

## Future Perspectives for the HSS-MAG

Given the success that the scheme has had in attracting members to date, there is every expectation that the HSS-MAG will continue to grow and provide essential benefits to those who have joined. Initiatives for the next few years include:

- ◆ Negotiating member discounts and bulk purchasing agreements with merchants for high-value items such as smartphones, motorcycles, and cars
- ◆ Implementing the selected microfinance software for managing member savings and loans
- ◆ Revisiting the financial model to add transaction fees and adjust interest rates to enable the HSS-MAG to generate enough revenue to cover staffing, bank fees, and software licensing
- ◆ Hiring a small team of paid staff to manage accounting, loan recovery, and the microfinance software
- ◆ Adding private-sector health workers, which will require that these staff establish bank accounts and set up automatic scheduled payments and that data exchange can be automated from these banks into the HSS-MAG
- ◆ Adding community health worker (CHW) cooperatives, who are not on a payroll system and have limited access to the banking system; the scheme will likely need to rely on creating savings groups and distributing loans through mobile money operators

It is too soon to determine whether the HSS-MAG has had a positive effect on staff retention— one of the original reasons for its establishment—but the popularity of the scheme is demonstrated by the rapid enrollment of members.

REPUBLIC OF RWANDA



MINISTRY OF HEALTH



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Picture 1: Health worker examining a child. This nurse is one of many health workers who will benefit from the HSS-MAG (Photo Todd Shapera)

## Establishing a Health Sector-wide Staff Savings and Loan Association to Improve Staff Retention in Rwanda

*The Rwanda Health Systems Strengthening (RHSS) Project (2014–2019) represents the US Agency for International Development's (USAID) continued commitment to supporting Rwanda on its journey to sustainable improvements in the health of its 12 million people. The overall goal of RHSS is to improve population health outcomes by strengthening the performance of the health system at the national and decentralized levels and by increasing the resilience of the health sector to respond to new health challenges. Implemented by Management Sciences for Health (MSH) and its partners, the project supports implementation of Rwanda's Fourth Health Sector Strategic Plan (2018–2024) and contributes to Rwanda's Vision 2020 for a health system that guarantees universal and equitable access to quality health care for all people in Rwanda.*

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Rwanda's health sector has progressed rapidly over the past 15 years, with many new health facilities and increased coverage of community-based health insurance contributing to improved health outcomes. Being a services sector, one of its core assets is skilled personnel, but a high rate of staff turnover continues to be a challenge to effective service delivery. High staff turnover has adverse effects on the health sector in terms of availability of services, quality, and the high cost of training new personnel.

A key challenge identified by a study on health sector staff retention, conducted by the RHSS Project in 2017, was the lack of access to credit at reasonable interest rates from commercial banks for building a home, purchasing essential items, or meeting emergency expenses. To enhance staff motivation and retention, the Ministry of Health (MoH) and other stakeholders in the health sector championed the establishment of a savings and credit scheme, called the Health Sector Staff Mutual Aid Group (HSS-MAG), through which health sector staff can accu-



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multate savings and access affordable credit.

At the request of the Minister of Health and with funding from USAID, MSH supported establishing the scheme by providing technical and financial assistance to the Ministry’s HSS-MAG steering committee. RHSS Project staff from its health financing, private-sector engagement, and information systems teams worked with MoH steering committee members to assess similar savings and loan schemes, called *ikimina*, in Rwanda; develop a detailed concept note; prepare a financial model to identify the required financial resources and likely revenue; facilitate a workshop to develop the HSS-MAG’s institutional and governance structure and policies; and develop functional requirements for selecting and implementing a microfinance software solution to help a team of volunteers manage the scheme.

Less than one year after the scheme’s launch, more than 11,000 staff had joined the microfinance scheme, contributing more than 900 million Rwandan francs (more than USD 1 million) through payroll deductions. The scheme has already begun disbursing loans to members.

This technical highlight describes key steps in the

journey to develop the HSS-MAG and identifies challenges encountered along the way and how they were resolved.

