

Learning Brief

Catalyzing Household Savings in Rwanda through Incentives



**Global
Communities**
Partners for Good



Introduction

The **Integrated Services for Vulnerable Populations (ISVP)** program—known as Twiyubake locally—was funded by the United States Agency for International Development (USAID) and PEPFAR in 2015 to improve the resiliency of 50,000 vulnerable households in Rwanda by reducing economic vulnerability and empowering parents to make the best investments to meet the needs of young children and adolescents. Global Communities utilized an integrated approach to address the needs of households including nutrition and growth monitoring; education in WASH, HIV prevention, parenting and gender equality; and economic strengthening support.

ISVP's Graduation Model

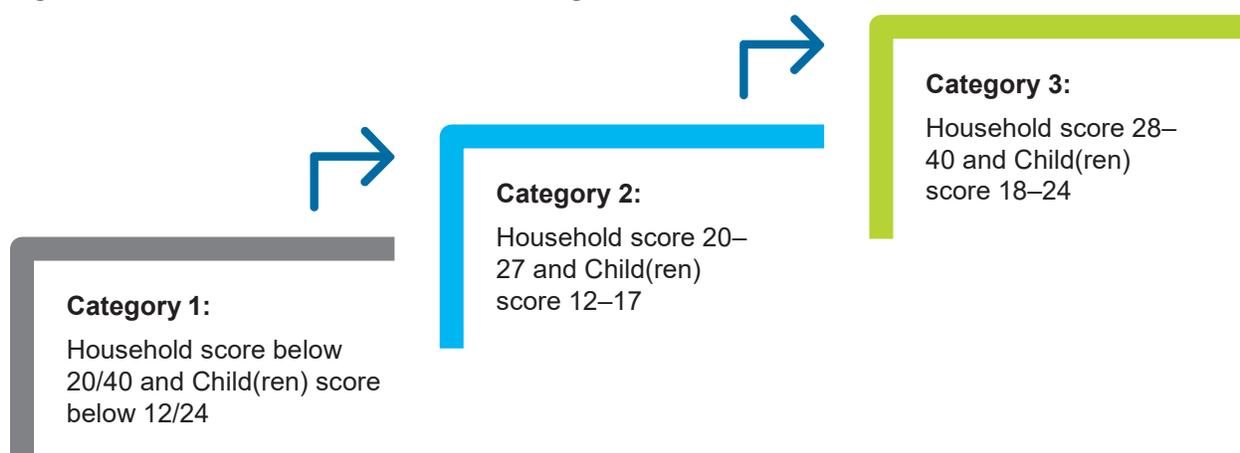
The ultimate goal of ISVP's support was to graduate households from extremely vulnerable status to nearly secure. Graduation in orphans and vulnerable children (OVC) programs refers to “a household's successful completion of all program elements, which includes achievement of minimum outcomes related to health, education, economic stability, and child protection.”¹ The ISVP program applied the Global Communities household vulnerability and graduation assessment (HVGA) framework to measure vulnerability in program-

¹ Whitney Moret and Lara Lorenzetti, “Challenges in OVC Graduation Programs: Benchmarks, Sequencing, and Backsliding,” FHI 360, USAID, June 13, 2019 from Marketlinks: https://www.marketlinks.org/sites/marketlinks.org/files/resources/challenges_in_ovc_graduation_programs_-_benchmarks_sequencing_and_backsliding_ovc_graduation_brief_series_-_1_of_4_.pdf

supported households in order to determine the household's capacity to develop graduation plans and ultimately graduate.

A household reached graduation when it had enough capacity to manage its needs. Global Communities' HVGA tool comprises multi-dimensional indicators across a series of thematic domains relevant to the program's intervention areas that reflect the different facets (health, economic and social conditions, etc.) that affect vulnerability. HVGA analysis includes classification of households across three categories, based on overall household and child scores that are aggregated separately. The three household categories are extremely vulnerable, moderately vulnerable, and nearly secure. "Nearly secure" indicates a household that is ready to graduate.

