for example, '… a development state inspired by Singapore's rise from underdeveloped economy to a leading global trade hub, predicated on strong government, an incorruptible bureaucracy and a red-carpet welcome for investors.'[60] These descriptions arise in the face of the stated view that '… no successful developmental authoritarian state …' has emerged in Africa (Acemoglu and Robinson 2008, page 26). Rwanda's 'incorruptible bureaucracy' raises opportunities that are not available to countries whose civil servants operate in a more clientelist or less focused way. Whilst efficiency of government – and public officials – may not be **sufficient** for state capacity, it is certainly a necessary feature; the ideal of a responsive and efficient public polity is an important measure of state capacity (Widner 1995).

Rather than condemning 'state intervention' there is a need to understand why some state bureaucracies are more effective than others. Cross-national comparisons have

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[59] For example, the tone of reportage is consistently negative about Rwanda in 'The Rwandan', a freely available internet-based newspaper run from outside Rwanda by Rwandans living elsewhere (the editorial contact phone number is in Zambia). See the article about the 2017 election of 30th June 2017 http://www.therwandan.com/blog/rwanda-elections-2017-president-kagame-declares-himself-winner-and-dupes-the-world-again-about-plans-to-step-down/ or the Home page for a flavor of the wider coverage http://www.therwandan.com/.

[60] David Thomas, 14th April 2016: Rwanda: A development model? African Business http://africanbusinessmagazine.com/sectors/development/rwanda-development-model/.

demonstrated that 'quality of government' is connected to economic growth (Evans and Rauch 1999 and citing Knack and Keefer 1995 and Mauro 1995). Whilst rarely found in African states, the hallmarks of effective state bureaucracy (a feature that Weber uses to describe a particular form of governmental structure, by contrast with patrimonial and prebendal forms) can be summarised, based on classic arguments about 'the relations between administrative structures and changing levels of economic output' (ibid, page 748).

In a Weberian bureaucracy there must be meritocratic appointment to posts within the bureaucracy (based on some kind of qualification and examination), and there must be reliable and long-term career progression and rewards. For Weber, this style of bureaucracy is a necessary complement to market institutions, and does not seek to replace them (Evans and Rauch 1999, drawing on Weber's 'monumental essays' Economy and Society, 1904 - 1911). In summary, comparative evidence supports the proposition that states whose bureaucracies demonstrate both of these characteristics are associated with higher economic growth rates (ibid, page 760). Ultimately, the responsive state will have developed an 'intellectual enterprise', not only an arrangement of institutions and procedures, and the talents and attitudes of civil servants will make a difference to how a government operates (Widner 1995, page 138). Both of the high-lighted characteristics of an effective civil service can easily be absent in a clientelist bureaucracy, with its unreliable cash-flows and allocation of posts as 'gifts' of the ruling elite.

If a well-organised bureaucracy, in the Weberian sense, offers opportunities for growth, there are other features of an economy that will support economic development. There is a notion of 'take-off', where a discontinuous step forward is taken in economic growth, and this seems to be correlated with education, and the existence of an 'overqualified' workforce for the pre-existing economic opportunities (Azariadis and Drazen 1990). By contrast, economic growth risks being only temporary if it is not **preceded** by human development enhancement (with considerable links and feedback in both directions between human development and economic growth) (Mincer 1996; Boozer et al. 2003). These observations demonstrate the threshold effect of certain interventions, and also support the notion that there will, ultimately be increasing social returns to the accumulation of human capital at the national level.

In a separate thread, but of potential importance to Rwanda's future economic growth, there is support for the proposition that historic 'ideologies' may support unhelpful equilibria within a state, such that economic growth is curtailed, for example. Both confirmatory and pre-confirmatory biases may operate to consolidate views about ethnic differences and race theories that shape perceptions of what is possible in local and national economic development. Within this framework contacts with the outside world, changes in power, and the redistribution of wealth, matter not just directly, but because they can lead to changes in ideology – thus challenging the biases, providing feedback that unlocks further opportunities for well-being and growth (Hoff and Stiglitz 2010).

This section has sought to flag up some hallmarks of leadership and government in a contemporary Sub-Saharan African state, and in Rwanda in particular. Without delving more deeply into the complex political history and the current political state of play, with its distinctive set of tensions and opportunities, this section has also identified possible institutional arrangements that are advantageous to a country seeking economic growth, and which may be available to Rwanda given its observed stability, and the apparent absence of corruption and clientelism in its public sector, as well as the conscious effort on the part of the incumbent government to halt previous cycles of violence and to reduce the emphasis on ethnic difference within the population.

All of the discussion so far has viewed the issue of institutional arrangements from the macro-perspective: asking what a government can do, and what impact that might be expected to have. However, the defining analysis looks at the same questions from the micro – perspective: what do the arrangements, however characterised, mean for those leading ordinary lives within a particular polity or the boundaries of a particular state. The realities of life are likely to be highly individualistic, so that a framework for conceptualising what is playing out for communities and individuals on the ground needs to have both flexibility and clarity in order to explain actual decisions made by actual people, about how they live their lives. Only through such a framework will it be possible to shed some light on the impact of particular interventions and transformations of the institutional arrangements around the delivery of financial services. The Livelihoods Analytic Framework is thought to have both the necessary clarity and capacity for reflecting complexity.

The next section will focus on Rwanda's current institutional arrangements from the micro-, household or individual perspective, and will end by assessing the Livelihoods Analytic Framework as a tool for visualising and exploring the individualised and complex picture that emerges.

Part D

3.8 The individual or household perspective on development

Rwanda's own approach to institutional reform has been idiosyncratic, when compared with 'one size fits all' prescriptions. It has a complete, formal, land system, for example, supported by development partners[61]. There are dangers of unintended consequences when such a formal programme is adopted: registration of land may divert scarce resources into an expensive project, sometimes damaging complex land-use arrangements which do not fit into neat pigeonholes required by a registration system, and throwing up an array of unintended consequences ((Firmin-Sellers and Sellers 1999, Atwood 1990 etc). However, in the case of Rwanda the land titling programme appears to have provided a framework for resolving land ownership disputes, and for creating certainty after long periods of disruption (in particular associated with waves of ejection and return of refugees). Rwanda also has an increasingly effective, formal, tax collection system[62], also supported and encouraged by development partners.

These very formal institutional reforms sit alongside numerous development and governance objectives that are initiated from within, and are explicitly labelled 'home grown solutions'[63]. A challenge to Rwanda has been the question of whether 'bad' institutions can be re-purposed for new – better - uses. 'Umuganda' was a solidarity-based community work scheme in pre-Genocide Rwanda. It became an important vehicle at community level for the implementation of the Genocide killings. Umuganda has been reintroduced as a mechanism for achieving community goods: monthly work days are used to maintain decent drainage systems, construction of clinics or repairs to homes of vulnerable community members. Community meetings after the work sessions are used to discuss development issues of importance. The solidarity created by these programmes is a reminder of the need for caution when evaluating institutional arrangements: they can foster good or appalling outcomes, according to the political and power bases at play (Bonnier et al. 2014).

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[61] See DFID 7th March 2017 Justification and appraisal for DFID support of land titling in Rwanda https://devtracker.dfid.gov.uk/projects/GB-1-200284.

[62] See Public Private Dialogue February 2006 'Case Study on Rwanda' http://www.publicprivatedialogue.org/case_studies/Case%20Study%2009%20-%20Rwanda.pdf.

[63] See Chapter 2 on Background.

The contrasting purposes of Umuganda in pre- and post-Genocide Rwanda is an extreme – but highly relevant – example of the principles identified around the use of central marketing boards in Africa during the 1960's and 1970's. These variants demonstrate practices akin to informal rules within institutional arrangements – reminiscent of rule making in the Coasean sense referred to above. In some cases such as Kenya, public goods were effectively provided to farmers via the Kenyan Coffee Marketing Board, whilst identical formal arrangements in Tanzania provided no services to farmers and operated to suppress prices for coffee with no benefit to farmers at all. The missing link in the analysis, between the two examples, is the importance of politics (and therefore power arrangements) that drove the actual behaviour of the marketing boards (Bates 1995, page 43).

Other traditional 'home grown solutions'[64] are important in Rwanda's development policy. 'Ubudehe', for example, invokes a tradition of collective problem solving at cell level (groups of 30 to 100 households), and forms the basis for bottom-up formulation of economic development strategies. 'Imihigo' recalls the proud boasts made by warriors before a battle, but now forms the basis for performance contracts for public servants. Other Home Grown Solutions are used, variously, to motivate collective work, dispute resolution and poverty eradication.

The rural agricultural sector provides a particular lens through which an analysis of state capacity in Sub-Saharan Africa can be made real. This viewpoint transforms the intellectual discussion into a question of how life is lived in a poor agricultural community. Large ideas, such as 'capacity of the state' will be reflected in the specific experience of smallholder rural farmers around policy implementation – whether implementation is achieved, and whether policy adapts to demands on the ground, to achieve outcomes that create improvements in life chances and in well-being. 'Legitimacy' and 'efficiency' are respectively influenced by the actual capacity for development or capacity to respond, as discovered in the lived experience of rural smallholder communities (Fennell 2009).

A bottom up analysis of the 'players' in the policy process in Rwanda serves as a reminder that so-called beneficiaries of development policy are more accurately described as **partners.** No development occurs until changes are adopted by those

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[64] GoR discusses Home Grown Solutions http://www.gov.rw/about-the-government/government-home-grown-solutions/.

intended to benefit, making all rural development a kind of 'co-production' (Ostrom 1996). The approach is consistent with 'an unusually high level of citizen input into the production of public good' found to be effective in case studies, especially in comparison with a 'top-down administrative command as the style for all decision-making (ibid, pages 1074 and 1078). The individual farmer's role is to 'voice the needs' and to act to make changes through rational choice. (Nsanzabaganwa 2012, page 105). Thus in this analysis there is an important role for 'social change managers' who must (amongst other things) be open, ready to inspire, to broker, to enlighten and to help smallholder farmers, as rational social actors, to '…overcome dysfunctions that stand in their way to prosperity' (ibid). Co-production does not happen 'simply because substantial benefits could be achieved': information, skills, time and other resources are essential…' (Ostrom 1996, page 1082).

Just as smallholder farmers have agency as rational social actors, so too do the politicians and policy makers – and those charged with implementing policy all the way down to community level. Each individual lives their life according to the rules and motivations that shape their choices. It may be important to consider the policy successes and failures in this light: the bureaucrat is more likely to provide a service to her community if she is well-qualified to do so, receives regular remuneration, and is motivated by a positive opportunity for career progression. In that sense, the Weberian model of a functioning bureaucracy offers validation for the 'rational actor' model of development implementation, and has equal validity at the point of service delivery as it has at the level of policy articulation.

The very experience of seeking to introduce new arrangements into community level activities provides an alert to the strength of underlying arrangements – existing informal institutions may be hard to capture and define, but it would be naïve to assume they are not there. In recognising the existing arrangements (however ill-defined), and noticing their persistence, the observer is reminded that even an unpromising equilibrium has come about for good reasons (eg Olson 1993): there is a rational explanation for the state of affairs, however unfortunate it may appear. Sometimes the explanation is a kind of 'prisoners dilemma' equilibrium: the best outcome for all is not in any individual's best interest if they are unsure of the choices of others. Similarly, the 'tragedy of the commons' (Hardin, 1968) may easily drive self-evidently bad collective decisions. Environmental degradation, particularly where there is an absolute shortage of basic resources at community level, may occur even though collective management might prevent that outcome. All of these checks and balances to change, whether positive or negative, will influence decisions from the bottom up.

Collective action problems can be solved when people work together – and there is good evidence that they sometimes do. However, there is no general rule that successful circumvention of the prisoners' dilemma or the tragedy of the commons will occur. There are pointers as to what might help. Interventions may prompt collective solutions, but they are more likely to be sustainable if the rules are made by communities themselves, rather than being imposed from outside, including proportionate and graduated sanctions for rule infringements. When costs of collective management are assigned proportionately to the benefits of a scheme, sustainability is reinforced (Ostrom 2014). These observations about approaches to collective action problems indicate that the flexibility, and very local ownership, of implementation of Home Grown Solutions may engender their sustainability.

It follows from the importance, for sustainability, of locally generated solutions and rules, that the voices most important in a problem solving process are those of community members. Both policy and investigation are strengthened by listening directly to views at grassroots level, as Chambers has argued for decades, so that outcomes emerge from the bottom up, through giving voice – and **listening** to what is said (Chambers 1983; and Chambers 1995, for example).

On a practical level, Chambers has tackled the question as to how research can encompass the need to listen to problem articulation from the ground up, whilst also generating qualitative data (requiring categorising of responses before a study begins). One approach is to use two stages – to 'pilot' a study into an area of interest, and use the findings to generate a more categorical study on a larger scale. In this study that approach proved helpful: the highly participative group discussions referred to in Chapter 8 preceded the household survey in Chapter 5, suggesting areas of concern that could be investigated in a less open way by survey (Chambers 2007).

It is within this complex set of opportunities and hindrances that the policy for financial inclusion in Rwanda is located and investigated. Whilst a systematic review of attempts to adjust institutional arrangements in order to accelerate development finds that such efforts have little impact on poverty (Shailaja Fennell, David A. Clark, and Terry van Gelt 2013), this study considers the case of the take up of financial services in rural areas with at least some regard to the changes in institutional arrangements that make such take up possible, desirable or unacceptable.

3.9 The Livelihoods Analytic Framework

The shift from the macro to the micro perspective requires a different approach. The 'Livelihoods' viewpoint focuses on the individual or household – inviting a full consideration of how livelihoods are constructed, especially in poor rural communities (Chambers and Conway 1991). The livelihoods approach notices that there are many constraints and enabling factors that, ultimately, result in available choices being presented to the individual. Only by seeing the picture from the viewpoint of the rural poor can their lives begin to be understood (Chambers 1983).

The livelihoods approach shares ideas with the notion of 'development as freedom', which recognises the breadth and dynamism of development (Sen 1999, Introduction pages 3 -10). In this conceptualisation choices, or 'capabilities', are the range of life options genuinely available to an individual, a household or a community. It is an observable phenomenon that different people have different options (capabilities) even though they seem to have access to similar wealth and assets. It is poor people who die in famines – even in the absence of absolute food shortages (Sen 1977).

In a similar way, it is the poorest who experience the highest barriers to entry in new economic opportunities. Where a shift to non-farm earning is encouraged in order to secure livelihood options that are not linked to possession of land, it is generally the richer farmers who become the richest non-farmers. The poorest become dependent on the lowest income options (Bryceson 2002).

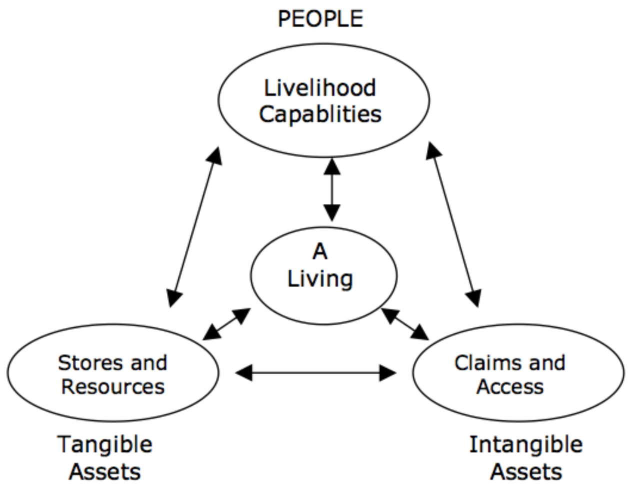
Thus the 'initial endowment' of a person, household or community, from which they derive their livelihood, consists not just of assets (often presented as a pentagon of five asset types: Scoones 1998; Carney 1998), but also includes social norms, social constraints, and opportunities for access to support. The initial endowment is further acted upon by the context in which a person lives: vulnerability, rights (formal and informal), migration and population pressures, political instability and so on all modify the initial endowment to generates a person's capabilities: their access to life choices that they have reason to value (ibid). It also follows that the array of facilities available will have an impact on capabilities: roads, schools, banks and shops; health services, educational opportunities, extension services and access to credit – the 'hard' environment and the 'soft' environment all act upon the initial endowment to amplify or to dampen real opportunities. This focus, in development analysis, on the realities of choices available to people in their real lives is known as the 'capabilities approach'.

Ultimately the capabilities approach proposes that development should be evaluated by reference to people's opportunities to pursue lives they have reason to value. This transcends the crude measures of GDP, or even of individual wealth. It recognises, too, 'the value of striving and agency, which is a particularly important part of the struggles of the poor…. People don't want to be taken care of, they want a future in which they are able to be active and to participate in their own lives' (Nussbaum 2012).

The 'livelihoods analytical framework' is a tool that seeks to capture the complexity implied by the capabilities approach, operationalising ideas captured in the notions of livelihoods: it considers the asset base (combining material assets with those less obvious such as education and health), the context in which assets are held, and the mechanisms by which choices are generated in any particular case (Scoones 1998). The emphasis, when analysing livelihoods, is upon autonomy, choice and decision making as part of the development process (Chambers and Conway 1991, page i). 'Livelihoods' captures common pressures: 'being able to cope with stress and shocks, and being able to find, and make use of, livelihood opportunities' (ibid, page 4). The dynamic nature of these capabilities is emphasised, including the ability to experiment, to learn, to plan, to compete – and to collaborate. In this framing, capabilities are understood to be both ends and means, each a feedback to the other (Chambers and Conway 1991).

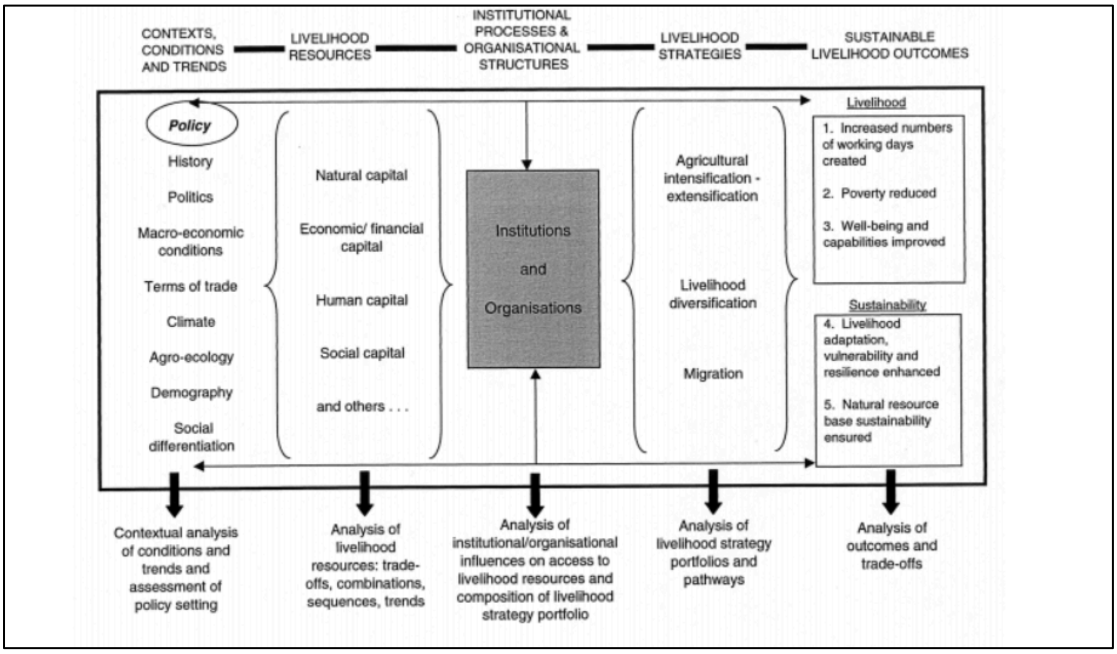
The original schematic for the flows and components of a livelihoods model is shown in Figure 3.1. The diagram emphasises all of the interconnectivity involved in the asset, social and human dynamics that contribute to 'A Living'.

Figure 3.1: Components and flows in a Livelihood (Source: Chambers and Conway 1991)



In putting these ideas to work, the livelihoods analytical framework asks: 'Given a particular context …, what combination of livelihood resources … result in the ability to follow what combination of livelihood strategies … with what outcomes? Of particular interest are the institutional processes which mediate the ability to carry out such strategies…' (Scoones 1998, page 3). A new schematic, shown here at Figure 3.2, is intended to support the practical use of the analytic framework: it places the livelihoods flow into a series of left-to-right columns (ibid, page 4). The use of livelihoods and the framework analysis encourages an 'all-round view of the circumstances of the poor, as they themselves view them, rather than jumping to early conclusions…' (DFID 2000).

Figure 3.2: Sustainable rural livelihoods: a framework for analysis, (Scoones 1998, page 4)



The framework has been analysed as a tool for assessing the impact on poverty of a particular intervention in agriculture (Adato and Menzies-Dick 2002). The framework was found to be helpful: it reflects the complexity of strategies adopted by poor farmers – and it does not encourage simplification, when complexity may be the correct explanation for differential outcomes in response to interventions (ibid, page 12).

In practice, the framework is frequently redrawn to emphasise characteristics of a particular setting. For example gaps may be found, such as the need to account for power, politics or empowerment (Ashley and Hussein 2000), or there may be a need to capture a particular dimension of the livelihoods under scrutiny, such as the role that livestock plays (and the gendered aspects of that role) in a specific location (van Hoeve and van Koppen 2005). Thus the analytic framework has become a functioning tool for research and practice, whilst prompting an approach that holds on to the 'micro-level' point of view.

The framework invites a mixed methods approach to understanding real lives in development: it draws on national data as well as primary data, and invites 'triangulation' as an effective approach to verification of observations. This approach allows for participative research approaches if resources permit, allowing benefit to those who are the subject of study. However, constraints on time and resource lead most often to extractive research approaches, and there are ethical issues where local people are asked to give up large quantities of time without remuneration or benefit. The ethical issues are brought to the fore because the livelihood analysis approach illuminates the very fact that livelihood strategies of poor people often involve long and tiring daily commitments across individuals and households. A resourceful approach to data gathering and analysis will allow useful insights to be gained from a modest interference with the lives of those who contribute to a study (Brock 1999; Murray 2001).

In placing the concerns of individual farmers or households as the start and end point of this study, there is an attempt to reflect a humanitarian approach to development, capturing Sen's concerns about capability and the lives people might have reason to value. These non-material concerns have, arguably, a special importance in Rwanda, where a sense of hope and optimism – and the ability to plan or to collaborate - may be as valued in themselves as food on the table or crops in the field.

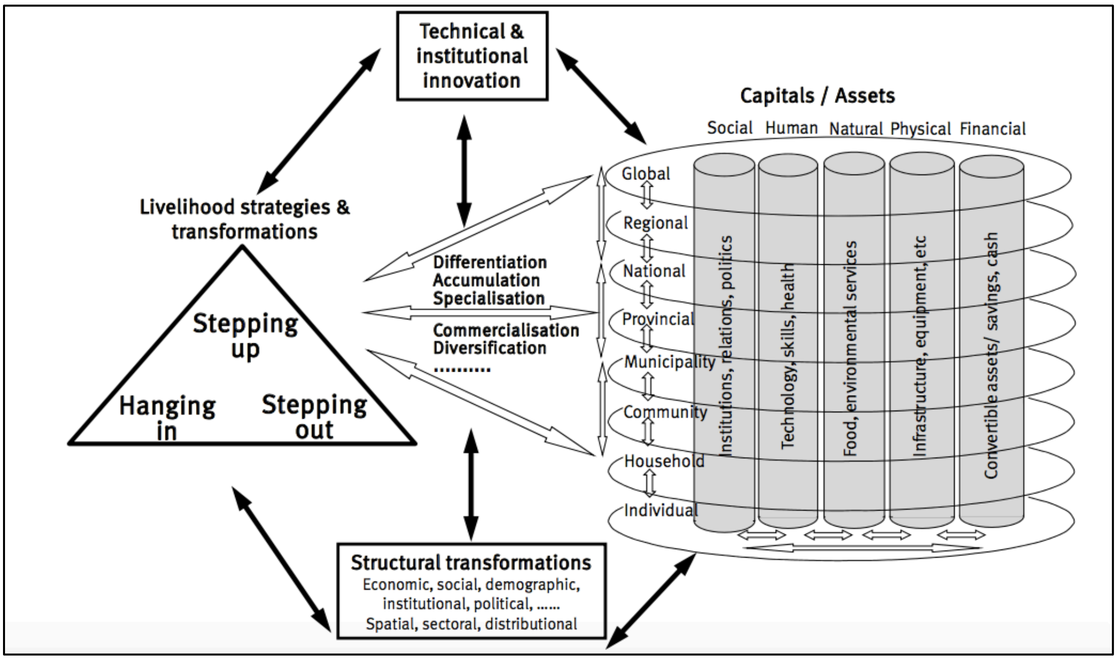
3.10 CONCEPTUALISING THE PROCESS OF POLICY IMPLEMENTATION – DIFFERENT LEVELS OF DISAGGREGATION

Having argued for putting the householder or household at the centre, this study remains an investigation into multiple aspects of a particular policy – financial inclusion – exploring how it has been articulated and understood at the macro level, implemented at the mid-level and, finally, experienced at the micro level. This total process approach calls for a means of conceptualising the interactions between levels, as well as understanding the dynamic effects of the policy as it is experienced at grassroots.

Again, the livelihood framework offers assistance. Just as 'rural people do not live in sectors' (Carney 1998, page 21), so that the framework is cross-sectoral in nature, it also makes explicit links between the 'micro' and the 'macro' by drawing attention to individuals' access to assets, '… and the policies and institutions at all levels which determine these' (ibid). A livelihood can only be understood in relation to the deployment of assets in a particular context, and that context is as much of interest to the livelihood framework analysis as the assets themselves.

The livelihoods framework can actually be deployed at multiple levels of disaggregation when trying to understand the dynamics of development. This insight led to the conceptualisation of each level of development as a 'livelihoods' strategy, taking place through the deployment of assets in a specific context, whether global, national or household (Dorward 2009). Figure 3.3 shows how this idea is represented diagrammatically, with the five-fold asset base running through each level of development, and all of the development activities operating within their own particular context – and also interacting with each other level of development activity. In this formulation (ibid, page 137), the 'context' is imagined as a division between technical and institutional innovation on the one hand, and structural transformation on the other. The livelihood outcomes are seen as falling into three categories: hanging in – where increased security is achieved, but the fundamental livelihood approaches remain the same (for example subsistence farming with enhanced safety nets for difficult times); stepping up – where new approaches transform livelihood outcomes (for example a transition from subsistence to commercial farming); and stepping out – where new livelihood options altogether become available (for example a shift from agricultural production to other business activities with enhanced income or stability).

Figure 3.3: The livelihoods analytic framework presented to show interactions between all levels of development (Dorward, 2009 page 137)



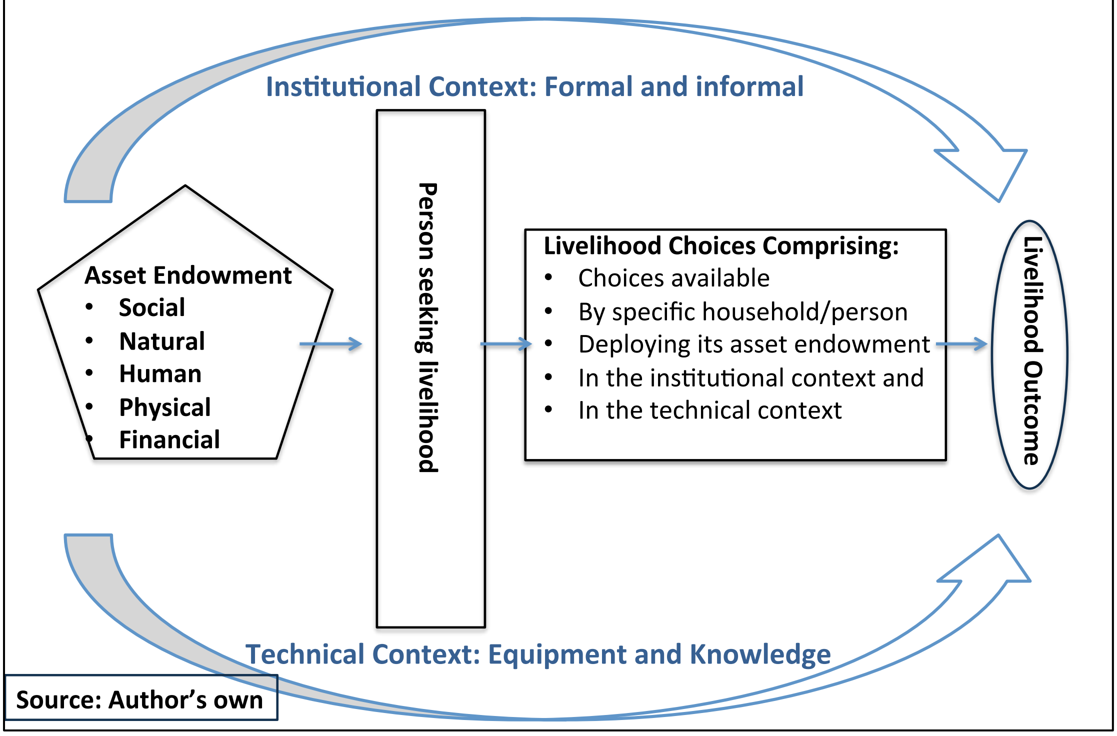
This integrated livelihoods framework serves as a reminder of two aspects of the development process. First, there will clearly be feedback and interactions between each and every level in the process – amplifying or dampening effects of intervention and change. Secondly, the development process at each discrete level in the overall system has all the characteristics of a ‘livelihood’: it is an exercise in deploying assets through the medium of a particular person or entity, in a given context (technical, institutional, structural etc), to achieve options and outcomes that may be valued in the development context.

Thus the Government of Rwanda is forced to deploy its assets in its own particular context (of national and international relations; with its given asset base of human capital, physical capital, social capital etc; with its particular governance strengths and weaknesses and so on). This will be highly particular to the individual circumstances of Rwanda at a particular moment, and thus the rationale for avoiding the ‘one size fits all’ approach to development strategy is vindicated.

Similarly, the regional bank manager, the manager of a new SACCO or farming cooperative, and the district level civil servant will all face a livelihood framework in which they must act. At the personal level, their ability to work will be framed by their own context: are they financially secure; are they appropriately educated for the job in hand; do they have childcare arrangements that allow them to work without fear through the working week; do they sleep well at night without fear of violence in or around their home. In the work context they must deploy their development strategy in the context of existing institutional arrangements, with whatever resources are available to them, using roads, communication systems and equipment as available. Any one of these dimensions will have an impact on how the development project will be realised – and a knock-on effect on how the discrete layers in the development tower are able to amplify or dampen the outcomes. This is the logical impact of the integrating conceptualisation proposed ((Dorward 2009), and it offers opportunities for richer insights into how a policy process may proceed to unfold at its different levels and phases.

In order to make use of the livelihood analytic framework in this study, a simplified schematic is proposed in which core information for the analysis of interest can be captured and considered. Figure 3.3 shows the generic form of the proposed schematic, and it will appear in the course of the study to assist in understanding data, and to clarify arguments and discussion.

Figure 3.4: Livelihoods Analytic Framework: Simplified schematic for visualising livelihood processes



Source: Author's own

As Figure 3.4 shows, a particular person deploys their particular assets to create livelihood choices. The deployment happens in an environment that has been divided, conceptually, into the technical context – comprising equipment and knowledge, and the institutional context – comprising the formal and the informal 'rules of the game'. Each aspect of the livelihood framework has a potential impact on every other, and those impacts feedback into the framework augmenting or suppressing livelihood choices. This formulation accentuates the pervasiveness of the **context** in which livelihoods happen: it is everywhere, and will have an impact on the worth or usefulness of assets, the ability to deploy assets, and the livelihood choices and outcomes. The ubiquity of the environment as a factor in livelihood opportunities validates the tendency for interventions to focus on that aspect of livelihoods. The interconnectedness of all livelihood aspects is a reminder of the value of coordinated interventions, sequenced strategically, to secure lasting changes.

All of the livelihood discussion is predicated on the assumption that development will enhance the choices that become available to households and to individuals, and that those choices will be such that there is reason to value them. Valued choices are a way of conceptualising well-being – presumed to be the aim of development strategies.

3.11 Aspects of human well-being as a measure of development impact

The final section of this review will briefly consider the meaning of successful development when viewed from the individual or household perspective. If development policies are to have meaning at the grassroots level, it would be sensible to start with the general question as to whether real lives are being improved. This is a subjective question, and involves establishing what it is that people value, and how they feel about their lives as they are – thereby allowing a comparison between 'a good life' and the current experience.

Sen's capability approach offers a way of thinking about human well-being and development, rather than attending only to the issues of 'utility' or resources (although these are important aspects of development, too, and a focus on Sen alone may not allow enough space for these features to be addressed) (Clark 2005). The capability approach allows meaning to be given to commodities or activities in life that transcend their apparent function. For example a bicycle, offering its owner transportation, creates a 'functioning' that may be portrayed as cycling around – thereby creating happiness. A bicycle may, equally, represent a chance to set up economic activities, such as running a taxi service, thereby creating economic diversity – leading to an increased sense of security; it may allow a woman to carry firewood other than on her head, thereby reducing pain, allowing more time for creative thinking and enhancing a sense of dignity, self-respect and standing in the community. Only an individual can convey what a bicycle means to them – and this is the value of investigating well-being.

Enquiries about well-being in development are able to borrow from the livelihoods framework and from Sen's capability approach (Hodgett and Clark 2011). Responses to open questions offer insights into the complexity of well-being for different people, even where they might share similar experiences. Closed questions, following the open questions, allow responses to be checked, and give insights into the context in which the well-being observations are made – borrowing from the livelihood framework insight that 'context', as well as assets, influences the choices and experiences available to people. The combination of approaches allows people to talk about their mental state, the material basis of their well-being, their aspirations and the aspects of daily life that are rewarding or challenging (Clark 2005). The combined approach, with its inclusive viewpoint, allows for the revelation that many development outcomes have both intrinsic value and instrumental value (ibid, page 1362): assets such as a bicycle may give security or status or pleasure (intrinsic value), whilst allowing new activities to be undertaken, such as income generation or wider access to education (instrumental value). Similarly, striving may impart intrinsic value (self-esteem; sense of control; strengthened resilience, for example) whilst offering instrumental value (increased chance of achieving economic transformation; achieving material or psychological goals, for example).

3.12 Concluding thoughts

This chapter has set out to trace the themes and dynamics that frame the formulation and implementation of the policy in Rwanda for financial inclusion. It has considered the issues from the macro to micro levels, with consideration of the human implications at each level of the process.

It has posed the question of whether the policy is well-founded, given the challenges and controversies that have accompanied the widespread introduction of micro-finance initiatives in other developing countries. In summary, it is evident that access to small-scale financial services is essential for those living in rural African communities, many of whom depend at least partly on agriculture. The services are an essential part of a transformed 'enabling environment' that may allow smallholder farmers to stabilise their livelihood through seasonal peaks and troughs (characterised as 'Hanging in'), transform their production from subsistence farming to a more commercial footing (Stepping up), or diversify their economic activities in a meaningful way to create resilience and new opportunities ('Stepping out'). An enabling environment may be carefully planned, in a coordinated set of government-led initiatives, or it may be market led, with a supportive and protective regulatory system for users and businesses: many approaches have their place, and each country or community will benefit in different ways from the range of possible interventions.

The chapter has asked why implementation of the policy might be difficult in an African state, and has identified that power dynamics and political settlements may often favour self-enriching clientelism for the few (often based on ethnic or other 'in-group' identification) rather than a commitment to serve the population as a whole. The significance of the patrimonial leader in countries where liberal democracy does not exist gives insights into the importance of the motives of a leader, or a leadership group. It is noted that programmatic government is rare in African states, and the existence of a strong programme for development in Rwanda requires explanation in this context.

When considering how implementation might occur in a developing economy, the difficulty in assembling a functioning civil service is noted. A distracted cohort of individuals who may have attained their posts through membership of a particular group, rather than on merit, is ill-suited to implementation of complex programmes. These insights tell a great deal about the difficulties in creating effective state mechanisms, and show the over-simplification behind the criticism of an ‘over-sized’ or ‘bloated’ state (which may not be over-sized at all). A professional cadre of civil servants is likely to be well-educated, appointed on merit, secure in their employment (including being in receipt of regular pay) and with access to opportunities for career progression.

The ultimate test of the policy - its accessibility and its effectiveness – is whether there is take up of the newly provided services at the grassroots. This perspective focuses on the vantage point of the smallholder farmer or other members of the poor rural community. The rational decision making of these individuals is acknowledged, and the complexity of livelihoods (with the appetite for risk playing an important part) is laid out. The up-side of using financial services may be readily understood by community members, but the down-side of new risk and exposure to irrecoverable losses may be unacceptable. It is in this context that the importance of farmer organisations, insurance services, infrastructure to support access to market and on-going extension services is fully understood.

The noticeable thread through each level of the policy process of formulation, implementation and uptake is the issue of the motivation for the actual people at each level to play their part. Why might a former military leader in Rwanda choose a programmatic approach to policy formulation rather than an ethnically divisive, clientelist strategy more in line with previous governments? Why might those leading the farmer organisations, the District level implementation teams or the rural branches of commercial banks be more or less effective at supporting and implementing the inclusion policy in Rwanda? Why might a farmer, a household or a village community decide to make use of a newly available financial service?

Ultimately each of these questions is asking about human motivation – and capacity – in a given situation. Each situation can be characterised by the livelihood framing: this person is deploying these assets in this environment (‘hard’ and ‘soft’) to create these meaningful choices in life, which they choose to deploy in this or that way. The livelihoods analytic framework demonstrates the complexity of this decision-creating and decision-making process at each level of disaggregation – and recognises the interaction between the levels too. A policy decision at the top level in a country (made in an international, domestic and personal context) adjusts the context for the next level, making or blocking different asset deployment options; the consequential expanded or constrained decision making has an impact on the context for the next level – all the way from Presidential team to community member.

In this way it is easy to recognise the individuality of each and every situation whilst also recognising that there are environments and contexts that are generically more favourable than others; these are often termed 'enabling environments'. It is probable that a farmer who has access to roads, education, diverse alternative income generating opportunities and a well-organised and regulated market for her produce, will have a greater array of meaningful choices in life than one who is lacking in all or any of these features. The addition of financial services is more likely to provide an incremental enhancement to the well-provided context than it is to 'rescue' the situation where the context is lacking in other basic requirements.

The insight that human motivation is important at all levels of policy generation and promulgation will add a dimension to the evidence-based chapters of this study. It will give a place to questions about why policy makers make the decisions they have made in relation to financial inclusion – the why, as well as the how. The human perspective will allow insights to be gained from questions about how middle-level managers felt enabled or hindered in doing their jobs – and how they knew what to do when they first took up their posts.

The same perspective means that village-level households can be asked what they want in life, and what actual features of their lives are valued or are challenging. In this context it is possible to place the use or non-use of financial services into the wider framing of real lives, with their aspirations, their actual asset endowment, their enabling or constraining environment and, therefore, the actual choices that are present in their lives. Groups of farmers can be asked what they find good or challenging in their lives, as well as asking why they use different financial services for different activities or to meet different needs.

The wide diversity of literature considered in this chapter all serves to highlight the space (often un-acknowledged) for human drivers of the development process. This study will place that human element at the heart of the discussion, rather than noticing it obliquely, embedded in generalisations about how governments, politicians, civil servants or 'the poor' choose to live their lives, when faced with the options of their particular context.

CHAPTER 4: METHODOLOGY AND METHODS

The intention of this thesis is to establish whether the policy for financial inclusion in Rwanda is explicit, appropriate and effective. The study looks at the theory of financial inclusion and then carries out an institutional analysis of its presence in Rwanda. In that context, the study will ask whether the particular approach to policy formulation has been significant in making progress; it will consider whether the tools and tactics for implementation have been important; and it will examine how – and why – take up of financial services actually occurs, looking at the detailed experiences of a representative sample of households from a small number of village communities, and talking to groups of people from rural communities about their experiences with financial services.

The thesis presents evidence about the characteristics of the policy process in the sphere of financial inclusion, and will ask whether it discloses an approach applicable to Rwanda's wider policy processes, since the country often out-performs its neighbours in policy areas where widespread take up of initiatives across the population is required.[65] In institutional terms, it will look particularly at any propensity to assume that new institutions are emerging in a vacuum, or whether there is recognition of existing arrangements that are complex, although usually not formally codified.[66]

The chapter is in five parts: the first describes briefly the methodological approach to the study, highlighting the theoretical and practical reasons for the choices made. The remaining parts detail the research methods designed and adopted for gathering evidence in the field in Rwanda over the course of 2014 and 2015, in the chronological order of the activities. Thus, the second part of the chapter sets out the process of interviewing policy makers and policy implementers at the national level in Rwanda (characterised in the study as 'Central Actors') and also at the District level in Eastern Province (characterised in the study as 'Local Actors'), together providing the basis for Chapter 6 and Chapter 7 of the study. The third part of the chapter details the group

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[65] In health, economic growth, and infrastructure development, for example. See Chapter 2 for further discussion.
[66] See Chapter 3, Part 2.1 on Hyden for the salience of this.

work and participative activities carried out in various rural communities around Eastern Province, providing the basis for Chapter 8 of the study. The fourth part explains the approach to a representative household survey carried out in four villages, each from one of four Districts in Eastern Province, providing the basis for Chapter 5 of the study. Part five contains concluding thoughts.

The Government of Rwanda requires a research permit to be obtained for all research fieldwork, and this in turn requires affiliation to a local institution. The research permit number 4019/12.00/2014, was obtained on 2nd December 2014, with the support of affiliation to the University of Rwanda, under the local supervision of Dr Alfred Bizoza. A copy of the permit is attached at Appendix 1.

4.1 METHODOLOGY

The study relies strongly on primary evidence to create a detailed snapshot, from multiple perspectives, of a policy in action in Rwanda. The aim is to draw directly on the evidence to set up a theoretical framing, so that the study takes a fundamentally grounded approach. In broad terms the approach is to examine the evidence to see if a 'middle range theory' (Bryman 2008, page 7) about effective implementation of financial inclusion policy in rural areas in Rwanda is discernable. The primarily inductive approach seeks to generate a theory about development in Rwanda directly from the evidence gathered. This is complemented by an institutional review of what may be happening in Rwanda, obtained from reviewing analyses of the African state, types of leadership, the idea of a developmental state, notions of a Weberian civil service[67] and experiences with financial inclusion in other developing economies (especially with micro finance). This is a first attempt at providing a workable theory of what is happening in Rwanda today, with its particular successes in development strategies. There has been little theorising on the 'developmental state' in Sub-Saharan Africa, and the concept is more often dismissed as unachievable than considered in the light of the particular development conditions and opportunities available[68]. The notion of an African developmental state may capture some of the development achievements in Rwanda, and also flag up some of the challenges that remain.[69]

[67] Discussed in Chapter 3, Part 2.4.
[68] See for example Evans (2008), discussed in Chapter 3.
[69] See Hyden (2008), discussed in Chapter 3.

Thus the study has captured as much as possible of what is happening, with a determination to listen to accounts from people living with the policy and its implications, at whatever level they may be positioned. The snapshot created shows a dynamic process, and the views of those whose lives are most affected are at the centre of the study, allowing the financial inclusion policy to be examined from its multiple perspectives and angles. Policy adoption, roll out and take up have been examined from the top – its inception and high-level implementation, via the mid level – the District level roll out and coordination, to the bottom – its accessibility and take up (or not) at village level. It is, therefore, a study of a process, adopting a kind of 'critical realism' in order to identify the 'structures at work in the social world' so far as it relates to financial inclusion in Rwanda (Bhaskar 1989, cited in Bryman 2008, page 14).

The study uses grounded theory and description to provide as much rich detail as possible. Data was gathered by a range of methods, all of which help to fill out a picture of the area of study. The sequencing of three field visits, with time for evaluation and preparation between visits, allowed assimilation of information to take place as the study progressed. Each piece of fieldwork built on the piece before, with learning and refinement of lines of enquiry emerging along the way.

The same information often emerged in different forms from different research activities, allowing for triangulation, particularly on factual assertions. There were no restrictions placed on the research activities, whether formally or informally, so that the research activities are complete - within their inherent time and budget limitations.

Table 4.1 shows the matrix of methods adopted for each aspect of investigating the policy on financial inclusion.

