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Use and Impact of Savings Services Among Poor People in Zimbabwe: What It Means for Microfinance Institutions

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Savings and the Poor in Zimbabwe:
What It Means for Microfinance Institutions

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1. EXECUTIVE SUMMARY

MicroSave commissioned this study in conjunction with two other studies in Zambia and South Africa with the aim of understanding how the poor manage their money in the Southern African region. The purpose of the study, as detailed in the Terms of Reference – Annex 1 is "to improve knowledge and understanding of (if and) how poor people in Southern Africa save, how they use different savings services/systems and the impact of those savings facilities on their household budgets/lives. The results of the study will play an important part in defining the agenda of ***MicroSave***, and the issues that it raises with MFIs involved/interested in savings mobilisation, local service providers and AFCAP".

This report:

- focuses on the way the poor manage their money in the Zimbabwean context,
- analyses the mechanisms they use or prefer to use to manage their money,
- explores linkages between the informal, semi formal and formal mechanisms, and
- suggests ways in which MFI[1] s could improve their services by learning from the informal mechanisms.

The Zimbabwean context is particularly unique because of the unprecedented macroeconomic framework that has seen inflation rates of around 70%, the highest devaluation rates ever, and general decline in the economy. This reports highlights the coping mechanisms that the poor have adopted in order to manage in this harsh economic climate.

The study was undertaken during the months of May and June 2001 and covered two major cities (Harare and Bulawayo) and two major rural settings – Gokwe and Chihota. Although the main method of the study was qualitative and participatory, a number of in-depth interviews were conducted with management of different institutions (including MFIs) and poor people.

The methods used in the study are as detailed in Annex 2 include secondary data review, traditional focus group discussions, participatory rapid appraisal techniques and individual in-depth interviews. The target respondents included management and of various financial service providers and clients.

1.1. Report Layout

The first section of the report gives a brief overview that puts the study into context. A full overview of the financial sector is provided in Annex 3. The major observation that is significantly different from the many other parts of Africa is that a larger proportion of the poor use the formal financial institutions (banks). Furthermore the relatively strong direct linkage between the formal and informal mechanisms is strikingly different as well. The poor have access particularly to savings instruments and of late other financial instruments such as shares, unit trusts and insurance mechanisms.

The second section of the report analyses the mechanisms that are used by the poor, dwelling on the informal mechanisms, which the poor commonly rely on. This is followed by the analysis of the semi formal mechanisms and finally the formal. The semi-formal and formal mechanisms are also used by the diversity of services obtained there from differs significantly when compared to the informal mechanisms. The final section deals with the recommendations to MFIs and formal financial institutions on how they can exploit the highlighted opportunities. It seems as though there is a framework that allows for strengthening linkages

[1] MFIs including all types of financial institutions involved in extending microfinancial services including banks, non-bank finance institutions, NGO MFIs, SACCOs, Housing Cooperatives etc

between formal and informal/semi-formal mechanisms, create synergies that pool and mobilise community investments and leverage on them.

1.2. Overview of Financial Mechanisms

The informal mechanisms that were identified during the study are: burial societies, savings clubs, savings at home, ROSCAs/ASCAs, savings in kind, reciprocal lending, saving with employers and savings with suppliers and super markets. The semi-formal mechanisms – which are registered but are not formally regulated, are the Savings and credit cooperatives (SACCOs), housing cooperatives and the MicroFinance Institutions (MFIs). The formal mechanisms include financial institutions such as banks, building societies, pension companies, insurance firms and discount houses.

Although the informal mechanisms were perceived as riskier they are used by most of the poor for a number of reasons some of which include:

- flexibility,
- proximity of services provided,
- lower transaction costs,
- speed of access,
- low access barriers (low barriers to entry),
- socio-cultural framework/fabric that allows for reciprocity, and
- friendly service.

Most of the informal savings mechanisms are closely linked to the formal financial system. For example, savings clubs, burial societies and ROSCAs all cumulate the small amounts and then deposit them with a formal institution e.g. a bank, or funeral insurance company or use the money they accumulate in order to meet a loan obligation with an MFIs. The linkages between these mechanisms are highlighted in each of the subsections. Like in East Africa, the poor realise that ROSCAs are risky and have a limited life span, they still find the convenience, flexibility in terms of the amounts that one can save up, low transaction costs, and the non-restricted use of the savings outweigh the costs associated with the mechanism. Over the years the ROSCAs have changed in size, term/frequency in response to the adverse effects of inflation on the savings. There are more daily/weekly than monthly ROSCAs with members averaging 5.

