

## GOOD PRACTICES AND LESSONS LEARNED

### AJPRODHO JIJUKIRWA - Rwanda

Project: Youth Employability in the Informal economy

Good Practice – Title: Youth Savings culture and entrepreneurial acumen

#### 1) Brief summary:

VSLA methodology has valuable services for the youth in the formal sector. Within their groups where they practice a culture of savings through practical trainings of financial literacy, saving with a goal, enterprise development, training of life skills and conflict management, etc. they have instilled a culture of savings, innovative ideas to unlock business opportunities, self esteem and decision making, access to the information that benefit youth and aspirations of business formalization.

Access to finance is often costly and difficult for poor people and low/income earners due to lack of collateral securities which are a pre-requisite in low developing countries. VSLA have proved to be the sources of access to finance either internally and or externally to MFI's / Banks for the youth in the informal sector. VSLA have different products including savings, loan interest rates, fines and social funds. Savings are done on a weekly basis where every group member purchases the shares based on ability. At present, the saving share is between 300-1000 francs and members have purchased more than one share per week. This has enabled youth to transact within their groups at a manageable cost and at a low risk rate. VSLA have enabled the regular flow of income and investment in more dynamic income generating businesses.

#### 2) Key Areas of Good Practice

- Development of Supportive Legal and Policy Frameworks (1.3 – 1.4)
- Advocacy Methods (1.2)
- Institution and capacity strengthening of implementing agency, project partners including (local) government agencies (1.9)
- Awareness raising among informal economy operators/workers and other stakeholders (4.3)
- Organising informal economy workers into associations, cooperatives or other officially registered groups (1.9)
- Community based savings and credit schemes (3.5)
- Providing support to informal economy operators/workers to access services (social protection services, business registration, access to formal savings and credit schemes, training, etc.) (3.1)
- Entrepreneurship and business management training (3.2)
- Leadership training, empowerment training (3.4)
- Vocational and/or skills training (3.6)
- Knowledge of rights, laws and regulations (3.1)
- Support to improve Occupational Safety and Health among informal economy workers (2.3)
- Community-based social protection (4.4)
- Enabling especially vulnerable groups on economic empowerment (women, people with disabilities, affected by HIV, youth, refugees, migrants, minority groups, etc.) (4.6 – 4.7 – 4.8 – 4.9 – 4.11)

### 3) Context - Brief description

#### Where the good practice was implemented:

The good practice is implemented in Rwanda in 7 urban and rural districts of the Kigali City. These districts are: Kicukiro, Nyarugenge, Rulindo, Gakenke, Nyabihu, Rubavu and Ngororero, and were chosen due to high unemployment rates. Further, the five rural districts have been chosen as they share similar characteristics with urban settings, such as being concentrated with informal workers.

The youth are categorized in subgroups of informal workers who are street vendors, workers in hair salons and restaurants, taxi bicycles, workers in mining, tea plantations and domestic workers.

#### Why the good practice was implemented:

The Youth Employability in the Informal Sector (YEIS) project has been designed to contribute to the elimination of poverty of youth (16-30 years) dependent on the informal sector in Rwanda. Voluntary Savings and Loans Associations practice is one of the project interventions that was earlier thought out at the inception of the project as a tool to instill a culture of savings that provides safe access to finance through savings and loans which stimulates aspirations of investment in more income generating businesses, access to formal financial services, improved self-esteem, conflict resolution, entrepreneurial acumen, access to the information and formalization.

The activities of the youth in the informal work settings are not legally recognized and they have no rights to protect them in their work conditions. They all lack access to finance and in urban areas, there is the loss of businesses, assets and arrests of informal workers in the city due to street vending. In rural areas, youth in the informal sector find it more difficult to access information about their rights and services and formalization procedures.

The good practice has opened opportunities for the youth to acquire a savings culture and innovations to engage in more income generating businesses, access to reliable information and it has proved to be a platform for sharing experiences and conflict resolution.

It has also increased aspirations of better businesses and investment in productive assets and diversification in more income earnings which indicates improvement in their livelihood standards.

They have also gained in-depth knowledge from Practical trainings that have strengthened their entrepreneurial and life skills, access to the necessary information, access to business services and markets, which has increased their productivity and employability.

It solved the problem of lack of opportunities to move towards formalization and legalization of their activities, increased productivity and employability.

It solved issues of lack of technical, financial, entrepreneurial and life skills and youth have already started to legalize their businesses.

VSLAs formation especially in urban areas reduced street vending and it is a direct inspiration for engaging in business and greater sustainable investments.

A large number have opened accounts in Microfinance institutions, some own shops and others have managed to hire selling points in big markets.

VSLAs have reduced incidences of GBV among project beneficiaries as it has become a platform

for conflict resolution and counsel.

VSLA related trainings have reduced unplanned pregnancies among project beneficiaries and have increased female empowerment of girls and legal marriages of the project beneficiaries.

#### **Who was involved:**

The project staff provided technical capacity building, ongoing coaching and supervision to the youth in the informal sector.

Implementing partner organizations (AJPRODHO, YWCA & CARE), and key stakeholders, specifically, the National Youth council, Rwanda Cooperative Agency, Ministry of Youth, National Women's Council, Ministry of Labour, Private Sector Federation, Labour Union, Workforce Development Agency, Ministry of Finance and Civil society organizations

The Primary Beneficiaries are the youth in the informal sector between 16-17 years old who are dependent on the informal settings (street Vendors, youth in hair salons and restaurants, Taxi bicycles, workers in mining and in tea plantations) with gender consideration of 70%.