Table 4.1: Table of methods adopted for the study		
Level of Policy Making	**Source of Evidence**	**Methodological Approach**
Those who create policy: Central Actors	Public Policy Documents	Qualitative - As primary data, they set out the supposed intentions of the Rwandan Government. Qualitative - As secondary data, they enrich information obtained from interviews. Quantitative – As a source of statistics, they provide data for analysis
	Elite interviews	Qualitative – Process Tracing approach (Tansey 2007)
Those who implement policy: Local Actors	Elite interviews	Qualitative – Process Tracing approach (Tansey 2007)
	Public Policy Documents and Statistical sources	Comparative approach: comparing stated intentions with achievements
Householders and Group members: Those who experience the effects of policy	Participative research: groups of farmers analysing problems and suggesting solutions	Qualitative - Livelihoods framework analysis
	In depth interviews with randomly selected individual farmers	Qualitative - Livelihoods framework analysis - Case study approach
	National Household Survey data	Quantitative – socio-economic analysis using categorical information (Secondary data)
	Village survey	Quantitative and qualitative: to enrich findings from other data
Source: Author		

4.2 INTERVIEWING POLICY MAKERS AND POLICY IMPLEMENTERS: CENTRAL ACTORS AND LOCAL ACTORS

Interviews fall into two sets: those with 'Central Actors' and those with 'Local Actors'.

The objective of the first set of interviews was to discover, from the personal viewpoint of thought leaders, policy designers and implementers, what they know of financial inclusion, and how they see their own role in the policy process. Given the nature of the roles of these individuals, and the tendency in Rwanda for central formulation of policy to have direct effects throughout the country, the ideas and positions taken by these players has potential impact on overall financial inclusion across Rwanda. For those reasons they are characterised as 'Central Actors'.

The objective of the second set of interviews was to discover, again from the personal viewpoint of those responsible, how the directions for rolling out a policy for financial inclusion were actually acted upon at District level or within the District level economy. Given the nature of the roles of these individuals, their decisions and actions would have a direct impact on how a financial inclusion strategy became manifest in their locality. For those reasons they are characterised as 'Local Actors'.

All interviewees except for one were asked if they would allow their interview to be recorded. The exception was the interview that took place in the grounds of the Office of the President – where a recorder was not available. All but two interviewees were willing to allow their interview to be recorded. In all cases a hand written note was taken as well as any recording. Transcriptions were made of the recordings. The interviews were lightly edited to make them more readable, and in several cases (whenever it had been agreed with the interviewee), the transcript was then sent to the interviewee for any further comments. No further comments were received.

All interviewees signed a consent form allowing the interview to be used in this research. The consent forms were completed so as to reflect the position in relation to recording of the interview.

The interviews followed a semi-structured outline, with seven brief questions. The outline is found at Appendix 2 Part A to this thesis. In some cases additional questions were prepared to cover particular areas of expertise or interest (see examples at Appendix 2 Part B).

In addition to the formal interviews, notes were taken of four conversations (with permission) with: an exporter; a charitable trust working with farmers; and two senior representatives of the World Bank, both with detailed experience of working with farmers in Rwanda. There are no recordings of these conversations, nor any formal written consents, although the purpose of the notes was explained, and verbal consent was obtained in each case.

Central Actor interviews

The objective was to interview at least twelve individuals whose seniority suggested that their attitude to, and understanding of, financial inclusion would have a direct bearing on how the policy would play out in Government, the private sector and across Rwanda. This number offered the chance to gain insights from the main stakeholders of interest: the Office of the President; the Central Bank; the two key Ministries for financial inclusion in rural areas – Finance (Minecofin) and Agriculture (Minagri); significant players in the commercial banking sector – Bank of Kigali (BK) and Kenya Commercial Bank (KCB); the main supporting organisations – RCA, AFR and AMIR.

Initial selection of interviewees was made by personal introduction – to the person who had been Minister for Agriculture in charge of Minagri for some eight years, until a few weeks before the interview, for example. Other interviews were obtained through a "snowballing" approach, whereby interviewees were asked to make suggestions, and introductions, to people within the categories mentioned. The result was a total of 16 interviewees (two of whom were interviewed twice, about 6 months apart).

Initial interviews with Central Actors were mainly carried out over a three week period from the end of November 2014 to mid December 2014, with one interview carried out in London, and the rest taking place in Kigali, Rwanda. Most interviews took place at the interviewee's workplace, by appointment.

From the point of view of each Central Actor the enquiry asks:

a. Do you know of the financial inclusion policy explicitly;
b. Is it appropriate, in your opinion – and why;
c. Is it effective, in your opinion – and what could be better in formulation or execution of the policy.

From the point of view of the study, a second level of questions can be answered from the Central Actors' responses:

d. Does this Central Actor's understanding of the policy match with the formal representation of the policy;
e. Does this Central Actor's explanation of the reason for the policy make theoretical sense as a development strategy;
f. Does this Central Actor provide an evidential basis for their views about the policy, such that their views could be followed up and tested.

After interviewing several Central Actors, and analysing their responses, a third level of analysis at a somewhat more abstract level emerged. The questions here are:

g. How clear is the definition, in this Central Actor's description, of financial inclusion as a concept;
h. Has this Central Actor a vision that drives their work towards financial inclusion – and if so, what is it;
i. Does this Central Actor demonstrate feelings of personal responsibility for delivering financial inclusion;
j. Does this Central Actor have a personal plan or strategy for playing a part in the delivery of financial inclusion.

After completing and transcribing the interviews various methods were used to capture details of the contents of the interviews. First, a group of six Central Actor interviews was read in greater depth, noting themes and ideas that emerged. Those interviews were then coded (manually in highlighter pen) for the ideas labelled g. to j. above. Thereafter, all Central Actor interviews were examined for the same themes.

These activities of becoming familiar with the contents of the Central Actor interviews, and coding for certain themes, allowed an analysis to be developed and it forms the basis of Chapter 6.

LOCAL ACTOR INTERVIEWS

Interviews with Local Actors in the policy implementation process took place throughout Eastern Province. The interviews follow the same principles as those of the Central Actors, and were carried out in March 2015, alongside other fieldwork activities. The objective was to interview a range of Local Actors, enabling the story of District level financial inclusion to be seen from the perspective of District level civil servants, public and private sector actors in the delivery of financial services, and cooperative leaders whose members would fall into the target users of financial services under the financial inclusion policy. In total eight Local Actors were interviewed, each of whom had a direct bearing on the way in which the financial inclusion programme would roll out in their geographical area.

The Local Actor interviews have been used in combination to create a case study of the roll out of financial inclusion activities at District level around Eastern Province. The case study forms the foundation for an analysis of the nature of the administration that has been formed at District level, and for the impact of the independent thinking that appears to have been encouraged amongst the Local Actors. The analysis also considers the challenges of resource constraint. The case study narrative and its analysis are the basis of Chapter 7.

4.3 Participative Group Work and One to One Farmer Interviews

The participative group work activities were undertaken on near consecutive days, namely 13th, 16th, 17th, 18th and 20th March 2015.

This fieldwork gave a chance for learning about farmers' experiences with financial services, particularly in relation to collective organisation and its impact on livelihood outcomes. The participative nature of the activities allowed farmer participants to contribute to the structure of the discussion, to see the outcomes and to reflect on their group experience in an open way. Thus the activities offered a degree of reciprocity: farmers shared their experiences and in return learned about how others were approaching problems that they all experienced.

The selection of the groups was purposive: the aim was to find at least one group from a number of different categories, namely farmers involved in cooperatives at different stages of maturity, and with different levels of direct support from Government, along with groups whose members were not involved at all with a cooperative or collective association of any kind. The aim was also to achieve a reasonable geographic spread throughout the Eastern Province. In all, six groups were visited – identified as Group 1 to Group 6. The approximate location, by District, can be seen of each group on the map in Chapter 8, Figure 8.1.

The groups settled upon were: Group 1: farmers from Ntende rice cooperative, known to be a highly organised and successful cooperative, which was launched over a decade before with Government support – in Gatsibo District; Group 2: farmer members of Ntende Cassava Processing cooperative, known to be a small cooperative with no specific Government support – also in Gatsibo District; Group 3: farmers from the Muvumba community, who are members of Muvumba 5 cooperative, a reasonably mature rice cooperative in a somewhat remote area, towards the border with Uganda – in Nyagatare District; Group 4: Kayonza community members, who are a peri-urban group, not all engaged in farming, and living in close proximity to urban commerce – in Kayonza District; Group 5: Rwamagana community members expected to be involved in farming, but not necessarily involved in a cooperative (although it emerged that a large number of the community members were involved in a cooperative established by themselves, tapping into a number of opportunities being made available by Government) – in Rwamagana District; Group 6: farmers known to be involved in hillside improvement and management schemes supported directly by a Government programme, still in its relatively early days – also in Rwamagana District.

The groups successfully represented a geographical spread through a broad swathe of Eastern Province, with Group 3 being close to the Rwanda/Uganda border towards the north, Groups 5 and 6 being closer to Kigali, and the other Groups being somewhere in between. The group locations varied in their distance from a hard-top or main road, with some being accessible only by dirt track, and others better served with infrastructure.

By their nature, these were rapid, dynamic group activities, and the information gathered is general rather than detailed in nature. However, individual groups painted vibrant pictures of their current experiences and concerns, and cumulatively the data offers some clear insights into the effects of being included in collective activities in different ways.

The fieldwork was organised in a similar way for each group. First an arrangement was made to meet a group of participants, to carry out a semi-structured enquiry about financial services and their importance in that group's lives, within the context of the challenges and opportunities currently facing them. After the group work was complete (usually about an hour and a half), participants would be randomly selected from each group for in depth interview about the financial arrangements in their own household, allowing for further exploration of some of the factors raised in the group discussion, and also for a more detailed understanding of how financial life works at the household, rather than the group, level.

In general, two participants from each group were randomly selected and asked to give individual interviews. In the case of Group 4 only 13 people participated. Individual detail emerged in the discussion, and no follow up interviews were carried out. In the case of Group 5, bad weather forced the second interview to be abandoned, because of the risk of travelling along deteriorating roads in wet conditions. A further two farmers who did not take part in the group work were interviewed together, as they passed with their cows through the area in which work with Group 3 had been taking place. Thus a total of 10 interviews were carried out: 9 of them were directly drawn from groups, and one was a stand-alone interview with two people together.

In each case, there was an interpreter and the lead researcher present, and no one else other than the local community with whom the participative work was to be carried out. The groups had been identified via a snowballing process, with contacts in Minagri being helpful in making phone calls and finding contact details of suitable groups. The interpreter made the final contact and set up the meetings. Each meeting started with a short explanation of the proposed activity, its likely duration and its purpose. It was emphasised that participation was voluntary, and that the work had no official purpose, although it was supported by a research permit and known to the local leaders. In each case, the participants agreed to take part, with individual farmers indicating their consent by signing an attendance register after the formal consent request had been read to them (as a group) in Kinyarwanda.

At the end of each group activity the farmers were asked whether they were willing to be included in the pool from whom a random selection of two people would be made for further interview. All participants agreed to this. Selection was made by pointing a biro, blind, at the attendance list. The name identified was read out and a time for interview agreed. All of this was done publicly, in the presence of all group participants, so that the process could be seen to be random and transparent. In each case the two detailed interviews took place shortly after the group discussion.

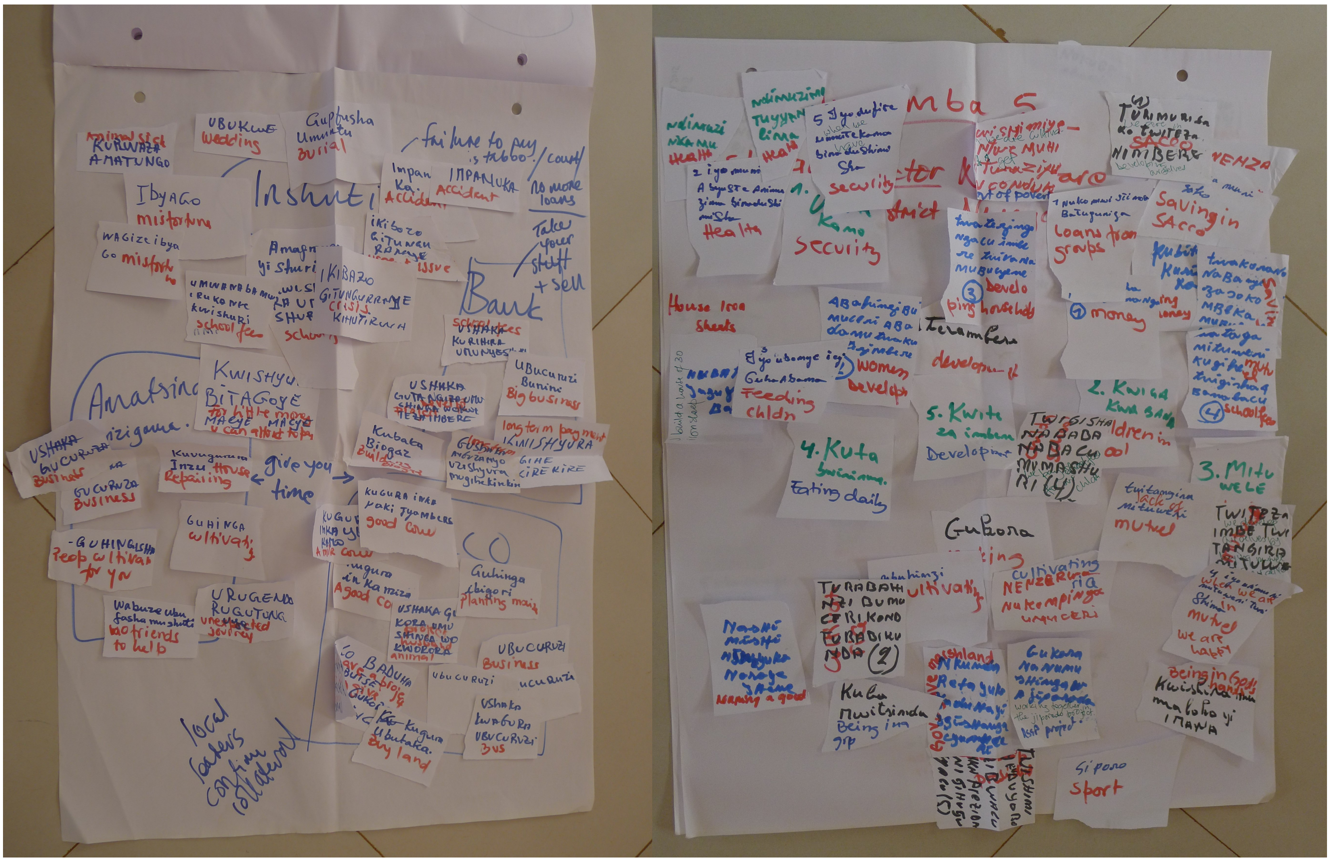
The individual randomly selected farmers each signed individual consent forms to indicate their agreement to giving further, more detailed information.

Locations for group activities varied: some were in buildings with seating and others took place out of doors in a more impromptu arrangement. (See Picture 4.1 for two contrasting group arrangements in action.)

Picture 4.1: Contrasting group arrangements for group activity fieldwork

The participative group discussions were structured so that the general introduction and consent issues were dealt with first. After that, participants were asked to work in small groups of three, four or five, as they preferred. Each small group appointed a scribe and received a marker pen and multiple small pieces of paper. Each small group worked together to come up with answers to the questions and points raised, and wrote their answers, one idea to one piece of paper, for pooling with the wider group as the exercise unfolded. The answers were quickly translated (for the reference of the research team) and grouped and stuck to a flip chart so that patterns and clusters were easily recognised

Picture 4.2 – Photos of flipchart pages from group activity showing farmer comments



by the whole group (see Picture 4.2 for examples of flipchart pages showing grouped discussion points).

With the first four groups, as well as the writing equipment, each participant was handed a set of three cards – coloured green, white and red. These cards were used from time to time to produce a snapshot of attitudes or opinions on different questions, with different colours denoting ‘easy’ (green), ‘not easy but usually possible’ (white) and ‘very difficult or impossible’ (red). (In some of the individual interviews the interviewees were asked what colour they were on a particular issue, and this relates to the card colour they selected in answer to the question on that issue.) See Picture 4.3 for the cards being used in a group setting.

Picture 4.3: Using coloured cards to indicate level of difficulty of activity

This use of small groups, scribes, and occasional individual signposting with cards, is an empowering way of managing a group discussion. It does not favour the most vocal in a group, it allows equal space to contributions from the whole group, irrespective of power relations, and it creates feedback to the group in real time, so it is a chance to see how the whole group is experiencing the matters under discussion. It is a good way of working quickly and with energy, and is suitable especially for issues that are not very sensitive, so unlikely to trespass into ‘taboo’ areas.

The enjoyment and participation of groups varied. In one group there was a cluster of men who declined to participate – but also declined to leave the space in which

Picture 4.4: Showing mixed participants and 'dissenting' bystanders

the group was working. They provided a commentary all the way through, urging others not to take part because this was a waste of time, it was not something they should undertake without pay, it was bound to lead to the researchers making money, etc etc. Eventually one woman participant spoke up and told them that they believed that the research might be helpful to farmers in Rwanda in the long run, that the research permit allowed the work to take place, and told the men to stop being disruptive. In fact the work carried on throughout this discussion, and gave a candid insight into how exploited community members can feel about contributing to research. (See Picture 4.4 to get a sense of the arrangements in this group.)

After each group activity, the flipchart paper was carefully retained. It was later photographed to ensure a permanent record. Upon returning to accommodation each evening a note of the day's impressions and activities was written up in discussion with the interpreter. Thus the research record is a combination of real-time information provided by farmers, and memories and impressions of the activity provided by the research team.

The group work activity does not take a typical 'focus group' approach, where information and opinions are elicited from a group as a whole via a discussion mediated by a facilitator. Such discussions may be recorded electronically and with note taking. Focus groups usually involve small numbers, and the discussion is usually semi-structured (See Bryman 2008, Chapter 19 and Punch 2005, page 171)[70]. In the group work activity for this study, the aim was to be flexible about numbers participating (and they range from 13 in Group 4 to 42 in Group 1). Furthermore, it was important to design an approach that would allow all participants to take part, irrespective of power relations and status within the group. In order to achieve that objective, it was decided to invite participants to work in small groups of their own choosing, save only that at least one participant needed to be able to act as scribe. This approach proved effective: it was noticeable that participants divided into peer groups, engaged in close conversation, and produced answers considered by the small group.

This approach provides a vibrant and quick snapshot from a wide range of participants, across six groups, responding to similar questions and themes in each case. The arrangement is such that the researcher is a facilitator, rather than either an observer or an interviewer. The topics for discussion are suggested and led by the researcher as facilitator, but the strong element of group interaction and feedback means that each Group session can take its own course, and this is reflected in the outcomes, as may be seen in the Synopsis of Group Responses at Table 8.2 located at the end of Chapter 8.

There are weaknesses in the approach taken, when compared with more exacting protocols recommended for focus groups in research. The flexible participation process means that no two groups are alike in size or composition – thereby removing a dimension of potential uniformity across groups. Furthermore, the approach does not offer information as to how representative participants are of their wider community. It is possible to disaggregate participants (after the event) by gender, and by age – but no other stratifying information is available. In particular there is no information about the

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[70] Both Bryman and Punch emphasise that the formality of what constitutes a focus group as opposed to a group discussion has become less rigid, as such approaches are more widely adopted and adapted. However, the underlying assumption is that there will be control over selection of the participants, that the numbers will tend to be small, and that the 'discussion' element will involve the whole group at once, not sub-groups who then provide their contributions in writing.

representativeness of the socio-economic spread of the participants, as would be the case in a more structured selection process. The element of self-selection may result in particular biases in the composition of the groups, and that will remain undiagnosed. Finally, the answers are short, so may lack descriptive detail or nuance.

However, the benefits of the group approach, and the particular strategies chosen, make the exercise worthwhile. Any number of participants can join in, so that there is no sense of secrecy or exclusiveness. The process is easy to follow, and the outcomes are transparent to all, in real time, as the group activity unfolds. The use of small groups within the larger group is very important as a mechanism for neutralising power relations: this would be impossible to achieve to the same degree in a 'talking' exercise. The written method of responses also allows for private deliberation and gives more time for responses to emerge, when contrasted with managed verbal responses. All answers can be seen to matter, and to contribute to the richness of the picture being drawn by the group as a whole. Although the answers given are short, the number of clear responses to each question is high – and the aggregation of detail makes up for the brevity of each individual response. Quieter and less confident members of a group can see their own contribution carrying equal weight with those from more confident members, thereby building confidence in themselves and in the process. There is, therefore, an ethical dimension to making this choice of group work. The approach is equitable in extending meaningful participation to those who might otherwise be marginalised.

In each group activity the researcher followed the same question pattern, so far as was practical or productive, in order to elicit answers along given themes.

Following Group 1, one activity was abandoned for all further groups: this related to the use of beans as a mechanism for indicating preferences for particular sources of funding in particular circumstances. The logistics – and the explanations – proved too complicated. Figure 4.1 shows the outline adopted for group discussions, with an indication of the proposed methods for each element. The outputs from each group consist largely of flip-chart pages with the farmers own notes stuck on to them. These notes form a narrative, and the summary of each of the groups gives insight into the concerns and mood, as well as the specific responses to the questions asked.

In the case of each individual interview, a full note in English was taken during the interview, with questions and responses being translated by the interpreter. Whilst this is a slow process, it allows for careful recording of the interview and clarification as the interview proceeds.

SAMPLING BIAS AND POSITIONALITY IN THE GROUPS AND INDIVIDUAL INTERVIEWS CONSIDERED

There are a number of ways in which the information from these groups might be biased, quite apart from any preconceptions the researchers might inadvertently hold. First there is the risk of imperfect translation – from English to Kinyarwanda and back again. There is the impact on the content of answers arising from the researchers coming from outside the community and immediately asking personal questions: participants clearly have to form their own view about what is really going on, and the vocal resistance of the men, for example, who engaged during the work with Group 2, shows that there is a risk amongst participants of feeling exploited, or of assuming there is a hidden agenda and a consequential risk of tailoring of responses to meet the perceived purpose of the interview.

It can be seen from reviewing the responses that different themes tended to run through different groups: for example Group 2 (uniquely) mentioned humour, being happy and self respect as things the participants liked in their life. In the mean time, Group 5 mentioned, at greater length than any other group, the importance of country, President, good leadership and Government. The clustering of answers may reflect the strength of local concern about these particular issues. However, there is also a possibility that, since responses were being formulated collectively in small groups, there was an element of ideas spreading through the group as a whole whilst answers were being compiled. All the small groups were having discussions within earshot of each other – and in fact there was also scope for free discussion within the wider group, as responses were being formulated.

Figure 4.1: Outline of Group Discussions, showing proposed methods

Outline Group Discussion

Discussions as people arrive to get general impression:

- What crops do you grow?
- What do you grow for personal use and what do you grow for sale?
- Where do you grow different crops?
- What do you grow in the cooperative marshland?

Record answers on flip chart (in Kinyarwanda) and check with the group for completeness.

Consent process once group is formed.

Read consent script and pass list round for signing to indicate consent.

Explain that the exercise will take no more than 45 minutes.

Divide participants into small groups of 6 – 9 members per group. Ensure one person per group is happy to write. Hand out small pieces of paper and pens.

Answers are written on small pieces of paper – one answer per piece of paper. As questions are answered, the papers are gathered, read and grouped according to similarity of theme or idea. Rapid translating enables threads and ideas to be established quickly.

Q1. What do you like in your life? Please give five things (or more) and write each thing on a separate piece of paper.

Pass papers to front, sort and display (use glue stick and flip chart).

Review and group contributions by themes.

Note any outlying responses. Check for agreement that the themes are correctly identified. Add any new themes which participants request during group reflection.

Use same approach for:

Q2. What are the challenges in your life?

Q3. How do people get money when they need it? *Group by main sources – check for completeness.*

Q4. Where do you get money when you need it for:

School costs?
Wedding?
Burial?
Farming business?
Other business?

Use marks on papers or piles of beans for this ranking exercise.

Q5. Can people always get money when they need it?

Use flags (Red, Orange, Green) – to indicate roughly how difficult it is – where red is very difficult or sometimes impossible; orange is it's possible but not for everybody; green is usually or always possible.

Ask people to separate into their flag colour groups and randomly select (by drawing lots) 2 people from each group. Ask them to give their names and mark them on attendance list.

Check willingness of those randomly selected to be contacted for further questions about why they answered in this way.

Q6. What are the good things about borrowing from these lenders?

List main sources identified: capture answers as before.

Q7. What are the challenges when borrowing from these lenders?

List main sources identified: capture answers as before.

Thank participants. Check for any further comments.

Check willingness to participate in further interviews, by random selection.

Session ends.

Document 2.1 v2

Positionality

There are two specific matters that were noted as the fieldwork took place. In 2012 similar activities (with similar questions, but with completely different groups) were undertaken for research to form the basis of a Masters dissertation (Lichtenstein 2012). A different translator assisted with that work, but the lead researcher was the same person. When asked about the good things in life, at no point in 2012 was prayer or God mentioned, whereas these were frequently mentioned in the 2015 fieldwork. It is possible that this is because there is a difference in the prevailing culture (either because of working in different communities, or because the questions were being posed at a different time), but it may have been the influence of the interpreter. The 2015 interpreter is an active, evangelical Christian (as many Rwandans are) whilst the 2012 interpreter is more private about her Christian beliefs. Although the questions were all translated directly, it is possible that there was something in the demeanour, nature of greetings or reinforcement of ideas that produced these distinctly different responses. In other respects, there is no discernable impact of this difference – the responses to practical questions seem equally practical in orientation in both pieces of research.

The second issue to influence responses during the fieldwork was the weather. Groups and individuals indicated that life was tough because of lack of rain in that particular season and in recent seasons (Rwanda was still affected by drought the following year, too, making it a difficult period).[71] This may have influenced the subjective assessment of other issues – such as the ease with which money can be obtained when needed, or the degree to which things have improved or otherwise in recent years. The impact of poor weather for cultivation on a snapshot evaluation of the good and bad things in a farmer's life is rational, since farmers' ability to eat, live and secure money is bound up with the success of their farming, one harvest at a time. However, since the weather was particularly challenging, responses may have been atypically negative on some of the general questions put to the groups.

The Eastern Province suffers from unreliable rains, and the patterns of rainfall are very local, with wide diversity in relatively small geographic areas. In general, the interviewees describe living conditions that have improved, but mention the weather as cause for concern, and as a possible cause of things getting worse[72].

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[71] See IMF, Africa Department (2017), page 8 for impact of drought on economic growth.

[72] This is true of Group 2, Interview 1, and Group 3, Interview 1, for example.

Other areas giving rise to potential bias would be in the self-selecting nature of participation in the groups (and also, therefore, in the pool from which individual interviewees were selected). Because the group activities happened in public areas, anyone was able to join or leave. Groups tended to increase in size as the proceedings went on, so they were not made up of a constant set of people. And since those who were not interested were not obliged to take part, there might be a bias towards those who are more out-going, or less busy, or more curious, or who see themselves more as spokespeople for their community etc.

All of these potential dynamics within the group activities and the subsequent individual interviews have been born in mind in the discussion and analysis of the research outcomes. Efforts have been made to confirm information across different groups, by in-depth interviewing of the randomly selected individuals, and by cross-checking with observed conditions, and with information in the other interviews (for example with cooperative managers and with bank and SACCO managers).

4.4 THE HOUSEHOLD SURVEY

THE FORM OF SURVEY

The household survey was carried out over nine days, from 11th September to 19th September 2015. Translating the survey documentation and training the data gathering team were carried out from 7th to 10th September 2015. 140 samples were collected, consisting of 35 from each of four villages.

The survey is in two parts: Part A asks open questions about the features of a good life, and Part B asks closed questions about composition of household, daily tasks within the household, use of financial services, asset ownership, and how in practice the household accesses money when they need it for a range of typical livelihood events, and how resilient they might be at times of difficulty. The survey, as administered, is set out at Annex 2 to this chapter (in English translation).

The aim of Part A of the survey is to learn about the aspirations and challenges in the particular household's life, and to be able to see the practical arrangements derived from Part B in some sort of context. The survey was written in the UK. Part A took David Clark and Susan Hodgett's 'Perceptions of Well-Being Short Version 2010' as a starting point. (See Annex B to this Chapter and Hodgett and Clark 2011).

TRANSLATING THE SURVEY AND TRAINING A TEAM

The survey was translated into Kinyarwanda by a native speaker in the UK. An interpreter, Grace, was appointed to finalise the translation, help with training a team in its use, and pilot the survey. A team of data gatherers was recruited. The composition of the research team was, thus, as set out in Table 4.2.

Table 4.2: Showing composition of research team for household survey

Name	Research team role	Gender	Age
Jane	Lead researcher	Female	50's
Grace	Translator and Data Gatherer	Female	40's
Eric	Data Gatherer	Male	40's
Faustine	Data Gatherer	Female	30's
Chantal	Data Gatherer	Female	30's
Innocent	Data Gatherer	Male	30's

The team worked with the survey over three days. On the first day Grace refined the translation and amended it to reflect her increasing understanding of the objectives of the questions. Next she translated the refined Kinyarwanda version back into English for checking and finalising. On the second day the whole team practiced administering the survey to one another, capturing replies and taking note of the areas of ambiguity or difficulty. This led to a final adjustment to the translation. By the end of the second day everybody had administered the survey and responded to it at least twice each. On the third day team members administered the survey to a family member or friend before gathering for a final review and feedback, and to prepare for setting off into the field. The survey was printed in its final form that afternoon.

Team members reported taking about two hours to administer the survey. Even allowing for pace increasing with confidence and familiarity, this seemed on reflection too long an imposition of time on households whose days are already busy, and who would have no prior notice of the request to participate in the survey, and who would often have spent the day labouring in fields. This is essentially an ethical consideration – touching on the objective to 'do no harm' – keeping participation proportionate, given that there is no reciprocal benefit to the participants. The questions themselves were not particularly intrusive, but there was a need to ensure that participation in itself was not more burdensome than necessary (Punch 2005, page 277; Fontana and Frey 1994, page 372).

Following consultation with others, within the rural policy sphere, about what would be acceptable (and fair) to rural household members, the scope of the survey was reduced in order to achieve a response time of no more than one and a half hours (which was expected to reduce further with familiarity and confidence of the data gatherers, to about one hour). A section of the survey, applying a round of follow up questions to Part A, was therefore removed. Since the main purpose of the survey was to establish some context for the Part B answers (rather than to complete a well-being investigation in its own right), the compromise seemed appropriate.

After deliberation about the periods over which recent behaviour was to be investigated in the survey, the period of five years was set for ownership of assets and the trend of changes (and not three years as shown in error on the face of the English translation). Five years provided a realistic period of reflection for relevant questions in the survey about how things were changing in general. However, for the use of financial elements of the survey, historical recall was limited to two years, because the interest is in current behaviour and more recent behaviour change.

The team was now comfortable with the content and intention of the survey – and demonstrated good understanding of the meaning of the individual questions.

Each cover sheet was removed from the body of the survey forms in the presence of the respondent, so that they would understand how we maintain anonymity. Identification of each page of each survey is possible via its serial 'S' number, handwritten before distribution on the top right hand corner of each survey form. These run consecutively from S1 to S140. On the cover sheet there is also a village serial number (V1.1 to V1.35, V2.1 to V2.35 etc) to distinguish easily the interviews within each of four villages. Footnotes in this study refer to the individual sources of quotes and information via the 'S' number.

Practical questions raised by the data collection team during the first day of administering the survey were addressed as they arose. For example, it was agreed that it would be assumed that a person with a disability could still make a contribution to household work – and questioning about that person would still take place for relevant responses. The contribution to the household of any member who looked after another with a disability would also be noted. If a member of the household was a paid live-in help, it would be noted. A daily help, who returned to their own home at night, would not be considered a member of the household.

The definition of a household was clarified. If a family co-sheltered with another, in the same house or compound, such that food and chores were shared, then this would be treated as one household. If a family rented a space from another family, but otherwise lived independently, then these would be regarded as separate households.

SAMPLING STRATEGY

The selection of households to whom the survey was administered was a mixture of purposive sampling (at District level), random selection (at village level) and stratified random sampling (at household level). These different methods were undertaken in the following way.

The survey was carried out in September 2015, and the prior participatory group-based fieldwork in March 2015 disclosed information that assisted in formulating the survey. It was decided to go to the same four Districts for the household surveys, as for the participatory group work, in order to have cohesion (and improved triangulation) in the study.

The villages were randomly selected from within the specified Districts, using a customised detailed map showing every village in Eastern Province (produced by Minagri for this study). The map was placed on a table with the relevant District towards the centre, and a passing Minagri staff member was asked to put a pin in the map whilst keeping their eyes closed. This process was carried out twice in each of the four Districts. An electronic version of the map was used to enlarge and read the name of the villages selected, and in each case the village was either Selection A (the first selected in that District) or Selection B (the second selected). Selection B was made in case there were insurmountable problems in carrying out a survey in a Selection A village (whether logistical, social or any other). In the event all of the Selection A villages were able to be surveyed, and Selection B villages were not used.

Once in the survey villages, the team learnt the number of households there and established the boundaries of the village - with the help of a local community member (in two cases, the head of the village, in one case the social affairs secretary of the

Sector in which the village was located, and in one case a committee member at the request of the village leader who had just given birth and was not able to leave her home to walk the village with the research team).

The selection of households to take part in the survey could then begin. 35 households were selected from each village, irrespective of its exact number of households. This was the most reliable approach, given that it was not known until the survey was about to be carried out, how many households there were in each village, meaning there was no mechanism for spreading the survey evenly across the four villages sampled. In the event, the number of households per village was 245 (Village 1), 221 (Village 2), 205 (Village 3) and 230 (Village 4). This means that the selection rate varied from every 6 houses (Village 3) to every 7 houses (Village 1).

The data gathering team counted houses in a pattern, as given to them at the beginning of each day, selecting either the 6^{th} house or the 7^{th}, according to the pattern required to ensure that the survey covered the whole village evenly. Whilst the counting proceeded in a definite general direction, houses were often laid out in such a way that there was an element of arbitrariness in the counting order. This was allowed to unfold naturally, but once a house was 'selected', by virtue of the count of a data gatherer, no substitution was permitted thereafter without the express authority of the study leader.

Three substitutions were made in the whole survey, two in Village 1, and one in Village 3. In each case, the householders were reported by neighbours to be absent. In two cases, this was because members of the household worked away for the whole season. In another case it was because the sole householder was working far from home, leaving before dawn each morning and returning late each evening. Even if it had been possible to make contact with this individual, it did not seem ethically reasonable to ask him to participate in a survey during what should have been his few hours of sleep. In all other cases, one or more members of the selected household were located and surveyed – either at the house, or in the respondent's place of work as identified by neighbours. This often required returning to a selected house at different times of day, but the success rate was high. In the case of the three households where substitutions were made, the swap was made to the closest neighbouring house.

The effect of the selection process was to ensure that households surveyed in each village were spread throughout the settlement, and in proportion to the density of the housing in each part of the village. Given the tendency for clustering within villages by economic standing, this approach produced a roughly stratified survey, by wealth and quality of housing within each village. It was clear in each village that there was geographical separation between different kinds of housing, especially in terms of the poorest houses. The poorest households tended to be in more densely crowded areas, huddled together, whilst the wealthier households often had homes surrounded by fencing, with barns for animals and other domestic space. Broadly speaking, the sampling process ensured that within each stratum, each household had a chance of being selected in proportion to the contribution of that stratum to the village population as a whole.

Data gatherers kept in constant contact by phone, so the count was always kept accurate. The survey forms were distributed in small numbers to each data gatherer, so that the sequence of 'S' numbers roughly reflects the order in which surveys were carried out. This also ensured regular returns to the survey team vehicle – enabling overall monitoring of the survey progress, and also enabling the team members to be given food and water at sensible intervals.

ADMINISTERING THE SURVEY

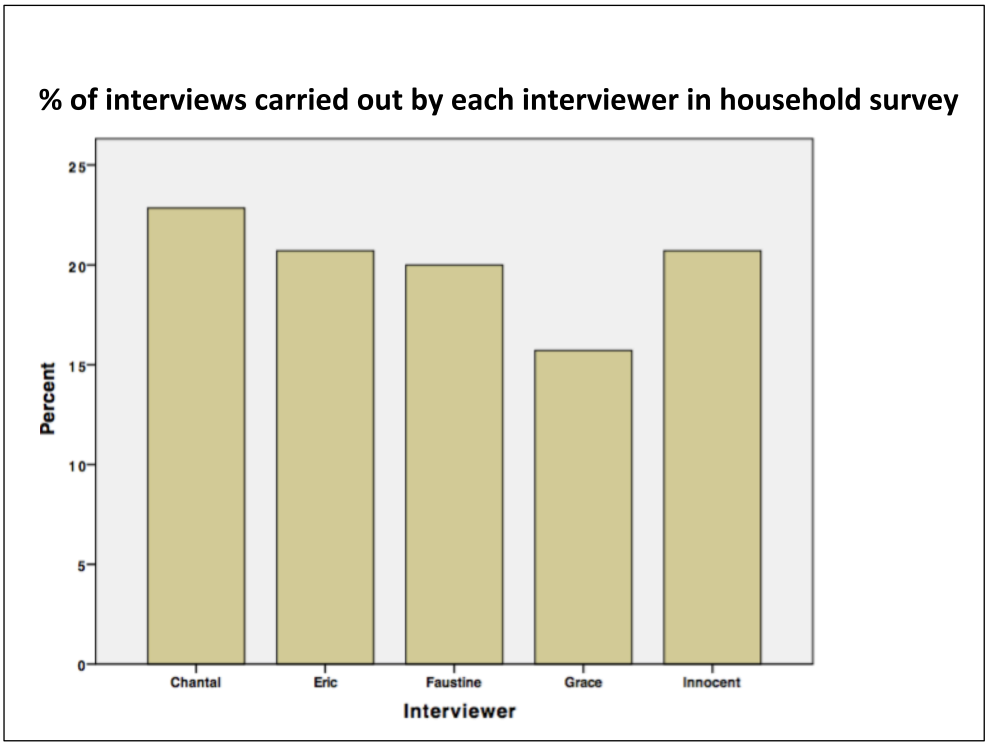
Constant feedback from the data gatherers ensured that a uniformity of approach was developed and maintained. For example, within a few hours of beginning the survey it was agreed as to the limits of who, within a household, could respond to the survey: as well as any adult who lived in the household, young people aged about 15 or over could also be respondents. At the end of the first day, the consent wording was widened and clarified to ensure that there was no risk of bias being introduced to the open Part A questions, by the suggestion that the survey was essentially interested in financial matters.

Early each evening the data gathering team ate together, then reviewed the survey forms for the day to ensure that all answers had been completed. Where gaps were found, follow up was possible whether later that evening or the following morning, depending on the location of the survey. This significantly reduced the gaps in the survey responses, although a few remain.

A number of new issues arose from the interviewing process that raised questions about possible biases in the data. These were largely unavoidable, but are noted in order to consider whether they need to be systematically accounted for in the data analysis.

The personalities of the data gatherers were different. For example Eric was very at ease in the rural setting, and was often seen to hug people as he went around the village. He had a great rapport with them. Chantal also established obviously warm interactions with those she surveyed. The others in the team were more reserved and their interviewing style seemed more formal. In general Eric's interview notes were very short, followed by Chantal. Grace's notes were longer – and her interviews tended to last longer than the others too. The distribution of interviews among the data gathering team is seen in Figure 4.1.

Figure 4.2: % of interviews carried out by each interviewer in household survey



Chantal carried out almost 23% of all the interviews, and Grace only around 15%. The others were more or less even at around the expected 20% each. In the analysis of qualitative data in Part A it will be sensible to check for any trends that correlate unexpectedly with interviewers. Part B, being closed, with shorter questions will be unlikely to be affected by the interviewer.

Anther possible source of bias noted was the 'official' nature of the survey presence. The survey was supported by an official research permit, and introductions at District level (leading to introductions at Sector level) were made via Minagri staff members. Therefore, even at the village level, the formal introduction, made via the Sector, had a possible government association. This is probably amplified by arriving in a vehicle – and with a European team member. The impact is difficult to quantify, but the set up might reduce the candidness of answers.

In general, the scope of the survey questions is not sensitive, and the broad thrust of survey responses is unlikely to be considered a significant encroachment on privacy. Given the possible perception of 'official' status of the survey or of the team, there might be a tendency to conceal assets (in the hope, for example, that official help will then be forthcoming for the household) or to conceal criticism of authority, for example, in the Part A responses. When asked about this after the first day of administering the survey, the data gatherers did not report that they sensed such concealment, but it is a possibility all the same. Often it was clear that the responses were completely honest: bank books were produced to validate savings levels, team members were admitted into houses so they could see how the household lived, and so on.

The impact of the survey on the data gatherers was sometimes evident. They had not all seen poverty close up before, and some of the households' circumstances made them sad. There was a lot of conversation in the evenings about the survey villages. There were also conversations about the roles of men and women in modern domestic life – triggered by the reluctance of one of the male team members to help with meal preparation and clearing. This was strongly challenged by his female colleagues, but relationships remained friendly and the team members were attentive to one another's workloads and security within the villages, keeping track of each other's whereabouts and checking up if interviews seemed to be going on for unexpectedly long times. In fact there were no security incidents of any kind, and all households participated in the survey willingly. Often more than one family member took part, or assisted the respondent in verifying facts. It was a happy experience.

PROCESSING THE DATA

All of the responses had to be translated into English. Different individuals helped with the task, over a period of about 12 months. It was difficult to find people with the necessary fluency in both languages who also had the time available to undertake the task, and who were willing to help for the modest payments available. However, Village 1 and Village 4 were translated within a few weeks of the fieldwork completing, and provided an insight into how the data could be managed.

The numerical data was captured onto Excel spreadsheets from either the English or the original version of each form, independently of the translation process. The data analysis of the numerical data was carried out on Excel.

The qualitative data in Part A of the survey was analysed by attributing codes to categories of responses and creating spreadsheets in Excel, to explore the data. In addition, detailed wording was noted in notebooks against 'S' numbers, to capture some detail of responses. The coded data in spreadsheets showed the main concerns and aspirations, for example, of Respondents, whilst the detailed wording gave insight into the practical or emotional meaning of those features. Thus aspects of the open, qualitative, questions were transformed into simpler quantitative categorical answers for analysis, and then supplemented with more qualitative descriptions. During analysis frequent reference was made to the survey forms themselves.

Coding was developed for other categorical responses in Part B of the survey. So, for example, those who sent households money or received funds from them by mobile money were grouped as 'Close family', 'Distant family', 'Employer/employee' or 'Other'. Income earning activities disclosed amongst the household activities were compiled, together with the replies to how money is obtained when needed, in order to create a list of all mentioned sources of income. The full list was grouped into categories and labelled with new codes, bringing related types of activities together into new categorical groups.

In many questions respondents were asked if things were better or worse than in the past: the coding adopted was '1' for better, '0' for worse, and '2' for the same. Similarly, if a 'yes' answer was given to any question, the code was '1', and '0' was 'no'. 'Don't know' replies were coded as '33', 'Not relevant' was coded as '99' and omissions were coded as '88'. Thus all responses and admissions could be captured in the data spreadsheets.

DEALING WITH GAPS IN THE DATA

The general approach to gaps in the data was, first, to try and fix it. Often the gaps were omissions in the translation process, and follow up resolved the problem. Sometimes the answer lay within the text or context of responses, and was added if it confidently could be. Where the gap was not fixable in this way, it was left marked as '88'. As it happens the few remaining gaps did not come into the specific analyses carried out for this study.

4.5 CONCLUDING OBSERVATIONS ABOUT RESEARCH METHODS ADOPTED FOR THE STUDY

The mixed methods approach to this study allowed for very different approaches to engaging with actors in the process of devising, implementing, rolling out and adopting (or not) the services driven by the policy for financial inclusion. There is a strong thread through each method adopted: to obtain direct, personal information about experience and real outcomes, rather than to be concerned with the formal intentions that might be discerned in policy documentation.