Figure 1: ISVP's Household Graduation Categories



Household Economic Strengthening: Savings Incentives

ISVP's economic strengthening activities were designed to stabilize and empower families to increase their household purchasing power by protecting and growing household assets, strengthening income generating activities and improving capacity to participate in economic development activities. Global Communities used savings groups as one of its primary economic strengthening approaches. ISVP's saving groups were made up of 15 to 25 members who voluntarily mobilized their own savings and provided loans to members at a low interest rate. The savings groups also created a social fund to assist members during emergencies and other important life events.

ISVP's saving groups were designed to mobilize members to voluntarily gather their own savings and use them to provide short-term loans to constituent members at a low shared interest. At the beginning of a 12-month cycle, members decided the value of shares based on their financial capacity and saving goals. Every member then set a savings goal which determined the number of shares they had to contribute to every weekly savings group meeting. The majority (75%) of saving goals focused on raising capital to buy household assets, rearing small livestock and starting small retail businesses. Other goals focused on covering household essentials including school fees, health insurance, and home renovation.

To motivate savings group members to improve savings practices, the ISVP program began implementing an incentives program in 2017. Savings groups were informed that their savings would be matched at a ratio of 1/1.5 if they met their minimum savings threshold of 12,000 Rwandan Francs² per member in a six-month period. In order to be eligible, savings groups would also need to comply with their bylaws and maintain proper bookkeeping. In this way, households were encouraged to save more than they otherwise would,

² The program required the savings group to have a minimum of 12,000 RWF per member in a six-month period. For instance, if the saving group had 30 members, it should have a minimum of 360,000 RWF.

in order to meet and surpass the minimum amounts stated in their bylaws. In 2017, 212 savings groups³ qualified to receive incentives based on the eligibility requirements set by the program. They were paid out in July or August of that year.

What Did We Want to Learn?

Learning Agenda

The ISVP program built learning into its program culture and was committed to supporting learning for improved program delivery and increased knowledge around OVC interventions. While experts agree that financial inclusion and services are important to establishing resilience at the household level, there is still a need for further evidence around which interventions have the greatest short- and long-term impacts⁴. Furthermore, while many different household graduation models exist, there is still limited evidence on which ones work best in different contexts.

To address this knowledge gap, the ISVP program developed a learning agenda comprised of four questions in 2018. The ISVP program finalized their learning questions through a consultative process with program staff and USAID. Learning questions were chosen based on their ability to address innovative and promising approaches, respond to identified program challenges, and contribute learning to inform the broader OVC programming community. One of the questions selected by the ISVP program was:

Do incentives catalyze and sustain savings rates over time? Does incentivizing savings result in higher investment trends among households?

The program hypothesized that two possible effects would occur after incentives were issued. The first was a short-term effect, whereby group members would increase their savings (by purchasing more shares) in order to access larger loans. The second was a long-term effect, whereby group members would then invest those loans in income generating activities (IGAs), thereby increasing their ability to save (i.e. to purchase more shares). Ideally, savings groups might establish common IGA activities by using their new resources.

Methodology

In order to answer the learning question, the ISVP Monitoring, Evaluation, Research and Learning (MERL) team drew on an assessment of household savings and investment behaviors prior to and following receipt of incentives. Using a post-activity assessment conducted in July 2018 (more than one year after receipt of incentives) along with data gathered from the program's data management system, the ISVP team conducted an analysis. The results of this analysis were based on a 116 household sample across five districts drawn from 2,643 households belonging to savings groups. The MERL team also made sure that households who participated in additional economic strengthening activities, such as conditional household grants, were not included in the analysis. In addition to the ISVP MERL team, a Global Communities Monitoring, Evaluation and Research Specialist from headquarters also assisted in the data analysis and conclusions.

³ Approximately 9% of ISVP's 2,421 total groups who were enrolled in the program in 2017.

⁴ USAID Resilience Evidence Forum Report, April 2018, https://www.usaid.gov/sites/default/files/documents/1867/0717118_Resilience.pdf

Findings and Results

Finding 1: Incentives Boost Household Savings Rates

Following the analysis, the ISVP program determined that a substantial 57% of households reported they were able to save regularly only after the program provided incentives to their savings group. A similar percentage (53%) were actually able to increase their shares in the savings group as a result, making them eligible for larger loans (Figure 2). Additionally, program data showed that, on average, savings increased for group members who received incentives as compared with members who did not receive incentives (Figure 3). The data showed that incentives had a substantial consumption smoothing effect, providing households with the means to avoid disruptions in critical household expenses and activities. More than three and a half times the number of households that could meet basic needs prior to receiving the incentives were able to meet them following the receipt of incentives. Two and a half times the number of households were able to pay for their children’s education after receiving incentives (54% paid them after, compared to 22% that paid them before). Finally, 56% reported being able to meet unexpected expenses following the receipt of incentives.