Zimbabwe has two instruments that are uncommon in other parts of Africa. These are 'the housing cooperatives and the burial societies’. They are fairly highly organised with close linkages with formal financial institutions. However the linkage is not as structured and greatly restricts the services the members obtain. This presents an opportunity that could be exploited by formal institutions and MFIs in widening the financial services offered.

The poor are aware of the impact of inflation on their savings i.e. the fact that the purchasing power is eroded. However they have not seemed to change their savings pattern because of this. There could be two major reasons for this behaviour. Firstly the poor do not necessarily view savings as an investment that should yield a positive return - safety of deposits is of greater concern. Secondly the savings are viewed as a way of accumulating small amounts of money that can be accessed for a future need. As the economic hardships press on the income levels, the poor particularly women find savings as a way of disciplining themselves to save for lean seasons and “*hide the money from the husbands or neighbours who could borrow it if it was in the house*”. The need for credit is even higher as the income levels fail to meet the daily household needs.

1.3. Recommendations

- Because of the regulatory limitations towards direct savings mobilizations, MFIs should explore strategic partnerships with deposit-taking financial institutions to respond to the myriad savings needs and opportunities presented by the poor. The Central Bank is open to self – regulation and is committed to review the regulations around deposit mobilisation.

- Burial societies have demonstrated that they are responding to a huge need. As the more sophisticated burial societies have demonstrated, it is clear that forming or strengthening strategic alliances with formal insurance companies – especially funeral – to deliver group policies at a lower transaction cost to the insurer is in demand.

- Supervision and training of SACCOs will be crucial in order to tap into the huge potential for savings mobilization. Legislation must be supported, keeping in mind that legislation without capacity to supervise may cause more harm than good because it communicates a false sense of security and confidence in the institution to the unsophisticated public and may result is serious loss of their deposits in the event of failure.

- Housing cooperatives have demonstrated a huge potential for longer-term savings mobilization. Strengthening linkages between housing cooperatives and building societies, especially on the HPZ should be strengthened in their role of helping the poor through the complexities of accessing services land, lobbying for more streamlined and coordinated procedure between the various government departments; and strengthening the internal operating capacity of cooperative through on-going training.

- There is growing evidence that more poor people are taking part in the unit trust as indicated by the management of one of Zimbabwe’s most innovative unit trusts. This presents a fresh opportunity to disseminate information and strengthen linkages to allow more poor people to save or invest with the stock exchange to better manage the adverse effects of inflation.

- Microfinance institutions using systematic market research must embark on continuous product quality refinement keeping in mind that the poor value some products attributes in surprisingly different ways. The key issue being innovations in the reduction of the financial and non-financial transaction costs both for the client and the institution plus effective and simplified product promotion of carefully designed or refined products.

- Seek ways of addressing the adverse effects in inflation by looking for inflation adjustable investments. Investing savings in Unit Trusts seems to be one of the potential options for hedging against inflation.

- There is a need to conduct a cost benefit analysis around the subsidized savings mobilization activities of Self Help Development Foundation (SHDF) at a national level. Currently they have linked between 250,0000 to 300,000 clients with reasonably large savings to formal financial institutions by promoting savings clubs. Sustainability considerations are forcing SHDF to increasingly focus on credit and this might have adverse effects on savings mobilization.

- Since the majority of the poor (54%+) maintain bank savings accounts because of emergencies, this message must be incorporated in designing marketing and promotional campaigns

- Use of ATM technology – the poor is becoming sophisticated with most of them preferring the use of an ATM card instead of passbooks. The use of smart cards or debit card for transaction purposes should therefore be explored. Some clients prefer using the ATM cards because of the flexibility it offers - they can easily access their money anytime anywhere. We should also note that there are still many clients that prefer the traditional pass - book because the information is on record with them.