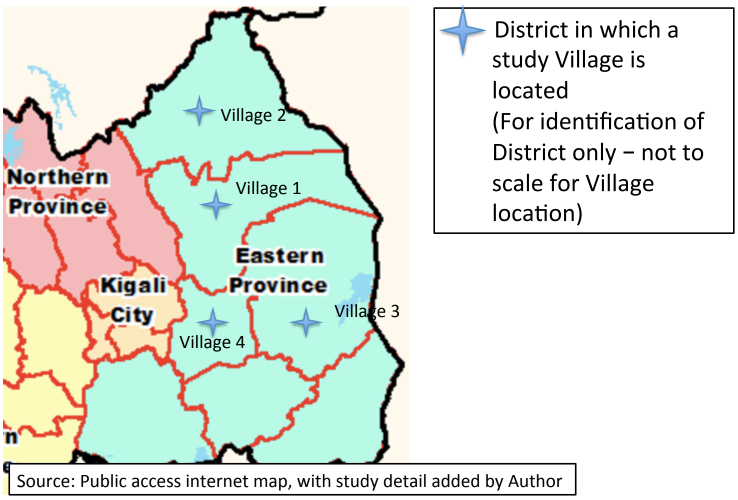
This approach strengthens the fundamental intention of the study, which is to be able to understand the human drivers in the process. Agency of individuals, livelihood constraints and notions of capacity and competence can all be explored through this face to face approach. The richness of this approach will be demonstrated in the following four chapters, in which the fieldwork data, in its varied forms, creates the essential grounding for the theoretical analyses.

CHAPTER 5: FINANCIAL INCLUSION IN REAL LIVES – VILLAGE VIEWS

This chapter zooms in to capture some realities of village daily life for Rwandans who are getting on with things, absorbing and reacting to changes that have occurred in recent years. Their experiences and interactions with financial services are central to the proposed study – and to the question of whether the policy for financial inclusion is effective.

Part A of the chapter looks at household-level take-up and use of financial services within four surveyed villages ('the study Villages'). It also broadens to examine how people actually get money when they need it, including via income generation. Part A looks at income sources and their diversity, and at savings, loans and assets as a store of wealth. In this context vulnerability and resilience are considered. The significance of mobile-phone based financial services ('mobile money') is considered. Assumptions seem to be made in the FinScope survey series[73] and by policy makers[74] that use of mobile money equates to financial inclusion. The position may be more subtle than that.

Figure 5.1 Map of Eastern Rwanda showing Districts of study Villages



Source: Public access internet map, with study detail added by Author

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[73] FinScope surveys were introduced in Chapter 2, and are further discussed in Part 1 of this Chapter.
[74] See comments of Central Actors in Chapter 6.

Part B moves on to describe aspirations, positive features and challenges of life experienced by survey respondents, hearing the plans and expectations that villagers describe, and what they value as a 'good life'.

The chapter draws on survey responses contained in a representative survey of households drawn from four villages, each selected randomly from within one of four Districts in Eastern Province in Rwanda[75], shown on the map at Figure 5.1.

The four study Villages have different characteristics, although similar in size: between 220 and 240 households. The village leader was present during the survey in Villages 1, 3 and 4. In Village 2 the local District development officer was available, but no village leader was encountered on either side of the road[76]. Village 1 was the most remote and unchanged from a traditional subsistence farming economy. Village 3 was the least traditional, with less evidence of farming activities, and more signs of integration into the urban area it adjoined. Village 4 seemed to have an active farming community at its heart, but economic changes were under way. Table 5.1 summarises study Village characteristics.

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[75] For details of the selection and sampling process, see Chapter 4, page XX.

[76] Village 2 was in effect two villages, separated by a main road.

Table 5.1: Study Villages Characteristics

	District and location	Distance from main road	Observable features	Notes
Village 1	**Gatsibo**: in the middle of the District – close to a larger settlement, but clinic, school and financial services further East, and distant.	45 minutes by vehicle across unmade roads.	Sprawled village along two dirt tracks. Subsistence farming main economy. Remote from urban areas.	Little has changed economically from traditional subsistence farming.
Village 2	**Nyagatare**: two small villages on either side of a fast main road between Kigali and Uganda.	On the main road. An hour's walk from main District town of Nyagatare.	Few people seen during the day. Proximity to road facilitates access, but long walk to nearest services in District town.	Hard to find the heart of the village on one side of the road. The other side is compact, with water points central, and a few scattered houses complete the village.
Village 3	**Kayonza**: Periurban location on main road next to District town of Kayonza.	Main road runs along one side. Good stone roads all through main part of village. Poorer parts served by tracks on steep slope.	There is a slum area: the poorer you are, the further down a steep track you live. Drinking water is located centrally. Administration building for the District under construction.	Some houses along the main road are fully modernised, and their owners receive salaries, and own cars. Wide gap between the richest and poorest. Traditional farming activities absent in near-urban environment.
Village 4	**Rwamagana**: rural area towards Kigali and close to main road.	About 10 minutes drive from main road. Reasonable stone roads with road improvement activities underway.	About an hour to Kigali centre by vehicle; half an hour to the outskirts. The village forms a grid: one quarter densely populated with poor housing; others have few houses. About to be new factory in village.	Economic changes happening. One quarter of the village grid about to be cleared for a new factory. Farming still evident at the village. Existing nearby factory does sheet metal production.

Source: Author's own

PART A: FINANCIAL SERVICES, INCOME SOURCES AND ASSETS

5.1 TAKE-UP OF FINANCIAL SERVICES IN THE STUDY VILLAGES

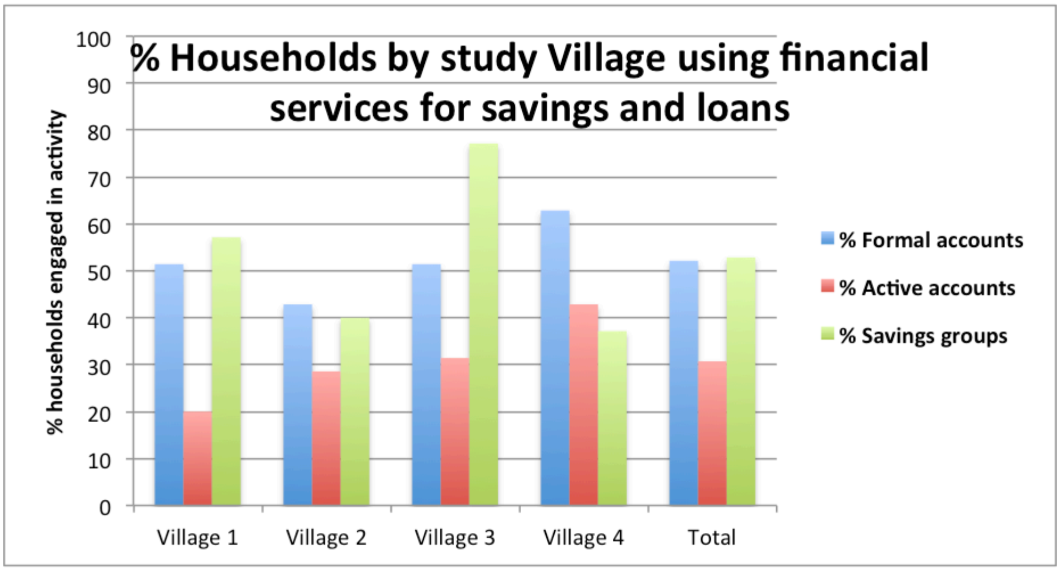
National data show that Eastern Province is broadly on track to achieve the financial inclusion goals set for the country as a whole[77], and this study has enabled an analysis of the penetration of financial services into four villages in the province.

Considerable variation is found in take up of financial services, whether formal or informal, between – and also within - the four study Villages. Respondents were asked about take-up and use in their household, of bank accounts, accounts in a cooperative of any kind, and whether anyone in the household participated in a savings group. They were also asked if they were owed money by, or owed money to anyone, and whether they used mobile money. These questions captured the actual use of financial services, ranging from the most informal (loans from friends and family, for example, or loans in local shops) through the semi-formal (informal, but organised - savings groups are important in this category), all the way to formal SACCO or bank-based services.

Figure 5.2 is a snapshot of the take-up of key organised financial services, for the provision of savings and loans. 'Formal account' in Figure 5.2 means that one or more people in the household has an open (but not necessarily active) account in a bank or a cooperative. Most of the cooperative accounts were with SACCO's, with a few other kinds of cooperative providing financial services to members. 'Formal account' also includes the use in two Village 2 households of mobile money, because it was mentioned as a savings service, and no other formal service was used[78]/[79].

[77] FinScope 2016, for example – see Chapter 2 for more detail.
[78] S51 and S55.
[79] In the one other household (in Village 3) where mobile money was mentioned as a savings service there were other financial service accounts open as well (S85). In all other households mobile money was not mentioned as a service for saving – but only as a mechanism for sending or receiving money.

Figure 5.2: % Households by study Village using financial services for savings and loans



Source: Author's own

The data captures a tendency to progress from use of less formal services towards use of more formal ones. It also shows, however, that opening an account does not necessarily imply using its services – an important issue in assessing financial inclusion. About half of all households have at least one open 'formal account', but fewer than 30% have 'active' accounts[80], meaning that about two in every five accounts is inactive. The contrast with savings groups is clear: the self-organising savings groups are actively used by over half of all households in the study Villages, with over 75% of households in Village 3 using them. Figure 5.2 shows there is some take up of key services across all study Villages, but informal savings groups are the dominant service provider in all except Village 4. Arguably, having access to an account signifies financial inclusion, but usage is necessary for livelihood change to occur. This highlights the challenges of pinning down realities of financial inclusion.[81]

There is combined use of different financial services ('overlap') in many households – and some are not using financial services at all: they are the financially excluded.

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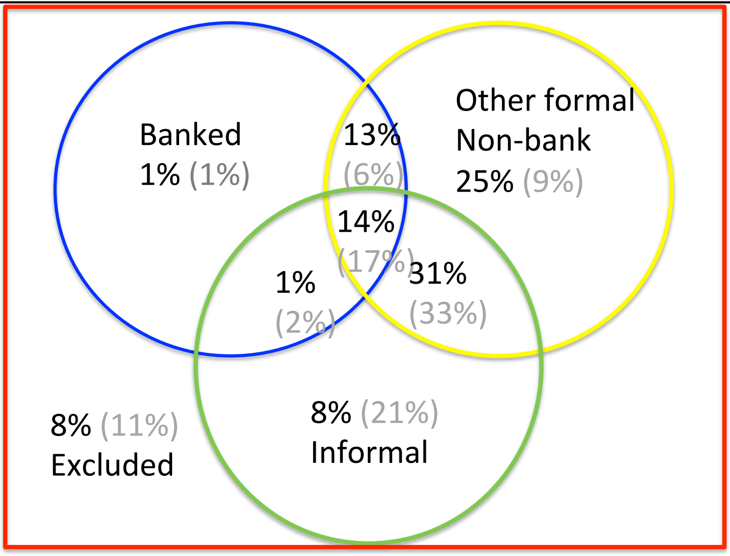
[80] 'Active', in this survey, means the account had been used at least once in the three months preceding the survey, or that there is a significant level of savings deposited in the account – 30,000 Rwf or more.
[81] See comments of MN in defining of financial inclusion in Chapter 6.

Figure 5.3 shows the overlap between take-up of different types of financial service, as well as the excluded. In this case, categories adopted are the same as those used in the FinScope 2016 'Overlap' data[82].

Figure 5.3: Overlaps between use of different financial services in four-village survey, by % of households
(showing Finscope 2016 data in parenthesis)



Source: FinScope 2016 data with Author'sown

'Banked' means those who have a bank account (whether active or not). 'Other formal non-bank' means those who use either mobile money or cooperative accounts (whether active or not). 'Informal' means those who use savings groups. By adopting the FinScope 2016 categories a more meaningful comparison can be made with the equivalent FinScope 2016 data.

Figure 5.3 gives the study Village data by household, with the FinScope 2016 data, in parentheses. The results highlight predictable differences between a survey of households and one of individuals. 83% of study Village households use 'other formal, non-bank' services, compared with 65% of FinScope's individual respondents. Sole use of informal services amongst the study Village households is low, compared with FinScope's individual respondents. A survey by household will capture a wider use of financial services than a survey by individuals, offering some explanation for the gap between the two.

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[82] FinScope Rwanda 2016, page 36.

Figure 5.3, (following FinScope), includes inactive accounts in the 'banked' and 'other formal non-bank' respondents. The resulting study Village headline of 92% 'financially included' (and 89% of the FinScope 2016 respondents) should be understood in that context, since it gives an optimistic assessment.

Figure 5.3 is a snapshot of overlap data for all survey respondents. There is variation across the four villages in the take up and distribution of financial services, and Figure 5.4 carries out the same 'overlap' analysis, broken down by study Village.

Figure 5.4: Overlaps between use of different financial services by % of households in each of four survey Villages

Figure 5.4 a: Village 1

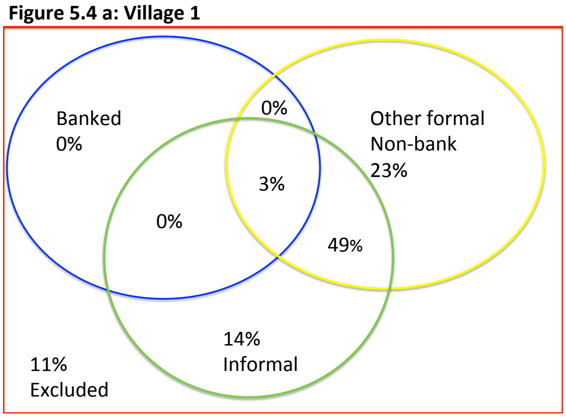


Figure 5.4 b: Village 2

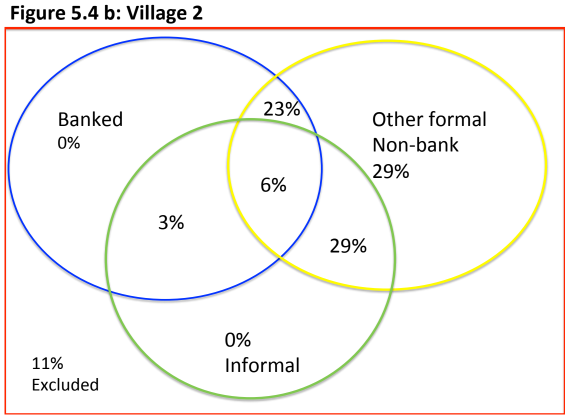
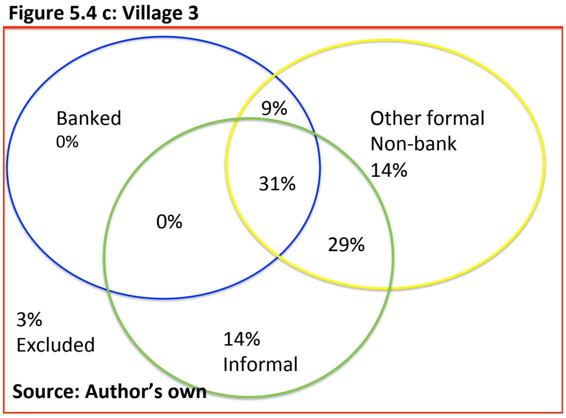
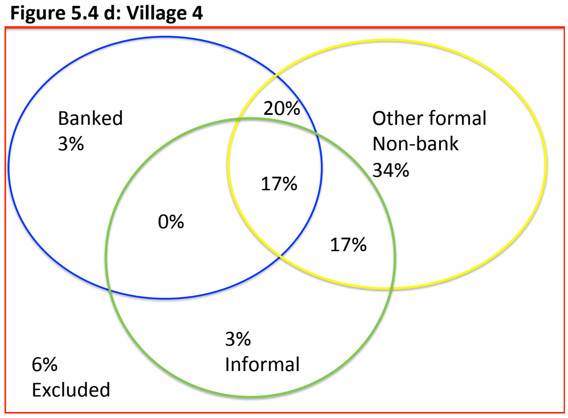


Figure 5.4 c: Village 3



Source: Author's own

Figure 5.4 d: Village 4

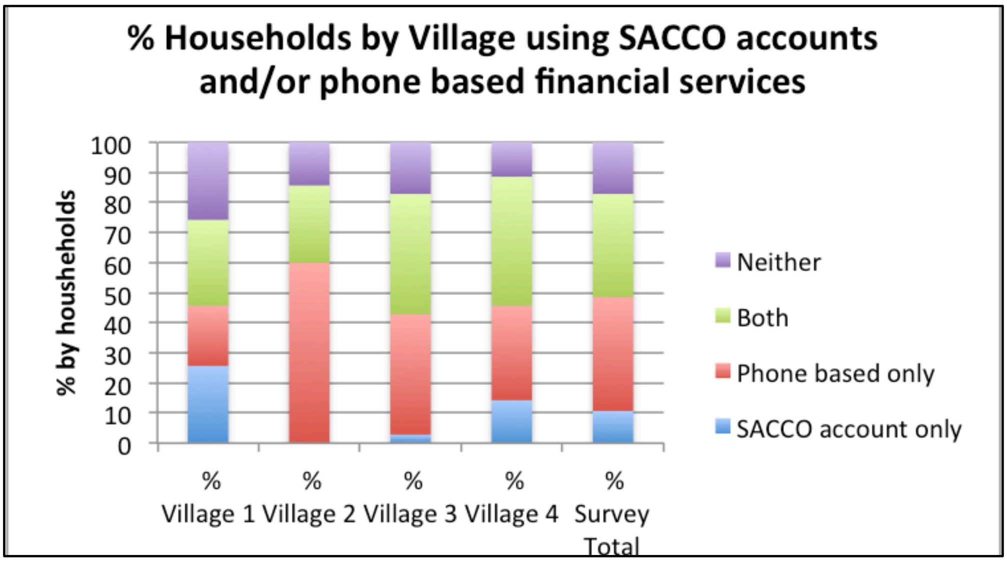


The low take-up of bank services in Village 1 is noticeable in figure 5.4 (a). In the other Villages, the take up of bank services on their own is also low, supporting the idea of a pattern of 'graduation' from less formal services towards the more formal.

In each study Village, the use of 'other formal non-bank services' is the largest single area of take-up, whether alone or in combination with other services. A breakdown of 'formal non-bank services' by Village is set out at Figure 5.5. to show the split between

SACCO use and mobile money. Figure 5.5 shows variation between Villages: for example, no household in Village 2 is using a SACCO account unless they also use phone-based financial services, whilst in Village 1 the spread is more even across single use of services, combined use – and no use at all.

Figure 5.5: % Households by Village using SACCO accounts and/ or phone based financial services



Source: Author's own

The graduation pathway through services from less formal to more formal may vary between Villages. Figure 5.4 shows low financial exclusion in both Village 3 and Village 4, but the use of informal services is noticeably higher in Village 3, and there is greater use of 'other formal, non-bank services' in Village 4. This suggests that financial service take up in Village 3 starts equally via mobile money/SACCO services, or via savings groups. In Village 4 use seems more likely to start with mobile-money/SACCO services. When the detail in Figure 5.4 and Figure 5.5 is considered together, further differences emerge. Village 2 relies heavily on mobile money, and all other services are used (if at all) in combination with mobile money. Mobile money may be the entry point to financial inclusion for Village 2 households whereas in the other villages the position is not so clear-cut, with SACCO's potentially playing a role.

The picture painted so far is one of broad access to financial services across all study Villages. The details and differences highlight the importance of looking at each community and its particular circumstances if the drivers of financial inclusion (or exclusion) are to be understood. There is no 'one size fits all' explanation for the take-up of financial services at village level. Variation across households and villages is, presumably, a matter of preference, convenience and suitability of services for the livelihood realities of each household. Low uptake of SACCO's in Village 2, for example, may indicate that the nearest SACCO is inconveniently distant, or that the households in that village have less use for SACCO services, or that they are precluded from using SACCO services because of their personal circumstances.

5.2 Resilience and the role of financial services and livelihood options in the study Villages

Financial services are understood to increase resilience[83], to offer routes out of poverty, and to contribute to livelihoods that offer meaningful life choices. One way to test that idea is to look at the use made in the study Villages of financial services at important junctures in households' lives. If the use of financial services helps people to cope with pressures and to recover from shocks, then they have greater resilience as a result. If it helps them to build up a store of savings or assets, then there is evidence of escape from poverty and the opportunity to plan fur further development.

Aside from the use of financial services, another test of resilience in the study Villages is the range of economic activities available to households or the community in order to gain a livelihood, and to deal with pressures and shocks. Single livelihoods across a community create mutual vulnerability: if the income source fails, then whole communities suffer. Some types of income are inherently more vulnerable than others – and in different ways. Farming is particularly vulnerable to weather shocks, and also feels the impact of global economic shocks, for example. A resilient economic base, therefore, combines different economic activities at household and community level, thereby spreading risk. It is expected that at least some of the income sources will be more robust, or more lucrative, or more able to withstand external shocks.

In order to understand resilience in the study Villages, respondents were asked to explain how they cope with a range of different specific circumstances.

Where do people in the study Villages actually get money when they need it?

[83] See Chapter 3, part 1.2 for discussion of meaning of resilience and its impact on livelihoods.

The study asked respondents to explain exactly how they get money when they need it for diverse financial needs, from the every day to the unforeseen emergency. Some 40 methods for obtaining money 'when you need it' were identified by respondents to the survey, and they are set out in full, listed as 'Income generating activities', 'Financial services' and 'Selling assets' in Table 5.2 – found at the end of Part 4 of this chapter. To understand broadly how things work at household level, the 40 methods are grouped into wider categories, in Table 5.3, also as 'Financial services', 'Income generating activities' and 'Selling assets'.

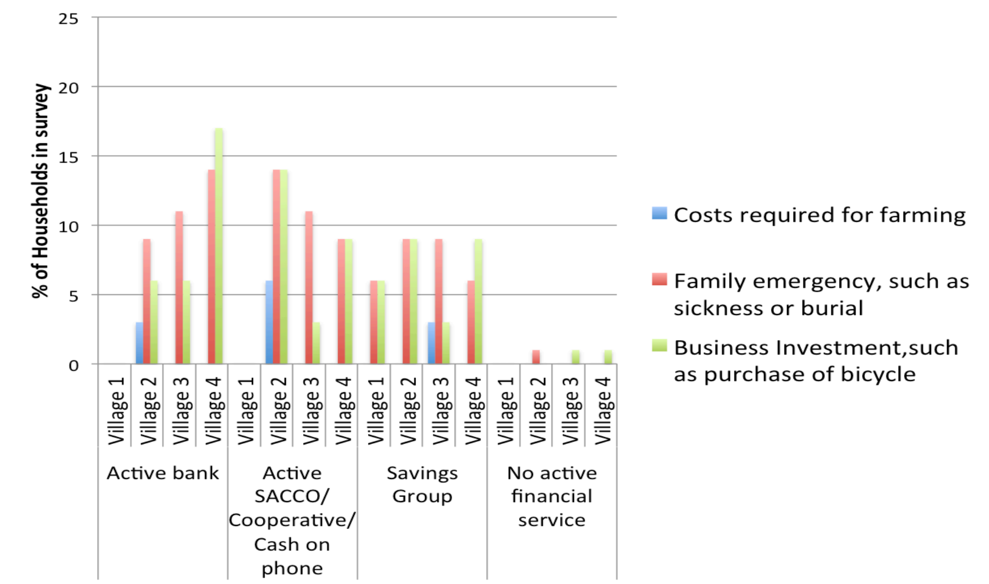
Table 5.3: Where do people get money when they need it?

Financial services	**Income generating activity**	**Selling assets**
Transfer from family or help from others	Working for others on piece rate	Sale of land
Loan from family or friends	Income from farming	Sale of phone
Loan and savings – source not specified	Business, craft, trading from home	Sale of other goods
Savings group services	Skilled piece work, such as driving	
SACCO/Cooperative services	Salary	
Bank services	Rental income	

Source: Author's own

The category 'Loan and savings – source not specified' makes it difficult to analyse the borrowing and savings by respondent households without further breakdown. In Villages 2, 3 and 4 this merged category accounts for 20% or more responses to some questions. In order to understand what might have been in respondents' mind, the households giving these responses were reviewed for their reporting of active bank or SACCO accounts, and for savings groups. Figure 5.6 shows actual financial services available in households who gave no source for loans or savings. It shows that most had some sort of organised financial service to resort to (although that does not mean they would have used them). Only a very small number had no active financial service available.

Figure 5.6: Breakdown of available financial services to households who said they would rely on loans or savings but gave no source for those financial services – by % of households in the survey



Source: Author's own

The categories of financial services and income generating activities are sequenced in Table 5.3 in approximate order of robustness, resilience or dependability – following a trend from the least to the most formal. Within each category there may be wide variation: these are approximate typologies, overlapping each other. For example, 'Income from farming' would include income from hand-to-mouth subsistence farming, and also from larger farms using more productive methods. Similarly, 'farming' may capture reluctant sales of livestock, as well as systematic animal trading. One respondent reported, for example, that the household's animals were all sold so the children could go to school[84]. This suggests difficulties ahead for that family with income earning, **and** in keeping their children in education[85].

Figure 5.7 sets out responses to three questions about livelihood events: 'How do you get money when you need it to cover costs for your farming?' 'How do you get money when you need it for a family emergency, such as sickness or a burial?' and 'How do

[84] S67.

[85] Education in Rwanda is free for primary and the first few years of secondary school. However, there are costs associated with sending children to school: from uniform to stationery and other requirements. Some schools also ask for contributions to the Parent/Teachers' Association. This study will not go into the detail (or the regularity) of such arrangements. However, almost every family with children systematically referred to 'school fees' as a cost of sending their children to school. In this study, those costs are generally referred to as 'School costs'.

you get money when you need it for a business investment, such as the purchase of a bicycle?' These are referred to as the 'Figure 5.7 questions' and the responses are organised in Figure 5.7 according to the Table 5.3 categories. Income sources are on the left of Figure 5.7, financial services in the middle, and asset sales on the right.

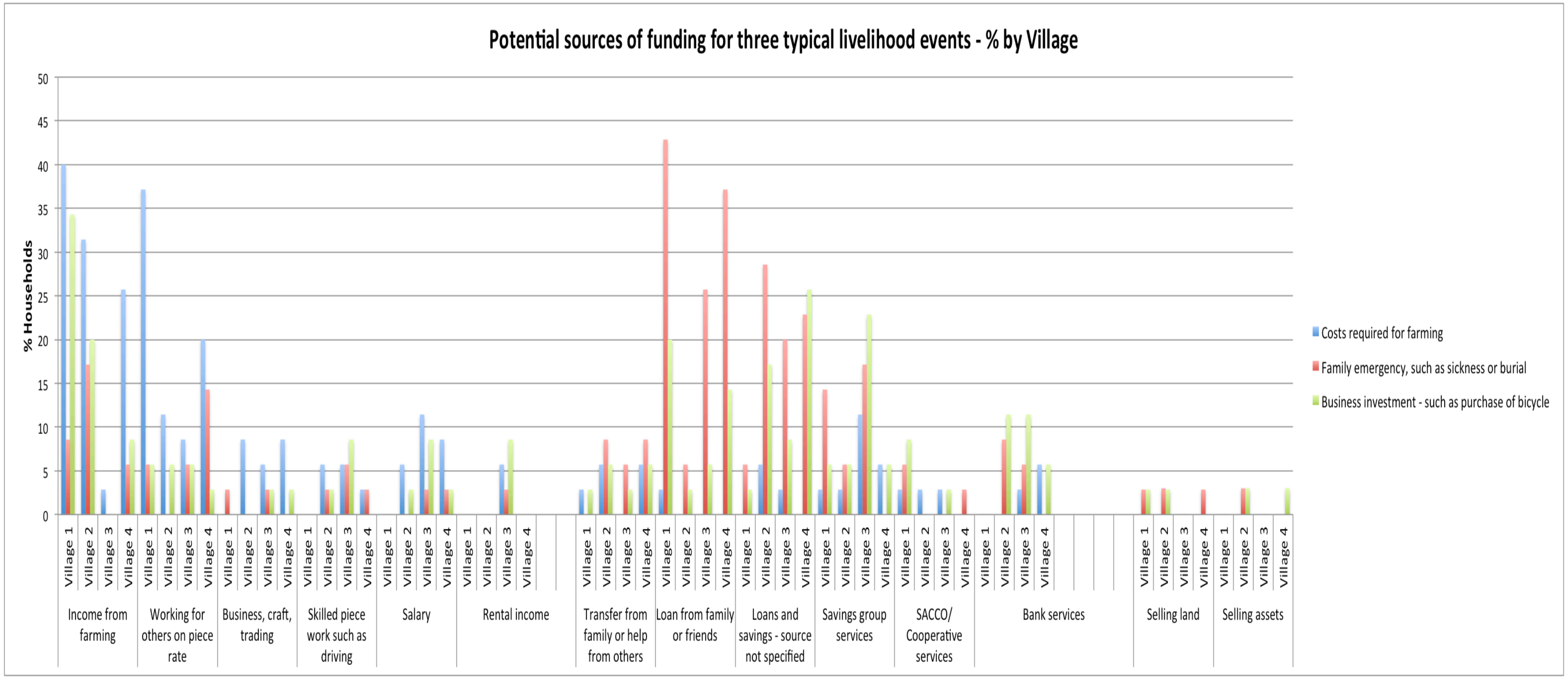
About 79% of households say they farm on a daily basis, either on their own account, only for others, or both. The spread across the Villages is shown in Table 5.4.

Table 5.4: % Households by Village engaged in farming

	% Farming for themselves	% Supplementing own farming by farming for others	% Farming for others but not for themselves
Village 1	89	29	8
Village 2	69	14	6
Village 3	37	11	6
Village 4	74	17	11
Total	67	18	8

Source: Author's own

Figure 5.7: Potential sources of funding for three typical livelihood events - % by Village



Source: Author's own

Farming requires investment, and it produces income. Thus the first Figure 5.7 question - how to fund farming – applies to most Village households. Farming is a potential livelihood demand, and a potential resource to meet demands. Figure 5.7 shows that most people fund their farming from the farming income itself. Relatively few use financial services, whether savings or loans, to invest in farming. This suggests under investment: moving away from subsistence farming usually requires investment from other sources to get things going, and to ensure that production is intensified.

Figure 5.7 shows Village 1 relies heavily on farming production for all its farming investment – and also for any business investment. Across the board, Village 1 is the lowest user of financial services, except for savings groups at times of family emergencies. The only other significant source of funds in Village 1, besides farming, is piecework for others. With few options for economic diversity, piecework for others is usually labouring in fields (and occasionally digging pits or carrying water). Subsistence farming is overwhelmingly the dominant source of livelihood in Village 1, whether directly, or in reliance on others' need for additional labour on their farm. This entrenches vulnerability at the community level: a bad harvest will affect all farmers directly, and those who depend on piecework will lose their livelihoods as a secondary effect. This absence of diversity at household level and at community level in Village 1 is highly characteristic of the vulnerability of subsistence farming communities.

The vulnerability of Village 1 is further borne out in the responses to funding a family emergency such as sickness or a burial. Most respondents rely on loans from friends and neighbours, with a significant minority relying on piecework for others. Again, the vulnerability is clear: in an emergency the households in Village 1 rely on one another to help out, and a shock to farming would be a shock to the community as a whole.

On the positive side, Village 1 responses appear to reflect a high degree of social cohesion. People believe they can call on each other. At times of hardship, such a community might be expected to make the best of things creating a collective approach to problems and challenges. This is not something that Rwandans can take for granted, given the divided communities of the past[86]. However, further work would be necessary to reveal whether social cohesion works across whole communities, or whether it is fragmented (along old 'ethnic' lines, or in other ways).

[86] See Part 2 of this chapter for evidence of this.

In Villages 2, 3 and 4 the economic (and probably social) arrangements diverge in different ways from the typical structure of a subsistence farming community, as exemplified by Village 1. In relation to farming investment, there is a small but significant reliance on financial services to provide investment and on other earning activities to support farming: business and craft, skilled piecework, salaries and even rental income (in Village 3) play a part.

For business investment and for farming in Villages 2, 3 and 4 there are diverse ways of finding money that were not available in Village 1. The use of financial services is important, especially for business investment. In addition, income-generating activities range across cycle income; driving income; salary income; milk sales; petty business; giving driving lessons; running a shop; brewing and selling beer and more[87]. It is reasonable to expect that the stability and resilience of farming activities, as well as the further diversification of household income, are enhanced by these broader financial activities.

Village 1 is exposed as more vulnerable than the other villages. Respondents were asked about a total of eight significant livelihood events, from weddings and funerals to house repairs, and from health insurance and school costs to business ventures. As already noted, reliance on financial services is low with few SACCO accounts being used, and no bank services. Furthermore, out of the 22 methods of generating income mentioned (listed in Table 5.2 at the end of Part 1 of this chapter), only 12 were available in Village 1. One of the 12 was 'Government support' – available to the very poorest or most vulnerable for certain things, and another was 'child labour' – an indication of poverty rather than a meaningful choice (not mentioned in any other study Village).

All of the income generating activities numbered from 13 to 22 in Table 5.2 were unavailable in Village 1. At least some were available to at least some households in each of Villages 2, 3 and 4. Notably, these are the financial activities that diversify most widely from farming. For example no respondent in Village 1 could obtain money from rental income, cycle or cycle repair services, running a shop, driving or earning a salary. Figure 5.8 shows the different types of income generating activities used in the study Villages adopting the broader Table 5.3 categories.

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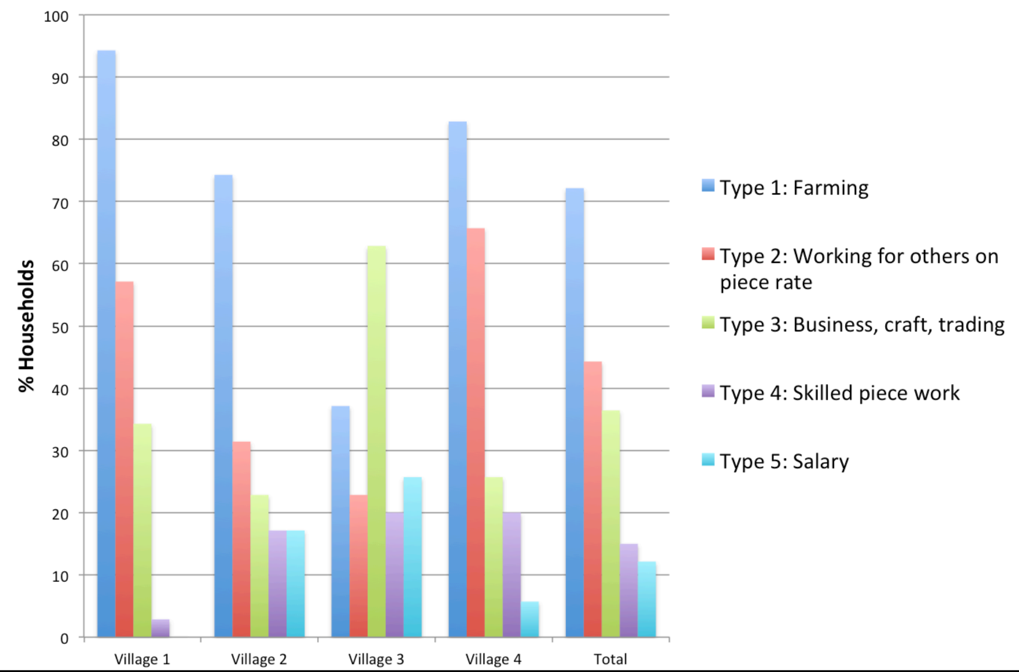
[87] See Chapter 5 Annex 1 Section 1.

Figure 5.8: Types of income generating activities in which household members are involved - by % households



Source: Author's own

In Village 3 the picture is skewed most strongly away from the Village 1 experience. Only 40% of Village 3 households are involved in farming at all (Table 5.4), whether on their own account (37%) or solely for others (6%) and this is mirrored in the responses to Figure 5.7 questions. Figure 5.8 confirms that a more diverse mix of income generating activities takes place, with business, craft and trading dominant.

In response to each Figure 5.7 question, Village 3 households make the widest use of financial services – particularly banks and savings groups, relying more than others on business or salary incomes. Even for a family death or illness, fewer Village 3 households rely on loans from family and friends than households from other Villages (although over 25% of households would still use that approach).

Households from Villages 2 and 4 are also quite likely to rely on loans from an organised source rather than from family or friends in an emergency. Whilst some in Village 2 would rely on the most formal of all – the bank - the main resource for getting help in an emergency is 'savings and loans from unspecified sources' at 28% (with family and friends being a small proportion at 6%). Most will have organised accounts available (see Figure 5.6).

The explicit use of SACCO's is surprisingly low across all three Figure 5.7 livelihood events, considering the number of open accounts: only a handful of households would use SACCO's for any event. Village 1 households are more likely to say they use a SACCO than others – but levels are still low: 3% use SACCO's for farming costs, 6% for family emergencies, and 11% to help with business investment. Whilst some SACCO use is hidden in the 'loans and savings – source not specified' category, it is clear that SACCO's have not changed everything for everyone – and in particular, they have not eliminated reliance on informal loans from family or friends, and nor have they made savings groups irrelevant.

On the other hand, SACCO's have provided the only source of formal financial services in Village 1 households, and provide an additional (sometimes overlapping) option across the other study Villages.

ANOMALIES IN THE LIVELIHOOD RESPONSES: 'ASSETS AS A STORE OF WEALTH', AND 'LOANS PREFERRED TO SAVINGS'

Assets: Asset sales are shown in Part 3 of Table 5.1 as a reported mechanism for dealing with livelihood events, and they were a possible response to the Figure 5.7 questions: however they rarely came up. A few land sales were specifically mentioned in response to Figure 5.7 questions[88], and one respondent would sell 'things' reluctantly[89]. One respondent was pleased to own a phone because of the possibility it offered for selling if money was urgently needed[90], but this general observation was not a response to any specific question.

A low level of respondents reported they would sell assets for demands not captured in Figure 5.7. Typically, land sales are mentioned for carrying out repairs or improvements to houses[91], or (one respondent) for investing in a business[92]. One respondent would sell land to pay for a wedding[93], thereby having no obvious prospect of increased financial security as a result. Table 5.5 shows the actual incidence of asset sales captured from other parts of the survey.

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[88] S19 in Village 1, S40 in Village 2 and S109 in Village 4.
[89] S61.
[90] S107.
[91] S7, S15 and S21 in Village1, S40 in Village 2, S111 and S108 in Village 4.
[92] S33 in Village 1.
[93] S111 in Village 4.

Table 5.5: Incidence of sales of assets in preceding three years under pressure - % by Village

	Village 1	Village 2	Village 3	Village 4	All study Villages
Land	29	23	17	17	21
House	3	6	6	3	4
Phone	29	3	6	23	15
Bike	23	6	0	14	11
Mattress	6	0	3	0	2
Radio	14	3	3	6	6
T.V.	0	0	3	0	1
Goat	34	17	11	31	24
Cow	20	37	9	0	16
Small animals	17	0	0	11	7

Source: Fieldwork survey

Table 5.5 shows over 20% of respondents actually sold land under pressure in recent years, and many also sold livestock or other possessions under pressure. The low level of explicit reliance on asset sales is at odds with this information, given when respondents were asked explicitly if they had sold assets under pressure because they needed money.

The under-estimation of reliance on asset sales in response to livelihood questions is an anomaly. It suggests that people would prefer to use strategies that do not rely on asset sales, but in reality they may be forced to do so when the crisis comes.

<u>Loans over savings:</u> Some households would rely on loans from friends and neighbours in the event of sickness or a death in the family, even though they have savings

available[94]. This is an area worthy of further investigation: it is possible that social pressures and expectations surround major family events, and that established patterns of behaviour kick in, even when they do not need to. Another possibility is that savings are not a true substitute for the help available from friends and neighbours: perhaps the support is not given in cash, but in food, or other payment in kind – or in some combination that savings would not be able to replicate.

These anomalies show gaps: between what people say they would do, and what they actually did recently; and between availability and take-up of apparent 'better' options. These gaps are a reminder that financial strategies are entwined with domestic realities, social conventions and community responses – all of which may require or preclude certain strategies.

When financial exclusion means social exclusion as well

When it comes to urgent expenses for funerals it is possible to see how financial exclusion and poverty can contribute to a painful social exclusion. Most respondents could think of a means of funding a burial (over 90% across all villages), and even weddings were capable of being funded by the majority of households (around 80% across the survey). It is easy to imagine how painful life would be for those unable to take part in such normal social events. Almost 10% of households say they could not find costs for a burial – a deeply 'excluded' state to be in, both financially and socially.

5.3 Mobile phones and their associated financial services

Most households have used mobile money to send or receive funds. The speedy, safe and accurate transactions are popular, but there is little reference to other financial services based around phones: they are not described as a means of accessing savings or loans services, for example. However, the experience in Kenya suggests that mobile money can have transformative effects on livelihoods. The ability to draw support from a wider, more distant pool of people, and the security from risk of crime, seem to combine to enable new livelihood choices to be made.[95] Further investigation of this would be worthwhile, whilst also monitoring the longer term impacts in Kenya to see whether they are sustained.

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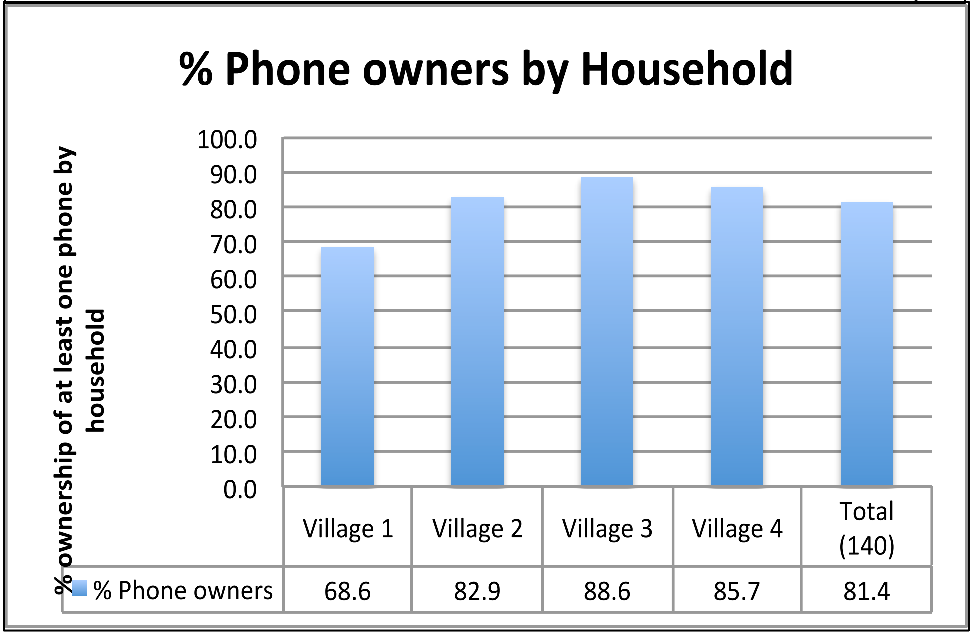
[94] For example, S48 in Village2, S103 in Village 3, and S107, S113 and S139 in Village 4.
[95] See the discussion of mobile money in Chapter 3, part 1.3.

Figure 5.9: % Phone owners by Household

Source: Fieldwork survey



Use of mobile money is, unsurprisingly, heavily weighted towards households with a phone. Phone ownership stands at over 80% of households in the study Villages, as shown in Figure 5.9. Village 1 lags behind, with under 70% of its households owning a phone. Village 3 approaches 90% ownership.

Table 5.6 captures the link between phone ownership and use of any financial services. Those households without a phone are, of course, least likely to use mobile money. It is striking that they are also highly unlikely to be using financial services of any description. Thus the failure to own a mobile phone is a strong indication of 'financial exclusion' amongst the respondents to this survey.

Table 5.6: Household use of financial services relative to phone ownership

	Households where someone owns a phone (81% of sample)	**Households where no one owns a phone (19% of sample)**
% Use mobile money	85%	8%
% Use other financial services	72%	Just under 20% of those who do not own a phone

Source: Fieldwork Survey

The information does not disclose whether this correlation, between phone ownership and access to financial services, holds good in general across Rwanda. It is, however, a strong relationship across the survey sample. A causal connection is conceivable (though speculative): ownership of a mobile phone, with implied increase in connectedness with family, community and public information, may support aspects of financial engagement. This is worthy of further study.

For now, it is only possible to say that phone ownership within a household strongly suggests that household will be using financial services, often with no direct link to the mobile phone. This observation offers a quick 'red flag' alert to the consequences of households and villages falling behind in the trend towards ownership of phones.

5.4 HEALTH INSURANCE AND EDUCATION COSTS

Take up of health insurance (Government sponsored 'Mutuelle de Santé') is remarkably high across the survey. Over 90% of study Village households manage to have cover, and the take up is uniformly high across all villages, with Village 2 having the least cover at about 90%.

School costs are found by most relevant households, but about one in six (1:6) cannot afford to send children to school. Village 1 lags behind on education, with two in seven (2:7) unable to afford schooling, whilst only one in fifteen (1:15) in Village 2 fails to cover the cost. The other Villages lie between these extremes. This suggests that take up of education is correlated with other economic changes (and improvements).