With a goal of promoting welfare, motivation, and retention of human resources for health, the HSS-MAG has a broad set objectives, including:

- ◆ Stimulating a savings culture among health sector workers
- ◆ Providing access to easily available credit at attractive/competitive rates
- ◆ Providing dividends based on investment of member savings
- ◆ Negotiating other membership benefits (e.g., bulk purchasing, negotiated vendor discounts for members)

While the HSS-MAG’s long-term plan is to open membership to anyone working in the health sector (including those in private-sector facilities and the country’s nearly 60,000 community health workers), membership during the first phase is limited to those who work in public health facilities and health institutions such as the MoH and Rwanda Biomedical Center (RBC) at the national level.

The following table compares the groups that the HSS-MAG seeks to attract with those currently enrolled in the University of Rwanda scheme (CEB) to

Characteristics	CEB	Ministry of Health MAG			
		MOH/RBC central staff	Public health facility staff	Private health providers	CHWs
Potential members	3800	500	12000	2,000	60,000
% of staff likely to join	80%	80%	80%	50%	??
Geographic distribution	Mostly concentrated in Kigali and Butare	Mostly concentrated in Kigali	Distributed in every district in the country	Mostly concentrated in urban areas	Distributed in every village
Institutional payroll	Yes (UR payroll)	Yes (SPIU, MoH/RBC HRs)	Yes (District + contractual, HF HRs)	Yes (Facility payroll)	No
Enrollment fee	20,000	5,000	5,000	5,000	5,000
Method of payment contributions/loans	Deducted at source	Deducted at source	Deducted at source	Deducted at source	Deposited in CHW coop?
Minimum monthly contribution	10000	5%	5%	5%	???
Estimated number of new loans/month	19	3	60	10	225

sity of Rwanda’s CEB, who shared their experience and working documents. The first workshop involved members of the steering committee and the legal advisor from the MoH who worked in teams to:

- ◆ Finalize recommendations on key policy options for the HSS-MAG
  - ◆ Analyze financial projections and propose goals and options about saving and credit rates
  - ◆ Prepare a communications plan and key messages for staff
- Revise the CEB’s standard operating procedures to reflect the needs of the HSS-MAG

The second, much larger workshop, brought together representatives from all health institutions in the country, including each district hospital director general, to seek their input and commitment to mobilize members from among the health workers in their catchment areas.

As part of additional technical assistance in early 2019, the RHSS Project engaged a local financial accounting firm to help HSS-MAG volunteers process a backlog of financial transactions, develop an electronic roster of members, and propose a basic set of accounting procedures.

**Microfinance system automation:** It quickly became clear during implementation that this geographically distributed savings and loan scheme, with more than 500 health institutions and 11,000 members making monthly contributions and requesting loans, could not be efficiently managed using a paper system or Excel. RHSS Project staff helped the HSS-MAG steering committee review the software being implemented by the CEB, develop functional requirements for an HSS-MAG infor-

Requirements for the HSS-MAG software:

- ◆ Member enrollment
- ◆ Savings group configuration
- ◆ Savings account management
- ◆ Loan management
- ◆ Dividend calculation and distributions
- ◆ Financial accounting and reporting
- ◆ Member self-service mobile access

mation system (see box below), and launch a request for proposals for a vendor to adapt and configure a system to the needs of the scheme.

There was a lot of interest in this request for proposals. After receiving eight proposals and organizing demonstrations and Q&A sessions for five shortlisted bidders, a local firm that has adapted open source microfinance software was selected to implement the system. This will improve the efficiency of operations and provide the financial transparency needed by the members, who should be able to track their savings and loan balances in real time.

### Key Challenges and Risks

During the design and early implementation process, the RHSS team faced a variety of challenges and identified potential risks to be mitigated, including:

#### Collecting contributions and loan payments from non-payroll staff and members in remote areas:

For these individuals, it will be very difficult to recover funds from defaulters and ensure regular contributions into savings accounts.

#### Insufficient information about market demand:

Thanks to an effective communications program (the RHSS Project produced a brochure and a website and the Minister of Health promoted the scheme through national- and district-level information campaigns), this challenge was quickly resolved.

**Growing too fast:** Given the volunteer staffing and informal management, time was needed to get systems and staff in place to support the enrollment and participation of a large number of members.