- Simple deposit and withdraw procedures and documentation – The researchers found that in almost all the institutions (SHDF, WDCS, ZT and CBZ) almost half of the clients interviewed didn’t know the correct procedures. There is minimal communication with clients. Almost all documentation – even for rural clients in Gokwe, is in English for all the MFIs interviewed. Changes are not communicated to clients and there seems to be discrepancies between branches. It is important for MFIs to perform operational audits and periodic client interviews that are critical for continuous product refinement. Exit interviews should be instituted to highlighting areas of concern.

- Savings – clients do not like the compulsory savings that almost every MFI collects. MFIs should review the use of banks as disbursement mediums as some clients have difficult in accessing their loans through the banks. SHDF and Zambuko clients cited examples of inefficient services through the banks whose operations are completely out of the control of MFIs. The only strategy that in the interim (prior to the amendment of the current legislation regarding savings) is the formation of bank /MFI strategic partnerships in order to deliver a wholesome service to the poor.

2. BACKGROUND AND INTRODUCTION

MicroSave commissioned this study in conjunction with two other studies in Zambia and South Africa with the aim of understanding how the poor manage their money in the Southern African region. The purpose of the study, as detailed in the Terms of Reference – Annex 1 is "to improve knowledge and understanding of (if and) how poor people in Southern Africa save, how they use different savings services/systems and the impact of those savings facilities on their household budgets/lives. The results of the study will play an important part in defining the agenda of ***MicroSave***, and the issues that it raises with MFIs involved/interested in savings mobilisation, local service providers and AFCAP".

This report focuses on the way the poor manage their money in the Zimbabwe, analysis the mechanisms they use or prefer to use to manage their money, explores linkages between the informal, semi formal and formal mechanisms, and suggest ways in which MFI[2] s could improve their services by learning from the informal mechanisms. Zimbabwe is particularly unique because of the unprecedented macroeconomic environment that has seen inflation rates of around 70%, the highest devaluation rates ever[3], and general decline in the economy. This reports also highlights the coping mechanisms that the poor have adopted in order to manage in this harsh economic climate.

By comparison to many African countries, Zimbabwe has an advanced and sophisticated financial systems with extensive branch networks, wide area networks affording transactions in any corner of the country, a wide range of institution types and wide usage of ATM technology.

The formal financial sector[4] has 12 Commercial Banks, 6 Merchant Banks, 5 Building Societies, 6 Finance Houses (leasing companies), 7 Discount Houses. There are also a myriad of insurance companies, pension funds, unit trusts, and one Credit Guarantee Company.

The Semi-formal financial sector includes 43 SACCOs (savings and credit cooperative) with a membership of 34,775. There are 344 housing cooperatives of which 273 are registered. There are also several MFIs the majority of which are commercial private companies. There are strong linkages between the semi-formal and formal financial companies.

The Informal sector is in many instances also deliberately linked to the formal and semi-formal sectors. It has numerous Savings Clubs (promoted by several NGOs especially Self Help Development Foundation), Burial Societies, ROSCAs and ASCAs,

[2] MFIs including all types of financial institutions involved in extending microfinancial services including banks, non-bank finance institutions, NGO MFIs, SACCOs, Housing Cooperatives etc.
[3] The US dollar is trading officially at a rate of '55' while the parallel market is currently trading at 200 at the time of this report.
[4] Institutions supervised by the Reserve Bank of Zimbabwe (Central Bank), Annual Report 2000. The number has increased because of the recent liberalization of the financial sector

This study was undertaken during the months of May and June, 2001 and covered two major cities (Harare and Bulawayo) and two major rural settings – Gokwe and Chihota. The main method of the study was qualitative. The details are in Annex 2 and included; secondary data review, 12 traditional focus group discussions, participatory rapid appraisal techniques (five techniques used with 10 groups, 5 individual in-depth interviews. The target respondents included management and of various financial service providers (see Annex 2) and clients.

Defining the Poor?
The poor have been categorised into three different levels, the non- – poor, the poor; and the very poor. The 1995 study conducted by the Government of Zimbabwe, defined the very poor as those living below the food poverty line. The food poverty line (FPL) is Z$1 289[5] and 45% of the Zimbabwean population falls into that category. 62% of the population are poor and only 39% are the non-poor. However given the economic downturn in the past few years, it is likely that these figures have significantly changed. The 2000 estimates indicate that 80% instead of 62% of the population is now in the poor category.