Given the high financial pressures on many households the coverage of both health insurance and school costs is impressive. Figures 5.10 (found at the end of Part 1 of this Chapter) shows the overall take up of health insurance and school costs. With take up so high, those unable to participate will experience a sense of vulnerability and social exclusion.

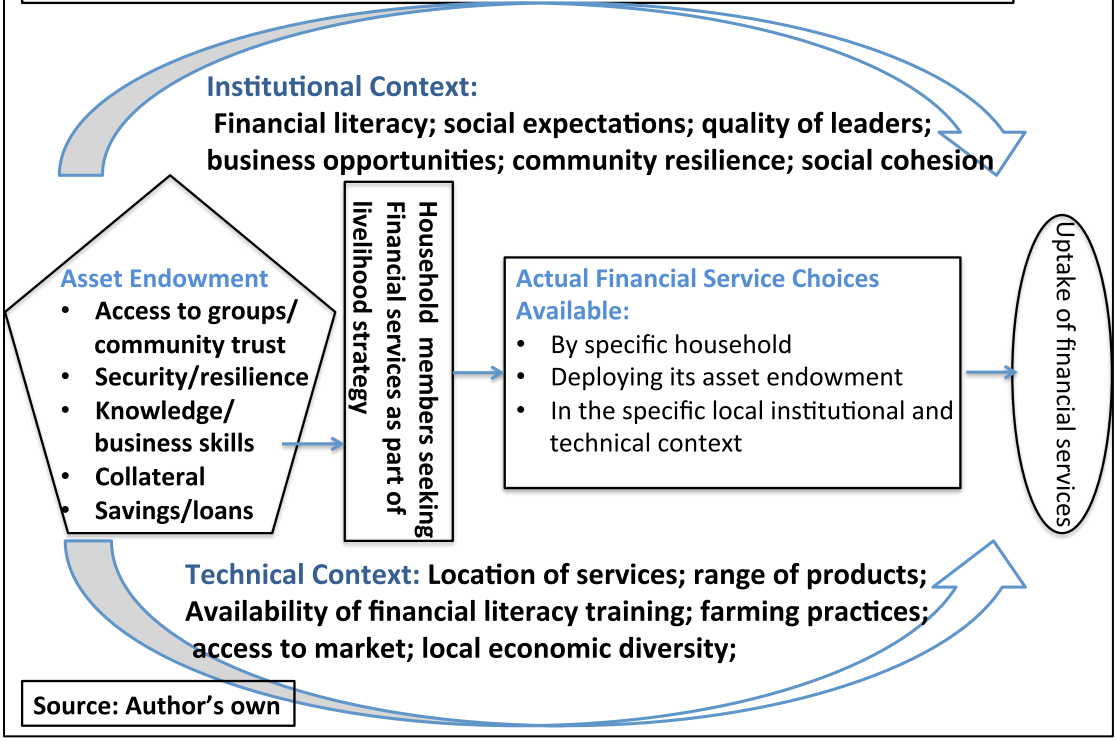
5.5 STUDY VILLAGE LIVELIHOODS: AN ANALYTIC SNAPSHOT

The differences in take-up of financial services suggest varied livelihood options and pressures are at play, village by village, and household by household. The livelihood analytic framework offers a means of visualising the possible location and impact of these factors. Schematically these issues are captured at Figure 5.11[96], in the livelihood

[96] Developed from Figure 3.4 in Chapter 3.

analytic framework, compiled to reflect issues relating to financial inclusion and use of financial services.

Figure 5.11: Livelihoods Analytic Framework showing potential drivers to uptake of financial services at household level



Source: Author's own

Figure 5.11 highlights how multiple dimensions of a livelihood will have an impact on the choices and uses made by households of financial services, whether formal or informal. Each element of the household asset base, shown as the asset pentagon in Figure 5.11, might have a bearing on the financial service choices actually available within a household: community trust is important for group savings; security and resilience matters for risk management in new investments; knowledge and business skills (including basic literacy and numeracy) have a bearing on what activities a household may want - or be able - to finance; collateral is needed for loans; available savings or loans influence preferences and options for further activities. Use of mobile money – connected with phone ownership – may offer opportunities for livelihood change, according to experiences in other developing communities in the region, though without further investigation it is impossible to know if this is true – and to what extent – in the survey Villages.

Similarly, environmental factors – whether 'Institutional' (social expectations; general levels of financial literacy in the household; quality of local leaders; actual business opportunities; social cohesion etc) or 'Technical' (location of financial services;

availability of training; local economic diversity etc) - have a direct impact on choices available to household members and their use of financial services. These issues are all reflected in different study Village household responses.

Thus we conclude both theoretically and in practise, that take-up of financial services is variable and local in nature. It is linked to all other aspects of a livelihood, and financial services alone are unlikely to achieve transformations. A focus on coordinated interventions remains the strong approach.[97] Rwanda has seen a steady increase in take-up over the last decade, but the factors driving the detail will be different in every village and every household.

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[97] As foreshadowed in Chapter 3, Part 1.1 Bateman and Chang (2012).

Table 5.2: Full list of where people get money when they need it

Section 1. Income generating activities

1. Cultivating, selling crops, husbandry
2. Cultivating for others
3. Labouring, small jobs, construction
4. Selling/rearing animals
5. Selling crafts (eg mats)
6. Digging toilet pits for others
7. Fetch water for others
8. Business
9. Making and selling banana beer
10. Masonry/house construction
11. Children work for money
12. Government assistance
13. Selling things so you can buy other things
14. Selling milk
15. Work in bar
15. Daily income from all sources
16. Cyclist/cycle repair
17. Driver/moto
18. Running a shop
19. Supervising government water spigot
20. Laundry for others
21. Salary
22. Rental income

Section 2. Financial services

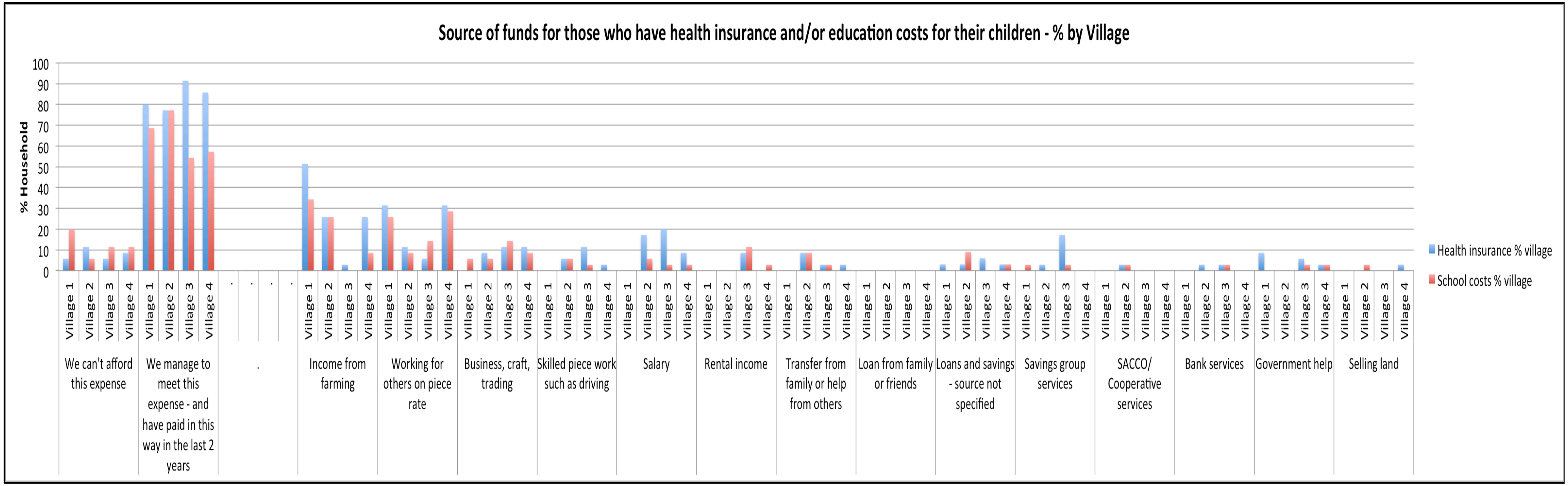
1. Getting a debt back
2. Loans – not specified where from
3. Savings in SACCO
4. Funds from Cooperative
5. Savings in savings group
6. Loan in savings group
7. Loan from friend/neighbour
8. Loan from relative
9. Transfer from family
10. Help from others
11. Credit/advance from customer
12. Savings – not specified where from
13. Savings in bank
14. Loan from bank
15. Credit in shop
16. Put house as security

Section 3. Selling assets

1. Selling land
2. Selling things reluctantly

Source: Author's own

Figure 5.10: Sources of funds for those who have health insurance and/or education costs for children – % by Village



PART B: STUDY VILLAGES' VIEW OF A 'GOOD LIFE', THE GOOD THINGS IN LIFE RIGHT NOW, AND THE CHALLENGES IN LIFE

Consistent themes about the ideas of a 'good life', the experiences of the positives in life, and in dealing with life's challenges are found across all of the study Villages. Questions on these themes were open, so the responses raised - the factors and themes set out in Table 5.7 - are generated by respondents themselves. There was no checklist for participants to respond to.

The responses have been grouped in Table 5.7 into four categories: 'satisfaction of practical needs'; 'security'; 'meeting of emotional needs'; and 'meeting other needs'. In spite of the breadth of the categorisation, there is cross-over between classifications. For example, 'food' clearly meets a practical human need for calories and nutrition, but several respondents also talked about the ideal of a varied diet, with the ability to eat as much as you like and to enjoy food[98]. Thus the intrinsic value of eating – something of an emotional satisfaction – overlaps with the instrumental value of being well nourished.

Similarly, 'Development' has an emotional quality: the sense that things are improving, and that the future is worth looking forward to. One respondent, in particular, mentioned the poor farming methods with which he is stuck, whilst another mentioned the arduousness of farming. Development is necessary to improve these factors, so that the intrinsic value of experiencing improvement (an emotional need), is matched by the instrumental value of farming becoming easier, more productive or more reliable (thereby meeting practical needs). Nonetheless, the groupings help to highlight the underlying scope of people's experiences and aspirations.

Satisfaction of practical needs dominates Table 5.7. Whether being asked to imagine a good life, or to critique their own experiences of life, the focus is on pretty basic requirements: getting enough to eat, having shelter, getting an education, being able to support family – and having access to clinics, schools, water – and electricity[99].

Figure 5.12 shows the top 12 factors mentioned (by total %, and broken down by study Village) as the elements of a good life. One factor is 'basic needs': this was cited by many respondents who also broke basic needs down into component elements, such as

[98] Eg S72.

[99] This accords with the findings of David Clark 2003, referred to in Chapter 3.

food or shelter. Sometimes basic needs stood alone, without elaboration. Figure 5.12 shows all those who mentioned 'basic needs' at all, and so there is an element of doubling up with other features listed.

The single largest mention in Figure 5.12 is 'food' – flagged up by 72% of respondents overall, and in Villages 1 and 3, by 77%. Those who mention basic needs, without breaking it down further (and are likely to include food in their thinking) take the average mentions across the survey to over 80%. This high level of preoccupation with food (or basic needs, taken to include food) indicates that respondents do not take food availability for granted.

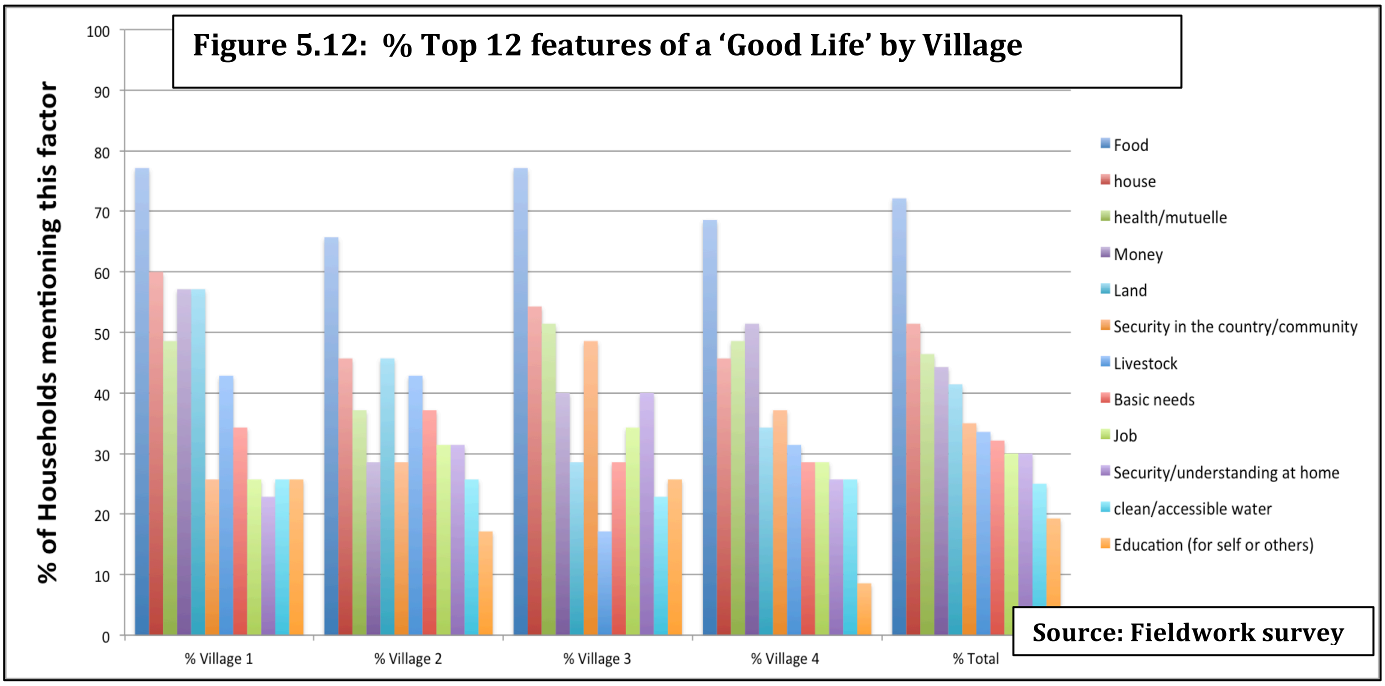


Figure 5.12: % Top 12 features of a 'Good Life' by Village

Table 5.7: Responses to open questions about a 'good life' and about the current realities of life

A1: What makes a good life?	A2: What is good in your life?	A3: What are the challenges in your life?
	Meeting Practical Needs	
Basic needs	Basic needs	Basic needs
Food	Food	Food/nutrition is lacking
Land	Land	Small land/poor land/no land
House	House	Inadequate house/rented house
Accessible clean water	Accessible clean water	Lacking accessible clean/adequate/affordable water
Money	Savings/enough money	Nowhere to get money/not enough money
Savings		Poverty
Capacity to save for the future		
Job	Job	No job/not enough work in job
Production to sell	Agriculture	Not enough produce to sell Bad harvest/ weather
Livestock	Livestock/animals	Insufficient/No livestock
Adequate clothing	Adequate clothing	Poor/insufficient clothing
Health/mutuelle	Health/mutuelle	Health/mutuelle
Accessible clinic/hospital		Lacking accessible clinic
Hygiene	Hygiene	
Infrastructure		
Transport/road	Infrastructure (road)	Infrastructure (roads, markets, school)
Accessible school	Infrastructure (schools)	Inadequate education system
Environment		Not having environment
Accessible electricity	Electricity	Lacking accessible electricity
Supporting others	Supporting others	Supporting others
Education (for self or others)	Children are in school/school for children	School - costs (for dependents)
	Security	
Security in the country/community	Security/Good relationships in the country/community	Robbery
Security/understanding at home	Security/good relationships in the household	Little security/understanding in home
Good leaders (local and national) and good governance/no corruption	Leadership	Bad local leaders/local government
Participation in Government programmes – eg tax/one cow/Ubudehe		Government support does not reach us (we hear on the radio that seeds are for us but we don't see them)
	Meeting Emotional Needs	
Knowledge/ having studied	Studying/My education	Lack of education (for respondent or family)
Development	Development	No development/poor farming methods/farming is hard
Family/children/not an orphan	Family/grandchildren	Being alone (Especially because you are old)/Orphanhood/lacking family support
Having others to help you – whether family or workers		Neither widow nor wife
Wisdom/accepting responsibility	Being Christian/God's mercy	Working for others - not enough money or time for other projects
Hope	Self-respect Being satisfied	Unfair promotions etc at work
	Meeting Other Needs?	
Family Planning	Family planning	Family planning - misunderstanding with husband
Mosquito net	Telephone	Being required to build what you can't afford
Bicycle, motorbike, car	Motorbike	Family land dispute Can't get loan/lacking capital High land or other tax

Source: Fieldwork survey

Security is also consistently desirable in a good life. Mentioned by one in three (1:3), it likewise is not taken for granted. This is unsurprising, given Rwanda's recent history of war and Genocide. Figure 5.13 - the top 12 factors mentioned as positives in the actual life of respondents - shows that food is the positive feature of life raised more than any other, with an average of 50% of respondents mentioning it. Food is a benefit to be grateful for according to many respondents, suggesting experiences of food shortage. In additional comments, some of these respondents say sometimes there is not enough food; they are grateful when there is.

Security is valued in a good life, mentioned by over 40% of households; and also not taken for granted.

A few respondents find nothing positive in life. 'No hope. I get nothing. I live alone, I am old, I have no future because I cannot work.'[100] Food shortage may be an explicit part of the sense of hopelessness that these respondents express: 'Nothing is good because as the family increases the hunger increases. There is nowhere to cultivate, and we have no peace.'[101] Ultimately, the sense of hopelessness can be overwhelming: 'I am sad. I want to die.'[102]

Sometimes people find only one positive thing in their lives: 'security'[103] or 'mutuelle' (health insurance)[104] can prompt a positive response, even if nothing else good comes to mind. This demonstrates an ability to see improvements even when the overall picture is still difficult.

There can be 'gratitude for small mercies'. In the context of food, people speak with poignant clarity: 'We do not sleep on an empty stomach'[105]; 'We don't sleep hungry or miss lunch'[106]. There can be emotional satisfaction, though life is tough: 'We have self respect, being satisfied with the little we have; we do not steal, we do not beg, we do not cheat anyone.'[107] However, there is no sense of people feeling comfortable with a poor quality of life: the same people express the challenges in their lives lucidly.

[100] S.70.
[101] S.61.
[102] S.76.
[103] S.6.
[104] S.11 and S.20.
[105] S.2.
[106] S.8.
[107] S.3.

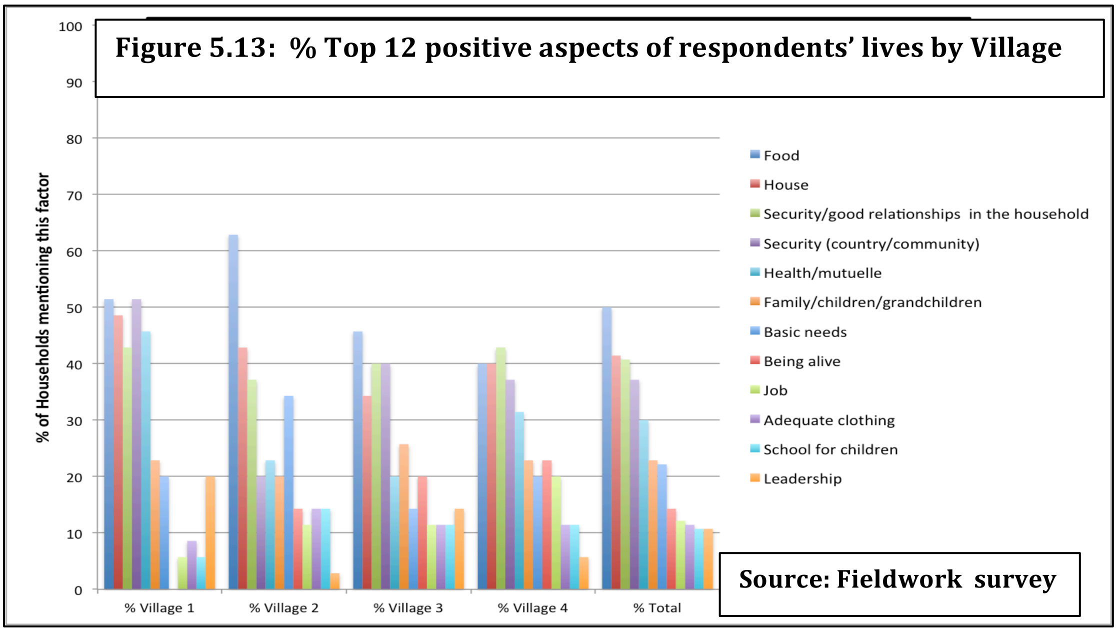
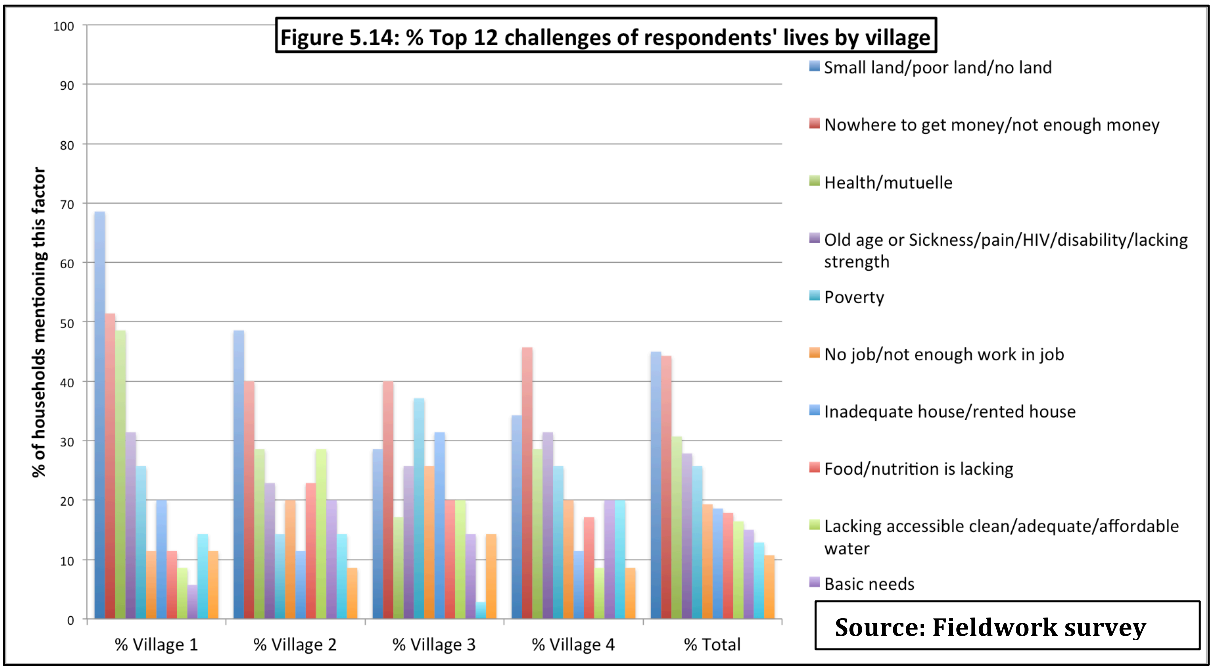


Figure 5.13: % Top 12 positive aspects of respondents' lives by Village

Source: Fieldwork survey

Finally, in this series, Figure 5.14 sets out the top 12 challenges in life experienced by respondents. First, notably, security does not feature in the challenges mentioned by respondents. The closest thing, mentioned by two respondents, is 'robbery', presumably a local matter. An issue of such importance that it is mentioned by over a third of respondents as a feature of a good life, and as a positive feature in their actual lives, it is striking that no one now sees it as a challenge to contend with. Although memories of recent insecurity still features large in respondents' thinking of how life is and should be, it is not a concern today.

Figure 5.14 shows food, as a challenge, lying at 8th place, with 18% of respondents mentioning it (compared with the strong first place in Figures 5.12 and 5.13). There are different possible explanations for this. It is tempting to conclude that food insecurity has fallen in significance, being no longer a major concern. However, when seen in the context of other challenges, the data suggests otherwise.



The top concern of almost 70% of respondents from Village 1, and over 40% of all respondents, is land shortage. Since land – through agriculture – is the main source of food and livelihood for most respondents, it seems that food may be a significantly higher-placed challenge than the explicit eighth position.

The focus on land, rather than food, in Figure 5.14 is a characteristic of the 'challenge' responses: people are keener to have the means of a good life, than to have it handed out on a plate. In general, people want to farm, or to earn money, not to ask for food, a house or the basic needs they value.

One challenge in Figure 5.14 highlights the significance of environmental challenges incapable of resolution by individuals alone: the shortage of accessible safe water is ninth on the list. Table 5.7 shows respondents value clinics, schools, roads and markets: having access to facilities is mentioned by some respondents as a positive in their life, or in a good life in general. Taken together, these responses show that infrastructure for the provision of utilities and services is not taken for granted – it is valued, appreciated when it is provided, and regretted when it is lacking.

Health and access to healthcare services (often expressed as 'mutuelle de santé'- health insurance) are highly valued (third in the factors that make a good life – Figure 5.12, fifth in the positive features in respondents' lives – Figure 5.13). The lack of good health and/or access to healthcare services is acutely felt, being mentioned as a challenge in life by almost 50% of respondents from Village 1, and almost 30% overall. In fact, 60% of respondents mention their health or their access to healthcare services (often both together) – either as a positive or as a challenge in their life: the worry of illness going untreated is an anxiety, and the provision of healthcare services often transforms the situation. It is a clear development step up in the minds of the respondents.

Taking all the responses together, study Village households seek a good life based on modest aspirations. Along with food, housing, and health, the ability to pay for healthcare and the need for shelter are central features, mentioned as positives when available, and as challenges when not. People value the means of self-reliance rather than the fulfillment of their needs by other means.

There is no mention of extravagant wealth or lifestyles – no 'lottery winning' aspirations. Consumerism is lacking. No challenges go beyond wanting a secure, decent and dignified life with a degree of autonomy and social inclusion. Security of livelihood is important – a job or enough land – and to be able to eat, sleep at home, and have peace and security. Access to education and healthcare, as well as to water, roads and markets, are recognised as important environmental factors for a good life.

When interpreting this modesty of aspiration, it is worth noting that only 12 households in the entire survey own a television (equivalent to just over 1:50 households, matching the typical rural level of TV ownership across Rwanda[108]). No respondent at all from Village 1 has one. In Villages 2, 3 and 4 just over 25% of respondents said that they hoped to have a television in the next five years, but in Village 1 only two respondents thought this possible (equivalent to about 6%). The lack of television may be significant: television sets are, themselves, consumer items, and are also a window onto consumer society - a rapidly emerging feature in parts of the African continent and in the wider world. The respondents may currently be excluded from participation in, and awareness of this culture, with its probable potential impact on expectations and ideals of a good life. Everything could change rapidly if a critical penetration of television ownership and viewing was to be achieved.

[108] Fourth Population and Housing Census Rwanda, 2012 - Main indicators report – Figure 25, page 83 (National Institute of Statistics of Rwanda and Ministry of Finance and Economic Planning, Government of Rwanda 2014).

The survey results show that most people can find something to be pleased about in life. The very few who could find nothing good (five in total, representing about 3%)[109] were typically elderly, disabled, worried about food and socially isolated. When asked how they would fund things, one of these respondents said 'I could not even fund a rat…'. It is a concern that positive changes that have improved the lives of some respondents have not brought benefits to these vulnerable and excluded individuals – and life may feel even worse as a result.

Perhaps it is not surprising that respondents' main concerns revolve around the most basic needs for survival. They demonstrate memories of food shortage, insecurity and other worries, even if less of those concerns exist today. However, some responses show that the vigilance around basic needs does not preclude more abstract aspirations. Sometimes, reasons given for concerns that seem 'basic' at first, disclose a wider dimension – peace, or dignity - when the respondent is asked to expand upon the meaning of this feature in their lives: 'a clean, calm home' is desirable; a sense of indignity can be discerned from a respondent saying he 'sleeps among the children and saucepans'; some people take pride in their clothes, rather than simply wanting adequacy; an elderly, weak respondent mentions that faith 'keeps me strong'; a good life can mean having 'wisdom to balance resources'. One elderly respondent with savings is relieved she has 'no begging', and that she has dignity in old age.

Several respondents clearly endure considerable poverty but mention 'having life' or 'having peace' as positives in their lives, although they can find no others. One 22 year old female speaks of a job as a means to lengthen life, as well as earning money. She speaks of pride in her country. She equates hygiene with 'smart clothes'.

Family relationships are important to people's emotional or psychological needs: one in five (1:5) volunteer that they are pleased with their families, whilst a woman in a difficult relationship with her husband names that as a key challenge, even though she has all the money she needs.

These elaborations all demonstrate psychological dimensions to features of respondents' lives: peace, calmness, self-esteem, spirituality, wisdom, inner strength and the prospect of a long life are all explicitly valued by at least some respondents, even when their daily endeavours are grounded in the quest for basic needs.

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[109] S.61, S.70, S.76, S.99 and S.112.

The Table 5.7 responses represent widely shared views about how a good life might be – and how life in Rwandan villages can sometimes deliver some elements that make life feel good – and also where the realities of life currently fall short. For example, the top 20 features of a good life were each mentioned by at least 9% of respondents. With the exception of those items in the 'Meeting other needs' category in Table 5.7, each response mentioned was made at least twice by respondents to the survey, and usually more.

The aspirations, challenges and pleasures in life in these four Rwandan villages can be captured from a livelihood perspective. Figure 5.15 is an 'exploded' version of the Livelihoods Analytic Framework110 showing some of the features of life mentioned by respondents to the survey: they may be assets, or elements of the 'institutional' or the 'technical' environment in which the assets are deployed. Figure 5.15 shows how characteristics of household members affect available livelihood choices -ultimately, some benefits or hardships in life are simply about 'who you are': with age, gender, and family structure all important.

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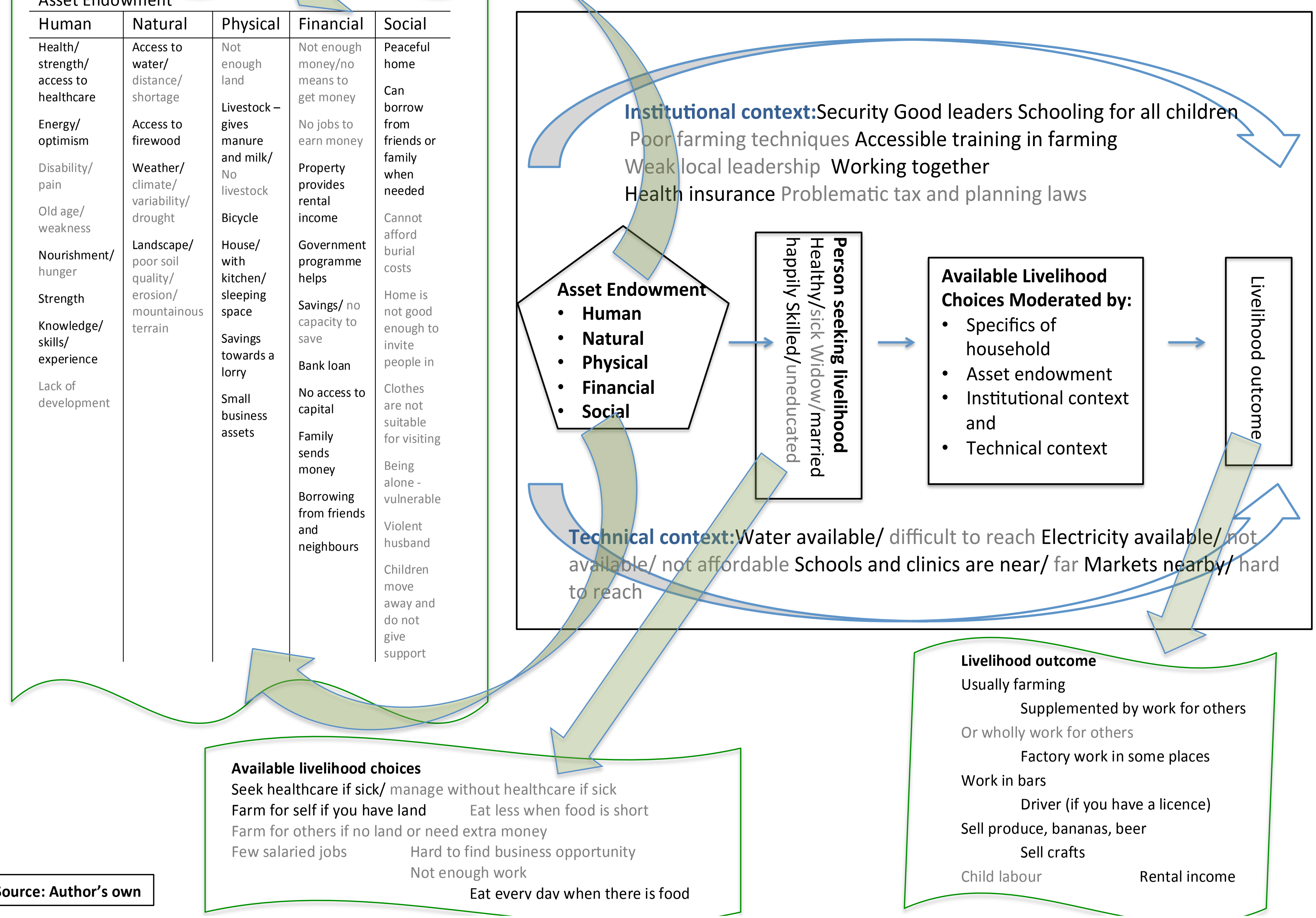
[110] Based, again, on Figure 3.4 in Chapter 3.

Figure 5.15: Livelihoods Analytic Framework showing multiple dimensions of a 'good life', the good things in life, and the challenges in life as reported in the study Villages



Source: Author's own

5.6 LIVELIHOODS ANALYSIS: EVERYTHING IS CONNECTED

Figure 5.15 shows how the features of life mentioned by survey respondents spread across every element of the livelihoods organisational framework: personal assets from each of the five categories; aspects of the 'institutional' and the 'technical' environments; the impact of being a particular kind of individual (age, gender, physical capacity or social status) – all are mentioned. Respondents are also able to articulate the livelihood choices available to them, or that they wish they had. Certain livelihood factors can be adjusted by individuals: people can, in theory, choose to attend school, or go to a clinic, or save on a regular basis. However, choices are only available if the surrounding environment is organised appropriately. Availability of schools, clinics and banks, in the nature of public goods, are beyond the means of organisation of individuals, or even of communities. Most of the 'environmental' features shown in Table 5.7 and Figure 5.15, whether 'institutional' or 'technical', can best be addressed with a coordinated strategy, probably by government, at the local or national level.

Some features of people's lives cannot directly be improved or changed by any intervention: those who are sick or alone or elderly may be unable to change their condition. In that case, the consequences of the conditions must be addressed to minimise or mitigate their impact on livelihood and quality of life. Solutions here may be social safety nets and social services: again calling for a coordinated strategy, probably by government.

Thus, the teasing out of the strands of the livelihood model into this analytic framework allows for a critical analysis of where interventions are likely to be effective in moving households towards the lives they aspire to, and in reinforcing the elements of life that they value, whilst tackling the challenges they face. Often, the interventions identified require central organisation for maximum effect.

In most cases, the livelihoods organisational framework suggests interventions should focus on creating enabling environments rather than on augmentation of asset bases of individuals or households. The realities of individual lives are extremely varied, and no two households have the same requirements or challenges; thus transforming the environment to maximise effective deployment of assets by the widest range of individuals will tend to generalise support for progress towards 'good lives'.

Many features mentioned by respondents are interconnected, and there is feedback between them in the livelihoods conceptualisation. For example, a peaceful home is more likely to flourish economically than a troubled home. But a home is, perhaps more likely to be peaceful if household members have meaningful work, or enough food, or can rely on clean water without arduous daily effort. More directly, opportunities to sell production are likely to be influenced by education in farming techniques, by roads and access to market, by investment in improved seed, and by the ability to manage risks inherent in farming so that growing higher value crops becomes a genuine livelihood choice. The interconnectedness explains why the asset base of an individual or household will grow, and perhaps diversify, as the enabling environment for a 'good' kind of life is put in place.

This analysis shows the possibility of imagining changes (interventions) broadly helpful to a wide range of households, offering transformational impacts on livelihood options, leading to worthwhile choices and strengthening the features of a good life.

5.7 CONCLUDING THOUGHTS

Part 1 of this Chapter shows how financial services are available across the study villages, and that formal services are taken up by some, but not other, households. There is a clear demand for mobile money (the implications of which are unclear for livelihoods at this stage[111]), and SACCO's provide services that are not otherwise available to some households. However, there remains a great reliance on personal support within communities, and social capital is important in all villages – but especially in Village 1, where subsistence farming is the main activity. Village 2 is somewhat less reliant on social support, and so is Village 4, with Village 3, the most urbanised and modernised, depending least of all on friends and neighbours.

Part 2 of the Chapter shows how poverty, and the basics in life, remain the major preoccupation in people's daily lives – even in their aspirations for a good life. Memories of food shortages, insecurity and absence of peace influence peoples' appreciation of what they have now. There is a sense of confidence that security is now reliable – and greatly appreciated. Food shortages and other basic needs are still problematic for many households, so when they are available they are consciously appreciated, suggesting they cannot be taken for granted.

When these two sets of findings are placed within the Livelihoods Analytic Framework, it becomes clear that every aspect of life, and every aspect of financial service take-up is

[111] See Chapter 3, part 1.3 and discussion in this Chapter for details.

interconnected. People choose to use what they need if it is available (so the institutional and technical environment is pivotal – households cannot go to SACCO's which are not there), but will often choose to stick with what is familiar (loans from family and friends, rather than dipping into savings, for example): and in depth probing may be required to find out what amounts to a true substitute for an informal social arrangement – it may be more than savings or a loan. In the end livelihood opportunities and decisions taken within each household and across each village are highly individual; decisions about financial services are local and dependent on a wide range of factors. Thus, a strategy to promote financial inclusion through the take up of financial services will need to be very tactical if it is to be successful in providing meaningful changes in villages such as the study Villages, and particularly if it is to reach the poorest and more marginalised households.

Such strategic interventions will work with very local communities to identify and develop services that are a true substitute for social methods of managing finance – to ensure that needs are met, and resilience deepened. Commercial diversity in local areas where fewest economic opportunities are available, will be promoted: use of more formal financial services follows economic diversity, indicating that resilience is developed by wider economic opportunities and wider opportunities for exploiting those opportunities. There is a clear role for promoting financial literacy, and other adult education strategies, since those with low levels of education say they are held back from economic development; they lack the skills and knowhow to plan and execute business activities. Working in a differentiated way with different target groups is necessary: issues for women may be different from issues for men; the poor will face greater barriers than the less poor; landowners have opportunities not available to those without land and so on. Any intervention should build on the recognition that group activities are appreciated for their intrinsic qualities, as well as for the services they provide: most households have some engagement with savings groups even though many do not (or perhaps cannot) use them when particular financial resources are needed. Finally, interventions have to contend with the fact that financial services and livelihood strategies are interconnected, providing many feedback loops between different elements. This conclusion that all aspects of livelihoods need to be tackled in a coordinated way leads back to the observation that governments are probably best placed to sequence and coordinate interventions to achieve sustained change.

An overarching concern for policy or strategy is the effect of poverty and the constraints it imposes. Poverty makes everything difficult: food shortages interfere with health and strength; lack of money reduces the chance of accessing medical care when it is needed, so ill-health persists; children have to work to support unwell adults; education is unaffordable anyway in deep poverty. The mere existence of financial services does not change any of that – financial service provision or facilitation only makes sense in communities like the study Villages if there is an integrated strategy for economic transformation and poverty alleviation.

These are some of the factors that are to be born in mind when considering the perspective of the political and policy leaders in Rwanda on financial services and financial inclusion (Chapter 6) and the approach to financial services and implementation of financial inclusion at the middle level – away from Kigali, at the District level (Chapter 7).

CHAPTER 6: CENTRAL ACTORS - FINANCIAL INCLUSION VIEWED FROM THE CENTRE OF POLICY MAKING

The financial inclusion policy is clearly framed in strategic policy documents – from Vision 2020, in 2000 (where the focus is on mobilising savings) through to the Financial Sector Development Plan II of 2012, as discussed in Chapter 2. A series of interviews with Central Actors – people whose roles put them at a high level in the policy making and implementing process, and at the heart of the financial inclusion policy - was carried out in December 2014[112].

6.1 THE DRIVERS FOR IMPLEMENTATION: FOUR DIMENSIONS FOR ENQUIRY

Mobilisation of a financial inclusion policy implies changes in behaviour amongst target users, and for those leading, serving or assisting them. Most of this happens out of sight of the Central Actors, typically occurring at District or community level. Villagers are invited to use services that have not figured previously in daily lives. If such change is to be achieved, internalised and sustainable, there is an implied transformation of the institutional environment for intended users of financial services.

As the necessary service providers are established and regulated, the formal institutional arrangements are likely to change. Behaviour change, shifts in social expectations, new habits and new ways of seeing and planning livelihoods will be required. The measure of successful mobilisation also includes changes in the technical environment, so that physical components are available. These institutional changes are difficult[113], with informal arrangements potentially the hardest to move. Interviews with Central Actors explore broad awareness of these fundamentals. An analysis of the interviews will demonstrate the degree to which different Central Actors are able to articulate credible strategies for making the desired changes.

Throughout this chapter Central Actors are described in the text and identified by their initials in footnote references. Their organisations and roles are summarised in Table 6.1. The Central Actors include representation of the Office of the President (1), Government Ministers (2), senior civil servants in different Ministries (3), commercial

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[112] See Chapter 4, Part 2 for details of selection and approach.
[113] See Chapter 3 for views on the challenges of deliberate institutional change.

banking sector individuals (2), representatives of the Central Bank (3), and leaders of specialist organisations working on financial inclusion or cooperative mobilisation (5).

Table 6.1: Central Actors, their organisations and roles

Initials	Organisation	Role
DK	Office of the President	Chief Economist/ Head of SPU
CG	Ministry of Finance and Economic Development (MINECOFIN)	Government Minister – Cabinet level
AK	Ministry of Agriculture and Animal Husbandry (MINAGRI)	Former Government minister – Cabinet level (now President of AGRA)
ER	MINECOFIN	Director General, Financial Sector Development Directorate
EB	MINAGRI: RSSP/LWH	Head of Management of Information Systems
JCK	MINAGRI: RSSP/LWH	Rural Finance Specialist
MN	National Bank of Rwanda -BNR (Central Bank)	Vice Governor
KK	BNR	Director, Microfinance Supervision Department
WK	BNR	Financial Stability Monitoring and Policy Unit
LN	Bank of Kigali	Chief Operating Officer
AB	Kenya Commercial Bank (KCB)	Agribusiness Relationship Manager
GH	Rwanda Cooperative Agency (RCA)	Cooperatives Inspection Division Manager
VR	USAID (but recently in Minagri)	Financial Inclusion for Farmers Specialist
JAA	Access to Finance Rwanda (AFR)	Director
IM	AFR	Financial Inclusion Specialist
RN	Association of Microfinance Institutions Rwanda (AMIR)	Managing Director

Two of the 16 Central Actors gave follow up interviews, giving 18 Central Actor interviews in all).

The Central Actors demonstrate their approach to a range of dimensions of engagement with the financial inclusion policy. Four dimensions, in particular, have been captured, and are summarised in Table 6.2.

Table 6.2: Four dimensions of enquiry into Central Actor perspectives

Dimension	Detail revealed
Dimension 1: How does this person define financial inclusion?	Does this Central Actor recognise complexity, and multi-dimensionality? Does this Central Actor's view tally with formal policy, and the views of other Central Actors?
Dimension 2: Does this person have a vision of how financial inclusion will make a difference, and if so, what is that vision?	What differences does this Central Actor expect financial inclusion to bring about? Is the change part of a wider set of aspirations, or is financial inclusion expected to work alone to reduce poverty etc?
Dimension 3: How much personal responsibility does this person feel for implementing the policy – and how does that sense of responsibility play out in their working life?	Has this Central Actor taken on direct responsibility for making financial inclusion happen? How high a priority is it? Are they able to devote resource to the issue? Is there a sense of commitment? Is there formulaic box-ticking?
Dimension 4: What does this person reveal about the strategy they adopt to ensure that the policy progresses?	Is this Central Actor learning as they go? Who do they work with to achieve their objectives? Does the policy allow for independent Central Actor thought and decisions?