Figure 2: Household Savings and Investment Trends

Household saving and investment trends before vs. after receiving incentives

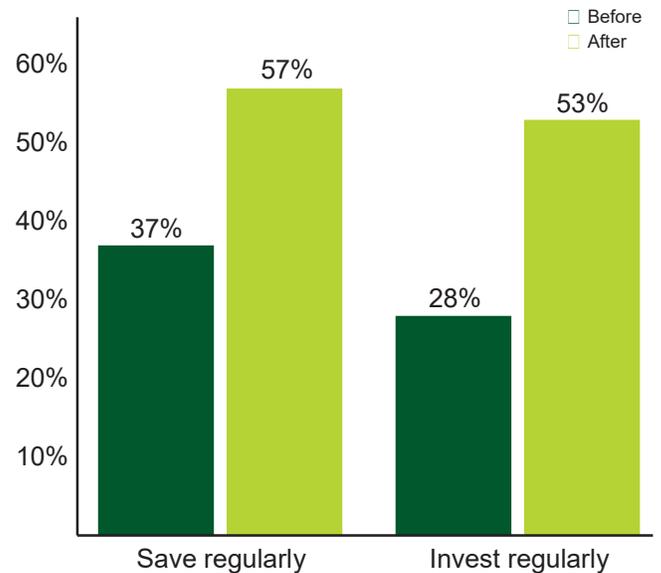


Figure 3: Change in Member Savings

Change in average members’ savings from April 2017–September 2018

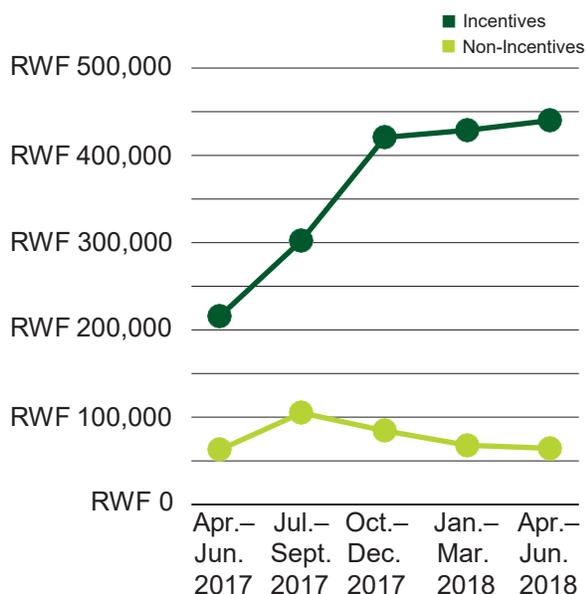
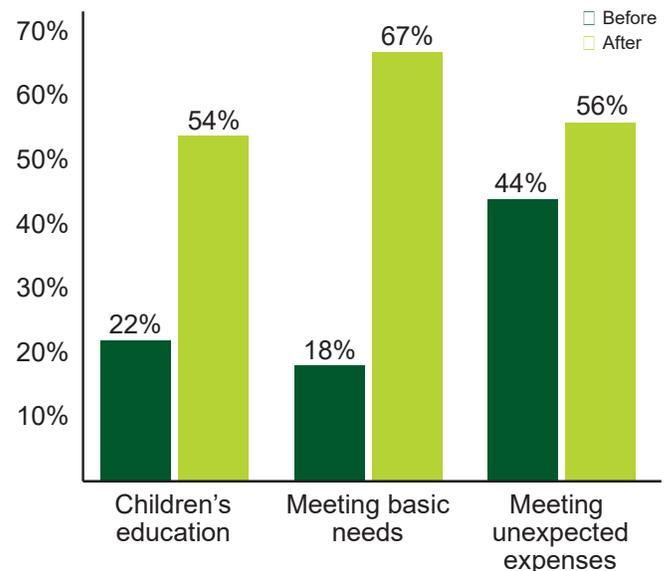