According to the PASS study (1995), major indicators of poverty include, shortage of food, shortage of clothes, poor accommodation, cannot send children to school, no draft animals, begging tendencies and poor health appearance. The major causes of poverty which were frequently cited were, unemployment, drought, low wages, high commodity prices and laziness.

The table below indicates the poverty levels by the geographical areas:

Table 1: Poverty Levels by geographical areas – PASS 1995

Urban Areas	39%
Communal Areas	84%
Small Scale Farming Areas	70%
Commercial Farming Area	57%

Poverty is more pronounced in the rural areas with the female - headed households being more vulnerable to poverty than male headed households. Ironically the rural areas, with more than 70% of the total population are under serviced and lack access to financial services. As indicated in Annex 3, the formal institutions and the Microfinance institutions tend to focus their branch network in urban rather than rural areas. For the rural population coping strategies include; wage labour, sale of assets, famine foods, gifts and migration to urban areas.

The urban poor comprise 39% of the population and the very poor are 21%. The coping strategies for the urban poor as highlighted by the PASS study include: engaging in informal activities and enterprises, migrating to rural areas, credit, expenditure adjustment and support networks. They do not have access to financial services mainly because of lack of resources – they are therefore sidelined by most developments in the urban settings. Most of the people interviewed during the study fall into the category of the urban poor but not the very poor.

3. WHY DO THE POOR SAVE?

Field findings confirm findings from other studies that the poor save money in order to finance lifecycle demands, consumption smoothening, finance emergencies and finance investment opportunities/enterprises. (Robinson M, 2001; Rutherford S, 2000)

Life cycle demands – Based the teams field findings the poor need to save for life-cycle events such as births, children's education, *lobola* (bride price), establishing a home, construction of a house, retirement, funerals and. Marriage/lobola payments were cited as issues demanding savings both in kind and cash.

[5] The National Food Poverty Line of 1 289 was for 1995 when the rate to the USD was approximately 10. If we maintain the US equivalent the current FPL would be Z$12 890 at the parallel market rate of 100.

Consumption smoothening – For most of the poor, savings in small amounts help cumulate lump sums that are useful in cushioning low cash periods. The poor are aware of the lean seasons and always save to ensure that they can afford to meet day – to – day living expenses during lean months.

Emergencies - The poor also save in order to cope with personal emergencies especially sicknesses and death. The savings for death seem to superseded every other emergency as there is a strong belief in "not being poor in death." This is evidenced by the high incidence of funeral and burial insurance or savings schemes among the poor. Although there have been occurrences of natural disasters e.g. drought and the recent Cyclone Eline disaster, the poor in Zimbabwe rarely save for such occurrences.

Exploiting opportunities – The poor save in order to take advantage of business opportunities which, in the informal sector are so abrupt and unpredictable. A common reason for participating in ROSCAs popularly known as "rounds" is in order to buy business goods in bulk and expand the business or diversify into a new business. The poor also save in order to acquire assets e.g. houses, land, or household property.

3.1. How Do the Poor Save – Methods and Devices

The poor use a variety of financial institutions or mechanisms in order to pool and save their money. These include the informal mechanisms, semi formal and formal mechanisms. The informal mechanisms in the context of this study include unregistered, and unregulated financial mechanisms that are organised by the people for the people. They mainly operate within a closed community of friends, relatives or persons with some common bond. The semi-formal mechanisms are formally registered financial institutions but are not regulated and supervised by the Reserve Bank. The Microfinance institutions (MFIs), and the Savings and Credit Cooperatives (SACCOs) fall under this category. Although the SACCOs are supposed to be regulated by the Ministry of Youth Gender and Cooperatives, there is minimal supervision and regulation hence their being categorised as semi-formal as well. The formal mechanisms refer to the financial institutions that are registered, supervised and regulated by a legal instrument, either by the Central bank or some other financial legislative body. These include banks, building societies, insurance firms and pension funds.