**Legal structure:** If the scheme continues to grow at the current rate, it will need evolve into a formal microfinance scheme with more a formalized structure, paid staff, and tools.

illustrate the main characteristics of the fund.

**Membership:** According to the guidelines established, HSS-MAG members must:

- ◆ Be salaried health sector workers
- ◆ Apply for membership (available on the HSS-MAG website)
- ◆ Adhere to HSS-MAG’s internal regulations and decisions of its Board of Directors
- ◆ Pay the initial subscription fee (5,000 RWF)
- ◆ Regularly deposit individual monthly contributions (a minimum of 5% of their take home salary)

**Savings and loans:** Members are automatically enrolled in an individual savings account and payments are automatically deducted on a monthly basis and deposited in the HSS-MAG account.

Initially, the HSS-MAG offers only two loan products while the fund accumulates capital: ordinary loans (up to two times the amount that a member has already saved and repayable in three years or less at an interest rate of 3% per year) and urgent loans (a maximum of 200,000 RWF granted under special

circumstances such as school fees, illness, fire, or accident and repayable in three months at a fee of 5%).

Like savings, loan repayments are deducted from the member’s net salary and deposited in the HSS-MAG account. In case of resignation of a staff member before they finish repaying a loan, HSS-MAG takes hold of their savings first before approaching the member’s guarantors (each loan is guaranteed by three HSS-MAG other members).

**Dividends:** As a registered nonprofit association, the HSS-MAG is required to return any excess revenues received during the year to its members. Revenue is generated from interest on loans, transaction fees, and investments. All funds go into a central pool, and investments are made

through the Rwanda Investment Board and a high interest savings account in a local bank, yielding about 8%.

Much like a mutual fund, these dividends are distributed based on the number of shares—in this case a proportion of savings—each member

## Alternative HSS-MAG models

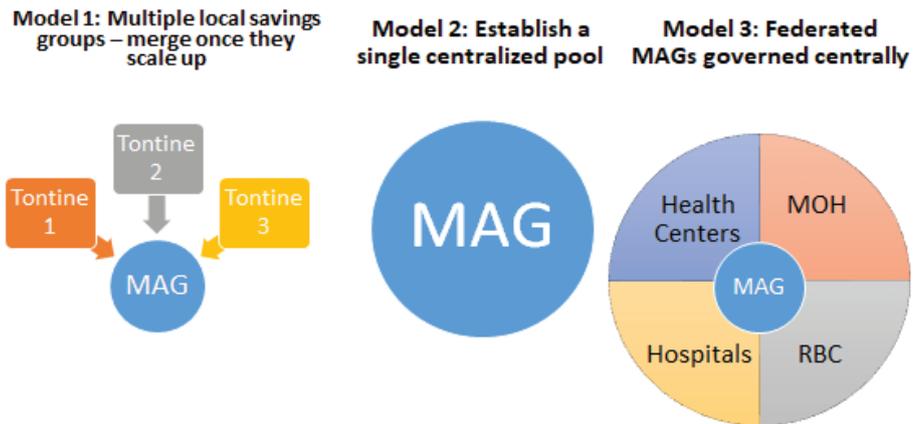


Figure 1: Alternative HSS-MAG governance models

## Scenarios for evolution of the HSS-MAG

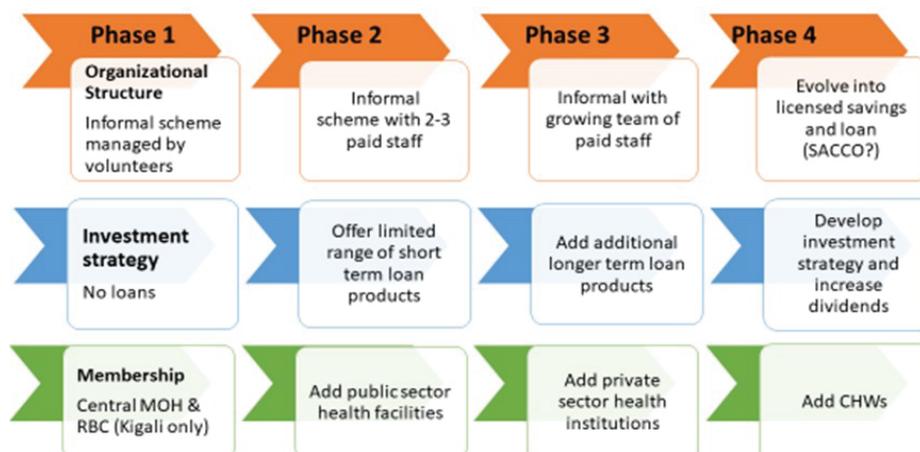


Figure 2: Potential growth scenarios for the HSS-MAG

has in the scheme. At the annual national HSS-MAG meeting, members vote on how much of the profit to distribute to members, how much to keep in the fund balance, and how much to invest in management and systems.