The first dimension asks: How does this person define financial inclusion? The second asks: Does this person have a vision of how financial inclusion will make a difference, and if so, what is that vision? The third dimension asks: How much personal responsibility does this person feel for implementing the policy – and how does that play out in their working life? The fourth asks: Does this person reveal a strategy for ensuring that the policy progresses – and if so, what? Some of the detail that may emerge from posing these four questions is shown in Table 6.2.

Clearly the four dimensions are inter-twined. The chapter will use them as a means of analysing personal engagement of Central Actors with the institutional changes required for financial inclusion to expand. The approach will give a sense of where the reality and formality of policy overlap (or do not). It allows consideration for subtle institutional issues: to what extent is the policy a construct imposed from outside (for example by donor partners)[114]; to what extent does the policy assume that everything must be created from scratch, or does it build on existing arrangements, or integrate with other innovations that are being driven by policy changes.

6.2 THE FIRST DIMENSION: HOW CENTRAL ACTORS DEFINE FINANCIAL INCLUSION

There is a high degree of agreement about what defines financial inclusion. Central Actors were not briefed beforehand about the questions to be asked, so the definitions offered were framed by the role and experience of the interviewee, taken from their own understanding of what financial inclusion means, and its intended outcome. The consensus is that there are three aspects of financial inclusion, all of them necessary for effectiveness.

There must be **proximity** to services, the services on offer must be **suitable** for the client's needs, and the client must be sufficiently **financially literate** to be able to make meaningful decisions about what services to use, and when.

An example of this three-way definition emerges from the interview with the Minister for Finance. He emphasises throughout that economic growth in Rwanda has meaning only if it makes a difference to the lives of individuals – 'the person'[115]. He says that policy making therefore 'goes deep'[116] and addresses the 'nitty gritty' of real lives.[117] On the meaning of financial inclusion:

> We used to do things in non-monetary ways. You know, if your neighbour doesn't have food, you give food. […] But when it comes to doing things we wanted to do, money should be what changes hands and you do things the monetary way. […] Then you must have access to a financial institution of some kind. Because your money is so small, you may not reach the big commercial banks. But then we are putting the structure for you, that's near you, of which you are a member, tailored towards actually your situation. It means you are small, but you can be one of the owners. And once you save with

[114] Whilst Vice Governor of the Central Bank Rusagara spoke about the importance of change driven from within – See Chapter 7.
[115] CG, paragraph 1. and on numerous occasions throughout the interview.
[116] CG, paragraphs 11. and 24.
[117] CG, paragraphs 23. and 81.

> this it teaches you how to save, it teaches you how to get a loan – and what getting a loan means. And also what to use a loan for…[118]

So the institution must be near, it must be tailored to your needs, and you must learn how to save, or have a loan, and what it means to have a loan.

Looking for a civil service perspective, within the Ministry of Finance (Minecofin), the Director General of the Financial Sector Development Directorate defines financial inclusion as '…access, uptake and usage..'. He elaborates: 'How long does it take you to reach your account? […] Do you have the capability to exercise the right judgment on whether or not you should use the right and appropriate kind of service?'[119] This thought process implies that the 'right and appropriate' services must be available, within close proximity to the customer, and the customer must have sufficient knowledge to choose the right product for the purpose in hand.

From within the Central Bank, financial inclusion is seen as a component of financial stability in itself, according to the Vice Governor.

> You don't have a financial sector for the big and another one for the small. The whole thing should be integrated. You should ensure that the small support the big, and that the big support the small […] as a way to really ensure a strong financial sector. […] Because if you have one category of people in terms of income level and others are left behind – you don't have control of them and you don't care about what happens to them, then you are likely to face instances of instability going forward. So it was really clear in the policy approach to form an integrated financial sector.[120]

The technical definition of financial inclusion can measure access or usage – both are important.[121] Her colleague from the Financial Stability Monitoring and Policy Unit elaborates further.

> From the beneficiary point of view, [financial inclusion] is quite broad. You have to take it from the perspective of accessibility, access to financial products, financial providers. Then we look at it also from the point of usage. Are people

[118] CG, paragraph 76.
[119] ER, paragraph 1.
[120] MN, paragraphs 7 and 8.
[121] MN, paragraph 15. – see unused accounts captured in household survey in Chapter 5, part 1.1.

> using it? Why? And not? Because there comes in other questions: maybe the cost perspective; maybe no confidence. […] We have to look at the impact of the services to the people […]. Is it helping them?[122]

So the Central Bank is concerned with take up of financial services, as well as proximity of those services to the customer. It also thinks about confidence in the services, and the capacity of those services to help the intended users. This is, again, a mix of proximity, suitability and capability to understand and use the available financial services.

It is perhaps to be expected that policy makers, drawing on the same financial sector policy frameworks, would echo one another's views about the meaning of financial inclusion. However, it is striking that those operating outside the financial sector also have similar views. The three-way definition emerges again from the interview with the Head of Management of Information Systems (including monitoring and evaluation activities), at RSSP/LWH[123]. He emphasises the need for trust if the Umurenge SACCO's are to be built up, and that depends on farmers understanding how the SACCO works for them, and SACCO's developing financial services that farmers are able to deploy to have a positive impact on farming.[124]

Similarly, also within RSSP/LWH, the Rural Finance Specialist defines financial inclusion:

> …to have access to financial services. This is the access and affordability I think. […] And I will be satisfied also if I see women and young people not excluded. So there are products that are appropriate for them, which is one of the components which has to be promoted. Products appropriate to farmers.'[125]

Farmers are approached with a proposal that they join together in a group and begin farming on a more commercial basis. The leaders are taken on study tours – 'because you know the resistance to change is normal for a human being.'[126] The mobilisation in relation to access to finance begins at the outset of such a project: '… a colleague is in charge of community as such – forming groups and then going on with the other

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[122] WK, paragraph 16.
[123] See Chapter 2 for role of RSSP/LWH within Minagri.
[124] EB, paragraphs 35. and 36.
[125] JCK, paragraphs 36. and 37.
[126] JCK, paragraph 16.

structures of the model of the project. So me, I intervene in terms of money.'[127] Again, there is recognition of the need for proximity of services, and for those services to be appropriate (including affordable) to the intended users – and particularly to those who are frequently excluded from such service provision. The role of educating farmers in financial matters is central to the efforts at improving farming outcomes.

Within the private sector banking world, an interview with the Agribusiness Relationships Manager of Kenya Commercial Bank – KCB – reveals the advantages of proximity and the importance of developing – and then promoting - new financial services to meet the needs of the small farmers who are now being targeted as customers.

> For micro finance institutions, I think they are successful because they are in the rural areas – they are there, the farmers are there.[128]

He describes a range of new products in which he is personally involved, all tailored to the specific needs of particular groups of farmers. These include production loans[129], payments on credit to suppliers on behalf of farmers whose needs have been verified by field officers[130], partnering with World Food Programme (WFP), Clinton Foundation and local farmers in a soya and maize production project[131] and creating new post-harvest credit facilities so that farmers can have funds available whilst waiting to make an optimal sale of their produce.[132] He does not mention educating farmers as a specific requirement for financial inclusion, but frequently mentions other agencies' involvement in the development of the products to be offered to farmers.

The representative of the Bank of Kigali defines financial inclusion in a slightly more technical way, though he concludes with the familiar requirements of accessibility and financial literacy.

> Financial inclusion is broader than micro-finance. It is providing affordable financial services to the bankable – but unbanked – population at affordable costs. By this definition, micro finance is part. […] Their targeted group is the

[127] JCK, paragraph 18.
[128] AB, paragraph 26.
[129] AB, paragraph 5.
[130] AB, paragraph 9.
[131] AB, paragraph 10.
[132] AB, paragraphs 12. and 13.

active population. That still excludes part. The not-active includes the population even beyond the micro-finance frontier. BUT micro finance is the main tool for financial inclusion. What are the causes of financial exclusion? The main barriers in general are financial literacy, low income, physical infrastructure, geographical distance.[133]

The final category of Central Actors giving their views about the meaning of financial inclusion is those working for special interest groups. These are the Rwanda Cooperative Agency (RCA), Access to Finance Rwanda (AFR), Association of Microfinance Institutions of Rwanda (AMIR) and USAID. Their views about financial inclusion follow similar lines. For example: 'Inclusion means you are able to access the services and at the same time you are able to use the services.'[134] 'Financial inclusion needs people who are educated financially.'[135]

> Understand[ing] what financial services are there for them, how are they different and how can they be utilised. But also look at an individual and say money management – just on your own. Because you can effectively use the financial institutions if actually you have also learned your means, and understood that "Oh, this is actually my situation. I have this income. But yet my needs are like this. If I keep this money under my mattress will it be safe?" […] All that understanding will help people.'[136]

A parallel component was mentioned in a number of interviews - in addition to the three core components of the definition - namely the impact on inclusion of telephone based financial services, especially mobile phone transfers – mobile money. For example, the representative of the Bank of Kigali (BK) says that these services '…tick off a lot of the demands for 'financial inclusion' (but we still have a long way to go).' In BK, arrangements with 'telco's' are a high priority at the moment. They are linking e-wallets to the bank, and it is possible to foresee a time when people will never have to physically visit a financial institution to access all available services.[137]

The introduction of financial services via telephone companies has led to new discussions and partnerships in the policy arena. The whole area of financial inclusion

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[133] KK, paragraphs 11. and 12.
[134] RN, paragraph 33.
[135] GH, paragraph 50.
[136] IM, paragraphs 19. and 20.
[137] LN, paragraphs 6., 10., 11.

and the new tensions – and opportunities - created by the mobile money services, is vividly summarised by a representative of Access to Finance Rwanda.

> It was interesting in terms of how policy needs can help facilitate access to finance. Interesting, in the sense that players will always bring on the table what they feel suits them – answers their bottom line. But as much as they are saying 'Well, this will enable us to do more, reach more people and all that, a long term view of it, you realise this would not be safe. Someone three years down the road will really see this and say, No, no, what you created was not fine. […]
>
> But on the other hand you want them at least to take into consideration some of the key things which are a public good, or which would also help them feel like, no, they have not been limited. […] So you find some conflicting things there: the telco's, to what they want – and the banks to what they are concerned about. But […] as a policy maker, your main objective is how can you indeed help someone who would have no bank. But on the other hand they need a safe way where they can save their money. And maybe even move that money to someone else, and maybe not only move the money to someone who is on the same network, but actually move the money to someone else on another network. Why not? Or someone with a bank account is able to move money from their bank account to someone on the phone who doesn't have, now, a bank account.
>
> That's the sort of different scenarios which would be richer, which would make access to finance more helpful, more cheaper, if you like. Those are the things - so the policy then tries to balance those interests.'[138]

There is ample evidence, from the totality of the interviews, of a consistent understanding of the elements of financial inclusion, once it is operational. The emphasis may vary from interviewee to interviewee, and some omit references to financial literacy, whilst other see that as the primary requirement. Nonetheless, it is possible to conclude that, in Rwanda, a policy for financial inclusion – to those charged with implementing the policy – means that services are close to the customers, and are tailored to their (sometimes very specific and local) needs. Furthermore, the people will be able to make educated decisions about which services to use, and when, with full

[138] IM, paragraphs 6., 7., 8., 9.

understanding of the impact of taking up those services. The rise of mobile money is assisting in achieving these objectives, whilst also creating new tensions in the market and policy spaces.

These definitions and observations tally well with formal policy – but also recognise the complexity of delivering services that will make a difference to people who will be naturally sceptical about risk and change.

6.3 THE SECOND DIMENSION: THE CENTRAL ACTOR'S VISION OF HOW FINANCIAL INCLUSION WILL MAKE A DIFFERENCE

The second dimension of interest is the Central Actor vision: what difference will achieving financial inclusion make? To a great extent, this is answered by the given definitions of financial inclusion. Explanations are highly functional: with few references to the regulatory framework, or the mechanics of policy building. Rather, there is a shared view of what life would be like if financial inclusion were present: there would be accessible financial services; the services would be distinctive, being those that farmers need – with different services for different areas, or different crops; services might be developed in partnerships within government – with RSSP/LWH, perhaps – or outside government – with WFP, commercial suppliers of seeds and fertilisers or others. Financial inclusion can mean services for individuals, for groups of farmers, or for cooperative members, provided at an organisation-to-organisation level. The important feature, frequently raised, is that services must change lives.

Because the financial inclusion policy is aimed at those who have been excluded in the past, there is repeated emphasis on getting services to farmers in rural areas. There are other excluded groups: women, youth, the very poor. These are mentioned by some Central Actors, but the emphasis was on services to farmers active in the small-scale agricultural sector. The emphasis reflects the profile of Central Actors interviewed – with a leaning towards those working with farmers. This slant should be born in mind.

In general a consensus exists:

> The Government has tried their level best to put in place policies [...] and they didn't sit there just in the office and just develop theoretically. These policies were built from down.[139]

The whole policy, product development and implementation environment can be seen as a value chain 'eco-system', where every player is developing their piece of the strategy, but all are affected by and interactive with one another, and complexity and interdependence is the result.[140]

The overall picture painted is dynamic, with new groups of farmers being drawn into increased production as a means of transforming their lives. Changes are often led by initiatives from within the Ministry of Agriculture (Minagri). Farmers are targeted on financial inclusion whilst simultaneously being encouraged to look at new farming strategies. They are offered study visits, and help in thinking about how they would finance a new farming business approach. Thus the financial literacy is developed alongside the business mindset, with time and coordinated effort being devoted to the process of raising awareness and changing expectations.[141]

Farmers may want services, but Umurenge SACCO's may not have capacity to meet their needs. An AFR representative talks about engagement in organisational capacity building for SACCO's in particular.[142] Thus education and support for new financial institutions is another aspect of the dynamic process described, especially for Umurenge SACCO's, working on possibilities of providing tailor-made services for farmers. The commercial bank, KCB has a relationship manager whose sole responsibility is to develop and sell products to farmers. He says that his key qualification is his agricultural know-how.[143] Similarly, several interviewees comment that the drive for the development of suitable services and products comes from Minagri: the demand side of the financial service provision has to devote considerable energy to the education of the supply side, so that the required products emerge. The need for

[139] RN, paragraph 2.
[140] RN, paragraph 18.
[141] JCK, paragraphs 12., 13., 15., 16.
[142] JAA, paragraph 11.
[143] AB, paragraph 27.

Minagri to lead is mentioned as a surprising feature[144], but on balance a good organisational outcome, '…because facilitation goes with the technical part.'[145]

A final view of the impact of financial inclusion comes from a representative of the Office of the President. She reflects on the rapid rise of mobile money. She also reflects on recent difficulties with insurance services for farmers, the challenges of managing new products, and the role of the Government in mobilising services – and the painful impact of some learning experiences.

> Rwanda is a place where people trust the Government more than they trust the private sector. That trust in Government has been built over a long period and it is not there, yet, for the private sector. So the role of Government is crucial in a programme for financial inclusion (because it involves people entrusting their money to banks, and to other private sector organisations). […] There has recently been a big problem […]. Something went badly wrong with the supply chain, where a crop insurance product was being piloted with farmers […] and some, or most of the crop was lost but the insurers would not pay out. The issue is about […] the understanding of the farmers about what they had bought, versus the belief of the insurers as to what they had sold. The government has chipped in to help sort out the consequences in this instance. […] This is a new industry for Rwanda, and both sides have a lot to learn about insurance products for farmers.[146]

Ultimately, though, financial inclusion has far wider existential importance than these technical challenges.

> A failure to manage financial inclusion equates to social exclusion. And this has all sorts of impacts: we value our ability to walk safely at night, to be at peace with our neighbours. These things are even more important because of our history, and the fact that we know the capacity of unscrupulous leaders to exploit exclusion and inequality.

This is summarised by the President of Rwanda in his address to the General Assembly of the African Insurance Organisation in 2014:

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[144] EB, paragraph 31.
[145] VR, paragraph 64.
[146] DK, paragraphs 3., 4., 5.

> Insurance is actually about people, about their deepest hopes and fears.[147]

The degree of detail given varies according to the role of the Central Actor, and the directness of their involvement in designing financial products, introducing financial literacy, or mobilising groups and cooperatives. The scale of thinking also varies according to the perspective of the interviewee: from within Minecofin, the scale is national, with financial literacy being tackled, in part, by working with the Ministry for Education (Mineduc) on re-framing the school curriculum to support critical thinking in general, and to introduce financial literacy to children from the outset[148]; at the commercial KCB, the concern is about developing products for farmers who are, in effect, ready to 'graduate' from SACCO's to larger scale borrowing; for the rural finance specialist within the Minagri, the product development varies from crop to crop[149] and will therefore be different from micro-region to micro-region. All of the interviewees have developed their own mental model of what financial inclusion means to them – consistent with the policy, but individualised for operational purposes. Not one of the Central Actors seems to think that financial inclusion is a panacea for the ills of poverty: it is described in terms of an intervention that coordinates with, and supports and amplifies a wider poverty-alleviation strategy. The individualised model for implementing financial inclusion has the potential to be powerful. It empowers each player as an agent of change, adapting overall policy to suit the job in hand.

6.4 THE THIRD DIMENSION: THE CENTRAL ACTOR'S SENSE OF PERSONAL RESPONSIBILITY FOR IMPLEMENTING THE POLICY

The third dimension for consideration is the extent to which Central Actors feel personally responsible for the implementation of the policy for financial inclusion. This was not a question that the interviewees were directly asked, but some of the responses given suggest a greater or lesser sense of personal obligation. It is highly likely, in this environment where individual adaptations or visions of the policy are prevalent, that the commitment of Central Actors to promoting their version or vision will have a direct impact on whether implementation happens or not, giving importance to this aspect of the interviewees' responses.

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[147] Annex to DK.
[148] ER, paragraph 55.
[149] JCK, paragraph 1.

At Ministerial level, there is clear determination that policy change will be considered effective only if it brings direct benefits to individual lives. When discussing the aspiration of achieving middle-income status, the Minister of Finance says:

> So […] it is ordinary Rwandans we mean […] and not just in words. We say: Do you see it? Or you can't see it? If you can't see it, it means we are not there yet. And you should see it in our population. Rural, urban everywhere, you should see it. If it is not seen by people, then it means we still have a problem. We haven't reached where we want to be – where it is improving the lives of the people.[150]

This attitude clearly has the potential to influence how others expect performance or policy achievement to be measured: impact is prized more highly than going through the motions, and metrics must reflect real change in people's lives.

The Minister seems personally committed to driving forward changes that have an impact. He gives a deeply personal account of the basis for his commitment. He was born a refugee in Uganda, and '… you don't want to experience it.' As a refugee '…everyone reminds you that you have no state at all. You don't mean anything. You are not a second-class citizen, you are a 'no-class' citizen.'[151] He goes on to explain how difficult everything is if you are a refugee: study, travel, finding somewhere to be. And yet you know you do have a country – and that your language and your culture and your relatives are there.

Along with others senior players, including the now-President of Rwanda, the Minister often thought about 'going home' to Rwanda. His current thinking and commitment is born of that experience in his childhood and early adulthood.

> Once you have gone through all this, then the thing is, you don't want *anyone* to become a refugee. You want someone to have a belonging. Because no one is telling us what being a refugee means, but we have experienced it – you know – it has had a life impact on you, and you will fight very hard to make sure that, whatever caused you being a refugee should never happen to any Rwandan.

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[150] CG, paragraphs 51. and 52.
[151] CG, paragraph 59.

> And that's why, right now if you have to change this, you have to change it forever.[152]

Thus, the personal commitment of the Minister for Finance is seen in his determination that every Rwandan should experience the benefits of development, that none should feel they don't have a home in their own country, and that the 'nitty gritty' of real lives is the measure of progress, not the economic figures that form the headlines of traditional reporting.

The Minister also appreciates the linkages between macro and micro changes. In his work he clearly has to manage the economy: he talks about the contribution that financial inclusion makes to the bigger picture.

> So the policy for financial inclusion has a genuine poverty reduction motivation. […] If somebody is included in the financial system it is a symptom they are moving out of poverty. But it has a macro economic impact. It's really important. Let me tell you [about] macro and monetary. You see, normally, when you are trying to control inflation, you deal with the money. If the money is not in the banking system, you are not able to effect your change. In other words you cannot mop it out of the system and keep it in the banking system, because you cannot see it. You don't even know what's there. So you can't control inflation on the monetary side – you can only do it on the fiscal side. So financial inclusion has both – it has the monetary side at the macro level, and also we are talking about the poverty reduction.[153]

In Agriculture there is also determination that policy change will be measured by the difference it makes to farmers' lives, and the linkage between individual success and the 'growth of a nation' is also observed. Like the Minister for Finance, the Minister for Agriculture shares the view that individual successes will 'trickle up', to creating the national transformation for which she bears responsibility.

> Financial inclusion is the bottom line of agriculture in any country. So, if farmers don't have access to finances, to money, to borrowing, they can't purchase inputs; they can't probably do the best that they could do – what they are supposed to do. So it's the bottom line. […] You know very well that in

[152] CG, paragraph 61.
[153] CG, paragraphs 89., 90., 91.

> Rwanda every Rwandan has access to their land. They can cultivate their land, they can cultivate [around] their house. How do these resources become useful to you if there are no financial services against which you can hedge them and make them productive? So yes. The government does know that financial inclusion is really the bottom line to development. […] You have to think about the number of people who are going to have any form of purchasing power – any form at all - including paying school fees for their children. […] We are talking about people … […]. How do you grow their worth if they do not have access to financial institutions? How are they able to contribute to the growth of the nation, you know, if they can't put their money in the formal financial system?[154]

By comparison with high level Ministerial views, other Central Actors are immersed in detail. Some show considerable personal commitment to bringing about changes to promote financial inclusion. For example, within RSSP/LWH, Central Actors consistently assume personal responsibility, even where they are surprised to do so. RSSP/LWH is responsible for working with farmers in various programmes to secure increased food production, and to reduce poverty through farming. In relation to financial inclusion, they are a demand-side agency. However, they quickly became involved in educating the supply side to secure the services needed by farmers.

> Because the SACCO's were new, so people in the SACCO's did not have experience. The Project had some professionals in rural finance, *we needed to educate these SACCO's* to propose or to suggest financial products that were less risky to them, so they can partner these farmers. […] Because we see that we need to train the SACCO's. We need to educate them. We need to finance studies, which have to come up with good financial programmes. That is really not our role, but we are doing that. So that we reach our objectives, of having the farmers sustaining themselves. So we can step away. And I think, OK it is good that we are doing that but I don't think really it is our role normally. (*Emphasis* added)[155]

Similarly, the Rural Finance Specialist from RSSP/LWH says:

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[154] AK, paragraphs 7., 8., 9.
[155] EB, paragraphs 8. and 30.

> So me, I am concerned about mobilising the financial institutions: how to deliver a good service to illiterate people. Because before he or she may not have any account, and doesn't know what a financial institution, or a SACCO is. So with the support of the Project, giving equipment to that institution like a machine, like files, shelves where they can put all their files. So we support them and we back them. […] We are capacity building for them, and then we support - at the same time - farmers. […] I link them: the farmers are linked to financial institutions. And also the financial institutions are trained in service delivery, and then the whole cycle is mobilised towards access to financial services.[156]

He makes a link between the training of providers – even supplying them with basic equipment – and his direct obligation to support farmers, and expands his sphere of responsibility accordingly. He sees the bigger picture, and assumes a sense of autonomous responsibility.

Within BNR, RCA and KCB, similar attitudes are displayed.

> We mobilise people to act together. […] We handle it together…[157]

> We can always partner with different partners… […] and we are also in the process of development… […] So this sort of wraps up to what we are doing, and what we are trying to develop…[158]

> We have our values. […] We are supporting the community where we are working. What we are trying to do is to reach them…[159]

The Central Actors place high importance on financial inclusion at the moment – with some creating departments, groups or initiatives to help things along. For example, there is a new financial inclusion unit at BNR[160], Minecofin has built new relationships with Mineduc, promoting financial literacy and critical thinking through the whole school system[161], and RSSP/LWH diverting effort from its core activities to ease the

[156] JCK, paragraphs 20. and 21.
[157] GH, paragraphs 1. and 6.
[158] WK, paragraphs 6., 7., 11.
[159] AB, paragraphs 32. and 34.
[160] WK, paragraph 3.
[161] ER, paragraph 53.

bottle neck of under-developed financial institutions. No one seems to treat engagement as a 'box-ticking' exercise.

The occasional Central Actor does not demonstrate the strong sense of self-driven responsibility, but the examples given show the striking prevalence of personal commitment, sense of motivation, and the ability to see an individual effort as part of a bigger picture. This goes some way to explaining how a strong 'framework' or 'enabling environment' may be transmitted from those who visualise social outcomes, and create policies, via those who must operationalise the policy using their judgement and the skills at their disposal, without losing sight of the measures of success that the system values: the impact on the lives of ordinary people.

6.5 THE FOURTH DIMENSION: THE STRATEGY THIS CENTRAL ACTOR ADOPTS TO ENSURE THE POLICY PROGRESSES

The fourth dimension considers strategy, and how Central Actors envisage achieving the objectives outlined in their vision or interpretation of financial inclusion. The aim is to identify the clarity of purpose, any arrangements that allow learning to be part of the process, and clues as to the flexibility of the approach adopted.

Some of the elements of individual responsibility already show a flexible approach amongst Central Actors. RSSP/LWH staff did not expect to be responsible for developing financial services and products by educating the providers – but they have taken it on as a function of supporting farmers who are scaling up agricultural production. On a different level, the Minister for Finance shows a development vision for Rwanda playing out over decades, with the basics in place whilst many of the current leadership were in exile. The long game included military, diplomatic and development components, yet he says that the fundamentals were there.

> [The conversations] began when we were refugees… 'We can do it.' […] By the time of the 1994 events, there was already this agenda. It was already well established in the 1980's, even before they invaded. There were many people developing the agenda – it has a long history. People … came together in a Rwandan community, and they started saying, 'What will be our future, what will be the future of our country?' We believed it was possible.
>
> We didn't think this was just a better alternative for the refugees. We believed it [was better] for the whole country. We were already saying 'All Rwandans

> should have equal rights' – and we should build a better society of Rwandans, all being the same Rwandans. … So in other words, if you want to change, you change for everybody. […] It is going to be a long project that has many phases. The first phase [was] to liberate. The second phase is to build a real community of Rwandans. And then that community will have to continue and bring people to the level … where you have a society that is united, that is prosperous, that is understanding that actually they need to develop together – without leaving anybody behind. Now the rest will be the process of how you do it.[162]

More specifically:

> …things are getting better from the supply side – things are getting better slowly. It's just that we want it better, better so much. *The banks themselves are learning* – they are learning to lend in agriculture. (*Emphasis* added)[163]

In discussing challenges in implementing financial inclusion policy, a Minecofin representative is concerned about the nature of financial services on offer. He wants products trialed, and community members listened to, so everyone learns about what works best.

> Are [the products] aligned with the needs of the people we are talking about? That is still a challenge to some extent. It's a combination of [bottom-up and top-down product development], but for me whichever direction it takes, [you ask] does it serve, does it meet the needs of the people you are targeting? […] First up it should be bottom up: understand the need; provide the solution. […] We are circulating, piloting – then scaling up.[164]

An important consideration is the limited scope of this study. The policy for financial inclusion is intended to reach all of those historically excluded from financial services. But this study has captured information that is mostly about farmers, sometimes within organised groups such as cooperatives – and some under the support of RSSP/LWH. The Minister for Finance recognised explicitly the limitation of the policy for financial inclusion – and other interventions – in reaching the extremely poor. Difficulties can be

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[162] CG, paragraphs 66. – 71.
[163] VR, paragraph 65.
[164] ER, paragraph 55.

considerably eased, even for very poor farmers, if they find themselves in organised groups, especially if there is support from RSSP/LWH, one of the banks, RCA or similar interventions. But the story for other poor groups is more complicated.

Central Actors know that even small, self-organised groups have difficulty meeting their financial service needs.[165] Collectives made up of thousands of individuals get the most flexible options. Whilst highlighting the possibility of transformation for tens of thousands of farmers when large groups are reached, there are hazards in being left out of such processes.

These Central Actors did not, for the most part, speak about the problems of those outside organised farming communities. Reaching such people with meaningful financial inclusion presents a different set of challenges, and this study acknowledges that further work in that area will need to be done to complete the picture – possibly involving a quite different set of Central Actors.

The Central Actors apparently try to learn as they go along. Discussions and contact with service users and service providers are frequent. There is no hard distinction between a top-down or bottom-up development process for Minecofin: it is an iterative strategic operation, with information flows in both direction, aiming for services that meet the needs of targeted people. Each Central Actor demonstrated an individualised take on how best to act, whilst collectively recognising financial inclusion as part of a coordinated effort to support the poor. All Central Actors talked freely about their hopes and activities and spoke with enthusiasm about financial inclusion.

6.6 FOUR DIMENSIONS: THE EMERGING PICTURE

A coherent picture emerges from the analysis along the four dimensions in Table 6.2, and the detail set out there.

Central Actors have a notably uniform understanding of financial inclusion. It goes beyond providing services - much discussion concerned challenges of creating products for rural lives, of supporting the process of take up, or of educating service providers and service users. For Minagri, financial inclusion is part of a coordinated approach to engaging farmers with new techniques and services; for the Office of the President, strategy also involves supporting people when innovations turn out badly, so one

[165] JCK, paragraph 30. Also see DX account in Chapter 8 for direct experience of this.

disappointment does not ruin progress; for Minecofin, financial education is central for changing economic behaviour across the country.

Some of the Central Actors are working hard, directly on financial inclusion. Those in government or partners of government have considerable reach. Central Actors closest to farming operations, in Minagri or commercial banking, recognise how a good grasp of technical aspects of farming is crucial for developing usable services. No one expects financial inclusion to work on its own: but other policies cannot move forward if people do not have access to the finance they need.

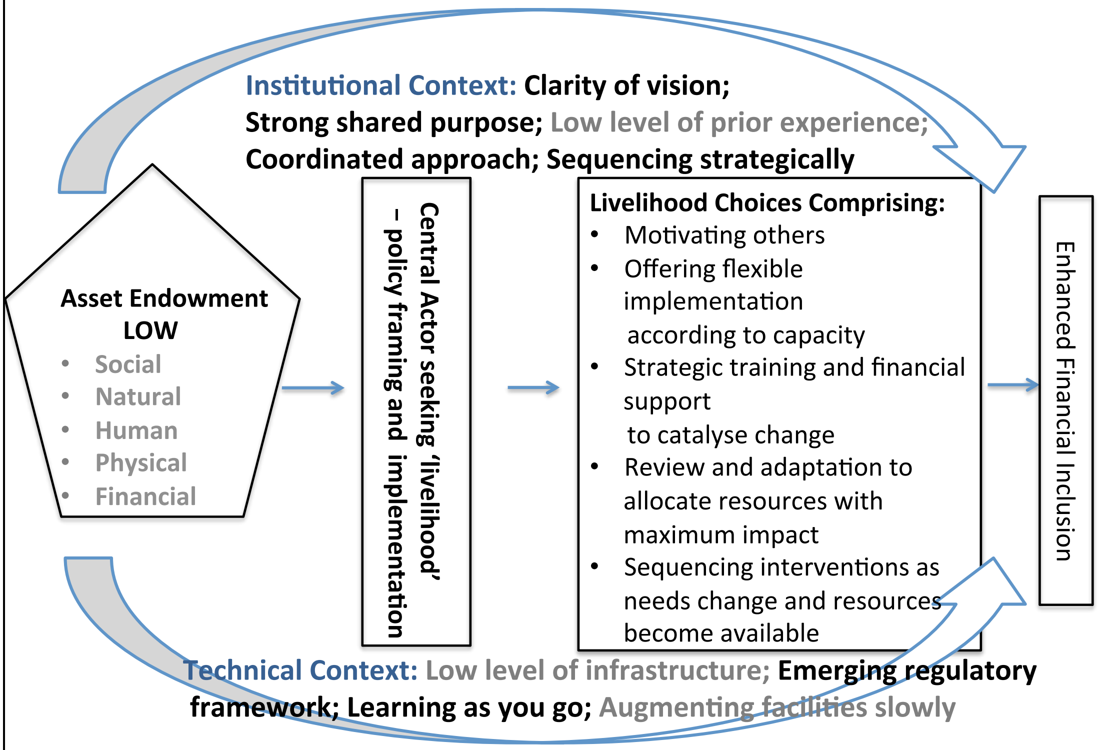
Those working with farmers speak of partnerships, describing processes of co-development: farmers and their representatives work with local SACCO's to create suitable products that contain acceptable risk to the service provider at a transaction cost that works for the farmer. The relevant Central Actors see all of this through a lens in which farmers' interests, and those of cooperatives, are protected and regulated. All Central Actors hold, as part of their vision, an outcome in which individuals' lives are improved by having access to financial services. That is the consistent measure of success to be drawn from the interviews.

The approach taken to implementation is flexible, and the capacity to learn as it unfolds is explicitly valued by some central Actors. They talk about bottom-up product development, and the need to learn before trying to scale up solutions. Several Central Actors recognise the human dimension of the challenges farmers face: fear of change is natural; study visits help people to capture new visions; the downsides of things going wrong must be mitigated, so that farmers understand they are supported, and may be willing to try again. The implicit recognition of the challenges of changing informal institutional arrangements is powerful: no one thinks the desired transformations are easily achieved, and time and resource is allocated to sharing knowledge, mobilising action and encouraging engagement (on both the supply and the demand sides). Communities have to be prepared in advance for all of the changes that go with participating in large farming groups – with financial inclusion support forming part of that preparation from the outset. SACCO's have to be prepared for the demands that farmers might make on financial services. A lot of people have a lot of learning to do, and that is recognised by Central Actors.

Each Central Actor gave a wholly individual account of what their own contribution to the progress of financial inclusion, and the differentiated nature of those accounts suggests they are properly 'owned' by the Central Actors. Even though they are working with organisational systems, whether public or private, regulatory or service providing, the Central Actors demonstrate a freedom to tackle their tasks flexibly.

The Central Actors, overall, share a strong unified definition of financial inclusion and vision of its contribution to development in Rwanda. However, they make individual – and pragmatic – choices about how to press the policy forward. These choices may be characterised as livelihood choices, within a livelihood analytic framework, recognising that policy implementation (just like an individual's livelihood) is bounded by the availability of assets, which must be deployed by the particular individual or entity, in the existing (and evolving) institutional and technical environment.

Figure 6.1: Livelihoods Analytic Framework – A Central Actor's perspective of the route to financial inclusion



This conceptualisation, shown schematically in Figure 6.1, highlights the low asset base and technical environment, but the beneficial strengths of the institutional environment: offering the possibility of a partial explanation for the policy's apparent relative success, and the rapid changes that underpin it.

Central Actors encapsulate a feature of the development process that may be significant: there is considerable flexibility and a sense of autonomy amongst them. They decide how to implement, with no set processes. Yet the policy pursued is clear – and consistently understood across the Central Actors. There is a strongly held guiding policy vision, combined with a flexible, learning and responsive approach to implementation.

These Central Actors are skilled and qualified: both of the Ministers and the Vice Governor of the Central Bank are educated to PhD standard in technically relevant disciplines, having studied in Europe, the USA and South Africa. Others have relevant technical, degree level, qualifications. This hints at a professionalisation of public services, and of professionalism in the private sector[166]. There is evidence of commitment to development and growth in Rwanda, and nothing obvious to suggest that there is a hidden agenda to make elites rich.[167] Central Actors work in Kigali, where to some extent, they are amongst equally committed, capable and articulate colleagues. However, the real work of implementation in rural areas depends on effectiveness in quite a different environment. The SACCO programme and related financial inclusion activity is a District level obligation. In the next chapter 'Local Actors' experiences will be considered, to see whether implementation on the ground is achievable, and if so, how.

[166] See Chapter 3 for discussion of the Weberian public service criteria, and Chapter 7 for trends towards a professional civil service in Rwanda.
[167] See conflicting views on this in the literature discussed by Behuria 2015 and referred to in Chapter 3, part 2.3.

CHAPTER 7: MID-LEVEL LOCAL ACTORS: CAPACITY, MOTIVATION AND IMPACT

According to a seasoned World Bank team member, the blocking point for transformative policies in Rwanda is the 'mid-level' in the process. However, he also commented on how much things are improving right now.[168] This chapter explores that mid-level – between the top down pronouncements and framing of financial inclusion policy and the community level experience as policies are realised. Individuals working at this level are referred to as 'Local Actors': like Central Actors, they are at the heart of financial inclusion, charged with implementing policy, often working under their own initiative, focusing on making change at community level.

The chapter provides more detail about the emergence of Umurenge SACCO's as a flagship programme for financial inclusion[169]. It looks at the realities of running a SACCO, and considers the impact of the financial inclusion policy on private sector banking, and the experiences in a local branch of Bank of Kigali (BK). The perspective of farming cooperatives is considered, contrasting the experiences of large cooperatives with those of small, more poorly resourced ones. The chapter goes on to examine the role of civil servants, and their contribution to an 'enabling environment' both from the perspective of local government (at District level) and from Ministry perspective (District level postings), in this case Minagri. The chapter will consider the notion of a professional civil service and ask what kind of local civil service can be found in Rwanda. Attention will be paid, in all of these respects, to the role of Local Actors, the nature of the tasks they face, the extent to which they are qualified to carry out those tasks, the attitudes they display towards those tasks, and the extent to which they are held accountable (especially elected and public Local Actors). The chapter considers 'co-development' with farmers of financial inclusion, and notes the approach to measuring impact of the financial inclusion policy. The chapter concludes with an analysis of the role of the Local Actor from a livelihoods analytic perspective, followed by a brief encapsulation of Local Actors' experiences.

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[168] Personal communication, US national, World Bank former team member in Rwanda, now promoted to regional position based in Mozambique. 15th March 2015.
[169] See Chapter 2 for background on the programme.

Much of the analysis in this chapter examines the supply side: how to get the services out there. However, it also considers the demand side, from the perspective of the non-financial service cooperative – and the role of such cooperatives in obtaining financial services for their own institutional needs, their role as intermediaries in the development and provision of financial services for their membership – and their ability to develop, and even provide, financial services themselves, without the intermediation of a specialist financial service provider.

The chapter draws its evidence from interviews with Local Actors carried out in 2014 and 2015. The Local Actors, all based in Eastern Province, are referred to in this chapter by their initials. The organisation, role and perspective of each of them is summarised in Table 7.

Table 7.1: Local Actors and their institutions and roles

Initials	Organisation	Role	Perspective
ENK	RUSACCO SACCO	Manager	SACCO's/Public sector financial institution
PG	Bank of Kigali (BK), Kaborare	Branch Manager	Commercial sector financial institution
JS	Ntende Rice Cooperative	Manager	Formerly publicly supported, now wholly self-supporting, large rice growing cooperative
PN	Kanyonyomba Rice Cooperative	Manager	Publicly supported large rice growing cooperative
DX	Ntende Cassava Processing Cooperative	Manager and Cassava farmer	Wholly self-supporting cassava processing cooperative
RD	Kayonza District Administration	Cooperatives and Business Promotion, Kayonza District	District level civil servant with responsibility for aspects of District policy implementation, answerable to the District Mayor
AR	Kayonza District	Elected District Mayor (recently stood down)	Elected local leader with responsibility for delivering District level policy programme
VR	Minagri: RSSP/LWH	Rwamagana District Coordinator	Civil servant from central Ministry posted full-time to District to coordinate local implementation of Ministry policy

These eight Local Actors represent, between them, elected local leadership, local civil service, District level civil service from a central Ministry, the public sector-supported cooperative (and the formerly supported – now going it alone), the independent cooperative, and private and public sector financial institutions. These multiple perspectives combine to create a detailed snapshot, offering insights into the challenges of implementing policy for financial inclusion from the perspective of the mid-level Local Actor.

7.1 THE UMURENGE SACCO PROGRAMME

The importance of the Umurenge SACCO programme has been referred to in Chapter 2. The programme is expected to make a direct contribution to the four main goals of the sector development targets set out in the second Financial Sector Development Program of 2012 (FSDP II). In her address to the IMF Seminar on 'African Finance for the 21st Century', in March 2008, Consolate Rusagara (then Deputy Governor, Central Bank) gave an overview of the mechanics of the strategy implied by FSDP II.

> First, the FSDP intended to enhance access and affordability of banking and other financial services; by developing a strong, efficient and competitive banking sector offering a diversified array of financial products and services. This included support for the development and broad outreach of a healthy, well regulated and professionally managed microfinance sector as a tool to extend financial services to the un-banked and contribute to poverty reduction.[170]

The Vice Governor then outlined the state of play in relation to priorities for the development of the financial sector in Rwanda. She gave some insight into the most important elements of the approach being adopted. At that point the FinScope 2008 survey was underway (the first of its kind in Rwanda), and the Umurenge SACCO programme was not yet conceived of. Nonetheless, her review provides contemporary insights into the approach that was thought to be most likely to succeed across the country in extending the reach of financial services.

Rusagara points out that the entire programme for financial sector reform was based on expert advice coupled with detailed analysis and discussion, at a sub-committee level, involving at least one consultant '..plus ***mid-level*** managers from most of the important institutions in each arena.'[171] (*emphasis added*)

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[170] Rusagara, page 5.
[171] Rusagara, page 7.

> The participation of mid-level managers ***removed any misconception that the reforms are externally imposed*** […] thus increased 'buy-in' by all levels of staff.[172] (*emphasis added*)

After the period of national dialogue in 2009[173], the statutory framework was put in place for the establishment of the Umurenge (meaning Sector) SACCO's – thus creating the network of 614 Umurenge SACCO's across Rwanda.

The duty of establishing the Umurenge SACCO's was placed on the administration at District level, led by the Mayor. Classed as non-banking financial institutions, and regulated by the Central Bank, there were a few SACCO's in Rwanda before the arrival of the Umurenge SACCO programme, and there were pockets of positive experience. For example, teachers had been encouraged to form and join 'Umwalimu SACCO's' to help them to manage their income, and to save and plan for their futures – and anecdotally, these teachers' SACCO's remain popular today.[174] In fact, the experience of paying soldiers through the SACCO system soon after the end of the Genocide[175] was positive, and continues as the mechanism for soldiers receiving their pay to this day (through the SACCO known as 'CSS'). However, widespread experience of setting up and running SACCO's was absent.

This chapter will go some way to discovering the extent to which that original drive for ownership and local 'fit', exemplified by the model outlined by Rusagara, and reinforced by the delegation of responsibility for SACCO's to District level, has played out in reality. In seeking to understand that detail, the chapter will note what roles different players in different capacities have played (and continue to be expected to play) – and the extent to which those roles are explicit and understood by the relevant people. Rusagara herself mentions, in 2008, 'qualified people are in short supply' (ibid, page 9), and the institutions necessary to carry out any proposed reforms still needed to be built.

By 2011, the Umurenge SACCO's had all been launched. Each had been given space in a local government building and had begun seeking members, electing a management committee, and soliciting deposits and members' shares. In 2015 it was still possible to

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[172] Ibid.
[173] See Chapter 2 for discussion of National Dialogue.
[174] EB, Central Actor in Chapter 6, paragraph 27.
[175] In circumstances explained in Chapter 2.

find SACCO's whose development had remained slow. In one particular case, a SACCO was run from the original premises, with a small table and notebooks as the only obvious equipment.[176] However many SACCO's have already developed considerably. They own their own buildings, have thousands of members, are developing increasingly varied financial products, and seem to be appreciated by their communities.

By the time of Rwanda's second Economic Development and Poverty Reduction Strategy (EDPRS 2), in 2013, the importance of financial services for 'graduation from poverty' was central to government thinking. Enabling graduation is 'Priority Area 3'. Targeting financial services to the rural poor is a key activity to meet that priority, and strengthening SACCO's, especially the Umurenge SACCO's, is strategically central. EDPRS 2 also makes an explicit connection between participation in Voluntary Savings and Loans Associations (an example of the arrangements referred to, in this study, as savings groups) and subsequent participation in formal financial services, especially SACCO's. EDPRS 2 acknowledges the particular contribution of SACCO's to providing access to financial services, saying that 22.3% of adults in the population make use of SACCO services.[177]

Umurenge SACCO's are wholly owned by their members, but are publicly supported in terms of mobilisation and training of staff. They are regulated, monitored and, to some extent, mentored by a Central Bank team. National strategies for promoting Umurenge SACCO's, so as to create a computerised, inter-operative network and sustainable financial services, for example, come from Minecofin in partnership with other stakeholders.[178] Appointment and funding of SACCO management staff may be supported by District government, especially to kick-start a SACCO. Thus they are cooperatives with strong public sector attributes.

Against rising expectations, it is helpful to look at the evolution of one SACCO in detail, and to understand the role of the SACCO manager in developing its services.