3.1.1. Informal mechanisms

> The informal sector – the following mechanisms were identified during the study: burial societies, ROSCAS (*kutambirisana, ukuholisana*), savings clubs, saving at home, reciprocal "lending", saving with employer, saving with super markets.

According to Gumbo 1994[6], the existence of various informal financial mechanisms in Zimbabwe is necessitated by the lack of formalised social security systems for the low income groups particularly women: *"Because of inadequate social security schemes, women in particular have come up with various forms of mutual aid groups which include church associations, rotating savings and credit associations and burial societies. Rotating savings and credit schemes are also popular, among both men and women. They take different forms, but in most of them members contribute money which can be borrowed at an agreed interest rate, with the interest being shared at the end of every year or at other designated times. It is evident, however, that men's groups perform better then women's groups because they have more financial resources".*

3.1.2. Burial societies

Death is one of the most financially draining life cycle events. It often brings extreme financial pressure on the majority of households because feeding hundreds of people (some stay for a couple of days), renting tents/shades, preparing the grave, buying the coffin, preserving and transporting the body, etc can cost a fortune (Wright et al, 1999). The extended family and employers that used to pitch in have stopped. That is

[6]Perpetua Gumbo analyses the gender dimension in social security and unveils the various security systems that women have used to coping strategies.

why there is a plethora of informal organizations called “Burial Societies”. In Zimbabwe, just like most other African countries, the traditional extended family systems have disintegrated or become inadequate considering the level of stress especially that imposed by the HIV/AIDS epidemic enveloping the land.

A growing number of burial societies are introducing linkages with formal funeral insurance providers thus providing a hybrid product that combines the warmth of the burial society and the cold assurance of the formal funeral insurance providers. These linkages have enabled funeral insurance companies the opportunity to offer group insurance policies at a discount because of the reduced transaction cost. On the other hand the policy-holders pay a prestige premium for holding a formal funeral insurance companies policy at a discounted rate while not giving up the human touch that comes with being a part of a caring burial society. They like the impression created (see box below for a detailed description).

The origins of burial societies date back to the colonial era when indigenous people were denied access funeral services. During that time it was very expensive and there was very little transport that one could hire out to take the body to the rural graveyard. There were no mortuary facilities at the hospital – the small mortuary was the preserve for whites.

“*During those days the mortuary was a preserve for the whites and all the dead black persons were piled in a shade where the relatives would pick them up and take them for burial to the specified graveyards. Our local counterparts (indigenous Zimbabweans) would contribute and get the corpses and then by night take them to the rural homes for burial*.” Explained the founder member of Chigwirizano.

Furthermore the cultural conviction of burying someone in their home village in the rural areas was and is still prevalent. The urban settlement was not regarded as the “home”. It became apparent that transport and arranging for the funeral needed sufficient funds which none of them would afford single-handed. The fear of the dead also places untold pressure on the poor forcing sons and daughters to contribute to the burial societies on behalf of their parents (if they cannot afford to do so) so that they offer a decent burial to their parents as a way of appeasing the deceased. The Chigwirizano Burial Society comprises of elderly men and women who categorically stated that the children meet the monthly contributions. The crowds and fan-fare associated with the funeral is the yardstick for decent burial. In urban settings where the community social fabric is thinned out, the burial society provides a functional alternative and generates the crowd from the members.

“Formal and Informal Sector Linkages”
Chigwirizano Burial Society

The society, was started by Malawian immigrants in 1948 and currently has 65 members. It provides a hybrid funeral package in partnership with two formal funeral insurance companies – Doves and Marshfords. The monthly premium is Z$100 of which Z$60 goes to Doves or Marshford Insurance and the Z$40 goes to the burial societies fund. It covers husband and wife plus 2 children below age 18. The typical burial for our society currently costs Z$10,000. Doves contributes Z$6,000 in kind while our burial societies Z$4,000.

When a member dies Doves/Marshford provide the following:

- Transport for the coffin/casket;
- Coffin lowering machines;
- Tent/Shade for coffin;
- Undertakers to lower coffin in grave; and
- Cleaning and dressing and mortuary service.

