



Access to credit: the springboard to development for small farmers in Rwanda



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In Rwanda, more than 82% of the population live in rural areas. Four out of five households rely on agricultural activities for income. However, the poverty level is still high outside the urban areas, at more than 40%. Rwandan farms, which are poorly structured and rarely organised into cooperatives or professional associations, have limited financial capacities. As a result, they have difficulty accessing production resources (livestock, agricultural inputs, access to microcredit, etc.), which limits their socio-economic development.

To address this problem, the Rwandan government has supported the creation of a network of cooperatives called SACCO (Saving and Credit Cooperatives) in order to improve access to saving and credit services in rural areas. However, these microfinance institutions rarely agree to finance agricultural activities (particularly livestock breeding), which they consider to be riskier and less profitable. Consequently, Rwandan farmers have practically no access to credit.

What Vétérinaires Sans Frontières Belgium does

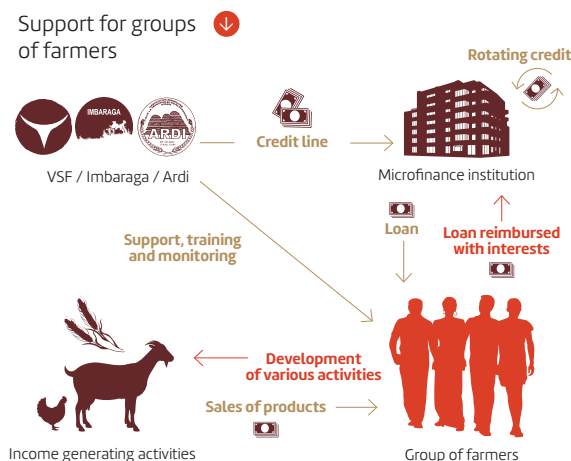
Since 2014, Vétérinaires Sans Frontières Belgium and its local partner IMBARAGA have been experimenting with an approach that permits groups of farmers to gain easier access to credit. This service is targeted at agricultural farmers and livestock keepers as well as beekeepers. To benefit from it, they need to be affiliated with IMBARAGA or the Association Rwandaise pour le Développement intégré (ARDI - the Rwandan association for integrated development), another partner of the NGO.

Agreement with microfinance institutions

IMBARAGA and ARDI began by negotiating the **conditions for granting the loans** with the local microfinance institutions. Besides agreeing to finance the agricultural activities of groups of farmers, the latter even **reduced their annual interest rate** by a third, from 24 to 16%. They also agreed to **increase the repayment period** to two years, instead of the usual six-month period, and accepted the solidarity deposit of the group as a guarantee for the loans granted.

In return, Vétérinaires Sans Frontières Belgium and IMBARAGA committed themselves to setting up a **guarantee fund** equal to 50% of the loans (or €700), as a security guarantee for all the parties.

This has made it possible to set up **operational agreements with 31 microfinance institutions** in the districts of Huye, Nyanza and Nyamagabe (Southern Province). Then IMBARAGA and ARDI began identifying different groups of farmers who were eligible for loans and raising awareness among them.



How the loans work

Once they have been selected, each group (of 20 to 30 members) signs up for a loan of about €1400 (of which €700 of subsidy) from a microfinance institution. This represents an average of €51 per member, enough to buy a pig or two goats for example. It is obligatory to invest this money in the **development of an activity that will generate income** (agriculture, beekeeping or raising pigs or small animals).

ARDI and IMBARAGA ensure that this activity is carried out properly. They **support the groups of farmers** throughout the process, helping them to fulfil all the formalities and meet the repayment deadlines. The microfinance institutions are responsible for training the members of each group in loan management.

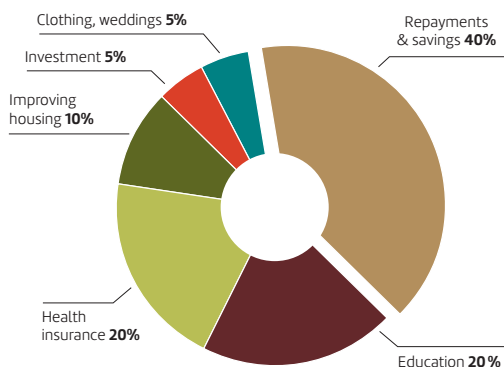
Results

Between 2014 and 2019, Vétérinaires Sans Frontières Belgium and its partners supported a total of 54 groups with this method. **Almost 1,500 households (or almost 6,300 people) thus had the opportunity to set up a professional agricultural activity.** 61% opted for livestock breeding, mainly pigs (47%), but also goats (9%) and cows (5%). One farmer in five set up a beekeeping business and the rest (18%) used their loans for agriculture.



Five years after the first groups received support, the results are very satisfactory. **Of the 54 groups supported up to the end of 2019, 82% are running a profitable activity thanks to the loan they obtained through Vétérinaires Sans Frontières Belgium.** The vast majority of groups (97%) are therefore managing to make regular repayments on their loans.

Use of income derived from the activities developed with the loan



Developed activities generate on average 51% of the supported households' total income. Certain members of the groups have even been able to multiply their income sevenfold. **The increase in income benefits the entire family.** In fact, 20% of the income generated is used for healthcare (access to health insurance funds) and 20% for children's education. The rest is used for improving the family's home, buying clothes or participating in social and family life (weddings etc.).



Key figures

€1,400

loans

of which
€700

of subsidy

i.e. about
€51

per member

97%
of loans repaid
on a regular basis

more than
30%
of the groups take
out new loans

54
groups of farmers
supported

of which
82%
run a profitable
activity

1,500
households have
started (livestock)
farming

+150%
increase in agricultural
production

51%
of total household
income comes
from the activities
developed
thanks to the loan

In households that opted for livestock breeding, the loan also makes it possible to **increase agricultural production** thanks to the manure produced (+ 150%). Thus these families are able to improve their food security as well as their income.



Lessons learnt

Our experience in promoting agricultural activities among small farmers by means of loans has turned out to be a success, particularly thanks to Vétérinaires Sans Frontières Belgium's **role as an intermediary** between farmers and microfinance institutions. With relatively limited support, the NGO has been able to **remove the obstacles limiting farmers' access to loans.**

The agricultural loans granted did not only benefit the farmers themselves, who have been able to diversify their sources of income, but also the microfinance institutions, who have been able to increase their client base and capital. Thanks to the solidarity between group members, repayments were made on time. **The mutual trust between the farmers and banking institutions has been reinforced,** to the benefit of all concerned.

The loans negotiated have enabled Rwandan farmers with few financial resources to access means of production more easily. This has allowed them to develop an agricultural or livestock breeding activity. **Besides increasing their family's income and food security, it also improves their social and economic status within the local community.** The leverage effect obtained by means of the group's solidarity deposit has benefited a large number of households. 54 groups, representing about 1,500 families, have already benefited.

To ensure the profitability of the activities and the process, it is crucial to build skills. Vétérinaires Sans Frontières Belgium, which is recognised for its expertise in the field of livestock keeping, took responsibility for technical training. It was not long before the results became clear: well-managed agricultural and livestock breeding activities are immensely profitable to the beneficiaries, whether in terms of **food security, education or health.**

Once their loan had been repaid, **more than 30% of the groups even decided to take out new loans** without the support of Vétérinaires Sans Frontières Belgium and its partners.

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