7.2 Managing an Umurenge SACCO: ENK's experience

Rugarama Urumuri SACCO (Urumuri means 'light') is usually known as RUSACCO, and is a successful Umurenge SACCO in Rugarama Sector, Gatsibo District. It is

[176] Personal visit to Gatsibo District, Eastern Province, March 2015.
[177] EDPRS 2, pages 47 and 48.
[178] ER, a Central Actor in Chapter 6 talks about this.

located on the side of a main road, and accommodated in its own building constructed with contributions from members, plus certain grants for which the organisation was eligible. RUSACCO was registered in March 2010. It is one of 99 SACCO's in the Eastern Province. Most were registered in 2009 (41) or 2010 (52), with the remainder more recent (10) or registration date not available (2).[179]

ENK is the salaried manager of RUSACCO, working alongside elected community representatives to run the SACCO. It is now the norm for SACCO's to have professional managers, and there are usually paid accounts/clerical staff as well. ENK has been in post since 2011, and is the first to hold the job. ENK, was interviewed for this study on 13th March 2015. His account brings the growth of RUSACCO vividly to life.

When ENK started as manager RUSACCO had 220 members, and one paid member of staff - an accounts clerk. ENK was appointed straight out of college, where he studied accounting. He learned about the SACCO programme whilst studying – partly because he was studying accountancy, but partly '..because I am Rwandan – and it was policy in Rwandan society.'[180]

When he arrived 'there was only money...'[181] There was 10,000,000 Rwf total savings on the books. There were also member shares. The SACCO rented two rooms. The SACCO built up its membership under ENK's management, and when they moved to their current owned premises in April 2013, the membership had risen to 2,000. Since then, membership has increased rapidly, and at the time of the interview, there were over 6,000 members. Savings now total 180,000,000 Rwf, and in addition the building cost 23,000,000 Rwf to build, and the owners' share capital is 25,600,000 Rwf. Each member paid 3,000 Rwf towards the cost of the new building. Additional money came from a subsidy provided by Rwanda Cooperative Agency (RCA).

At the time of the interview there were two types of services provided by RUSACCO - savings and credit. RUSACCO staff mobilise people to save, and then when a member has reached about 100,000 Rwf in savings, they are encouraged to consider taking a

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[179] List of SACCO's published on Rwanda Cooperative Agency website: http://www.rca.gov.rw/wemis/registration/allsaccos.php.
[180] ENK, paragraph 3.
[181] ENK, paragraph 4.

loan to diversify or strengthen their economic activities, '… like agriculture, like trade, like transport – where we buy for them motorbikes, even.'[182]

The books are managed manually, across different ledgers and records. Weekly, monthly and quarterly reports are manually compiled and put into excel reporting sheets that are then sent to the Central Bank (BNR) in compliance with reporting and supervision requirements. BNR sends people regularly, and without invitation, to audit RUSACCO's books.

One of the greatest challenges mentioned by ENK is the reliance on paper systems as the membership numbers have increased so rapidly. It is proving difficult for the team to keep up, and he is looking forward to the prospect of computerisation, for which preparation has begun as a national programme. RUSACCO staff have received some training to prepare them and familiarise them with the computerised system that has been selected centrally, and that will be adopted in all SACCO's so that there is harmony of systems. At the moment record-keeping approaches can vary from SACCO to SACCO.

ENK says RUSACCO ranks 3 or 4 out of the 14 SACCO's in Gatsibo District.[183] Ranking is based on membership numbers, loan and savings volume, and also by interest received on loans. ENK says that the challenges for less well-performing SACCO's are to do with location and infrastructure. It is harder to attract customers if you are far from a main road: '…they don't have feeder roads, they don't have infrastructure, they don't have anything.'[184] Another challenge for SACCO's, says ENK, is competition – from Bank of Kigali (BK), Banque Populaire du Rwanda (BPR) or Urwego Opportunity Bank.

Management is an on-going challenge in RUSACCO, and in other SACCO's. The overall capacity of SACCO managers has been increasing since 2010.

> But it is a big challenge – if you have a big amount of people and a big amount of money it is hard. This is a tough environment.[185]

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[182] ENK, paragraph 6.
[183] ENK, paragraph 13.
[184] ENK, paragraph 16.
[185] ENK, paragraph 17.

> We want to computerise because the work is very big. Management is getting too hard. We think it will make management easier.[186]

ENK sees the management challenge that he faces as one of volume of work – perhaps understandable, given that his membership has increased some 30-fold since he took over. He demonstrates no worries about his skills for managing the tasks he faces, and credits his own increased capacity for managing to the experience he has gained in the job – and to the regular meetings with other SACCO managers, and also to training he has received from various organisations.

> So we go up. The teaching, the learning.[187]

ENK captures how the Umurenge SACCO programme was organised centrally and publicised from the outset, so that citizens were aware of the existence of the programme, and those at college were aware of job opportunities within the SACCO programme. ENK has appropriate educational skills, and is also learning as the programme generally, and RUSACCO in particular, is growing. He has managed fund-raising and the construction of a building for RUSACCO. This rapid development suggests there is space for individual initiative within the programme, with no 'one size fits all' approach to managing a SACCO and its business trajectory. However, this freedom exists in a framework where monitoring, audit and compliance are in evidence – and clearly burdensome.

The weekly, monthly and quarterly reporting processes require constant compilation of reports – capturing daily balances, cash, deposit and loan data, credit defaults, gender of account holders, uptake of different financial products and aggregated volume of transactions through RUSACCO.[188] The reporting, management and supervision regime, with a formal registration process at the outset, unannounced audits and accountability via RUSACCO's management and supervisory committees, imposes a professional, regulated framework, and clearly has an impact on how day to day processes are organised. ENK reports a structured organisation within a professionalised system, but with considerable flexibility at the grassroots for responding to local needs, opportunities and environmental factors.

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[186] ENK, paragraph 25.
[187] ENK, paragraph 17.
[188] ENK, paragraph 14.

ENK referred throughout his interview to financial products that meet the needs of his small-farmer community. The RUSACCO team is engaged in expanding business by raising awareness, amongst its members, of the opportunities available to them. Credit is linked to a savings history, suggesting an awareness of 'credit-worthiness', and that savings come first. Membership is dealt with pragmatically, with new members being encouraged to pay their joining fee over time, whilst simultaneously saving. Business loans are supported by business plans, whilst income-smoothing loans are categorised as 'overdraft credit', emphasising the different kinds of evaluation required for such lending.[189] Again there is a professional approach, with a clear local focus on building take-up of services.

ENK recognises the importance of training received from a diversity of sources – including Minagri, whose staff have reported nationally and locally on the importance they place on developing, in partnership with SACCO's, products for poor, rural community members. See, also, RD's observations from the perspective of a District level civil servant on this later in the chapter.

ENK is a relatively newly qualified financial sector specialist, recruited early in his career to the SACCO programme, operating in a sector that is essentially public in nature, with its elected leadership and direct government support. PG, by contrast, is employed in a similar rural environment, but in the commercial sector, as a Branch Manager in BK.

7.3 MANAGING A BRANCH OF A COMMERCIAL BANK: PG'S EXPERIENCE

PG is a graduate in business studies, recruited out of university into the Bank of Kigali (BK). He was part of a new wave of recruits – the first of BK's employees to be recruited with university degrees, rather than upon high school graduation. PG and his cohort have been systematically exposed to a range of different roles and branches, moving from job to job within BK as part of the preparation for becoming a branch manager. PG joined BK in 2010, and that is exactly when the new recruitment structure started. All members of PG's cohort are now branch managers. PG was interviewed on 16th March 2015.

Behind BK's recruitment and up-skilling strategy, according to PG, was a clear response to the Government's financial inclusion objectives. PG thinks this response to

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[189] ENK, paragraphs 6., 7., 23. and 24.

a government initiative is partly, at least, due to BK's history. BK was originally wholly owned by Belgian shareholders, and was a 'VIP' bank, based wholly in Kigali, and serving large businesses. BK is now a wholly commercially owned organisation, but after the Genocide, the Government put in money, and shareholders also came from development partners. There was pressure to expand – to meet wider needs of the community. By 2010, the customer target was 'all Rwandans' – the bank no longer wanted to work only with VIP's. This new 'all Rwandans' target, and the recruits with higher levels of education – plus the opening of new branches, especially outside Kigali – were parts of one initiative to provide services to a more diverse cross-section of the population. The aim is still to serve business people – but they should be from all levels, everywhere. This clearly includes small farmers and other rural enterprises. In PG's branch, specific services and products have been developed locally to support small farmers – with the emphasis on those who are members of farming cooperatives, as explained below.

PG believes this mix of public and private motivation is appropriate.

> When banks come to work and function in Rwanda, they have to function according to what the country wants: developing the population, becoming close to them, giving them loans – because banks come to give money to support projects. That is what they come for. They come to give money. That is their ***responsibility.*** It is to support people/projects with money – that is what banks are. (*PG'S emphasis*)[190]

PG's branch of BK has a three and a half year partnership with its local rice growing cooperative at Ntende, and works closely with other cooperatives of agricultural production, including a dairy cooperative and an animals cooperative.

> We work together closely, and they come to us with problems – we aim for partnering.[191]

Adopting this approach, school costs are guaranteed or paid ahead of harvest to ensure that farmers' children can remain in school; systems for formalising loans ahead of harvest, based on a percentage of the expected yield, are provided with minimal administration; and new seasonal products are developed through these partnership

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[190] PG paragraph 6.
[191] PG, Paragraph 22.

approaches.[192] As long as individual loans fall below the branch-authority threshold of 5,000,000 Rwf, arrangements can be agreed locally. Where new monitoring and scheduling arrangements are required to support new products, the branch must discuss the arrangements at HQ so that automatic systems can be put in place.[193]

One obstacle in the past to small farmers opening bank accounts with BK was the requirement for 100,000 Rwf minimum balance. This requirement has recently been removed, and in at least one cooperative (Kanyonyomba – see PN's account later in the chapter) there is a promise that BK transaction costs will not exceed those offered by local SACCO's. This demonstrates how the public and private systems are aware of one another as competition (see also ENK's comments, above) or as bench markers for the sector as a whole, as in this case.

Although one is public sector, and one is commercial, ENK's and PG's institutions have characteristics in common: both have roadside locations on the road from Uganda, in the north, to Kigali in the centre of Rwanda. Both are in the District of Gatsibo, although they are in different towns. Clearly, these two views of the rural financial sector marketplace cannot be representative of the sector as a whole. However, tentatively, it is possible to assert that the mutual awareness of one another as competition, coupled with the rapid increase in membership and/or account holders, plus the creation of financial services tailored to the local, poor, smallholder farmer, is an emerging picture in this part of Rwanda.

Gatsibo is 11th poorest of 30 Districts in Rwanda (and fourth out of seven Districts in Eastern Province). As such it is a District without extreme characteristics of wealth or poverty, nationally, and there is no reason to suppose that conditions in this part of Rwanda were especially favourable for the take-off and management of financial service delivery, when perceived from this mid-level[194].

There is a contrast between these Local Actors' reports of institutions competing with one another for custom, and earlier accounts of a lack, in rural areas, of institutions

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[192] PG, paragraph 23.
[193] PG, paragraph 18.
[194] Figures and ranking are taken from the EICV3 Data – the three yearly national household survey – of 2014, as set out in the District profile for Gatsibo District compiled in 2016. (National Institute of Statistics of Rwanda 2016).

offering any kind of financial service to rural businesses at all, especially farmers.[195] This is evidence of considerable change.

The Local Actors show, also, that both private and public sector are seeking to attract appropriately qualified professionals to their organisations, and to further professionalise management as they work. Both managers talk about training received in post, and the amount of learning on the job that they have experienced, and both say that they have capacity to carry out their duties. In both cases their roles are innovative, with no predecessor's example to simply follow. Both of them attribute this capacity to their prior, post secondary school education in relevant disciplines.

PG recounts in some detail the processes he has gone through to develop local financial products for farmers – expressly suited to the activities of local communities. He explains that farmers often 'graduate' to BK, having already had an account at a SACCO.[196] PG is able to develop services for new BK customers direct, but he also works on developing products in partnership with local farming cooperatives.

BK is winning relationships with the some of the smallest farmers, but such cases are mediated by a service cooperative of which the farmer is a member. The service cooperative develops internal systems for guaranteeing loans, providing simple sign-up mechanisms, and facilitating pay-back or enforcement through internal systems at the cooperative. Only the service cooperative office has direct dealings with the bank.

This linkage with service cooperatives was also raised by ENK at RUSACCO, by PG as bank manager and by other stakeholders in the financial inclusion strategy in the District (see for example, RD, below). It highlights the ingenuity of these organisations – banks and/or SACCO's in partnership with service or production cooperatives – in seeking mechanisms for managing administrative cost, information inequality and default risk – such that very small loans become commercially and administratively feasible, even within a commercial bank. This observation highlights the possibility of an opportunity gap developing in the community between those who are members of a cooperative and those who are not.

The same issues can be viewed from the demand side – the perspective of a service cooperative – highlighting the commercial opportunities available to large

[195] Frequently noted in the financial sector policy and strategy documents referred to in Chapter 2.
[196] PG, paragraph 17.

organisations, even if they are representative of very small farmers. JS is the manager of a service cooperative, Ntende rice cooperative, with about two thousand members.

7.4 MANAGING A LARGE RICE SERVICE COOPERATIVE: JS'S EXPERIENCE

JS has been at Ntende rice cooperative since he helped to organise and register it in 2008. JS was an agronomist, hired by government in that capacity, to try and help improve production of rice in newly refurbished marshland areas at Ntende. Subsequently becoming the first manager of Ntende rice cooperative, JS was interviewed for earlier research. His interview in 2012 gives a more-or-less contemporaneous account of the development of financial services within the cooperative at that point.[197]

Ntende rice cooperative already worked in partnership with BK in 2012, and a range of services was available and used by members including almost universal take up of savings groups, first launched in 2010.[198] Initially focused around group borrowing, the BK partnership led to the introduction of widely available loans for farmers. JS emphasises the importance of individual initiative and personal relationships in the process.

> The main contact between BK and the cooperative is between the branch manager and the manager of the cooperative.[199]

JS also stresses the extent to which the cooperative acts as the eyes and ears of the bank in setting up individual loans.

> It is the cooperative that decides the amount of an agricultural loan. We decide which member can take a loan, and how much. The decision is made by the board and the agronomist. We agree a maximum for each member.[200]

Whereas PG at BK talks of customers 'graduating' from SACCO's to BK, it is clear from JS that customers often retain accounts with both.[201] There is a sense that the full range of services offered within Ntende rice cooperative is valued – and members are able to differentiate which services are best suited to their current needs. There is a

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[197] Lichtenstein (2012).
[198] JS1, paragraphs 12. to 14. and 22. to 27. Also, see Chapter 1 for a summary of financial services at Ntende rice cooperative.
[199] JS1, paragraph 12.
[200] JS1, paragraph 27.
[201] See, also, for example, the data from the household survey referred to in Chapter 5.

clear pattern of distinguishing between services, even though there is an element of stair-casing upwards to reach the more commercial products. Most farmers in the cooperative remain members of savings groups, as well as accessing other products. The savings groups tend to have modified since their inception in 2010, shifting towards seasonal distributions to cover farming expenses than more frequent distributions of funds, as at the outset. But the original model of small savings on a weekly or fortnightly basis has been maintained and remains popular.[202]

JS notes that most Ntende rice cooperative members also use its internal 'social loans' system (funded by members own savings), as well as an income-smoothing, seasonal loan product offered by BK, and managed by JS and his team. Also, all members have SACCO accounts for day to day financial management (including for receipt of payments from production in the cooperative), and some have business loans from a SACCO or from BK, in their own right, based on individual business plans (often produced with the support of JS and his team).

Thus, at the mid-level, a local network of services is visible. There are elements of competition and of mutual support between organisations, and there is interaction between private and public sector.

The intermediation of farming cooperatives plays a key role in maximising the range of services available to farmers, and, indeed, farming cooperatives can also generate home-grown financial products ranging from savings groups, through small-scale loans, to business-loan support services.

The 2012 interview with JS took place before the full impact of the Umurenge SACCO programme had been felt in his area. But a range of financial services was already available to Ntende members without the use of SACCO's. Ntende stands out because it began to work with BK early, in 2010/2011, and has consistently supported its members with accessing financial services.

JS still attributes this widespread adoption of financial services to the launch of savings groups in 2010 that kicked off the whole move towards financial engagement amongst its members.[203] That launch was triggered by a series of workshop discussions with farmers, promoted and funded by RSSP/LWH. Whilst all of Ntende rice cooperative's

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[202] JS, March 2015, personal communication.

[203] Personal account given by JS during walk around new cooperative buildings in 2015.

activities are now self-funding, often on a commercial basis, the intervention to launch financial service development came from government. The transformation is essentially local, and the drive for more and better services has been 'bottom up', driven by the farmers themselves, and by their very local representatives (such as JS) often in partnership with other equally local players (such as PG).

This exemplifies an interaction between a clear vision at the centre of government for promoting financial services, coupled with modest resource support for the promotion, plus a flexible, self-driving approach from the grassroots. At the grassroots, the role of the Local Actor is to make connections, find opportunities for mutual benefit, and to take advantage of the enabling environment.

It was clear from the two Local Actors working **within** financial institutions that their relationships with outside agencies such as Ntende rice cooperative are important. They rely on the centrality of reaching farmers via farm cooperatives – whether for the development of suitable financial products or for the managing, controlling and processing of access to financial services. Furthermore the farmer membership relies on the cooperative managers to attract or create services for them, and to administer them inexpensively and reliably – whether alone or in partnership with financial institutions. The capacity and competence of the service cooperative mangers is clearly crucial for this approach to work.

JS has demonstrated his competence, and Ntende Cooperative was an early adopter of financial services. It is important to discover whether this experience is a one-off, or whether similar stories are found elsewhere.

PG, the BK branch manager, made clear that he has dealings with lots of cooperatives,[204] and ENK, the SACCO manager, also recognised that the SACCO credit services are most readily available to farm cooperative members.[205] This suggests, anecdotally, that other small farmers are gaining access to financial services via the intermediation of their service cooperative membership. An interview with PN, the manager of Kanyonyomba rice cooperative investigates the general position further.

[204] PG, paragraph 22.
[205] ENK, paragraph 23.

7.5 MANAGING A LARGE RICE COOPERATIVE THAT HAS STRUGGLED IN THE RECENT PAST: PN'S EXPERIENCE

PN is the current manager of Kanyonyomba, and had been in post for just under a year at the time of his interview on 16th March 2015. Back in 2010, Kanyonyomba members did not engage with financial services as Ntende did, although its members had access to the same government funded programme intended to encourage take-up. However, by the time of the interview the picture had changed.

PN says he is 'very much aware' of financial inclusion[206].

> It is … a way of helping people get access to money, to have savings, then loans, to help them so their incomes might increase. It is important, because if it is not there, there will be poverty. It is very important. We think about financial inclusion in this cooperative a lot.[207]

Kanyonyomba cooperative has 1,352 members. The land farmed for rice by its members is irrigated by a dam, and is divided into sectors for administrative reasons. Within each sector, the farmers are divided into 'associations' of about 25 farmers each. There are 50 associations in all, each with their own SACCO or BK account, and each sector also has its own account. Each member of Kanyonyomba also has their own account - either SACCO or BK - through which the farmers' proceeds of harvest are distributed.

Now that everyone has accounts, as a condition of cooperative membership, PN says:

> That is my job now. To teach savings. To know that you don't [just] save the leftover. Knowing that every season I have to save so that I may reach the needs.[208]

Almost all of the Kanyonyomba farmers are in savings groups, via their associations. Each association is required to put a small amount of money each season into the cooperative's relevant sector account. Some associations have loans from BK or an Umurenge SACCO. An individual's creditworthiness is demonstrated by their history of savings in an association – and the ability to build a credit record is a driving force in participation in these savings groups. In addition, if anyone has a problem within the

[206] PN, paragraph 1.
[207] PN, paragraphs 1. and 2.
[208] PN, paragraph 8.

association, they will be allowed to draw on joint savings of the group for help.[209] Thus there are two quite different motives for maintaining the association savings: the credit history, and the social safety net.

Funds generated at the cooperative's sector level are used to maintain and improve sector infrastructure. For example, drying grounds are a communal facility at sector level in Kanyonyomba cooperative, and new ones are often required to support improved productivity.

Most of the Kanyonyomba savings groups now have loans: mainly from an Umurenge SACCO, with a few borrowing from a commercial bank. Few loans are from banks because '…the farmers fear the standing charges of the bank…' – and this has been the subject of discussion between Kanyonyomba and BK, resulting in a promise of change.

> The Director General of BK was in Ntende [nearby town] recently, and he says he will remove all such charges for us.[210]

This is born out by the comment of BK's local manager that '…you can open with zero. BK has changed!'[211]

In spite of the history of bank charges, some associations use BK rather than an Umurenge SACCO, because of a particular relationship with the BK branch manager at Remera.

> He takes good care of the people.[212]

Now that the charges have been removed, PN expects that other groups will open accounts at BK, mainly because they want more money than the lending limits of the Umurenge SACCO's.[213]

Accessibility may determine an individual farmer's choice of service provider in some areas, but for most Kanyonyomba members, services are easily available, with both kinds of provider within a few metres of the cooperative office. In some parts of the cooperative, more distant from the office, members use Umerenge SACCO's closer to

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[209] PN, paragraphs 8. and 9.
[210] PN, paragraph 10.
[211] PG, paragraph 12.
[212] PN, paragraph 11.
[213] Ibid.

their plots of land, and those farmers would have to travel further to use BK. In that case they will travel to use BK only when they need a service that is not available through their local Umurenge SACCO.[214]

When PN arrived, less than a year before the interview, Kanyonyomba was managed poorly by the elected management committee. PN is the first salaried manager, and his post is currently funded by RSSP/LWH, in an effort to raise its performance. PN says the cooperative was 'at about 2, on a scale of 1 to 10 for management' when he arrived. It is now at about 8.[215] PN is confident he will be kept on by the cooperative after funding from RSSP/LWH expires.

Yields on Kanyonomba land are improving, but there is scope for more. Current yields average 4 tonnes of paddy per hectare. The aim is to achieve 7 tonnes (Ntende rice cooperative approached 7 tonnes in 2012[216]). PN says this is possible.[217] Thus the over-riding objective of the rice cooperatives is to increase productivity, thereby reducing poverty amongst the members. It is in that context that PN, as manager, thinks a lot about financial inclusion. It is complementary – but very important - to his central objectives.

PN also concerns himself with the viability and sustainability of the cooperative as an entity in its own right. To that end, he is working on an investment property for the cooperative – 'to bring in more income…' The plan is to extend the cooperative building, to make a two-storey building. This will create rental income because '…you realise for example banks can't find decent houses….'[218]

The project will require a loan (the cooperative has none at present), but the income created will be used '…for example, to help the very poor ones in the group to … help them to come up to the normal level with other people … to help them increase their income so they will get on the same level as others.'[219] Thus the cooperative is free to follow opportunities, outside its core activities, to improve its stability and resilience (through diversifying income sources, and accelerating income growth), but the

[214] PN, paragraph 12.
[215] PN, paragraph 13.
[216] JS, paragraph 46.
[217] PN, paragraph 29.
[218] PN, paragraph 16.
[219] Ibid.

objective is to improve the lot of the cooperative members, with the poorest receiving priority.

As harvest approaches each season, Kanyonyomba supports members to obtain loans. Some members have no other collateral, and the cooperative signs to confirm the value of the anticipated (as yet un-harvested) crop, which can then be used to secure an advance from a bank or SACCO for the expenses of the next harvest. The cooperative has developed relationships to provide this service to farmers who bank at Banque Populaire (BP), BK, CT Murambi (an MFI) or a SACCO.

As well as supporting agricultural production, acting as intermediary and facilitator in the provision of services by financial institutions, and pursuing diversification strategies, Kanyonyomba cooperative also delivers financial services directly to members. These services take the form of loans to cover the cost of seeds and fertilisers, with repayment being made at harvest.

It is clear that Kanyonyomba, like Ntende rice cooperative, is supporting farmers in diverse ways, including in relation to financial services, and that accessing financial services is seen as an important component in developing the capacity of the farmer members. The headline objective is still to increase quantity, quality and reliability of crop production, and financial service provision is integral to that objective.

It is evident that the two service cooperatives canvassed take slightly different approaches to financial services, but with plenty of overlap at the core. The overall mix is dictated by a range of factors: the judgement of the cooperative manager in collaboration with representatives of other service providers; the particular circumstances of the local economy; the current capacity of the cooperative, both financially and technically; and the capacity and needs of the members.

The approach being taken by Kanyonyomba is having an impact on farmers and their livelihoods. PN estimates that for about 70% of the members, their needs for financial services are being met. The remaining 30% have need of financial services, but have no capacity to repay loans: those are the members he has in mind when thinking of how to use income from letting a building to local businesses. He also talks about encouraging even the poorest to engage with savings.

> I know that savings is not about 'left overs' – it is about planning for the future – and you have to prioritise it. We used to talk, and they used to say, 'How can we save when we have little?' I have to show them, first we need a plan.[220]

PN attends Sector meetings, where all of the relevant SACCO managers are also present. They work together. He also gets support from RSSP/LWH, since working with banks and SACCO's is an element of his grant agreement with them. He is required to support training in micro-finance and income generation, and can also tap into grant support available from RSSP/LWH for up to half of the cost of establishing development projects amongst cooperative members.[221] Thus, at the beginning of the year RSSP/LWH asks which of Kanyonyomba farmers should be trained, in order to develop income generation projects. Selected farmers then attend a course for which all participants receive a certificate. From amongst the participants the most viable income generation projects are selected for grant funding.

There are further plans for Kanyonyomba cooperative and its members in the pipeline. The local rice mill needs to partner a cooperative, and that will support Kanyonyomba farmers. The mill is to start providing seeds to the farmers each season, so that Kanyonyomba will no longer have that expenditure. Under the agreement negotiated with the mill, no interest will be charged, but the mill will have the right to purchase 100% of the harvest produced (subject to an agreed retention for home consumption). This frees up funds for Kanyonyomba to carry out other activities, and brings another partner into the arrangement of financial services for farmers.

It is tempting to conclude from the accounts of PN and JS that things may move at a different pace between cooperatives, but that all are headed along the same path. However, it is not safe to generalise from their experience beyond their quite specific sphere. Both PN ad JS head up rice cooperatives – a lucrative and high-priority crop for Rwanda, with its capacity to reduce poverty of farmers rapidly, and to reduce reliance on imported rice, thereby assisting balance of payments. Furthermore, the cooperatives of PN and JS have both benefited from direct intervention and support from RSSP/LWH, recognised as Rwanda's most successful agency in this respect. Thus Kanyonyomba and Ntende rice cooperatives are amongst the most systematically

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[220] PN, paragraph 24.
[221] PN, paragraph 25. and 26.

targeted groups of cooperatives, as well as being of a size, in membership terms, to be able to influence the services of local SACCO's and to attract the attention of commercial banks as possible partners in development.

By contrast with these two large rice cooperatives for whose members life seems to be changing rapidly in the dimension of financial inclusion, a local cassava production cooperative at Ntende has rather different experience. An interview with its manager, DX, shows how things are for him and his members.

7.6 MANAGING A SMALL, POORLY RESOURCED COOPERATIVE: DX'S EXPERIENCE

DX is elected to the position of cooperative manager by the other members. He is a life-long cassava grower. Cassava has low commercial value, and production levels are difficult to raise. It is not a priority crop in Rwanda's current strategies, because of its limited scope for income generation, poverty reduction or contribution to the wider economy. However, cassava is valued by subsistence farmers because of its drought resistant qualities. If all else fails, it is probably some cassava that will survive. Cassava has to be processed to change it chemical composition before it can be consumed, adding to its low-value potential.

With 128 members, the cassava cooperative buys crops from producers, subject to their processing capacity, and produces cassava flour. The flour is then bagged, branded and sold through local outlets and markets. Members have priority when they have cassava for processing, and members also get a better deal when they sell to the cooperative.[222]

The cooperative encourages cultivation of cassava with modest technical support. No financial services are provided to members: you do not need a bank or SACCO account, since all payments to producers are made by cheque '…into the hand.'[223] The cooperative itself has three SACCO accounts: one is for members' contributions and shares; one is for production and sale; the third is a savings account in which they are saving to purchase a lorry to support the work of the cooperative. In addition the cooperative has two BK accounts: one is for USAID funds received by the cooperative, and the other is for capital to buy cassava from farmers, packaging materials etc. There

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[222] DX, paragraphs 2., 3. and 4.
[223] DX, paragraph 7.

is one other bank account, at a different (unnamed) bank, for which no particular use was specified.[224]

The example of the cassava cooperative shows membership of a cooperative does not automatically launch farmers into a programme of accessing financial services. That depends on the skills and experience of the manager, and perhaps the overall value and viability of the business.

However, even with those limitations, the cooperative has allowed a group of very poor farmers to organise themselves to receive donor funds, to get their production to market – packaged and branded – and to aspire to owning a lorry to support their business at some time in the future. It is difficult to imagine any one of the individual farmers achieving as much without cooperative membership, and a degree of organisation.

Thus a modest cooperative has little chance of achieving the benefits for its members seen in the two rice cooperative examples, even when they are very close neighbours, and the infrastructure for services is clearly there. However, the members of a small cooperative still have advantages over the subsistence farmer working alone, and though differences may be striking, the small achievements of the rice cooperative may make all the difference to the viability of some vulnerable rural households.

Both kinds of cooperative, the small and the large, achieve their results by working with what they can in the local environment – both technical and institutional. Coordination at District level is meant to strengthen the enabling environment for cooperatives, and to make sure that they are aware of what is available for them. RD, from District government, talks about her coordinating role.

7.7 CREATING AN ENABLING ENVIRONMENT THROUGH A COORDINATING ROLE: RD'S EXPERIENCE

On the face of it, all of the arrangements described are being freely sorted out between local players – but there is evidence of the importance of a facilitating environment. The SACC0 manager speaks of the regulatory environment – underpinning confidence in the SACCO. He and the two farm cooperative managers speak of the importance of learning from others in similar positions, and they mention regular meetings at sector level.

[224] DX, paragraph 6.

RD is the civil servant in Kayonza District responsible for cooperatives and business promotion throughout her District. Whilst none of the organisations referred to so far in this chapter is in Kayonza District, RD's interview (carried out on 18th March 2015) gives insight into how District representatives get involved in cooperative programmes generally, and financial inclusion in particular.

RD mobilises people to get involved in cooperatives, and she also works on conflict resolution within cooperative groups. RD's cooperative programme is the responsibility of the Mayor of Kayonza (an elected position).

RD has noticed changing priorities within developing cooperatives and groups. In 2006 to 2008 there were lots of groups of people and 'associations' beginning work, but they were not aiming for profit maximisation. RD explains there are social responsibilities that come with income generation. Cooperatives and groups should have target profits, and this is why RD emphasises the importance of cooperatives: they have certain abilities, such as land use consolidation, which are not available to other groups because of the certification required.[225]

RD offers training to elected board members of cooperatives. Some training is offered centrally, at the District. Alternatively RD goes to cooperative premises and shows board members the rules and regulations. Some board members fail to perform well. But in spite of that, RD says that cooperatives are a good channel of poverty reduction.[226]

RD's programme has been going for about eight years. At the beginning, she says, it was difficult to change mind-sets:

> … our history is not so good, that our people can be together, work together.[227]

But things are more promising now, with some cooperatives having higher levels of understanding, and forgetting the past. They are planning 'what in five years…', for example. Cooperatives that RD works with started off with '…no office, no capital, no market. Now they work well: they know the banks, they know the SACCO.'[228]

225 RD, paragraph 6.
226 RD, paragraph 7.
227 RD, paragraph 8.
228 RD, paragraph 9.

There is a hierarchy of organisations for RD to interact with: the primary organisations are cooperatives; then it is the unions. The unions are responsible for training the primary cooperatives. RD looks at performance and asks herself what she can do to make sure training is starting. She has mobilised people, and her role is then to evaluate. However, RD does not have a team: she works alone. She is meant to support cooperatives in all sectors, but she finds that is not achievable.

> I have 163 cooperatives – but are they really doing OK? I'd say 80 are promising – and can probably do this; 24 are really good – and can do reports, action plans, business plans. They have reached this level over the period of 2009 to 2011.[229]

RD points out that you can have 4,000 members in a big cooperative and that is hard to manage, thereby confirming the challenges of large cooperatives, just as ENK captured in relation to the SACCO for which he is responsible.[230] The cooperatives need strengthening: financially and economically. At the moment, RSSP/LWH cooperatives are the strongest in this respect. RD and others in the District work with RSSP/LWH – the links go via the Mayor. RSSP/LWH are motivated to get marshland areas used more efficiently, and they need advice from the District.

RD explains that no changes in productivity are accomplished without finance for cooperative members. To function they need training, and capital in the cooperative. There is a need for loans for members, and that depends on the capacity of the cooperative. Some of the big cooperatives need 10,000,000 Rwf to function. They have to work with commercial banks. But the smaller cooperatives use SACCO's who can lend up to 5,000,000 Rwf.

RD also has a coordinating role: to bring together cooperatives, banks and Umurenge SACCO's, working with 14 in all. She convenes the 'Access to Finance Forum' in her District, bringing in managers of the various organisations. The providers use the forum to showcase products and the production cooperatives learn about what is available. RD is not involved in decisions about financial services and products chosen by cooperatives, because she is a facilitator. She works to bring parties together so that decisions can be made.

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[229] RD, paragraph 12.
[230] RD, paragraph 13.

Insurance companies have asked RD for a list of cooperatives in her area. She and her District level colleagues have been actively involved in discussions about insurance in case the cooperatives do not understand. The experience has not all been good: insurers try not to pay. Insurers may not be aware of procedures in cooperatives, and RD is there to help. In the cases where cooperatives experienced crop failure from drought, and the insurers declined to pay (relying on satellite data that was not detailed enough, perhaps), the Government had to 'chip in' to support farmers who had relied on the insurance to secure loans and mitigate risk.[231]

RD wants all cooperatives to understand about finance – and she says the drive for this comes from BNR. RD is confident that BNR thinks for the citizens.

> They do. They do. Wherever we are [in the development process] there are top officials who think for us. What is needed [from us] is to work hard so we can strengthen ourselves. The policies are OK.[232]

Increased competition is important because interest rates are so high.

> We get complaints about interest rates. We are a developing country. Even myself I can complain, interest rates are so high.[233]

Interest rates are at about 17% to 18% at the Umurenge SACCO's, but RD says they cannot get a profit without charging such interest. Three years ago the SACCO rates were too high – at 24% per annum – and at that time BK was charging 18% or 19%. But now the Umurenge SACCO rates are lower, being there to cover their own costs – including paying their workers, which were covered by the government at the beginning.

> BNR has a strategic view to bring down interest rates. BNR and RCA – we discuss [this] – we want everyone to be able to access finance.[234]

So far as financial services are concerned, RD sees banks competing to win cooperatives as clients. However, in this competitive environment, Umurenge SACCO's need strengthening.

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[231] RD, paragraph 19.
[232] RD, paragraph 23.
[233] RD, paragraph 22.
[234] RD, paragraph 25.

> They are our own house. Our objective is that each citizen knows how to save, how services function.[235]

RD also works closely with RCA (Rwanda Cooperative Association), who have supervisors at Province level, carrying out analysis to understand what is being done well. As challenges emerge, RCA will help with development of strategies. In turn, RD watches the Umurenge SACCO's closely, to see how they are getting on. The aim is to have every member of the population over the age of 18 using the SACCO's.[236]

There are difficulties, especially because of limited resources. For example, RD's area includes a distant and remote Sector called Ndego. It is 65 km away, yet the population is expected to come [to Kayonza] for finance.

> It's impossible. We want them to have access to finance. Mobile phones are facilitating access. Even for me.[237]

There is a shortage of resources for making all of the intended changes, and it is not easy for RD. She is meant to be in the field, to monitor, to supervise. Does she manage? Is the budget enough? 'No.'[238]

RD's job performance is evaluated annually by RCA. Her recent evaluation 'shows I try.'[239] In the Eastern Province, RD's District is the first out of seven for four years in a row. When RD looks back, she sees the impact of the changes in financial inclusion. She notes that her parents never knew about banks. Now her father has accounts.

RD is comfortable that she has a good understanding of the technical aspects of her job. This is born out by the new role that she is to take up following a reorganisation at District level – RD will become responsible for investment and financial services.

RD has been in her post for some years – and was cited for her achievements in the News of Rwanda as long ago as June 2012 for her success in building offices for

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[235] RD, paragraph 20.
[236] RD, paragraph 28.
[237] RD, paragraph 28.
[238] RD, paragraph 30.
[239] RD, paragraph 29.

savings cooperatives in each of the sectors for which she had responsibility.[240] For this achievement, Kayonza District was awarded additional funds to support its activities.

RD's account, experience and activities shed light on how services are developing at the mid-level. Firstly, Local Actor focus is on working with cooperatives, and whilst the aim is for all citizens to become cooperative account holders, it is easy to see that product development and overcoming challenges is often addressed in the context of cooperative-to-cooperative work: RCA is central to regular meetings, progress assessment and evaluation; the local Access to Finance Forum has cooperatives from all sectors participating, but no mention is made of representatives of individual account holders.

Secondly, whilst RD does not mention any technical post-secondary education, she demonstrates she has appropriate technical skills for her work – and is, in that sense, a technocrat. She has been recognised for her skills in the past, and received positive evaluation at her last review – supported by external evidence of her success. She is being promoted into an area of work that recognises her skills in financial services, allowing her to develop professionally as she moves forward.

Thirdly, the resource shortages mean that harder-to-reach communities may remain the least well served, even with programmes targeted at the poor. It is simply too great a resource consumer to make regular visits to more distant catchment areas, and RD is concerned that the service delivered in those areas falls short of those available in more centralised areas in the District.

RD's final observation is that the system for delivering services may not always work.

> The policy is OK, and the programme is fine – implementing, you can face challenges...[241]

For RD, however, the challenges of achieving implementation are a resource problem, not a skills capacity problem. RD's views, in this respect, tally with those of the SACCO manager: the skills are there, but the systems or resources create bottlenecks in delivery.

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[240] http://www.newsofrwanda.com/ibikorwa/10072/kayonza-district-accelerates-saving-culture/.

[241] RD, paragraph 30.

In spite of Local Actor assertions to the contrary, there are still capacity issues at this level – at least in the ability of some SACCO's to provide good services to local people: it is mentioned by Central Actors and alluded to by RD in the need for training to take place, for example. Responsibility for dealing with these challenges, and for allocating District resources, lies with the Mayor. An interview with the former Mayor of Kayonza seeks to understand better how decisions are made, and how a route is negotiated through the challenges of policy implementation.

7.8 Professionalising elected representation and holding representatives accountable: AR's experience

AR was interviewed on 18th March 2015, having stepped down from being Mayor of Kayonza a few weeks before, after holding the post for four years. He stood down because he failed to meet his performance (Imihigo[242]) targets, to which he had made a public commitment. He explained that he had no choice, because he had failed to deliver against some of the agreed targets.

Of being mayor, AR says:

> It was a fantastic time in my life. I liked the job. I enjoyed it. It was affecting grassroots: electricity, cooperatives, roads, life of people and how they are managing.[243]

Being Mayor is a full time job. It is paid. There is no spending money for the election, though. It is a crime to spend money for that.

> You just stand, talk, deliver.[244]

In order to become a Mayor, candidates have to pass exams, and then they have to compete for the job through a public vote. In the District team, the Mayor is the boss. Each District takes the seven year government programme as guidance, and the Mayor's role is to decide what is to be done, having regard to the Millennium Development Goals, EDPRS2, and Vision 2020.

AR's team, whilst he was Mayor, consisted of a Councilor, the Vice Mayors and an Executive Secretary from each Sector. The local development plan is available on

[242] See Chapter 2 for explanation of this 'Home Grown Solution'.
[243] AR, paragraph 16.
[244] AR, paragraph 10.

internet, as is all local government law. Each Mayor must sign up annually for Imihigo commitments (strategic objectives). The annual agreement will contain commitments relating to each of three clusters (mirroring clusters within cabinet at senior Government level): Economic; Social and Governance; and Justice. Similarly, each Executive Secretary signs an Imihigo contract for their Sector – and the Sector contracts are all counter-signed by the Mayor. The Mayor's District Imihigo contract is then signed by him in the presence of the President of Rwanda, who personally counter-signs each Mayor's contract.[245]

The Imihigo contract is the governing document for the Mayor's activities. It is a simplified document, so everyone can understand it. It is up to each individual Mayor to work out how best to achieve the targets set for their communities. They can approach the Governor of the Province for support. They need to find partners in their work. These partners can be from any sector: for example AR worked with World Vision (international NGO) on providing water to communities. When he began as Mayor, 26% of the population had access to improved water. By the time he finished as Mayor, 64.5% had access to improved water, thanks to the support of World Vision and the Government. AR made water his particular priority, because it addresses so much: education (no time wasted in fetching water over long distances); hygiene; health; nutrition.[246]

On financial inclusion, the need was to increase tax revenues.[247] This enables more people to be brought into the system. Tax revenues increased from 190 million Rwf per year to 510 million by the time AR left office. All this revenue remains in the District and can be used for compensation for land, roads or water sources where individual interests in land, crops or buildings are lost or damaged. But also, in the social sector, the revenues can be used to support the most vulnerable.

For AR, financial inclusion means building SACCO's. People are being encouraged to save, but they cannot do it if there are no facilities near by. During AR's term of office 14 SACCO's were established in his District and he was involved in assisting them to obtain their full licenses as registered financial institutions (via BNR). Once that registration is complete, a SACCO can go about building its own premises and offering

[245] AR, paragraph 6
[246] AR, paragraph 9.
[247] AR, paragraph 11.

loans to its members. The SACCO work was a component in the Economic Cluster within AR's Imihigo contract.

AR thinks the Umurenge SACCO's have already played a major role in rural development, especially in relation to increased agricultural production. Many people have loans for cultivation, or for livestock. Farmers are not supporting government initiatives if they do not use fertilisers (for which the government forgoes taxes, so this is subsidised). In AR's District there are the 14 SACCO's, but only two BK branches. It is impossible for everyone to reach BK for a loan – but the SACCO's have made it possible for everyone. Additional production becomes food, and disposable income. The farmers are happy. Without disposable income farmers cannot develop.[248]

AR does not demonstrate grasp of detail of financial inclusion in general, and development of financial products in particular, as demonstrated by other Local Actors. However, he grasps the importance of accessibility of services if they are to be taken up. He also demonstrates an understanding of the interconnectedness of development initiatives, for example explaining the many development dimensions of access to improved water.

AR brings a number of aspects of local government to light: the mix of personal characteristics and formal qualifications required to become a Mayor; the centrality of the role of Mayor, being personally accountable to the President of Rwanda for District development outcomes, and responsible for securing results from his team; and ultimately the real impact of Imihigo contracts, resulting in his stepping down because of the failure to deliver Imihigo targets – even though he achieved success in important policy areas, such as delivering water (his personal priority) and Umurenge SACCO's (central to the national strategy for extending access to financial services).

AR shows how development delivery starts and stops with the Mayor of the District, with no additional layers of management to guarantee support to District efforts. However, in some projects (including RSSP/LWH) there is scope for creating teams that include both local postings and central core teams. An interview with VR, District coordinator for RSSP/LWH seeks to understand the impact of local project representation of a centrally organised programme.

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[248] AR, paragraphs 18. and 19.

7.9 DISTRICT TO CENTRAL TEAM LINKING AND FEEDBACK: VR'S EXPERIENCE

VR is District Coordinator of RSSP/LWH in Rwamagana District. He used to work in the central RSSP/LWH team, on agricultural finance – which he thinks is a most important part of his current job.

> I think [financial inclusion] is the core activity to be successful in this agricultural lending and productivity.[249]

Now VR coordinates all of RSSP/LWH's activities in Rwamagana District.

VR first heard the words 'financial inclusion' a long time ago whilst working as an agricultural officer in one of the Eastern Province Districts.

> … and as an agronomist or someone who was in charge of agriculture, first of all it is how to fund out all the required inputs of the farmer. So if you are looking at how you are going to fund out those inputs for the farmer, you look around – you look around for the supplier, you look for the government support, then you look back to the bank, how the financial institutions will be going to help the farmers. So at that time I heard the words – or I started to think about finance related to agriculture. So it's around 10 years ago.[250]

At that time the issue was not well documented. Part of a crop intensification programme prompted focus on how some groups grew crops such as maize, soya and potatoes, and there was support (via vouchers) to help farmers access good quality seeds. But there were no funds to support the activities.