At the same time the immigrants e.g. Malawians commonly referred to as “Mabhurandaya” during the colonial era, could not afford a decent burial. Most of them didn’t have relatives in Zimbabwe to contribute and meet the funeral expenses or gather for the funeral. As a result the Malawian communities formed lots of burial societies with one of the interviewed group having started as far back as 1948. One of the founder members (out of three original members) is still alive. He described with emotion how it was sad to see his fellow Malawians being dumped into one pit by the "bandits"[7]

Funerals have become a huge expense these days as the standards at funerals have changed from "*the traditional reed mats to fancy caskettes; from traditional sadza and rape to rice, tea or sadza and meat*." "*I don't want to be buried in a black box – I also want a beautiful caskette for my burial*" said a Mr Linje who is a member of Chigwirizano[8] Burial Society. There is growing stigma associated with the black box that was repeatedly quoted in the interviews as the greatest evidence of poverty.

With the current economic hardships and the AIDS pandemic burial societies have increased in size and numbers. The extended family is failing to cope with the expense and it is not uncommon to have two or three funerals in the same neighbourhood at the same time. As a result the financial pressure has significantly increased necessitating the need for being a member of a burial society. Eligibility into the society is flexible but is now more stringent as some burial societies will not accept a suspected sick member.

The main reason why the members value burial societies compared to formal insurance companies is the social fabric that the later creates. Burial society members are mourners who will come to your burial and sit around with you, help you fix the arrangements, cook for the visitors and comfort you. So even if the formal insurance companies were willing to serve this market they cannot match the warmth and comfort that comes from the friends within the society during and after the burial. In some burial societies, after the death of a head of a household the society remains committed to the family to encourage comfort and ensure the widow continues to make the monthly contributions.

Funeral Insurance Companies - Cold and Impersonal

"*The funeral insurance companies give very little for the money you contribute" explains Mrs. Langu, a founding member of Ubare Burial Society. For the $100 per month would get only a coffin and transport for the body. Besides, the staff tends to be very cold and impersonal. On the other hand our burial society, for the same amount of premium, provides a coffin, transport for the body and mourners, plus food to feed the people for 2 to 3 days. We cook the food ourselves and we preach the sermons that go with the event. Tell me what would you choose if you were in my shoes?*"

Some household belong to several burial societies in order to increase the benefit on death. (See text box below)

Multiple Membership – a strategic choice

"*I'm a member of three burial societies, one should provide the casket, food and transport, the other one provides cash to my wife while the third one provides cash for my children," explained Mr January Mumba a member of Kutambura Housing Cooperative*[1]*. Another member of the same cooperative Gladys Mhaka explained that she had two burial societies one in town and the other one in her rural home. "The town based one is responsible for the casket and for transport to the village while the rural based one is responsible for supplying food and organising funeral arrangements in the village - I do not want my children to have any problems with my funeral*".

[7] Bandits was a colonial term referring to prisoners. These were given all sorts of odd jobs including burying those people that didn't have relatives. It was and is still a real shame if one is "buried by bandits" when they have relatives.
[8] Chigwirizano is a Nyanja term that means unity. The full name of the burial society is "Chigwirizano Burial Society – chazobvuta za atu akuMalawi "– meaning Unity Burial Society – for the problems of the people of Malawi.

Although there is some degree of flexibility, most societies will terminate one's membership if one fails to make the monthly contribution. "We summarily terminate non-payers, however, if someone has been a faithful member for many years, attending all meetings and being supportive, we do not terminate them if they are behind on payment because of sickness," explains a respondent, "If they die we bury them. If you miss payments but have gone past the probation period you pay arrears and rejoin".

High inflation is a major challenge to burial societies the inability to create inflationary hedges by investing in fairly stable financial instruments. Current monthly contributions have been increasing at a very high rate in order to keep pace with the inflation. However one wonders how sustainable this is in the long run.

Although some burial societies have failed in the past, the risk of losing the investment or contribution made is relatively low since the basis of acceptance as a member largely depends on social relationships, the reciprocity of services and a strict probation period during the burial society watches the new entrant to establish their character. In addition they do not get involved in lending with its attendant risks. Burial societies are therefore not fraught with fraudulent activities.