**Governance and strategic orientations:** The HSS-MAG is a member-owned institution with key strategic decisions made annually by a General Assembly. It is not controlled or regulated by the MoH. Operational decisions and financial controls are guided by a Board of Directors and an Audit Committee comprising volunteers elected from the membership. As the HSS-MAG accumulates adequate capital and generates revenue from loans, a full-time manager and other operational positions will be recruited and paid for out of the interest from loans.

As part of MSH’s support, the team proposed three alternative models for the HSS-MAG (figure XX), including multiple local savings groups that are managed independently at first and merge as they scale up into a single, centrally managed savings and loan and federated savings groups that are governed centrally. A third model has been implement-

and loan and dividend payments are handled by central HSS-MAG management.

As part of a feasibility study conducted by the RHSS team, a number of growth scenarios were proposed (figure 2). Four phases, each lasting at least one year, were proposed that covered different stages of growth for the organizational structure, investment strategy, and membership.

The team developed an organizational chart to illustrate the eventual structure proposed for the HSS-MAG once it is fully operational before reaching phase 4 expansion to community health workers.

**HSS-MAG financial modeling:** RHSS Project staff developed a financial model for the HSS-MAG based upon assumptions provided by the HSS-MAG task force and the experience of the University of Rwanda’s CEB. This model took into consideration market demand, average savings amount, macroeconomic parameters such as annual inflation and discount rate, loan assumptions, and operating costs. The model projected that the scheme could potentially be generating more revenue than expenses after five years (figure 3). Membership and contributions (blue bars) have grown much faster

than initially predicted and the leadership has resisted investments that would result in increased operating costs, so increases in the fund balance have outpaced projections.

**Development of HSS-MAG guidelines and procedures:** Once the MoH and the temporary steering

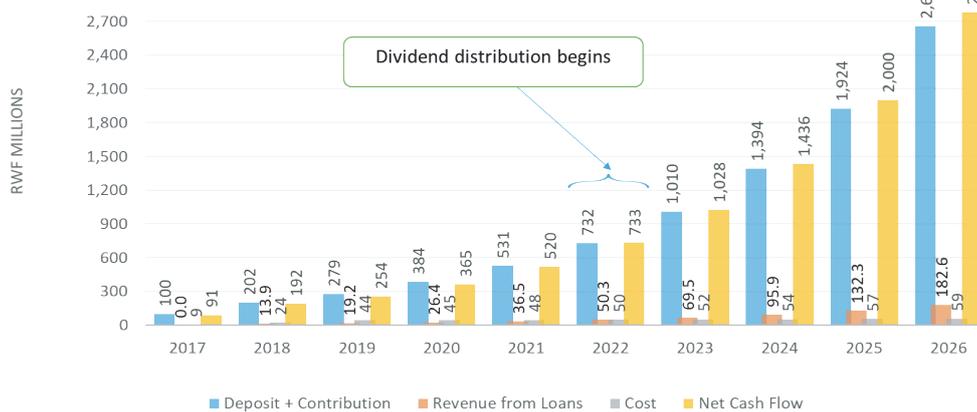


Figure 3: Financial projections for HSS-MAG based upon financial modeling tool

ed (figure 1). Each health institution has its own HSS-MAG team that is responsible for recruiting members, managing payroll deductions, and recommending disbursement of loans, but all funds from all institutions are pooled and managed centrally,

ing committee were convinced of the feasibility of setting up the HSS-MAG, RHSS staff facilitated a pair of workshops to develop the scheme’s guidelines and procedures. This exercise was helped by strong collaboration from the leadership from the Univer-