Figure 4: Household Ability to Meet Basic Needs

Household ability to meet basic needs before vs. after receiving incentives



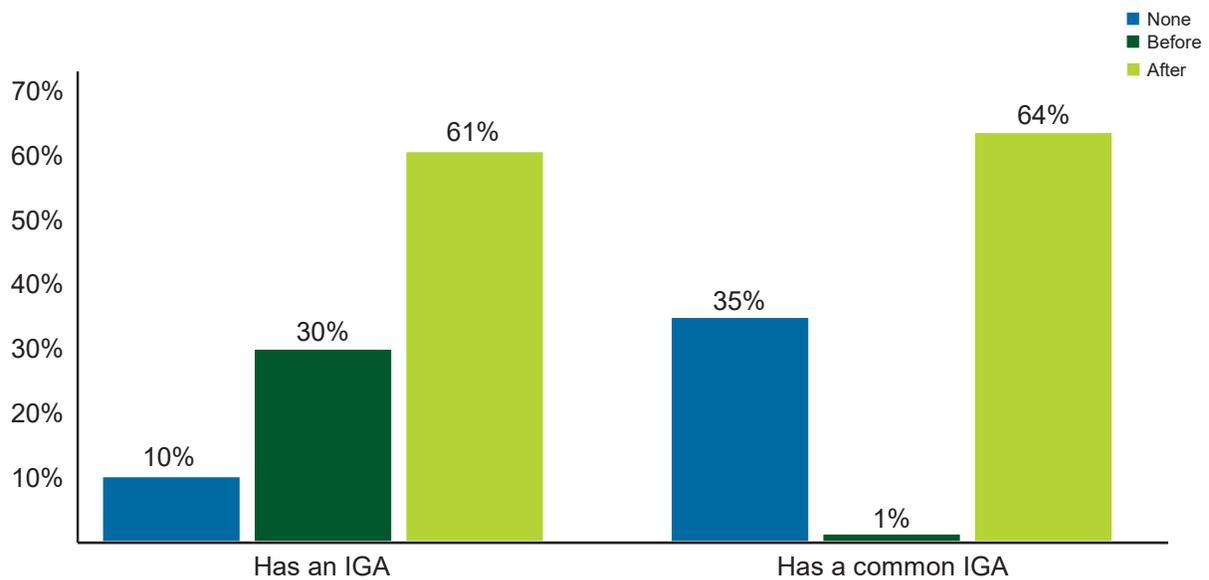
Finding 2: Incentives Spur Investment in Income Generating Activities

Over 90% of households analyzed invested some part of the incentive into an income generating activity (IGA) such as livestock (41%), agriculture and horticulture (28%), retail (22%), food processing (8%), culinary arts (1%) and transport (1%), demonstrating the positive livelihood-related impacts of the incentives. These results show that incentives fed into the desired long-term effect of using loans to generate more income to eventually reduce the need for consumption smoothing. The savings group members' IGAs were also important for the sustainability of the groups themselves since they contributed money back into the group in the form of additional savings.

In addition, following the receipt of incentives, 61% of households analyzed *started* an IGA. By way of comparison, only 30% had an IGA before receiving the incentive. A similar percentage reported starting a common IGA with other members of their savings group after receiving the incentive. It is likely that in addition to the financial incentive provided by the program, another contributing factor to the increase of IGAs was the social capital fostered by participating in the savings group. Results from a Knowledge, Attitudes and Practices Survey conducted by the ISVP program showed that 98.6% of beneficiaries believed that participation in savings groups provided social benefits and 95.4% of respondents agreed that they are now better connected to their neighbors, participate in community activities and seek help from others outside their household when needed.

