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GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

COUNTRY BRIEF

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Rwanda Country Assessment for Youth Development Accounts

By Sarah Myers

CSD is part of a global consortium supported by the MasterCard Foundation that is exploring the potential for piloting a Youth Savings initiative in multiple developing countries. In addition to CSD, the consortium includes Save the Children, the Consultative Group to Assist the Poor (CGAP), and the New America Foundation. The consortium's goals for the 2009-2010 year include identifying six developing countries in which to implement these pilots, along with local financial and research institutions that could assist in implementing and evaluating the pilots. This brief is one of a series that CSD has prepared on candidate countries in Asia, Africa, and Latin America. This brief, like the others, assesses the candidate country on four criteria: institutional capacity, national political interest, research capacity, and broader macroeconomic environment.

Summary

Rwanda is ideally positioned as a candidate demonstration site for Youth Development Accounts in multiple ways: (1) a well-regulated banking infrastructure serving both the formal and informal economy; (2) government stability and impressive growth only 15 years after the country suffered a devastating genocide; (3) a national commitment and plan to support and encourage savings; (4) a climate of research and scholarship.

Basic Population and Economic Indicators

- » Population: 9.7 million (World Bank, 2008)
- » Percent of population under age 15: 44% (Population Reference Bureau, 2009)
- » Youth ages 10-24 (percent of total population 2006): 36% (Population Reference Bureau, 2006)
- » Percent of population below national poverty line (2006): 56.9% (UNDP, 2008)
- » Median age: 18.7 years (CIA, 2009)
- » Income level: Low-income (World Bank, 2009)
- » GDP per capita (PPP US\$), 2007: \$866 (UNDP, 2009)
- » Percent of population living on \$2/day or less: 90.3%, 2000-2007 (UNDP, 2009)



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Institutional Capacity

Rwanda's financial sector is small but growing rapidly. The World Bank Report, *Doing Business 2010*, highlighted Rwanda as the number one reformer for 2010, rising from 143rd to 67th place in rankings of business regulations—the first time a Sub-Saharan economy has been in the top slot (World Bank, 2010). Rwanda's impressive growth is making the country an attractive option for investors and recently motivated European and African businesses to invest in large shares of several of Rwanda's financial institutions (Kühlcke, 2009). Eleven commercial banks are currently registered with the National Bank of Rwanda, and new financial institutions are entering the market on a regular basis.

Rwanda also has a well-developed microfinance industry that provides a wide network of services across the country. At the end of 2008, 125 registered microfinance institutions and cooperatives were reaching 686,952 clients across the country (Katengwa, 2009). The majority (94) of these institutions are members of the national microfinance network, the Association of Microfinance Institutions in Rwanda, which provides capacity-building training and support for new product development. The National Bank has been very active in regulating the financial industry and enforcing the protection of the assets of banking clients, particularly those with small amounts of savings in rural microfinance institutions (Ngarambe, 2009).

There are a number of financial institutions in Rwanda already targeting youth and many others with the capacity to offer financial services to youth across the country. FinaBank, an East African bank with branches in Rwanda, Uganda, and Kenya, offers a FinaJunior account for minors to save with no minimum balance. EcoBank and Banque Commerciale du Rwanda offer similar savings accounts for youth under age 18. Other banks, such as the Banque de Kigali (BK), offer products specifically for students. BK also recently embarked on a widespread advertising campaign to encourage savings.

Several additional financial institutions may be well-positioned as future service providers to youth by virtue of their broad outreach and emphasis on innovation. Banque Populaire (BP) is one of the largest banks in Rwanda, with 50% of the country's bank accounts held in the multiple sub-branches throughout the country (Ruburika, 2009). BP offers

a savings account with no age limit and no minimum balance that is widely accessible to much of the population. Urwego Opportunity Bank (UOB) holds a unique license as both a commercial bank and a microfinance institution and serves clients in 29 of the country's 30 districts. UOB has also been a leader in bringing fingerprint recognition technology to the microfinance industry in Rwanda. Kenya Commercial Bank began doing business in the country in 2008 and already offers a unique product called the "Cubs Account," which enables parents to save for their children.