Indirectly, the youth in the community of the project catchment learn from project beneficiaries where 24 VSLA have been formed from the imitation of the good practice.

#### **When the activity was implemented:**

The VSLA methodology started from May 2015 and has been running up to date. 323 VSLA were formed in 2015 and it has 9323 beneficiaries.

The awareness raising has started in May 2017 and will continue throughout the project life span. However, trainings will be carried out after in different sessions depending on the timing to be cascaded to the peer educators.

#### **4) Level and type of innovation of the good practice**

The practice is innovative because it helps youth in informal settings to promote a culture of savings and access to safe savings and loans. This stimulates the untapped abilities among them through the spirit of saving with a purpose and develops the capacity to unlock business potential that increases their productivity and puts them on a formalization pathway. The practice instils confidence into the youth to access banks for more loans to invest in more income generating business.

#### **Description: processes and steps involved**

The processes and steps taken involve a variety of systematic and well-structured processes and tools employed to enhance the acquisition of technical, financial, entrepreneurial, life skills and all desired knowledge towards formalization, improved productivity and employability. These can be described in several stages, clearly detailed below.

#### **The VSLA methodology was a project entry point**

- Introduction of the project to all key stake holders specifically at district level and to all local leaders and project launch at national level
- Community mobilization of potential project beneficiaries
- Self-formed VSLA of between 25-30 youth members with 70% females
- Selection of 2 peer educators per VSLA
- Development of VSLA training Manual. The VSLA methodology manual briefly provides a description of the basic principles of the VSLA system. It describes the typical products

embedded in VSLA such as savings, loans and social fund (insurance product). It also describes the four main phases through which AVSLA has to pass over a period of about 1 year of mentorship and coaching. This period is to equip them to manage their own savings, credit and insurance. The stages of VSLA includes, preparatory, intensive, development and maturity phases. Field officers and suggests a schedule of field officers visits. Progress from one phase to the next depends on agreement between the field officer and peer educators that the group is ready and does not need any re-training.

- Engagement meeting of the staff who tailors the implementation to specific group needs
- Training of project staff on VSLA methodology financial literacy and financial linkage, enterprise development, life skills, reproductive health, gender equality and gender norms.
- Scaling up training to Peer Educators who in turn roll out acquired knowledge to their respective VSLAs
- Phase evaluation
- Facilitation of VSLA graduation and dissemination
- Access to the information through the awareness raising and sharing success stories of successful entrepreneurs
- Development of Management Information System (MIS) as a data base to manage the VSLA implementation
- Monitoring and evaluation

#### **5) Resources and skills needed to carry out the good practice**

- Development of Training manuals
- Human resource capacity building was needed to enhance the real effective achievement of the anticipated change with the support of the existed budget. Project staff were fully trained and rolled out their acquired knowledge to peer educators, who in turn trained 9323 beneficiaries within 323 VSLA groups.
- Required VSLA materials includes the saving box, pass book, register books, and padlocks, saving sacks, social fund bags and pens.
- Training materials for the project staff such as venue hire, lunch, coffee break, water, dinner, accommodation, transport, flip charts, markers and notebooks.
- Training materials for the peer educators venue hire

#### **6) Sustainability of the Good Practice**

A number of strategies were undertaken to ensure the continuation of the benefits of the good practice including:

- The members of the group were self-selected, trusting each other to belong in one group and work together. This has increased ownership and a sense of responsibility among the group members.
- The approach of VSLA is well structured and practical, enabling illiterate people to easily understand. A large portion of the youth in the informal sector, for example, are primary school drop outs and others are from disadvantaged families who were never presented with the opportunity to attend high school.
- The leadership structure of the VSLA where the committee of five members manages the group with side-by-side support of peer educators.
- The focus on self-directed learning engages individual investment, and it thus used as a motivation strategy, in which an individual must be accountable for her or his own failures and successes. This leads to increased ownership in one's work and more incentive to work diligently in order for each member to meet the target and be successful.

- VSLA is different from other savings groups in their community as its practices are more transparent and thus fosters confidence, trust and stability in what the members do whilst in VSLA.
- Close supervision and ongoing capacity building and coaching of VSLA.
- Intensive capacity building of project beneficiaries.
- From the awareness raising other youth in the informal sector gain information that benefits them to take a step towards formalization, they also learn from successful youth entrepreneurs of the project.
- Well-established, two-way partnerships with local leaders, e.g. said leaders are motivated by the successes and achievements of the youth.
- Increased cohesion of the group members serves as evidence of the existing confidence and ownership in the activities implemented, thus increasing the sustainability.
- 24 groups have been created from the imitation of the best practice (VSLA model) of the 323 VSLA formed by communities' initiatives.

#### **7) Link to Other Resources**

CARE Rwanda took part in the development of the training manuals, documentary film and transcripts of review meetings.

#### **8. What the originators of the Good Practice would do differently if they were to do it again**

Rather than using the peer educators to train VSLA members, it may perhaps be more effective to have project field officers train all VSLA members in each group. We have seen that peer educators can be replaced each year and at times it happened that the new educators would require refresher training courses, proving to be resource consuming, in terms of both time and funding. Through close supervision, field officers conducted ample coaching to some of the peer educators in their groups to facilitate and provide appropriate support.