> So at that time the policy was not, I think, well-structured, well-understood. … awareness on financial institutions was not good ten years ago. But now – if you can continue by now – it is OK. Each bank now ... has some form of funds. But especially we are very happy because the farmers have the approach of SACCO's. That SACCO is where farmers can go to make actually some loans for agriculture.[251]

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[249] VR, paragraph 1.
[250] VR, paragraph 2.
[251] VR, paragraph 3.

The current state of affairs is different from when VR's parents or grandparents were farming. They couldn't borrow money from anywhere. So borrowing – providing collateral – and then paying back is '…a new idea which is very important.'[252]

VR chose to illustrate the impact of financial inclusion with work anecdotes. In the past he would discuss with farmers what crop they were planning to grow in the next season. They looked to him for advice and he listed all inputs required for the relevant crop. He would do a calculation and tell the farmer the amount of money to be kept to one side to meet all the costs. Some people would say, 'OK, I'll bring my cow to market.' And some would say they had no access to the money needed. Now they can go to the SACCO – mobilised by VR and his team – to get a loan. The importance of this is in the changes in lives that can be made, not just the loans in themselves.

> Then, once the loan is paid back, you look and see if the livelihood has been improved by the whole exercise. … It is not just 'plus loans' – it is, 'Have you changed? How is your livelihood, your labours and whatever? So I look at that loan to do your business and to make a change.[253]

The most significant obstacle in efforts to broaden financial inclusion is the need for collateral. Individual farmers without assets are not able to access loans. To combat the problem VR works on helping farmers to get together into groups. However success with that approach is limited. Even when farmers approach a bank in a group:

> It is not yet effective, because some bankers are […] reluctant somehow. They say 'No. This [group] is not enough.' So you have to find someone, something else to be a guarantee.' [254]

VR confirms the problems in accessing financial services if farmers are poor and not involved in a formal cooperative.

Problems also extend, still, to farmers' own attitudes. Some remain afraid of borrowing. And in the agricultural sector, insurance is still very expensive – and often not available at all. The lack of collateral, the lack of 'financial literacy' on the part of farmers and the insurance problems all go to make agricultural financing very complicated.

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[252] VR, paragraph 6.
[253] VR, paragraph 7.
[254] VR, paragraph 8.

VR describes a network of support that enables him to tackle his responsibilities. In relation to financial inclusion, he has a finance specialist in his District level team who deals with the farmers and with the banks.

> So we are always supporting people – the responsibilities are very clear, and very well-established.[255]

VR attends the monthly Access to Finance Forum meetings at District level. He also attends monthly meetings in Kigali to share experience.[256] He explains how the information from experiences on the ground is made known to policy makers, so as to influence the process. The concerns captured in the Kigali meetings are heard at Ministry level, and at Government level.[257]

> So I can say we are stirring all the system.[258]

VR shows how a District level team within RSSP/LWH can have a direct impact on financial inclusion at the local - and also at the national level. The challenges of collateral, literacy and insurance are all being brought to light through daily experience, and rapidly shared with Central Actors via a regular forum in Kigali. VR's ability to be heard by policy makers allows rapid feed-back and learning for the system in such a way that is not evident from the accounts of the District Mayor or the District cooperative coordinator, for example. The Mayor is held contractually accountable for his performance, but it is not clear that he was able to learn systematically and rapidly from the experiences of others as he worked in policy areas that others must also have been tackling.

Given the benefits of bottom-up information flows, and of creating capacity in the system for rapid learning, a further look at the District government model would be worthwhile, to discover whether there is any risk of information silos developing. VR's account shows how valuable technical expertise at local level can be, and especially if it is tapped into feedback mechanisms that function simply and quickly.

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[255] VR, paragraphs 13.
[256] VR, paragraphs 14.
[257] VR, paragraph 14.
[258] VR, paragraph 14.

The collective experiences of the Local Actors allow observations to be made about the limits of the policy for financial inclusion, and the nature of implementation – the importance of the participation of intended users of financial services. These will be briefly dealt with in turn.

7.10 WHO IS SUPPORTED, AND WHO MIGHT GET LEFT BEHIND?

A sobering feature of financial sector development in the Districts is the capacity for communities, cooperatives and individuals to be left behind. Individual circumstances are not worsened by the success of others, but relative poverty increases, as others stride ahead[259]. This is clearest from the perspective of DX, and the small cassava production cooperative that has not benefited from government interventions that catalyse transformations in rice cooperatives. The same gap is discussed at length by VR, and hinted at in the observations of other Local Actors: it is easier to access financial services if you are part of a cooperative – but it has to be a reasonably sized cooperative to get the best available. RD also highlights how scarce resources mean that the more remote communities may be the least supported, however needy those communities may be.

Accessible financial services alone do not solve the problems of the very poor – and the Local Actors affirm that other resources and approaches are needed to tackle some intractable problems of poverty. That does not, however, detract from the successes of the financial inclusion policy, as interpreted by Local Actors. New services have reached neglected communities, and have been taken up by many small farmers – hitherto too poor to access mainstream services.

None of the Local Actors' experiences suggest that 'elite capture' is a feature of policy implementation, and resource use seems to be efficient – and effective, for the most part. Landlessness and extreme poverty make some people hard to reach with new services, and accidents of geography make some communities less served than others. The quality of the service provided by the Local Actors is better than might be expected in rural parts of a very poor country.

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[259] See Chapter 3 for discussion of relative deprivation.

7.11 CO-DEVELOPMENT AND MEASURING IMPACT: THE FEATURES OF SUCCESSFUL FINANCIAL INCLUSION

RSSP/LWH is recognised as the national leader in terms of the efficacy of its cooperatives, and their ability to achieve high standards and positive changes for large numbers of people. VR shows how the achievements are driven from District level as well as from the centre. There is a strong element throughout of co-development of changes: whether it is the Mayor, RSSP/LWH, the District Coordinator or the manger of a cooperative, all speak about the need to train farmers, to show them new possibilities for carrying out their work and gaining productivity through small-scale personal financial investment. The path is sign-posted, promoted, developed and discussed by the various technocrats in the system, but it is implemented by the farmers when they choose to take up the opportunities displayed to them.

The core dynamic of co-development between the Local Actors and the farmers themselves is recognised by the Local Actors. The value of spending time with farmers is mentioned; the value of learning from peers and improving the offering to farmers is discussed. Each Local Actor records success in terms of outcomes – relative to impact on farmers' lives: the number of members of the cooperative; the increase in take up of financial services; or the direct impact on production. The touchstone is what difference it makes to farmers lives. VR says:

> Have you changed? How is your livelihood…?[260]

Even the private sector is part of this co-development model. PG says:

> I wanted the people to understand. BK is not the VIP bank it used to be.[261]

The desire is to see farmers take up financial services and for their lives to change for the better. No such change occurs if co-development of new institutional arrangements and opportunities fails.

Many farmers lives are developing, and so, it seems, are the lives of the Local Actors. The overall picture presented by Local Actors is the emergence of a connected network of growing expertise and confidence, with a strong collective purpose. Local Actors have appropriate qualifications for their jobs – whether formal higher education, as in

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[260] VR, paragraph 7.
[261] PG, paragraph 12.

the case of the two rice cooperative managers and the two heads of financial institutions, or on/for the job training, as in the case of the Mayor, for example. Performance is measured – and often ranked with others.

There is a public component to some jobs, even if they are in the private sector: for example both of the managers of the rice cooperatives were initially funded by government. The boundary between private sector and government is often blurred. All cooperatives are invited to attend the local government-funded Access to Finance Forum; partnerships are encouraged between banks and cooperatives – with the intermediation of government employees; and the private sector banks see public service as part of their mission. There may be a shortage of resource, and perhaps some isolation from the policy debate in the centre, but a connected community of technical professionals is present at District level.

These factors suggest that something like a Weberian civil service ethos is indeed developing at the District level, in the area of financial inclusion: these qualities are not confined to Kigali, and the technical elite of the Central Actors, as speculated in Chapter 6. For those who actually are civil servants, there is clearly meritocratic recruitment and promotion, job security and a real sense of purpose. Those same qualities cross into the private sector, where the public/private boundaries are blurred, for example in the rice cooperatives and commercial banks.

7.12 A Livelihoods Analytic Framework approach, from the Local Actor perspective

In many ways, Local Actors are faced with constraints and choices that may be characterised in the same way as a livelihood: they are attempting to deploy resources, in an institutional and technical environment so as to increase the choices available to them in how they promote local take up of financial services. The resulting livelihoods framework, from the Local Actor perspective, may be characterised as shown in Figure 7.1.

Figure 7.1: Livelihoods Analytic Framework – A Local Actor's perspective for implementing financial inclusion

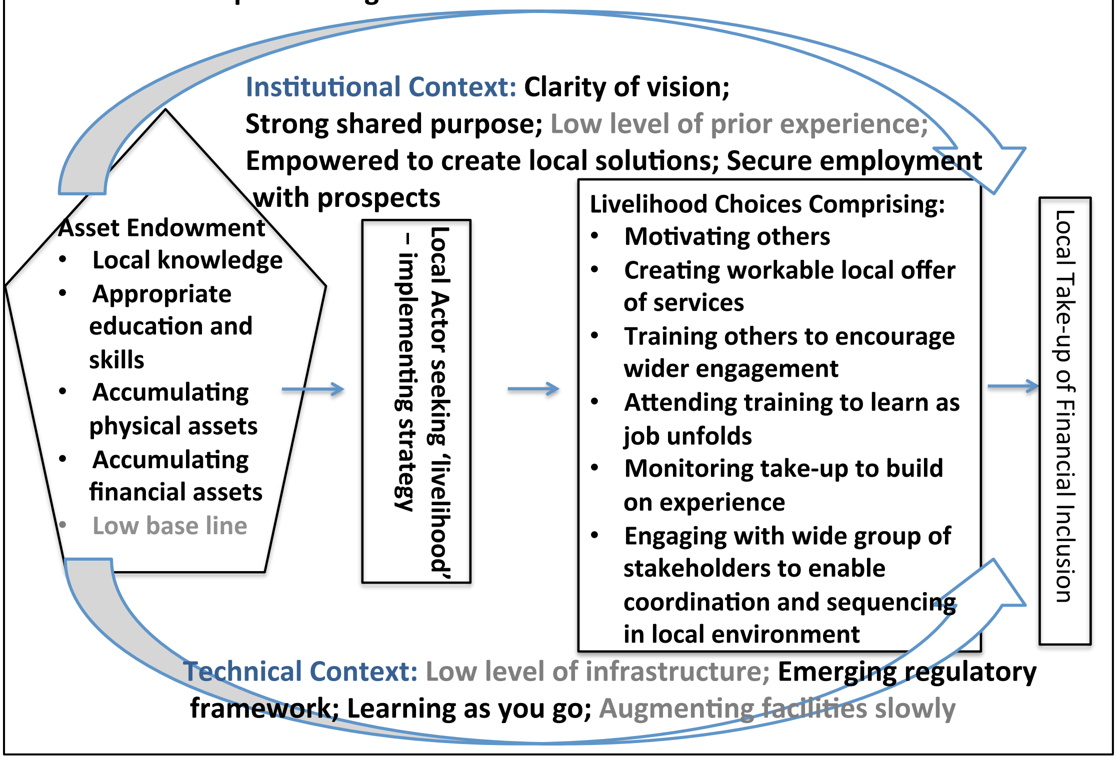


Figure 7.1 shows the relatively strong and developing institutional environment in which Local Actors operate: there is clarity of vision; accountability; professional competence; and a shared vision with other Local Actors. However, the technical environment is resource-poor and under-developed (though changing): there is a lack of computerisation in SACCO's; limited mobility of local staff; poor infrastructure in the service and regulatory dimensions of financial inclusion. Considerable investment and commitment from the centre of government is needed.

Choices made by Local Actors feed back into the environmental strengths and constraints in the local environment, mitigating or enhancing their effects. The efficient use of resource by Local Actors appears to relate to their chosen approaches – characterised as 'livelihood options' in Figure 7.1. Local Actors choose to take actions to motivate others, to monitor impacts, to commit to objectives they believe in, to work in partnership with others, to attend training and to seek to create services that are useful to their target users.

Local Actors' work deploys their local knowledge, and strong technical skills - both human assets in this context. And these assets are augmented by the activities they pursue – showing feedback through the framework from one component to another.

The Livelihood Analytic Framework, and the experiences of Local Actors, show how weaknesses in the technical environment can be mitigated by a stronger institutional environment. It is a reminder that the emergence of professionalism, and appropriately educated technical leadership is a complex characteristic constructed of the human asset base, the institutional environment and the livelihood choices that individual professionals make.

7.13 Concluding thoughts: Local Actors' experiences

This chapter concludes with two important comments derived directly from the experiences of the Local Actors, with significant impact on the effectiveness of policy intervention.

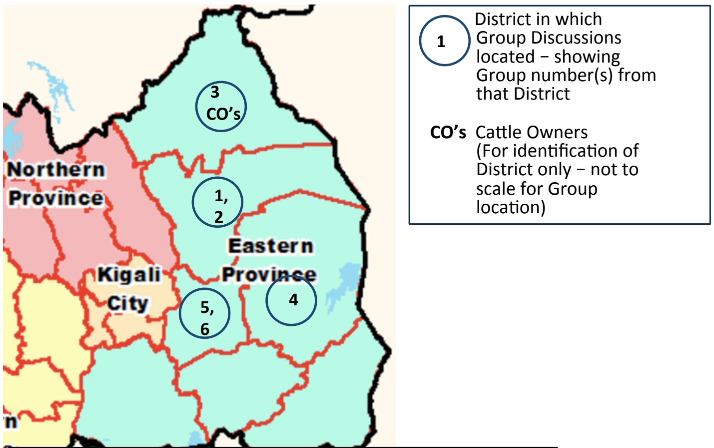
First, and tentatively, it is possible to assert that a 'civil service' is emerging. This hints at the emergence of Weberian state attributes at this decentralized level. It is supported by a relatively robust institutional framework encouraging technical competence, and outcomes that serve the population; it is also devoid of the typically observed and criticised 'bloated state' characteristics of nepotism, and resource capture for a middle class elite. Perhaps this is the most remarkable observable feature of the professional lives of Local Actors, and there are grounds for thinking that the resulting use of scarce resources is more efficient than might be expected. Through the networked interactions between private and public organisation, this professionalization can be observed across both sectors.

Secondly, there is a risk of an increasing gap between those who are caught up in the development changes, and those who are left behind, with the associated challenge of increasing relative deprivation, and the social costs it can bring. This requires consideration beyond the scope of this study. However, it should be noted that the Local Actors 'quick win' approach of targeting services at and for large cooperatives has proven very effective as far as it goes, and many thousands of small and poor farmers' lives have changed through their efforts.

CHAPTER 8: GROUPS AND COLLECTIVES – A ROLE IN TRANSFORMATION?

What is the role of groups in financial inclusion - and what can they tell us about what is most important in accelerating take up of financial services? From the perspective of livelihood opportunities and capabilities, when people identify as a 'group', they acquire new opportunities for tackling collective action problems together. This chapter will explore whether financial inclusion problems benefit from the approach. From a different perspective, groups offer up valuable insights and experiences, whether formally constituted or merely assembled for discussion on a day. Listening to groups is an effective approach to capturing real grassroots experience: this echoes the research ideal promoted by Chambers, with its focus on bottom up critiquing and problem solving. Both aspects of working with groups are valuable to this study: the effective gathering of important insights from group discussions; and the opportunity of probing the capabilities of groups of different kinds in the area of financial inclusion.

Figure 8.1 Map of Eastern Rwanda showing Districts of Participative Group Discussions



Source: Public access internet map, with study detail added by Author

In spite of the clarity and consistency of approach of Central and Local Actors, the household survey described in Chapter 5 suggests that, in some respects, meaningful take-up of financial services is not as widespread as might be hoped. 'Financial inclusion' appears not to be a one-step process. A third of people with bank or SACCO accounts do not use them, indicating that they have experienced some level of 'inclusion' at some point, but have not sustained that engagement. Chapter 5 concluded by showing that the take-up of financial services is one component of a multi-dimensional livelihood. It is not, therefore, so surprising that there are complexities in the way of consistent use and sustainable inclusion. The group discussions may shed some light on this.

This chapter will look at the way in which groups of people can work together in Rwanda – under government support or alone – and the impact of their efforts on their tendency to use financial services. The chapter draws on the observations of six groups of farmers and community members, identified as Group 1 to Group 6, made in March 2015 during participative discussions for this study. Figure 8.1 shows the approximate locations (accurate to District level) of the Groups, indicating the number of each Group, as defined in Table 8.1.

An interview with two owners of cattle is also drawn upon (location shown as 'CO's' on Figure 8.1 map). Additional insights for the chapter come from detailed interviews with up to two members of each group, selected randomly[262].

The Groups, their locations, core characteristics, and current use of financial services are summarised in Table 8.1. The responses from all of the discussions are summarised in a Synopsis of Group Discussions at Table 8.2, located at the end of the chapter. The Table 8.2 Synopsis refers to the Groups by their Table 8.1 number. The Synopsis is organised according to five questions put to the Groups, with questions and responses referred to as 'Q1' to 'Q5'. References are shown accordingly in this chapter.

Throughout this chapter, numerical data are merely indicative, since Group participation varied as sessions progressed (usually increasing in size), and information gathering had to be pragmatic and quick. Attendance lists may not be complete (with late joiners least likely to sign up), and numbers of bank accounts and SACCO accounts were gathered by a show of hands, so are only broadly accurate.

The first part of this chapter will put the Group discussions into context by highlighting some aspects of financial inclusion as found in Rwanda. The chapter goes on to look at the Groups' experiences of financial inclusion, the idea of a 'ladder' of services, and the impact on Groups of the status of each part of the three-fold definition of financial inclusion. Next, the chapter explores differences between the Groups, looking for

[262] See Chapter 4, Part 3 for details of how the groups and interviewees were selected.

reasons for discrepancies in patterns of take up and use of financial services, especially of those most likely to increase livelihood choices. Mobile money, and its particular place in the Groups' use of financial services, is considered after that. The threads of the discussion will be drawn together using the livelihoods analytic framework as an organising strategy. Finally, the chapter concludes with observations about the role of Groups, their interaction with financial services, capacity for aiding the acceleration of positive change, and the benefits available to those who are able to treat financial inclusion as a 'collective action' problem.

8.1 Financial Inclusion Context for the Group discussions

National data shows that the current approach to financial inclusion has had an impact. Users of the Umurenge SACCO's have risen steadily since their programme launch across Rwanda in 2011. The Umurenge SACCO manager's report in Chapter 7 bears out the increased use of SACCO services. He talks about a rapid increase in account holder numbers from a few hundred in 2011, to over 6,000 in 2015. The formal credit and savings services provided by SACCO's should offer new livelihood options to users.

However, the household survey discussed in Chapter 5 disclosed a gap between the headline 'financially included' figure of 92% and the active use of SACCO and bank accounts of about 30% in the four survey Villages. Thus actual household engagement with savings, credit services and business loans was more modest. Since these are the services with, perhaps, greatest potential to enhance livelihoods, and if this is representative of other communities, there is a challenging mismatch between apparent take-up and actual use of financial services.

Using responses from the Group discussions, it is possible to investigate whether the degree of proximity of services, financial literacy and suitable financial products – as prioritised by the financial inclusion policy – is a sufficient explanation of their uptake of meaningful financial services or whether there other drivers, and limiting factors are afoot. In this way aspects of the mismatch between apparent and actual use of financial services may become clearer.

A review of the Synopsis responses at Q1 and Q2 shows that the good things and the challenges in Group members' lives tally with those expressed in the household survey discussed in Chapter 5.[263] People like having enough to eat, and worry when food is lacking. They appreciate security, health, education, family and different social and spiritual activities (receiving visitors, sport and prayer, for example).

[263] See Chapter 5, Part 2 – discussing Part A of the household survey.

Table 8.1: Participative groups and their characteristics

A: Group Number	B: District/ Participants	C: Characteristics of Group	D: Proximity to formal services	E: Financial literacy	F: Suitability of services	G: Uptake of Services
Group 1.	Gatsibo 42 people (21 f; 21 m)	Ntende rice cooperative members – recently joined (the catchment of the cooperative newly extended).	Reasonable	Reasonable	Good	Informal/ Cooperative 100% Bank/ SACCO a/c
Group 2.	Gatsibo 22 people (16 f; 6 m)	Villagers, often growing cassava, with some members of cassava production cooperative	Reasonable	Possibly poor	Reasonable	Informal – but low take up 0% Bank/ SACCO a/c
Group 3.	Nyagatare 29 people (16 f; 13 m)	Mature cooperative members – a savings group/ Association within the Muvumba 5 Cooperative.	Poor	Good	Good	Informal/ Cooperative 19/29 Bank/ SACCO a/c
Group 4.	Kayonza 13 people (10 f; 3 m)	Somewhat vulnerable members of peri-urban community: widows; elderly especially.	Good	Reasonable	Poor	Mobile money only 6/13 Bank/ SACCO a/c
Group 5.	Rwamagana 25 people (12 f; 13 m)	Community – but most households involved in a self-generated cooperative for seed production.	Good	Good	Good	Formal 22/25 Bank/ SACCO a/c
Group 6.	Rwamagana 19 people (11 f; 8 m)	Farmers involved in cultivation on regenerated hillside project. Low socio-economic area. Early in project activities.	Good	Good	Good	Formal 17/19 Bank/ SACCO a/c
The Cattle Owners	Nyagatare 2 people (0 f; 2 m)	Two farmers walking through the area with cows – quite well to do.	Good	Reasonable	Good	Mobile money only

Source: Author's own

Poverty, hunger and unreliable weather dominate the challenges in life, are often entwined with one another, and sometimes acutely felt.[264] It is probable, therefore, that the Groups and the study Village communities share common motives for using or rejecting financial services in their livelihood strategy.

Against this background, Group discussions took place about use of financial services. The experience of the groups of the three elements of financial inclusion – proximity, suitability and financial literacy – are summarised in columns D, E and F of Table 8.1. The take up of financial services is summarised in column G of Table 8.1.

8.2 THE THREE LIMBS OF THE DEFINITION AND THE EXPERIENCES OF GROUP MEMBERS: A 'LADDER' OF FINANCIAL SERVICES

The three elements of financial inclusion identified by Central Actors - proximity, financial literacy and suitability of services[265] - are interconnected, but are separated out in Table 8.1, to give a broad, somewhat provisional, assessment of each in relation to each Group. This characterisation provides a starting point for linking the stated inclusion strategy to take-up of financial services. The 'Good', 'Reasonable' or 'Poor' designations for proximity (Column D), financial literacy (Column E) and suitability of services (Column F) for each Group are not intended to be precise labels, but to give an indication of how things appeared, relatively, from one Group to another.

'Uptake' (Column G) has two components: the first identifies the type of financial services used most by each Group ('Formal', 'Informal', 'Cooperative' or 'Mobile Money only'); the second gives their reported take up of open (but not necessarily active) bank or SACCO accounts. The first component is based on indications given in group discussion about where people would actually get money when they need it. The second component is based on a show of hands whilst the Group was in discussion.

Savings groups have an important role in the Groups' accounts of financial activities: they are a means of providing a resource in times of hardship; a credit history; or a socially cohesive group through whom more formal borrowing may later take place in the absence of individual collateral. Savings groups can provide income: lending to individuals outside the group, charging interest, and later sharing the interest within the savings group. Savings group members may not have a SACCO account in their own

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[264] See for example Q1 Group 5, with emphasis on leadership or Q2 Group 2 – with its insight that when you are hungry, you cannot think straight – and the proximity of hunger to security concerns.
[265] In Chapter 6.

right – but the savings group will have a SACCO account for their collective savings, securing a safe means of running the self-help service. Thus, savings groups are 'informal', but the Group responses show that they are run along well-structured lines, sometimes providing income as well as savings facilities, and offering a gateway to more formal services where a credit history or collateral may be required[266].

Progression is seen within some Groups (and confirmed in some of the more detailed interviews), from savings groups to SACCO's, with a tendency to move from SACCO's to banks to meet increased economic activities. This confirms a kind of graduation[267], or a 'ladder' of financial services along which users can move. The Group findings suggest a tendency to retain links to the 'lower' rungs of the ladder, even as people move along; they use savings groups **and** SACCO's **and** bank accounts, rather than simply shifting as their needs change. This pattern is consistent with earlier findings in this study[268].

All of the Groups had 'reasonable' or 'good' proximity to formal financial services, except for Group 3 (Column D, Table 8.1). 'Proximity of services' is evaluated on the basis of objective information – such as how close the community is to a SACCO (where known), or to a good road – plus the views expressed by the Group or individual interviewees. Group 3 (whose discussion was dominated by their savings group activities) complained about the distance to the SACCO, but two thirds of them had SACCO or bank accounts. This suggests that failure to take up services across the Groups is not linked primarily with accessibility.

All of the Groups had 'reasonable' or 'good' levels of financial literacy, except for Group 2 (Column E, Table 8.1). 'Financial literacy' is evaluated by reference to the Group discussion about practices they have adopted – or rejected. The Group discussions were generally fast moving and incisive; Group members seemed to know what was available in their area, what the implications of using services might be, and why in reality some services were not open to them[269]. Group 2 seemed at a loss to

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[266] For example, Q3, Group 3 for potential impact on livelihood of a savings group; or Q4, Group 6 on SACCO accounts, and use of groups and group collateral.
[267] As mentioned by policy makers in chapter 6 – and in formal policy documentation, as set out in Chapter 2.
[268] See 'Overlap' data in Figures 5.2 and 5.3 in Chapter 5, for example.
[269] See Q5, Group 5 and Group 2 for contrasting abilities to access services, with clear explanations for situation.

know what services might help them[270], suggesting that they are not aware of what is out there. For the other Groups, financial literacy was not an obvious bar to taking up services.

All of the Groups had access to 'reasonable' or 'good' suitable services (Column F, Table 8.1), except for Group 4. 'Suitability of services' was judged by the descriptions of the financial services known to the Groups, and the reasons given for choosing to use or not use them. Take-up of financial services varies between Groups but seems more homogeneous within Groups. This suggests that the Group characteristics may shed light on why some services are used and others not. The chapter will start to tease out what makes some more likely to find services suitable to their needs than others.

In summary, the three elements of financial inclusion highlighted by Central Actors were mostly present. Groups 1, 5 and 6 were well placed for all characteristics of financial inclusion, whilst Groups 3, 4 – and possibly 2 – each had problems with one element of the three. In each case the 'missing' element was different: for Group 3 it was proximity, for Group 4 it was suitability – and for Group 2 it was possibly financial literacy.

'Up take' in Table 8.1 (Column G) highlights the 'highest' level of service dominating discussion in a particular Group. 'Informal' means savings groups are the main service used; 'Formal' means SACCO's and banks are widely used in the Group, as well as informal services; 'Cooperative' means that financial services in the Group are mainly accessed via a farming cooperative; 'Mobile money' means that mobile money is the main service in use by a Group.

Uptake of financial services varied more between Groups than the divergence of proximity, financial literacy and suitability would seem to predict if they were the ultimate determinants. In particular, the preference for 'formal', 'informal' or 'mobile money' was quite distinct within Groups and did not follow an obvious pattern. Possible explanations for this may be found by examining information about each Group, in comparison with others.

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[270] See Q4 Group 4 for evidence of their sense of helplessness when questioned.

8.3 EXPLORING THE DIFFERENCES BETWEEN GROUPS

Having elaborated the experiences of each of the Groups, particularly in relation to the issues of proximity to services, suitability of services, and Group levels of financial literacy, further insights can be drawn from an exploration of the differences between the Groups.

Group 1 depends on 'informal' services (Column G, Table 8.1). The Group is part of the successful Ntende rice cooperative originally established by RSSP/LWH, where organised financial services (often formal) have been available to members since 2010.[271] However, this particular Group has only recently joined Ntende, being part of an extension whose first harvest was in early 2015, at about the time of the group discussion. The extension gave members of a previously excluded community the chance to participate in the cooperative. Group 1 consisted largely of inexperienced rice farmers, not yet fully paid up members of the cooperative, who did not, so far, have access to the full range of members' financial services.

Group 1 members were reasonably knowledgeable about the services offered by (and through) the cooperative, but had limited first-hand experience. The cooperative leaders expect them to move along the ladder of financial services as they settle in. This progression would be consistent with an earlier study[272]. In many ways Group 1 offers insights into the position of farmers in that community who do not belong to the cooperative. As new members, they were optimistic about what cooperative membership would bring. They knew about the cooperative, but had not benefited from its proximity until they actually became members.

Group 3 members also depend largely on 'informal' services (Column G, Table 8.1), but in this case they are longer-standing members of a well-organised cooperative originally established by RSSP/LWH. Two thirds of the Group have SACCO or bank accounts, but they use their savings group for all day-to-day financial concerns. Lack of proximity to formal services may be a factor in this approach. Alternatively, the savings group may be (or may have become) a genuine preference for this Group,

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[271] See Coproriz Ntende case study in Chapter 1.

[272] In the past, when new groups have come into Ntende rice cooperative they have required time to catch up with their fellow cooperative members. There is a clear distinction between members and non-members in the same neighbourhood, even if other characteristics are similar. (Lichtenstein 2012).

having found it to be a successful means of meeting their financial needs, alleviating pressure to move along the ladder of services.

The cooperative team helped Group 3 to form their dynamic savings group, and the Group has developed and extended its activities beyond the typical scope. The savings group has income earning activities (loans to third parties producing income from interest, to be shared amongst the group) as well as meeting savings needs. When asked where they get money for a variety of needs, Group 3 overwhelmingly rely on the savings group. The savings group has its own SACCO account, so each Group member is, in fact, a formal service-user user at one remove. Group 3 has achieved a level of sophistication and flexibility sufficient to meet a broad range of its members' needs, even though financial services are very much a self-help affair.

Group 3 shows that proximity to services may be desirable, but self-help solutions can emerge to fill the gaps if other drivers are in place. In this case the encouragement and support of the cooperative management seemed to be important[273]. This kind of adaptation reflects the importance of groups working together to solve their problems and overcome challenges on a completely local basis, taking account of their own needs and the options actually available to them – a model approach to a collective action problem. A follow up study would reveal whether Group 3 members will move along the ladder if, perhaps, the scale of borrowing or savings they require exceeds the capacity or other constraints of the savings group.

Groups 5 and 6 both use formal services widely (Column G, Table 8.1). These Groups show that when the conditions are right, there can be take up of formal financial services even amongst small-scale farmers. These are people who would be central to the targeting of the financial inclusion policy, being identified as hard to reach poor, rural smallholder farmers.

In both Group 5 and Group 6 the preferred services for the group members are those provided by the local Umurenge SACCO. Their degree of financial inclusion has definitely been accelerated by the SACCO programme. The Groups were rather different in other respects, so some aspects of their lives were not a direct indicator of the probability of uptake of formal financial services.

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[273] See Question 1 Group 3, for importance of leadership, for example.

Group 5 is an optimistic Group, driven by ability to self organise. They demonstrate high levels of engagement with services and opportunities available to them[274]. Most of the Group are members of a local cooperative that has taken advantage of schemes and opportunities, growing from 13 members in 2011 to 42 at the time of the discussion. Group 5's cooperative has acquired land from the government, by making a community-based proposal, and has begun to farm the land collectively, along with other land owned by members individually. This has led to an increase in wealth and well-being in the community, and the Group talked of more plans under way. All of this has been achieved with little external intervention, and there is a high level of self-confidence in the Group. Even though the weather is problematic, they think they will be fine, and that the future will offer new opportunities. Group 5 epitomises the entrepreneurial capabilities that access to financial services is intended to amplify and make operational. The 'enabling environment' that offered the relevant schemes was important to the success of Group 5.

By contrast, Group 6 is a pessimistic group[275], relying heavily on government-driven efforts to establish and build a farm cooperative. They cultivate new terraces that replace previously eroded and depleted hillsides under RSSP/LWH programmes. The pessimism may reflect historical insecurity, and low levels of social cohesion that can linger in communities. Group 6 is part of a community where education and socio-economic development are poor, even by rural Rwandan standards. The RSSP/LWH hillside regeneration programme targeted this community for social and economic transformation. The intervention seems to have been 'pushed' onto the community, rather than 'pulled' by them.[276] In addition to other challenges, this community is inexperienced in intensive farming: the combination of hard work required, with uncertain outcomes, was clearly a challenge to Group 6.

Group 6 actually said their development was going backwards, (although the objective facts did not tally with this view), and blamed government advisers – and the land-terracing scheme as a whole – for this. Unlike Group 5, Group 6 was dragging its heels,

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[274] See, for example Question Q1 Group 5, where leadership, working together and development are all valued; and Q4, Group 5 – Banks and SACCO's dominate the source of funds for business investment.

[275] See Q2 Group 6 for a longer than typical list of challenges, with discussion on the difficulties continuing for some time.

[276] Personal communication, March 2015, with RSSP/LWH Project Coordinator.

rather than seizing opportunities. However, the outcome in each of the two cases looks similar in Table 8.1, with both Groups' wide take up of formal financial services.

Group 6 members use the SACCO for farming costs. Otherwise they lean towards savings groups and 'friends and family' for school costs, and the SACCO has no place in domestic needs and emergencies, such as food purchase and sickness[277]. There is a mismatch between the low mood expressed in Group 6 about prospects and the future, and their actual take up of formal (and informal) financial services. It is possible that a genuine transition is under way, and that the use of financial services, and the benefits of more intense farming will eventually become internalised and 'owned' by Group 6 members. Without a follow up study to investigate this, Group 6 sends out mixed messages about 'success'. The members are better off materially than they have been in the past, and financial services have played their part, but the recognition of any befits from these changes is muted, to say the least.

Group 2 is the only Group with a 'Low' take up of financial services (Column G, Table 8.1). Group 2 disclosed a very low level of outside influence on their current activities. The Group was drawn from a village at some distance from a main road, where about half of the participants were members of a small cooperative, supporting cassava production. The cooperative has no professional staff and is run by its members. Cassava production is bought and sold in cash. Although the cooperative itself has some engagement with formal financial services as an organisation, it does not bring its members into such services, whether formal or informal[278].

There was a mix of formal and informal take-up of financial services, but only three or four out of 22 responses mentioned savings groups or SACCO'S/banks as a source of funds for farming needs, and not one mentioned using those services for improvements at home or for business investment at all. Most people would rely for help for most things on friends and family. Selling things and working for money are as likely as using a savings group.

Group 2 members say they might use a bank or SACCO to meet farming needs, but on a show of hands no one had accounts. On being probed, Group 2 members said they had

[277] See Q4 Group 6 for preferred selection of services for different needs.
[278] See Chapter 7, DX - the manager of the cassava cooperative for further details.

no accounts because of poverty[279]. It is difficult to link this low take up to the three essential elements for financial inclusion: proximity to services is reasonable, and a reasonable array of services is available. There is some doubt about the level of financial literacy amongst the group, since they were not forthcoming about what they knew about services and how they work. Group 2 stood out as having a low use of savings groups, and this, plus their reticence in discussion, suggests a lower level of knowledge and experience of financial services.

The members are poor, and could not imagine any way of paying for home improvements or business investment. When asked what they valued in life, Group 2 members offered some unique answers: humour and self-respect, for example. They do not lack an appreciation of the good things in life that are available to them. The challenges in life that they listed were also unique in parts (not appearing in any of the other group responses) – and somewhat telling: this group was troubled by memories of violence in the past, and seemed to fear it might recur.

Group 2 represents the hard to reach farmer, unaltered so far by the intervention of policies, or organised cooperative farming. The overwhelming concern was poverty, and it is difficult to see how access to financial services alone would change things, without support from outside, or by way of spontaneous inspiration from within the community, for income generation activities. In addition to poverty in the Group, there was a sense of helplessness in the face of bad weather and food shortages. One participant said that, when you are hungry 'You can't think straight'. This hunger and worry about the weather was offered as part of the explanation for the implied fear that violence could erupt again.

Individual interviews with Group 2 participants confirmed the picture. One of the interviewees had stopped using a SACCO account because there was no money to manage in the family. She remained a member of a savings group and was struggling to repay a recent loan from that group. Although she still had some animals, she had recently sold a cow for a low price, reluctantly, because of financial pressures. She was sure that things would improve if the weather got better, and then she would start using her SACCO account again.

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[279] See Q5, for Group 2, only for absence of responses on why take up is low.

A second Group 2 interviewee had complex financial circumstances, arising from a defective purchase of land, accusations against her husband in respect of some loans, and gradual exclusion from self-help savings groups. The family had moved from Kigali to farm in this area, and the interviewee felt she suffered from a lack of social support as well as her financial difficulties.

In both instances, the circumstances of the Group 2 interviewees seemed out of the control of the households. Other Groups have shown that self-help can have significant power and flexibility at the local level. However, Group 2 gives insight into what happens if self-help does not emerge: a kind of equilibrium subsists in which the community and individuals are buffeted by weather, food shortages and other external factors as they occur. It is difficult to formulate a response to these circumstances without a kick-start from an external intervention.

Group 4 relies solely on mobile money for its financial services (Column G, Table 8.1). The Group is made up of elderly, mainly female, individuals living close to the town of Kayonza. Their vulnerability was evident, and their complaints about mismanagement of local processes relating to compensation for land taken to develop roads, and social safety net provision, exposed a belief that local leaders were corrupt, and taking advantage of them. This Group had little chance of being economically active. Some were responsible for grandchildren, and dependent on transfers from family members elsewhere. They depended on cultivation for food, and felt their age and tiredness. They could not rely on any source of funds for any financial needs, and they think they will be worse off in five years than they are now. They are sad.[280] None of the 'financial inclusion' strategies was reaching Group 4, or creating new opportunities or security for them. This was the only Group to raise integrity of local leaders as an issue. In their eyes, at least, it was a significant factor in their troubles.

The cattle owners also use mobile money only, like Group 4. However, they are well to do, have large families, and buy and sell cows. They also sell milk daily, using centrally organised milk collection services. They have large families, and all their children are in school. They have no interest in engaging with banks, indicating that they prefer to keep their finances private. By contrast with Group 4, the cattle owners are resolutely in control of their financial affairs.

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[280] See Q4, Group 5 responses.

8.4 Mobile money: a footnote to 'exploring the differences'

In most groups some mention was made of mobile money. In two cases (Group 4 and the cattle owners) it was the only service used. The underlying reasons for the dominance of these services was quite different in each case.

For Group 4 mobile money was a means of receiving money from family members. Group 4's poverty and helplessness (and sadness) dominated their discussion. Their use of mobile money was a further reflection of a dependent and vulnerable state.

For the cattle owners, with high income and high expenses, their financial liquidity was kept and managed in their 'e-wallets', on their mobile phones. They did not want to engage with banks. Their attitude suggested that they were unwilling to formalise their trading turnover, preferring privacy and discretion. They had never had bank accounts, and said they did not plan to in the future. Their use of mobile money for trading, and their e-wallets for savings, was an active decision, indicating a self-reliant mindset.

These examples show how take up of a particular service (in this case mobile money) can conceal very different circumstances. This observation acts as a reminder that statistics about financial service use in general, and perhaps mobile money in particular, can mask different trends, pressures and capabilities. What is more, in neither example did mobile money lead to use of the services that tend to strengthen livelihoods: savings, loans and even the social solidarity of savings groups are absent in the use of mobile money as a stand alone service.

8.5 The livelihoods analytic framework: simplifying so as to see the complexity

Contact with six Groups, selected for their different experiences and locations, offers insight into the role of group membership in mobilising and gaining meaningful access to financial services – and the impact of those services on livelihood opportunities. Some of the Groups show how transformative group membership can be.

At one extreme, Group 3 has benefited from being part of a mature cooperative with steady leadership originally supported by government, allowing the Group to create self-help solutions in a supported environment. Group 1 warns that a mature, successful cooperative (also originally supported by government) has to work attentively with new members if entire groups are to be brought up to the level of their fellow members, but Group 1 optimism suggests confidence that the changes will come.

Group 5 highlights how self-help collective action can be triggered by dynamic community members, tapping into existing programmes and opportunities of an 'enabling environment'. Group 5 has created change that looks as robust as anything driven directly by government agencies.

Group 6 shows that people can be pulled into collective action, and changes will come, but confidence can remain low even as transformation is underway. Peer opinion, and group mood can be powerful, but the strategy for tackling a socially deprived area is apparently having some success.

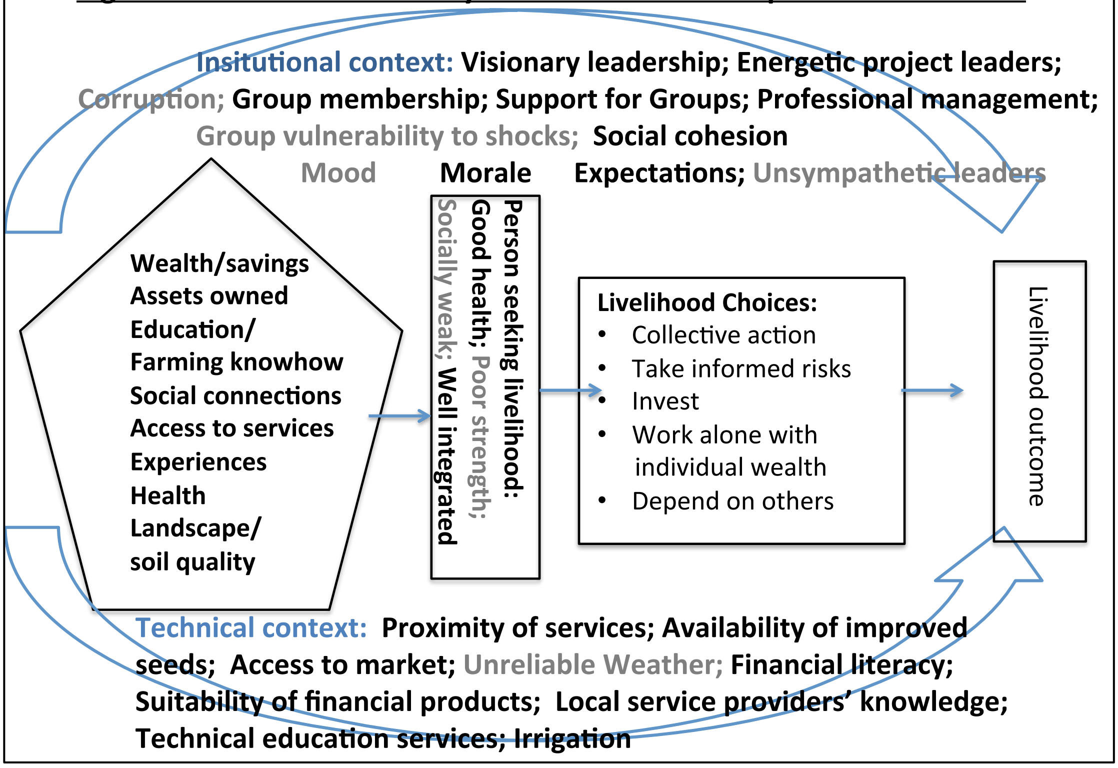
By contrast, Group 2 shows how 'left behind' a community can be. Some of Group 2 are members of a small cooperative, with a hard-working leader. The cooperative may achieve things that would not have been possible for members on their own, but the hard work attracts more modest rewards than those supported by vigorous government intervention strategies. The cooperative had a modest impact, at best, on the community. The gap between a community with a small, just-getting-by cooperative, and any one of the government supported cooperatives and groups (Group1, Group 3 and Group 6) looks wide.

Group 4 shows how tough things can be for people who fall outside the target population for interventions, and who have poor prospects for economic development because of age and vulnerability. Mobile money has made a difference, but only as a facilitator for dealing with dependence on others.

The cattle owners show that there are prospects for independent economic development, without collective action or financial services. However, that would appear to depend on the initial assets available. The cattle owners were wealthy because they owned good quantities of cattle. They simply had enough wealth to live on.

Some of these features of the different groups, and the contrasts between them, are captured in the livelihood schematic at Figure 8.2. The interaction between different elements of the livelihood framework is evident: an ample supply of physical and financial assets reduces the pressure on the environmental factors to maximise livelihood opportunities (as the cattle owners demonstrate).

Figure 8.2: Livelihoods Analytic Framework: Groups and Livelihoods



However, given similar asset bases, environmental factors can make a significant difference, as the experiences of Group 1, Group 2, Group 3, Group 5 and Group 6 show: inspiration from within a community, or proactive intervention by government can transform things, and without those there is a risk of being left behind.

Group 4 serve as a reminder that the nature of the individual or group at the centre of the livelihood analysis can have an impact on the livelihood options available. An elderly widow is hampered by poor strength. It is probable that her low social standing makes her more vulnerable to indifferent or corrupt local leaders – a rare mention in this study, but very debilitating for those affected.