National Government Interest

Rwanda's government has made strong commitments to national economic development plans, to the support and protection of the country's youth, and most recently, specifically to the promotion of savings as a national growth strategy. For the last several years Rwanda has been making steady progress toward meeting the Millennium Development Goals and has been highly praised as a "miracle" for rebounding after the 1994 genocide (Kinzer, 2008). The country-specific goals are laid out in a guiding policy document, *Rwanda's Vision 2020* (Republic of Rwanda, 2008b) and further developed in the country's *Economic Development and Poverty Reduction Strategy* (EDPRS) (Republic of Rwanda, 2008a). Rwanda's government ministers and leaders at all levels work under performance contracts, tied to the goals and indicators laid out in these development planning documents, and the climate is one of rapid progress and uncompromising adherence to high standards. The development plans outline a significant and essential role for youth and indicate multiple ways to support the participation of youth in social and economic development.

A project for Youth Development Accounts would not only receive support from the Ministry of Finance and Economic Planning but would also be welcomed and supported by other relevant government ministries, including the Ministry of Youth, Sports, and Culture and the Ministry of Gender and Family Promotion (MIGEPROF). Both of these ministries have been very active in promoting the well-being of Rwandan youth and coordinating activities undertaken by partners on behalf of youth in the country. MIGEPROF has in particular focused on the many orphans and vulnerable children in the country by encouraging programs and initiatives that promote well-being through education and vocational training. Many NGO partners have responded with programs for the economic

strengthening of youth through informal savings groups and financial education.

In 2009, Rwanda's Ministry of Finance and Economic Planning released a National Savings Mobilization Strategy, as part of a targeted effort to achieve an 18% gross national level of savings as laid out in the EDPRS (Republic of Rwanda, 2008a). Coinciding with World Savings Day on October 31, the country held a "Special Savings Week" to promote the national strategy and to raise awareness about the importance of savings for the general population and for financial institutions. It seems likely that Youth Development Accounts would be welcomed, supported, and promoted from the highest levels of government, and that mobilization and awareness-raising campaigns would facilitate start-up efforts to introduce new programs or savings products.

Research Capacity

Rwanda's institutions of higher education are also an integral part of the country's national development strategy. The country has made research a priority in national development plans (Republic of Rwanda, 2008b) and is working to improve upon existing scholarship at the 20 institutions of higher learning in the country. Of the six public institutions, two stand out as potential research partners.

The National University of Rwanda is the strongest research institution in the country and collaborates with multiple external institutional partners to conduct research in health and social development. The University has a strong School of Public Health as well as departments of Economics, Development Studies, Sociology, and Social Work.

The School of Finance and Banking (SFB) is another potential research partner. Widely regarded as the strongest school of business and finance in the country, SFB offers undergraduate degrees in management and finance and operates a graduate program in conjunction with the Maastricht School of Management in the Netherlands. Vincent Nshimyumuremyi is a lecturer at SFB and has indicated interest in a potential partnership related to Youth Development Account research.

In addition to the research taking place at the universities, the Ministry of Health, the Ministry of Gender and Family Promotion, and the National AIDS Control Commission have been strong advocates for research and scholarship in the country, hosting annual research conferences and providing regular opportunities for international and local

organizations to share knowledge and experience. Multiple United Nations projects promote and support research in Rwanda, and several American universities, such as Columbia University, Johns Hopkins University, and Tulane University, have research-focused health programs in the country that enjoy wide support from the government.

Rwanda continues to grow and to economically and socially recover from the 1994 genocide. Few countries can compare to Rwanda's rapid progress or the strength of its government's political will and support for new development initiatives. A program for Youth Development Accounts would align with the country's agenda for youth and savings promotion and would be an excellent way to improve the future prospects for many of Rwanda's young people.

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