3.1.3. RoSCAs and ASCAs, (kutambirisana, ukuholisana[9])

Almost all respondents were members at least one a merry-go-round referred to as "*maround*" or "*ukuholisana*" otherwise known as rotating savings and credit association (RoSCA). The typical RoSCA has 4-15 people with a common bond e.g. employees at the same company, friends, or business- persons operating at the same market making daily, or weekly or monthly contributions. Each member of the RoSCA takes the money (pay-out) in turn until all have received the pay-out. The sequence of getting the pay-out is determined at the beginning of the round. RoSCAs are common throughout the country especially among women. RoSCAs do not charge interest.

Another variant to the RoSCA is the ASCA of which the research team did not find many and hence the limited discussion. The main difference between RoSCAs and ASCAs is that not all members in the latter take out the money. Secondly, those that receive the lump sum pay interest to the group. Thirdly, at a pre-determined time, all members share the dividends from profits generated from lending activities. The reason why ASCAs are not as popular as RoSCAs is because they require some book-keeping skills and time all of which are usually in short supply among the poor. Because of this they are probably perceived as high risk.[10]

Another common variant to the typical RoSCA in Zimbabwe is the "tea party" or "societies". The societies are structured much the same as the RoSCAs except that the member who is getting the contributions that time prepares food, which is sold to the public and to his fellow members. Members pay a premium for the food/drinks as a way of promoting their friend. Members also make financial contributions of different amounts but with a set minimum. These amounts are reciprocated. For example Mary contributes Z$500 to Jane when its member Mary's turn, Jane is expected to reciprocate with the same Z$500. In the rural areas this is popular especially in Chihota where beer - drinking parties are commonly used to pool resources. They also prefer these in rural areas because of the celebration and fanfare around it.

> **RoSCAs Drive Us**
>
> "*Rounds are very common because they force us to work hard. For example, the daily rounds that I'm a member of, I have to work to make sure I give my 200 everyday. It actually forces us to save then when I get mine it will be a lumpsum. In our round we also negotiate so that if I need money earlier than scheduled, I can get it and swap with the person who was supposed to get it that day*".

As in other parts of Africa it is common to find people belonging to more than one round. The reason is usually to manage cashflow timing to respond a variety of needs. For example if one is a member of a

9 In Shona and Ndebele respectively.
10 For and extensive discussion of RoSCAs and ASCAs read Stuart Rutherford's "The Poor and Their Money" (1999)

monthly round and her turn will only come round three months down the road, she may join a weekly one that allows her to get her money quickly and invest in the business. "*The rounds are for different purposes, one is for grocery and the other one is for monthly cash lump sums so I can order goods for my business in bulk or pay rent or pay Zambuko*," explained Maria who is a Zambuko client.

RoSCAS are not restricted to the poor because not-so-poor salaried persons are also members of RoSCAS in order to get lump sums for special occasions e.g. for purchasing building materials for houses, household assets and groceries.

In environments where the cash economy is vibrant especially in market places there are numerous "rounds' with shorter cycles e.g. daily and involving larger amounts. Persons involved in trade are making daily contributions to rounds of between Z$100 – Z$500 (US$1.00–5.00). Almost all the members of the rounds indicated immediate use for the money collected usually in daily consumption at home or as working capital in the business.

The life span of these 'rounds' is so diverse ranging from one year to more than ten years. The composition of the 'round' members may change over time, with other members quitting and new people coming in. RoSCAs are popular because of the low transaction cost, the reciprocity, relatively quick access to lump sums that the poor would not be able to accumulate on their own, the savings discipline they impose on members, and the flexibility in terms and conditions. The RoSCAs members agree on operational modalities e.g. amount, frequency of contributions, duration (life span) and mode of payment. The flexibility with RoSCAs and the in-built incentives with reciprocity make the mechanism self - regulatory.

When comparing this mechanism to formal banking, the poor argue that the RoSCAs are convenient because there are no long lines, no financial transaction costs because they are usually organized at the work place, they build social capital and can be flexible. There were numerous cases of members swapping turns in order to meet emergencies. The RoSCAs even contribute e.g. for death of a close relative making it more than just a financial service.