The framework is a reminder that use of financial services and livelihood choices are constantly interacting with each other. If the choices are broad in the first place, as is now the case for Group 1 members, there is a reasonable expectation that take up of services will follow – and, in turn, that the take up of services will allow wider choices in Group 1's livelihood planning.

Similarly, simply being part of a Group can feed back into available livelihood options: an effective Group will have different opportunities at the outset, and will be able to access financial services to enhance those options. Group 5 show how the possibility of acquiring land as a community group helped them to improve their income – and to save to acquire more assets. Group members use their own land to enhance the group effort – thereby maximising the impact of the changes. Individual assets have contributed to the group success, allowing for further acquisition of individual assets.

Group membership, along with the three aspects of financial inclusion, all weave their way into livelihood options. The institutional context is as important as the technical arrangements available: so the 'financial literacy' limb matters just as much as the proximity of services. Indeed, Group 3 show that proximity problems can be worked around if there is good support for alternative strategies.

Group 6 show that the energy from leaders and local practitioners, as part of the institutional environment, is sometimes crucial, even to get things going at all. In such a case, the simple existence of financial services – however perfectly constructed – would have little impact. The importance of persuasion, sharing a vision and supporting people through change (even against their better judgement) can probably best be achieved through group arrangements: the possibility of organised flows of information and the means of monitoring and responding to experiences on the ground would be more difficult without the group approach.

8.6 RESOLVING COLLECTIVE ACTION PROBLEMS

The experiences of all six Groups - and of the cattle owners - enables some general observations to be made about the challenges of initiating and sustaining collective action, and about the problems of being excluded, for whatever reason, from collective problem solving. First, the cattle owners show that self-reliance is easier for an individual who has wealth. This is hardly a novel observation, but it serves as a reminder that the effectiveness of a collective approach is judged by what it can offer to those who would not be able to achieve economic well-being independently.

Financial inclusion through a group brings the strength of collective action to the fore. In several dimensions, services are more readily available and more useful to groups than they are to individuals. First, on a purely instrumental basis, financial institutions are able to offer services more readily to groups – because the expense of administration, risk assessment and compliance costs can be pushed down onto the group itself, making even small transactions viable. This prospect is attractive to Group 1 members, for example, as they embark on life in a rice cooperative.

Secondly, group membership can intrinsically extend financial inclusion through education, peer experience and learning-through-doing. This is exemplified by the experiences of Group 3 and Group 5 members in this study.

On the demand side, financial services are only interesting if economic activities are also available. The demands and opportunities of more intense farming need to be carefully, and repeatedly, coordinated with access to financial services. Without the services the farming cannot happen, and without the farming, the services are unaffordable. Larger groups are better placed to achieve the coordination, simply because they are likely to be able to afford the management services implied, and to access learning, supplies and access to market as their project unfolds. Group 2 exemplifies the bind of having no access to the economic activities that would justify the use of financial services, to combine to enhance livelihoods.

From a government perspective, the Group experiences endorse the approach of promoting group formation. However, groups need different levels of support in order to nudge them onto a critical path of self-driving activity. Some groups, such as Group 2, lack environmental support on various levels: they are struggling with low incomes, making any kind of transformation difficult. Their knowledge of financial services is constrained by little experience, and their technical approach to farming seems similarly undeveloped. Group 6 shows how intense and sustained intervention needs to be if people are to remain encouraged and to keep trying with a project that arouses their deep suspicions and pessimism. However, Group 1 shows how people can join successful ventures, and a mature cooperative can absorb newcomers, with confidence maintained on both sides.

Group 1 offers additional insight about the limited spill-over effects from a project into a wider community. It is actually joining the cooperative that will change things. It is important to recognise how focused interventions have to be to achieve meaningful impact.

Group 5 shows that an enabling environment, in a most general sense, will occasionally capture the imagination of groups and self-driving initiatives will have success. However, until there is more collective experience of such successes, it is probable that direct support, in addition to the enabling environment, will maximise the opportunities for collective action to flourish.

Finally, once again it is important to recognise the vulnerability of those left behind when energetic collective schemes take off. Vulnerable individuals may be more likely to miss group opportunities, and in any case their physical capacity may prevent them from taking part. Even though community level safety nets are meant to exist, Group 4 show that such people, even in a group or community together, remain vulnerable. It is difficult to see how this can be changed in an environment of low economic resources, but Group 4 serves as a warning that local corruption, thought to be at very low levels in Rwanda, may hurt those least able to push back.

The conclusion that emerges from the experiences of the Groups is that the three-fold definition of financial inclusion is important, and both Central and Local Actors are right to focus on those features of the institutional and technical environment. However, those who are wealthy may continue to manage without taking up the services, and those who are poor, alone, and socially vulnerable may never be able to benefit from them. The most important insight from the Groups, though, is that meaningful financial inclusion, with the take-up of services that are potentially transformative, comes more easily to poor individuals if they are in well organised groups than to those working alone, or even in more badly organised groups.

Table 8.2: Synopsis of Group Responses

Question 1: What do you like in your life?					
Group 1	**Group 2**	**Group 3**	**Group 4**	**Group 5**	**Group 6**
That we have enough "what" to eat. That we have food for the children. Happy I have land in the marshland and can pay school fees for the children. That I have land in the marshland. Happy to be in a cooperative. Happy for our cooperative that helps us. I love cultivating rice. Family I am happy to live well with my family. Being good with family What makes me happy – I love my wife at home. Loving my family. I love my wife and children. Living with everybody. I am happy that I live with my family in peace. Living in peace and security. I live well – I love my wife. My husband makes me happy. Having my house. Being healthy is what makes us happy. Being not sick, but healthy I am happy to be healthy and not sick – and feed my family Living well Prayer Living in a righteous way	Humour Being happy Happy about life Self respect Respecting leaders Development (twice) Talks that build up [to development] Development so we live well Development through work Sleeping well Peace of heart Security (twice) Peace (twice) Good health Good life (twice) Well being Living well Money House Bicycle Electricity for the future Respecting God/authority Loving God Praying Praying to God	Health (3 times) Security (twice) Women development Developing household Development (twice) Leadership President The Government gave marshland Working together in the [RSSP] project Eating daily Out of poverty Happy we are cultivating and get out of poverty Cultivating rice (twice) Cultivating Working Being in a group We pay school fees for our children Our children are in school Mutuel (3 times) We are in mutuel and we are happy We develop our lives by buying mutuel Mutuel and school fees Money Savings Saving money Saving in SACCO SACCO – developing ourselves Loans from groups Rearing a goat I built a house of 30 iron sheets Being in God's hands Sport	My children (twice) My children are studying (twice) My children going to school Living peacefully with my grand-children Feeding my children Being with family Having understanding in the family When I am able to solve family problems Security Living well with others Living peacefully Living in agreement and well The country's leadership (twice) Good leadership – caring to the people Mutuel Girinka Praying (twice) Living with God (twice)	Family Health – mine and family Maternal and child health Development Having peace Peace Security and food Eating and satisfied My country Our country President Leadership Obeying leaders Good leadership Stakeholders Working for the Government Working together (twice) Work in the cooperative Praying Prayer God and people God	We are healthy. Being healthy. When the family is healthy and peaceful and children are at school. Mutuel. Government involvement and farming. Having those through whom we tell our problems. Being in a secure country. They made terraces for us. Groups and cooperative and being taught to develop ourselves. Being in groups and developing each other in ideas and other things. Being taught improved cultivating methods and making organic compost. Getting enough harvest. Eating well and using kitchen gardens. Rain. Having rain at the right time. Rain that is here today. We get rain and harvest from our crops. Taught savings and creating jobs. Savings groups working with SACCO's and giving loans. Having a visitor. You have visited us.

Q2: What are the challenges in your life?

Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Lacking money (mentioned 11 times) Poverty (mentioned 3 times) Lack money to feed me every day Poverty and sickness Feeding children Eating badly Sickness (mentioned 4 times) Lacking a good life Being an orphan (mentioned four times) Being a widow (mentioned twice) Widow, orphan, no children Not having a family Little education	*Mainly before:* Little security Security War Murder *Mainly now:* Being hungry Having hunger Eating in a difficult way (In discussion about hunger: "You can't think straight…") Sickness (twice) Lack of clean water (twice) Dirty water (In discussion about water: "Clean water is very far.") Poverty (twice) Lacking money No electricity (three times) Roads (four times) No road which is good Lack mutuel (twice) Hard to find mutuel Lack good house	Poverty (4 times) Diseases Much sun Bad weather Weather Bad sun No water Low cost of our production Bad economy No money for development When there is no development Not able to pay school fees Not schooling [our children] Lack of mutuel money and school fees Not giving mutuel on time Food to eat No proper living place Lack of help Distance we travel Lack of funds to buy machines Machine for rice preparation [lack of] No job, no capital Development is going down (conclusion of discussion) [NOTE: although the challenges are severe, they were less forthcoming than the positives in life.]	Poverty Raising children and grand-children Being alone with the family – issues with children studying Raising up a family of orphans No rain Lack of water (twice) No water No electricity We are old and not able to dig and we have no help No market for maize Lacking a job Nowhere to work Not having anything to do A lot of taxes for business people Inputs are expensive (fertiliser and insecticide) Uncaring leaders Our local leaders don't help us with mutuel. We want to raise the issue that our local leaders don't do anything. Our cell leaders ask us for money for school before they will help. Our leaders do nothing when the issue is money. Some of us are in groups. It is not easy for all people to be in a group. *Reflections on the answers prompted a long and detailed discussion:* There is nothing you can do – but still they put you in the second [Ubudehe] category. And only the first category is helped. They may be improving Ubudehe *(Newspaper coverage of proposed changes to categories and classification)* and maybe the support will change. If you have a house, now, you are in category 2 even if there is nothing you can do [to produce an income or a living]. But this is all uncertain. Now, if you have a house, the rules say you cannot be in first level even if you have no land. You have no strength to challenge	Poverty Poverty and loans Sun Much sun Bad harvest due to weather Will I manage the land I cultivate? Disasters Money Lack of money School fees (twice) Electricity No electricity House improvements	The terraces Changing weather – much sun that affects crops and no harvest Not enough rain No rain at the right time Crops dying because of lack of rain Bad seed sometimes and no harvest They give us seed which differs to the season Seeds not compatible with soil We are hungry because what we cultivated dried up We would like a small place for bananas and cassava Cultivating one crop in the area which causes us to have famine The price of the harvest is low Low prices at the market Low prices – and we are in loss of what we used Expensive seeds and they buy our harvest at low price Seeds and inputs are expensive (twice) Those who give us seeds and inputs make us pay before harvest – at harvest prices are low Much loss due to low prices at harvest Lack in our needs because of low prices Not enough animals for manure *Discussion/reflection:* Soya does not grow – it is a big problem on this soil. Before the terraces things were better – there was more harvest. They grew drought resistant crops – cassava and banana. Now this is not allowed on the terraces (which have taken the land they used to use for cassava and banana). Terraces, plus rain, plus beans is GOOD. But there is no market, and you can't live on beans. The next harvest will be maize – and there will be the same problem (with drought). There are fights and hunger in the family – we would cultivate a plantation.

			category.		
Q3: How do people get money when they need it?					
Group 1	**Group 2**	**Group 3**	**Group 4**	**Group 5**	**Group 6**
Farming (mentioned by most) Cultivation (can be for others, as well as self) (mentioned many times) Animal husbandry (mentioned 5 times) Small animals Business (mentioned 5 times) Craft Working together Education Think carefully Work hard *The following ideas were identified as sources of money when you need it NOW!* Borrowing from friends (mentioned 9 times) Borrowing from friends and neighbours Group lending In the savings group Borrowing from a group In women's savings group Group cooperative lending Selling crops Selling an animal Selling animals Selling what we raise as animals Selling Going to the bank (one mention only)	Loans from a bank: SACCO (Only four participants had SACCO accounts; two had BK account – of whom one was overlap with SACCO) Savings Borrow from family and friends Selling something Work	"We save every Wednesday – 200 Rwf each – and we give loans. We can even help refugees from Tanzania to pay mutuel. The group helps support family members for mutuel. This is still the same saving group from 2012. We prepare land which used to have no water. Loans are given. We lend outside the group as well." One widow spoke out about the big impact this has on her life: She has been able to carry out house repairs and she has four kids, all in school. (Group discussion at the end of the session, in round up of answers.) • SACCO loan • Cooperative loan • Savings group • Inshuti – family friends • Gukora - work • Kwisigama - loans	Mobile money 11 yes 3 no SACCO 3 yes all others no Bank 3 yes (2 also have SACCO) all others no Cooperative 1 member *We need money for*: Mutuel School fees (6 times) Cultivation Using biogas	Cultivating (4 times) Selling crops Raising animals Animal husbandry (3 times) Small jobs Small jobs at the factory Small business Construction work Working for money SACCO and bank loan Bank loan (twice) Savings group (save together and distribution – or small amount from group in SACCO for crisis – or loan – the interest is little) Family friends - inshuti	Bank; SACCO; Savings (Kwizigama); Guhinga and Korora (Work and selling?); Friends and family (Inshuti); Ukugurisha

Q4. Where would you get money for…?

Group 1:	Bank	Saving group	Cooperative	Work	Sell	Easy/Difficult/OK to get money for this?
Cultivating	4	0	24	8	2	E14/D14/OK14
Improving house	2	26	0	6	0	E4/D18/OK13
Sickness	0	30	0	8	2	E5/D8/OK25

Group 2	Bank/SACCO	Saving group	Family/friends	Work	Sell something
Farming needs	4	3	18	3	3
Family needs	0	3	10	2	4
House improvements not possible for this group	0	0	0	0	0

Group 3	SACCO	Saving group	Cooperative	Inshuti Family/ friends	Gukora work	Kwisigama loans	Easy/Difficult/OK to get money for this?
Weeding/Harvesting/Cultivating*	1	10	0*	0	10	12	
Improving house/Building	-	-	-	-	-	-	E0/D26/OK12
Business/Animals	0	23	0	0	8	0	E0/D32/OK2
Sickness/Mutuel/School fees	0	24	0	0	8	1	E4/D15/OK19

*Weeding/harvesting/cultivating: When group reflected on answers given, they added that seeds for their crop, and fertilisers etc are paid back [to the cooperative] at harvest. Therefore they all use the cooperative as a source of funds for weeding/harvesting/cultivating.

Group 4 – Kayonza Community Group	SACCO	Saving group	Cooperative	Inshuti	Gukora	Kwisigama	Easy/Difficult/OK to get money for this?
Weeding/Harvesting/Cultivating*							
Improving house/Building							Beyond us
Business/Animals							
Sickness/Mutuel/School fees							
Wedding Burial	0	0	0	0	0	0	Impossible for anyone in this group to fund these

(NOTE: Filling in the table didn't work out. But comments in discussion about money revealed the following situation.)

- Land taken for roads in our area was never compensated for. This is a big problem in our area – for the last 8 years. [Corruption at local level is blamed.]
- We have less land now – but for those who did well things have improved a lot since 2010. But the poor are poorer.
- You need more [money] as you go forward. It gets tougher.
- Five years from now the poor will be worse off.
- In other areas they give support – but not here. They say we are wealthy. But we are poor. We register our names – but nothing.
- Some groups hand out all funds – and share interest from loans. *(In the context – but we can't afford to do even that.)*
- House repairs and improvements are beyond us. Many people have been given houses – we live in poor conditions and need repairs.
- We are very sad. *One of the group was cultivating for many years and doing OK. Her land was taken for the road, and now she has no land at all, and received no compensation.*
- There is a tax on houses – but we don't pay it.

Q4. (Continued) Where would you get money for…?

Group 5: 'Self-help' Villagers – Rwamagana community	Bank	SACCO	Saving group	Inshuti – family friends
Weeding/Harvesting/Cultivating	No	Yes (1)	Yes (2)	No
Improving house/Building/Project/Buy land	No	Yes (1)	Yes (1)	No
Business/Biogas/long term project/development project	Yes (5)	Yes (7))	Yes - business (1)	No
Animals	No	Yes (4)	No	No
Sickness/Misfortune/unexpected journey/Crisis/Accident	No	No	Yes (2)	Yes (7)
School fees/Mutuel	Yes (1)	No	No	Yes (3)
Wedding/Burial	No	No	No	Yes (2)

Discussion before we start:

- All of the participant are farmers. At the beginning the group was small: 13 members of a cooperative and two who were not. The cooperative, called Urumure, has 42 members and was started in 2011.
- When they were starting the cooperative they got support from the District in the form of advocacy. They also got support at the beginning with seeds and fertilisers – and cows.
- They formed the cooperative because they wanted to bring strength together. And they wanted to be known for the market.
- They were given 24 hectares by the Government. That land is owned by the cooperative. Each farmer also still has his or her small plots. They worked with Minagri to find market for their production.
- The cooperative has both BP and SACCO accounts. They take 1 loan before cultivation and have paid it back. They will borrow to build a house [office] – but have not yet decided to start. They have already bought a plot for the house – 1 million Rwf. They used the members contributions to buy the house: you pay to join the cooperative. The target for joining is 100,000 Rwf, but you pay it bit by bit.

NOTES: Discussion via reflection on responses:

- Failure to pay friends and relations is taboo. You could go to court. In any case you will have no more loans.
- If you fail to pay the bank they take your stuff and sell it.
- Savings groups and SACCO's will give you time to pay.
- SACCO's require local leaders to confirm you have collateral fro your loan.

This group volunteered all the uses they would make of four different sources of money. They were confident and forthcoming – and used colourful examples: crisis; misfortune; accident; urgent issue; animal sick; big business; long term payment; building biogas; good cow; milk cow; broker animals; people cultivating for you; no friends to help; unexpected journey; for little money you can afford to pay…

Group 6: Hillside in Rwamagana (RSSP terracing and support)	Bank	SACCO	Savings/savings group	Friends and family	Work and selling things
Cultivation/seeds/inputs/manure/making compost/ manpower	Maybe – to buy animals for manure	Yes (4 times; also 1 - capital for buying animals)	Yes	Yes	Not mentioned
Business	No	Yes	Yes	Yes (1 - for capital)	Not mentioned
School fees/mutuel	No	Yes	Yes	Yes (6 times)	Not mentioned
Sickness/clinic costs	No	No	No	Yes	Not mentioned
Burial	No	No	No	Yes	Not mentioned
Family food	No	No	Yes	Not mentioned	Not mentioned
Large purchase (eg car) /a big project/starting a factory	Yes	No	No	No	Not mentioend

NOTES: From reflections on responses and further discussion

- Banks want collateral for any loan – and the language for projects the bank will fund is 'big'; 'high', 'too big for a SACCO to support'.
- SACCO's want collateral for a loan. And if you default they will sell your collateral – it is very bad. You can work through a group – and there will be group collateral for the loan. 2 people have to be in the group. If you are alone you must have your own collateral.
- SACCO interest is at 2% per month. Not high. Savings group will charge 5% per month. But they will bear with you if you fail to pay back on time. You can borrow for all sorts of personal matters – but there will always be interest. The exception is if you are actually withdrawing your share of the savings.
- If you borrow off friends and family, usually there is no interest. However, sometimes, if you borrow for a business venture, they will add interest. The interest will not necessarily be high. But if you refuse to pay, in the end the dispute can put you in prison.
- No one in this group mentioned working for others as a source of funds for any of the expenses they identified - even though this was a category of source of finances identified at the beginning of the discussion. So they are familiar with the source – but either not often available, or did not come to mind as main source for any of the usual expenses discussed.

Q5: ***(Group 2 only)*** **Why do you not have SACCO account?**			
Lack of money (twice) Poverty (4 times) Poverty is the one that causes it Being poor	Can't pay back	Sickness Bad life	
(Note: quite few replies on each question – hard to get responses from them. Simplified process to allow more time for reflection and a few answers to emerge.)			

CHAPTER 9: CONCLUSION

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This thesis has found that the use or non-use of financial services can only be understood in the wider context of 'real lives' if its meaning, impact and potential is to be explored. This is fundamentally an institutional analysis of the interaction between people who might use those services and people, organisations and 'rules of the game' that facilitate or constrain that use. Seeking to understand the 'rules of the game', from the perspective of end users, as they make choices about which services to engage with and which to reject, takes the enquiry to the grassroots, where the voices of ordinary people can be listened to.

The research question to which this study responds is: 'Is the policy for financial inclusion in Rwanda explicit, appropriate and effective?' 'Financial inclusion' requires attention to be paid to those who have access to, and use, financial service, but also to those who do not. The explicit objective of the financial inclusion policy is to ensure that no one is left behind. This is part of Rwanda's wider express policy objectives – from Vision 2020 onwards – to create economic growth that enhances the lives of all Rwandan citizens. Ministers have spoken in this study, explicitly, that only transformation of lives at grassroots is a sufficient measure of success, whether in financial inclusion or more generally.

Engaging with the reasons why some are not able to take part in the move towards financial inclusion has shown that poverty is the main excluding factor. However, poverty is capable of being overcome in many cases: coordinated interventions have taken many thousands of poor households into productive farming, for example, through the medium of cooperatives supported by training, technical advice - and the introduction of financial services. It is more difficult to challenge the multiple obstacles presented by poverty without such interventions, and it is most difficult of all when a person is ill, elderly, socially vulnerable or physically weak.

In most cases, the strategic use of financial services may be part of the solution to the problems of poverty, but the study shows that it is rarely capable of providing a stand alone solution – perhaps as is to be expected, given the outcome of the discussion in Chapter 3, in which the claims for the benefits of financial services, made by Pitt and Khandker, were challenged theoretically in the findings of other studies, and proved difficult to reproduce. In that sense, this study settles on the side of recognising a role for financial services in creating an 'enabling environment' to foster positive change, rather than the simpler market-based notion of unlocking entrepreneurial potential.

The findings in this study tend to show that financial services are used by those who are economically active – and that the diversity of economic activity available to households is a good indicator of their take up of services. Out of four Villages, in Village 1, where the economy involves more or less traditional subsistence farming, use of financial services is low; in Village 3, where diverse activities are undertaken at household level, financial services are more widely used.

Given that take up of financial inclusion is, fundamentally, a change in behaviour, the institutional analysis is central to understanding what is happening when people decide to use a newly available service. The policy process in Rwanda seems to have developed a sense of what works - within its social, historical and budgetary constraints. Considerable effort is devoted to supporting change, whether it is through training, or allowing people to 'see and believe'. Leaders can even step in to protect people when changes cause problems (as happened when insurers failed to pay in spite of a drought, for example): there is a desire to maintain momentum and morale.

The understanding of what works to support behaviour change has generated a set of development activities and programmes in Rwanda called Home Grown Solutions (HGS). HGS – through such programmes as Umuganda (compulsory community work), Garinka ('give a cow') or Umushyikirano (annual national dialogue) – invokes a rhetorical linkage to pre-colonial traditions, thus defining the approaches as internally generated, and not externally imposed. The self-reliance fostered by this approach combines with a cost-effective aspect of HGS programmes, which tend to depend on community implementation of national strategic objectives. Community implementation allows flexibility of approach, with rules and strategies being defined by local circumstances and priorities: no two Umuganda programmes are the same at village level, for example.

HGS has provided a set of novel institutional solutions. Their defining characteristics are a strong, clear vision and approach defined at the top of the policy system, with a local, flexible approach to implementation encouraged at the bottom. Theoretical analysis of approaches to solving collective action problems suggests that a sense of ownership, and rule making by groups – including the assignment of management tasks in proportion to benefits of the scheme, as Ostrom (2014) notes, encourage the likelihood of long-term solutions emerging. HGS characteristics dovetail with these approaches to collective action problems.

Savings groups prove to be important to respondents to the household survey, and to the groups in discussion. Over half of all adults in Rwanda are involved in savings groups – and they apparently (according to the FinScope series of surveys mentioned in Chapter 2) value the social capital created as much as the financial service provided. This is consistent with findings from the household survey, where membership of a savings group did not, always, lead to use of the savings group services at times of livelihood challenge. Savings groups have many of the characteristics of a collective action problem – and are exemplars of the HGS principles. Thus, financial inclusion is founded on these principles, with other services becoming gradually more widely used – but often in parallel with membership of savings groups.

Interviews with both Central Actors and Local Actors suggest that the value of HGS approaches is recognised. Central Actors speak of community-based solutions – and place reliance on the services to be provided by SACCO's, for example, which are formal service providers owned and run by communities (but regulated by the Central Bank – unlike in other countries where fiscal discipline in SACCO's has consequently become a major problem). Local Actors support the formation and activities of groups, both at the level of savings groups, and in the formal creation of cooperatives for different activities. There is an apparent belief in the capacity of communities to contribute significantly to their own development, but there is also a recognition that a great deal of support, encouragement and facilitation is required if the desired changes are to be achieved.

The financial services story gives an understanding of how institutional change can gradually emerge: informal services become widespread and are most popular; community owned formal services are created at low cost, and gain popularity, particularly in areas where poverty eradication is making headway. This confirms the idea that 'corner solutions' on institutional change are not helpful. As Chang (2011) suggests institutional arrangements are neither easy to change (as World Bank strategic thinking has tended to suggest in the past) nor is it impossible, wholly path-dependent or geographically pre-determined as Acemoglu and Robinson (2000), for example, can be interpreted as saying.

A separate, but related institutional point emerges from the Rwandan experience, namely that organisations are neither inherently good nor bad. Umuganda is now a contributor to community well-being and cohesion, even though its history as a vehicle of the Genocide might have rendered the idea unusable in the current era. The underlying institutional arrangements can change, and the new Umuganda has a different meaning. In this sense, the 'rules' have been reformed. There are new Coasean arrangements, better aligned with the vision of inclusive development that drives policy in Rwanda. Perhaps this single example best exemplifies the confidence in Rwandan policy making that institutional arrangements are not set in stone, and that change is an essential part of the government agenda if progress is to be achieved.

The contribution to this study of the Central Actors and the Local Actors suggested that vibrant and transformative action at community level in Rwanda would be found in all communities. With these expectations, the Village survey reveals that life is more complicated than that. The complexity in people's lives, often related to poverty, affords many challenges, limiting available choices and proscribing capabilities.

If poverty reduction were simply a matter of having access to financial services then much of the problem would be solved in Rwanda, at least for a significant slice of the rural population. For most communities a combination of informal and formal services is there. However, this is a simplistic view, although it was, to some extent, taken by promoters of the micro-finance industry as a panacea for poverty, as described in chapter 4. The belief in microfinance as a total solution gave rise to the challenges experienced in India, for example – with extreme hardship, and lost opportunities as complementary development activities were curtailed. The approach was harshly criticised by detractors for its negative impact on poverty reduction strategies in developing economies. This study bears out the argument that financial services (or proximity to them) does not seem to transform lives without other complementary interventions. Again, the survey findings show that the closer a community is to its original, subsistence farming origins, the less likely it is that households will take up financial services – and the fewer chances they have of engaging in any other activities that are known to support poverty reduction. They have little scope for more intensive agricultural production, or for diversified economic activity. Conversely, the more a community has shifted from that original state, the more likely it is that they will be better off: whether via membership of a farm cooperative that has supported intensification of production, or by being in the proximity of urban economic activity, with its access to market, and opportunities for service activities. In both cases the relatively 'enabling' environment is part of the solution.

The interconnectedness of financial services with other aspects of livelihood is readily conceptualised through the livelihoods analytic framework. It successfully conveys complexity, capturing the assets, environment and deployment options of a household or individual. The framework shows how livelihood mobilisation in villages can be understood as a series of efforts to compensate for a very low resource base, and seeking to achieve a degree of resilience. Most households have a low asset base: in human, physical, natural and financial terms. Some enjoy greater social capital than others – but even those most able to call on friends or neighbours are vulnerable. The technical environment starts from a low base: roads are variable, electricity is rare at household level, water still has to be carried, no one owns a vehicle, and most livelihoods depend on extremely arduous farming work, with all production carried from the field on farmers heads. Many have had to sell assets in recent years just to get by, making accumulation and increased security of livelihood a difficult process.

The institutional environment, however, is relatively strong – and the policy process engages with that to drive change. Even in the villages where change is coming only slowly, good leadership and good security are frequently acknowledged as positives in life. The self-help institutional arrangements – SACCO's, savings groups and cooperatives are trusted organisations. This is at odds with experiences in other SSA countries, and gives insight into why such interventions, established with modest resources, are able to work at all.

Discussions with Central Actors allowed consideration to be given to theoretical views about the nature of leadership in Africa. It has proved difficult to align characteristics that emerged from this study with any of the accepted models. Rwanda is characterised as a dictatorship by many of its detractors. However, the evidence has not emerged to support that case. In a dictatorship, you would expect to see one group in society being favoured, and oppressive enforcement of irrational rules. Instead there is evidence of accountability of public servants and an open agenda for inclusive development.

A patrimonial or authoritarian presidentialism may be a better fit. But such leadership is said to be characterised by a small bureaucracy, with administrative power held close to the President, and high levels of corruption and impoverishment of the population. Again this does not describe Rwanda, however high the status of the President may be.

The centrally organised push for development suggests ideas of a developmental state. A developmental state would have arrangements where the rule of law prevails, policy is implemented to bring about economic growth for the benefit of the population, and there is a professionalised civil service.

Tentatively, these characteristics are present in Rwanda, to a greater or lesser extent. There is regard for the rule of law – and Rwanda's noted absence of corruption is part of that. There is nothing evident from the discussions with Ministers, or from those who work at Central levels, that their efforts are directed towards making the elite rich - as suggested by Gokgur (2012), and various others, but without evidence according to Behuria (2016). Of the two views of Rwanda's leaders – elite enrichment or rent centralisation to support development – this study provides more evidence to suggest the latter. This is true when viewed form the perspective of the leaders own ideas and aspirations – but also in the views about leadership expressed in the Village survey, and their actual life experiences, as told in the household survey and group discussions.

At the mid-level – where policy must be considered and acted upon in order to institute changes at community level – the ethos does not suggest corruption, elite capture or that hidden agendas prevail. On the contrary, an energetic group of Local Actors have shown, in this study, how modest professional capabilities – often of young people just out of higher education – are being harnessed to support some surprising changes. Farm cooperatives and financial organisations are growing in size and complexity – and their managers are increasingly professional. Given the hybrid nature of many of these organisations – with public funding, community ownership, and market-based activities – the managers have many of the obligations of public servants. They are publicly accountable to local government, and to their membership, for their activities. Alongside them is a local civil service – displaying the same tendency towards enthusiasm for their work, a focus on problem solving, and professional attitudes to performance. These 'professionals' allow the tentative suggestion of the emergence of a new Weberian style bureaucracy.

As the livelihoods analyses at various points in this study tend to show, people are trying to achieve change and growth in a resource poor environment. The Groups encountered in Chapter 8 show how success in dealing with financial inclusion problems, amongst others, can sometimes be achieved through collective action, thereby overcoming the resource challenges to some extent. There are limits to this proposition, however.

It transpires that the size of a group may be important – a small, unprofessional group does not achieve the same access to opportunities as a large, well-organised one, it seems. There are economies of scale to be gained in bigger organisations – and the increasing professionalism in larger SACCO's and other cooperatives promotes Coasean rule-formation: cooperatives look increasingly like firms, in the most recognisable sense, and they make good commercial customers for banks, and good trading partners for mills, and so on. They can diversify their efforts, and build investment properties. They can even devote resources to redistributing wealth, supporting their more vulnerable members to bring them up to the level of others.

Nonetheless, even a small group – a self-help cooperative – can find a way through if it has an exceptionally entrepreneurial membership. This is not the typical experience, however. Smaller cooperatives are more likely to just about get by. Their members are better off in the cooperative than not – and financial services for the cooperative may play a part, if only to enable the group to seek development aid funding, or to slowly save for the purchase of equipment.

Group members may be cajoled into membership – and they may not be entirely happy with the outcome. However, even they are able to benefit from enhanced resilience. Perhaps in time they will take ownership of the changes and feel more positive .

Those not gaining access to organised groups suffer by comparison with any of the groups described. In the area of financial services, they are less likely to have collateral for loans, and are more likely to struggle to make changes in their livelihood outlook.

This institutional analysis of Rwanda suggests important dynamics in policy formation and the promotion of change in the way things are done. The HGS approaches have brought a dynamism to financial service development, and there is an emerging competent civil service supporting the changes. In this context, the policy decision to pursue financial inclusion can be taken as a genuine attempt at achieving poverty reduction and economic growth. It is a sensible approach, consistent with development theory – but it requires this coordinated approach, ensuring that financial services are complementary to other efforts.

If this study is taken as an institutional evaluation, it reveals high levels of shared expectations, considered pursuit of change by leaders, and committed support for implementation at the mid-level – with some (but by no means universal) embracing of change at community level. The idea of co-development is embedded in these change processes found in Rwanda: repeatedly in this study, the impact of interventions has been described and measured in terms of real changes on the ground. The changes only occur when, and if, community members take up the new opportunities available to them. Until that point, nothing has happened – 'we are not there yet', as the Minister of Finance says.

At the heart of Rwanda's current achievements is a government that is not representative of a 'bloated African state'; rather, it is building on the rediscovery (or re-invention) of distinctly African – or at least Rwandan - Home Grown Solutions.

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APPENDICES

Appendix 1: Research Permit

Kigali, 2/12/2014
N° 4079 /12.00/2014

REPUBLIC OF RWANDA

MINISTRY OF EDUCATION
P.O.BOX 622 KIGALI

Re: Permission to carry out research in Rwanda - No: MINEDUC/S&T/274/2014

The Permission is hereby granted to **Ms. Jane Margaret LICHTENSTEIN,** PhD student at the University of CAMBRIDGE, UK, to carry out research on: **"A study of a policy for Financial Inclusion in Rwanda: Is it explicit, appropriate, effective?"**

The research will be carried out in Community members, farmers in Cooperatives, private sector investors and policy makers, in Southern, Eastern Provinces and Kigali City, in Nyanza, Gatsibo and Kigali Districts, respectively.

The researcher will need access to policy documents: Vision 2020, EDPRS, EICV3 and EICV4. The researcher will need to interview Senior Policy Makers and implementers in the area of financial inclusion and farmers targeted by financial inclusion policy.

The period of research is **from 02th December, 2014 to 02th December, 2015**. It may be renewed if necessary, in which case a new permission will be sought by the researcher.

Please allow the **above mentioned researcher**, any help and support he might require to conduct this research.

Yours sincerely

MINISTRY OF EDUCATION
MINISTERE DE L'EDUCATION

Marie-Christine GASINGIRWA, Ph.D
Director General,
Science Technology and Research
Ministry of Education

Appendix 2: Interview Questions for Central and Local Actors

Part A: Semi-structured interview questions used for interviews with Central Actors and Local Actors in policy formulation and implementation

There are a number of areas I would like to explore:

Q1. In what circumstances did you first become aware of the idea of financial inclusion as a government concern?

Q2. How did the idea become manifest in policy?

Q3. How much support were you aware of for this policy in (as relevant) the government/the financial sector/the population/Parliament?

Q4. What is your opinion of the importance of this policy and why?

Q5. What impacts or side effects have you found to be associated with the policy for financial inclusion?

Q6. What are the measures of success for a policy for financial inclusion and how successful do you think the policy has been?

Q7. What are the obstacles to successful implementation and how are they overcome?

Q8. With the benefit of hindsight, do you believe you or the wider team should have done anything differently? If so, what, and why?

Part B: Examples of supplemental questions noted before some interviews with Central Actors or Local Actors
Central Actor Example

SQ1. What is the level of support from the Office of the President for financial inclusion?

SQ3. What are the impacts of financial inclusion for Rwanda?

Local Actor Example

SQ1. How long were you in the job?

SQ2. How do you get that job?

SQ3. Where does your strategic direction come from?

SQ4. Are resources for the job enough?

SQ5. Do you have a performance contract in that job? If so, is financial inclusion a part of your performance assessment?

APPENDIX 3: HOUSEHOLD SURVEY QUESTONNAIRE (IN ENGLISH)

Perceptions of Well-Being and Income, Assets and Financial Services Questionnaire

(Part A is Based on David Clark and Susan Hodgett Perceptions of Well-Being Short Version 2010)

Sampling Information

District:

Village:

Sample number: S1

Interview Number: V1.1

Name of Interviewer: E

Name of Respondent:

Age of Respondent: 32 Gender: Male

Description of Respondent House Location:

CONSENT WORDING

[Show permit] "We have this permit to do research and to ask these questions, given to us by the ministry of Education in Kigali, and the local government people have allowed us to do it. You are not obliged to take part. It is very helpful if you agree to do so. May I continue to ask you the questions?"

Part A1: About a 'good' kind of life

Say: "According to you, in general, what would make somebody feel that they have a good life? 'Good life' means a life that is pleasing to a person. Tell me the characteristics of somebody who has a good life or what would be required for someone to feel they have a good life."

(Probe until you have FOUR answers. Do ***not*** *suggest possible answers.)*

Code	**What features make a 'good' kind of life?**	**Explain to me a little bit more what you have just told me. What do you want it to mean?** *(Example for interviewer: What does it mean to them to have 'enough food'? Probe until you have at least two answers.)*	**Rank them in order: 1 - 4**	Code
	1.	1.		
		2.		
		3.		
		4.		
		5.		
	2.	1.	2	
		2.		
		3.		
		4.		
		5.		
	3.	1.	3	
		2.		
		3.		
		4.		
		5.		
	4.	1.		
		2.		
		3.		
		4.		
		5.		

Part A2: About how your life actually is – positive features

Say: "Think about how your life is these days. What are the most positive features of your life?"

*(Probe until you have FOUR answers. Do **not** suggest possible answers.)*

Code	**Positive features of your life**	**Explain to me a little bit more what you have just told me. What do you want it to mean?** *(Example for interviewer: What does it mean to them to have 'enough food'? Probe until you have at least two answers.)*	Rank them in order: 1 -	Better/ Worse than 5 years ago	Code
	1.	1.			
		2.			
		3.			
		4.			
		5.			
	2.	1.			
		2.			
		3.			
		4.			
		5.			
	3.	1.			
		2.			
		3.			
		4.			
		5.			
	4.	1.			
		2.			
		3.			
		4.			
		5.			

Part A3: About how your life actually is – negative features

Say: "Think about how your life is these days. What are the biggest challenges of your life?"

*(Probe until you have FOUR answers. Do **not** suggest possible answers.)*

Code	**Challenges in your life**	**Explain to me a little bit more what you have just told me. What do you want it to mean?** *(Example for interviewer: When you say' food is a problem', what does it mean? Probe until you have at least two answers.)*	Rank them in order: 1 – 4 *(is very bad; 2 is bad; 3 is less bad; 4 is not so bad)*	Challenge better/worse than 5 years ago?	Code
	1.	1.			
		2.			
		3.			
		4.			
		5.			
	2.	1.			
		2.			
		3.			
		4.			
		5.			
	3.	1.			
		2.			
		3.			
		4.			
		5.			
	4.	1.			
		2.			
		3.			
		4.			
		5.			

Part B

Part B1: Financial Details Section – your household

<table>
<tr><td>Code</td><td colspan="2">1. How long have you lived here?</td><td></td><td colspan="3">(If less than five years) – Where did you live before (Village, District)</td><td colspan="2"></td><td>Code</td></tr>
<tr><td></td><td colspan="2" rowspan="4">2. How many people in your household aged 21 – 60?</td><td rowspan="4"></td><td colspan="3" rowspan="4">Please list them.
Is anybody on this list paid by the household?</td><td colspan="2">Person 1</td><td></td></tr>
<tr><td></td><td colspan="2">Person 2</td><td></td></tr>
<tr><td></td><td colspan="2">Person 3</td><td></td></tr>
<tr><td></td><td colspan="2">Person 4</td><td></td></tr>
<tr><td></td><td colspan="2" rowspan="4">3. How many people in your household aged 61 or over?</td><td rowspan="4"></td><td colspan="3" rowspan="4">Please list them.</td><td colspan="2">Person 1</td><td></td></tr>
<tr><td></td><td colspan="2">Person 2</td><td></td></tr>
<tr><td></td><td colspan="2">Person 3</td><td></td></tr>
<tr><td></td><td colspan="2">Person 4</td><td></td></tr>
<tr><td></td><td colspan="2" rowspan="4">4. How many people in your household aged 5 – 20?</td><td rowspan="4"></td><td colspan="3" rowspan="4">Please list them. Do they attend school? If so, what grade?
Is anybody on this list paid by the household?</td><td colspan="2">Person 1</td><td></td></tr>
<tr><td></td><td colspan="2">Person 2</td><td></td></tr>
<tr><td></td><td colspan="2">Person 3</td><td></td></tr>
<tr><td></td><td colspan="2">Person 4</td><td></td></tr>
<tr><td></td><td colspan="2">5. How many people in your household aged under 5?</td><td></td><td colspan="3"></td><td colspan="2"></td><td></td></tr>
<tr><td></td><td colspan="2">6. Do you use mobile phone money transfers in your household?</td><td>Y/N</td><td>7. Whom do you send money to?</td><td></td><td></td><td>8. Who sends you money?</td><td></td><td></td></tr>
</table>

Part B2: Financial Details Section – your income and livelihood

Say: "Now I would like to know about the work your family does and how it supports the household."

(Probe to know if there are also jobs that do not generate income. Check for childcare, food production, carrying water, commercial crops, labouring for others, government schemes, small business such as shops, taxi service etc. Use extra lines for individuals if necessary to cover everything they do to live on.)

List of people who work in household. *(Use information from page 8. eg respondent; wife; child 1 etc)*	**Main work they perform/contribution to livelihood**	**Other work they perform/contribution to livelihood**	**Other work they perform/contribution to livelihood**	**Other work they perform/contribution to livelihood**
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				

Part B3: Financial Details Section – your cooperative or bank accounts etc

Say: " Now I'd like to ask you about how your household uses SACCO's, other Cooperatives, revolving savings and loan schemes or banks."

B3.1 Does anybody in your household use a SACCO, another Cooperative, a revolving savings/loan scheme, a bank or anything else for managing money? **In whose name is the account?**	**Name of, SACCO, other Cooperative, revolving savings/loan scheme, bank or other?** **(Check for farm cooperative)**	**Has this account been used in last 3 months? Yes/No**	**Value of savings in this account**	**Value of loans on this account**
1.				
2.				
3.				
4.				
5.				
6.				

B3.2 Does anyone in your household have any loans today that you have not already told me about?	*(If yes, add them to the table above)*
B3.3 Does anybody owe money to the household? How much?	

Part B4: Financial Details Section – your assets

Say: "Now I'd like to ask you about the assets in your household."

B4.1 Does anyone in your household own the following?	**How many now?**	**How many did you have three years ago?**	**Do you think you will have more or less in three years from now?**	**Have you ever sold one when you did not want to?**	**When was the last time you sold one when you did not want to?**	
1. Land						**B4.2 If you think about the answers you have given me, in general do you think that, three years back, the pressure of selling things when you did not want to was greater or less at that time than today?**
2. House						
3. Phone						
4. Mattress						
5. Bicycle						
6. Radio						
7. T.V.						**B4.3 If you think about the answers you have given me, in general do you think that, in three years from now, the pressure of selling things when you do not want to will be greater or less at that time than today?**
8. Goat						
9. Cow						
10. Other small animals						
11. Other assets *(list items)*						

(Ask if there is anything else that has not been mentioned after finishing what is written.)

B4.4 What is your Ubudehe category? *(Use old categories)*	

Part B5: Financial Details Section – Your regular significant financial outgoings

Say: "Now please tell me about the way you regularly use money. Do you regularly use money for these activities? Where do you get money or a loan if you need it?"

Code	**B5.1 Activity**	**Do you do this activity?**	**The easiest way you get money that you use.**	**Have you used in last 2 years?**	**Another method by which you get money.** (Not obligatory)	**Have you used in last 2 years?**	Code
	Farming costs: include paid labour		1.		2.		
	Mutuelle/Healthcare insurance		1.		2.		
	School costs for children		1.		2.		
	Household: food, home help etc		1.		2.		
	Other (describe)		1.		2.-		

Money for unexpected events.

Say: "I'd like to ask you, finally, about where you can get money when you need it urgently, or for a special reason."

Code	**B5.2 Event**	**The easiest way you get money that you use.**	**Have you used in last 2 years?**	**Another method by which you get money.** (Not obligatory)	**Have you used in last 2 years?**	Code
	1. Family event, such as wedding?	1.		2.		
	2. Family emergency such as sickness or burial?	1.		2.		
	3. Repairs or improvements to your house or cow barn.	1.		2.		
	4. Business costs such as bicycle, equipment or animals?	1.		2.		

Say: "Thank you. That is the end of the survey."

Question number/Page	**Additional comments**