Figure 5: Households with IGAs

Households with IGAs before vs. after receiving incentives

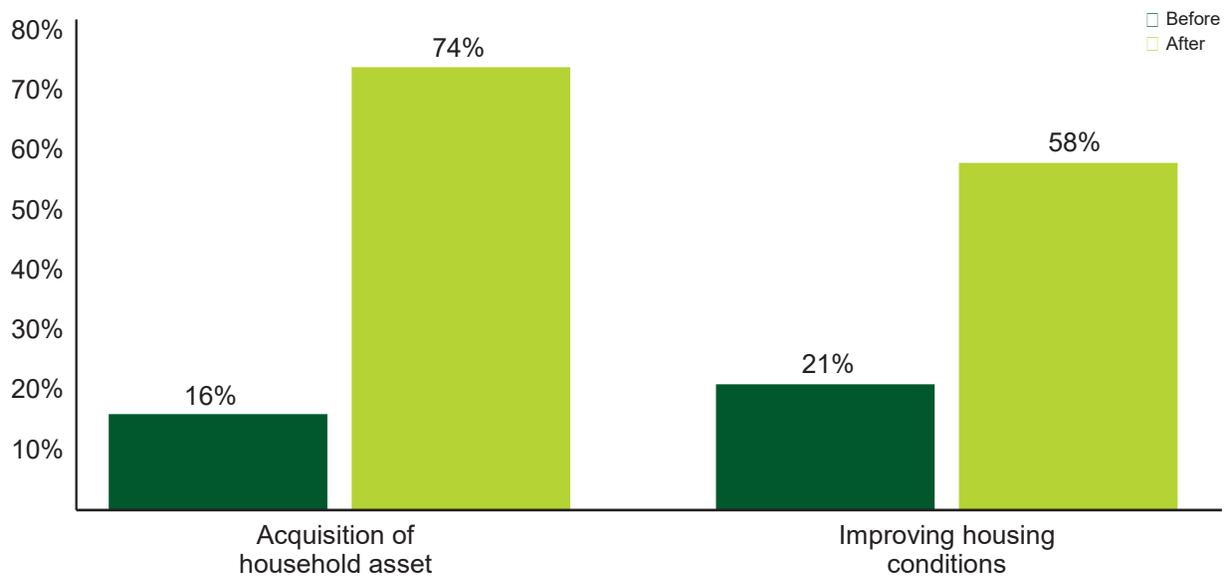


Finding 3: Incentives Strengthen Household Investment in Assets

An impressive 74% of households analyzed were able to acquire new household assets such as livestock, chairs, mattresses, beds, and bicycles after their savings group received the incentive provided by the ISVP program. Another 58% chose to invest in improving their household conditions by undertaking activities such as home renovations and building or upgrading latrines and handwashing stations. These results indicate that incentives can be a sustainable and impactful intervention affecting household economic status. These findings support other studies on incentives that have shown that cash transfers can lead to an increase in expenditures in the short and long terms⁵. However, it is important to note that this analysis could only examine the relatively short-term effects of incentives on household investment in assets since it was conducted only one year after the incentives were provided.

Figure 6: Assets and Housing Conditions

Assets and housing conditions before vs. after receiving incentives



5 <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10749.pdf>

Key Takeaways and Future Learning

The results from the ISVP program's analysis of whether incentives catalyze and sustain savings rates over time largely supported the program's learning hypothesis. Assessment results showed that incentives were an effective way to spur and sustain savings rates in select savings groups in Rwanda. After receiving incentives, savings groups saved more money which often resulted in the ability to access larger loans, purchase essential household items, meet basic needs and pay for educational expenses for children. This led to a household consumption smoothing effect that will hopefully prevent households from slipping back into vulnerable conditions when shocks occur.

Incentives also had a positive effect on the participation of savings group members in income generation activities. The addition or increase in IGAs will hopefully lead to long-term changes in economic stability for households by providing them with additional income over a longer period of time to support household resiliency.

However, incentives were only tested for groups that had already reached a high maturity level and had met set eligibility requirements. Going forward, Global Communities recommends testing the following program adaptations to see whether they will result in a higher number of groups that can qualify for incentives:

- Modify the incentive model timeline of six months to ensure that savings groups with lower capacity can gain the appropriate skills to attain eligibility;
- Provide targeted capacity building for groups in areas with higher levels of poverty and refresher trainings on critical topics required for incentives qualification (i.e. bookkeeping and bylaws) to boost eligibility; and,
- Share information about the incentives activity earlier and more frequently with savings groups to ensure that qualified groups can participate.

While the results of this analysis were largely positive in demonstrating that incentives can boost savings resulting in behaviors that can strengthen the economic stability of vulnerable households in Rwanda, further long-term analysis needs to be conducted to measure the long-term effects of these activities.