The risk associated with RoSCAs include the risk of losing money because of incomplete rounds, the conflicts within the group especially in selecting the first recipient of the money and the fact that in rounds that are too big one has to wait for a long time before they can access the lump sum. Methods used in selecting the first recipient include tossing a coin, picking numbers and agreeing to give one needy person who is not the leader. The current rounds tend to involve fewer people (average of 5) and are done over shorter periods e.g. daily or weekly to ensure that everyone gets a turn within the shortest possible time.

3.1.4. Savings clubs (SCs[11])

Savings clubs in Zimbabwe are similar to those in East and West Africa where funds are accumulated in one fund and later distributed to the members - each according to there contribution - at pre-determined time of the year - usually at year end. The clubs identified in Zimbabwe typically comprise of 10 – 30 members that encourage each other to save through meetings on a weekly or monthly basis. The money collected is recorded by the treasurer against each member's record as her own savings and is deposited into the group bank account. The treasurer deposits the savings into the group account at regular intervals e.g. monthly and the passbook is presented at the meeting to indicate how much has been collected and banked. They minimise the fraud risk by the treasurer ensuring a direct deposit with a formal banking institution.

According to a survey (Self Help Development Foundation 2000) conducted in 3 districts, 49% of the saving club members have a personal bank account and that most of the savings clubs prefer to bank with Building Societies because of the low entry requirements. On average, each member has Z$225 (US$2.25) as savings at the club level while the monthly savings at club level per individual are Z$67 (US$0.67).

[11] In a lot of cases savings clubs are taken to be synonymous with ROSCAS although the research team made it clear they maintained the distinction in their analysis.

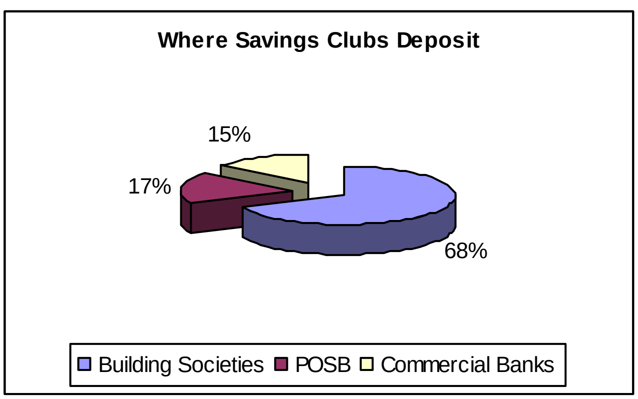
Because of the challenge provided by their illiterate clients, savings clubs use savings stamps that have for years been popular with their clientele. Attempts by Self Help Development Foundation (SHDF) to eliminate the system, because of the cost implications[12] have met with stiff resistance from the clients. According the same survey, 56% of the saving club members indicate that they save in the bank to address emergencies, 22% for agricultural inputs, 12% for school fees and 10% for other. When it comes to withdrawing however, members are withdrawing for 3 main purposes: buying inputs for projects (31%), paying the school fees and the uniforms (19%) and buying fertilizers and pesticides (19%). Emergencies, which are the number one reason for holding the account, comes in fourth position (13%) when it comes to reasons for withdrawal.

Savings clubs are mostly common in rural areas where the social fabric is still intact and the family setting is one that discourages fraudulent activities. Furthermore the members are usually married women. Awano 2000, indicates that 94% of the members are married women who have family commitments therefore cannot afford to defraud the group and relocate. One of the groups interviewed had been in existence for 31 years. The old members accepted the new members who were people very well known to them – "*they grew up here in this community and we know them – so when they join we already know the type of people we are dealing with*".

Savings clubs in Zimbabwe date back to the 60s when a Jesuit priest initiated formal savings by encouraging women in Mashonaland East to save for agricultural inputs. Through his efforts a savings movement was initiated which was and is still receives support and training from Self Help Development Foundation currently serving an estimated 250,000 to 300,000 savers[13].

Traditionally women particularly in rural areas were not allowed to maintain personal bank accounts by their husbands. The only way could save without the 'husbands raising their eyebrows' was through the non – threatening women savings clubs. The savings clubs have increased from 30 in 1970 to over 7,000 in 1998. The use of savings has changed from predominantly agricultural inputs to include school fees, school uniforms, business working capital and loan repayments. The savings clubs savings activities mirror the seasonal patterns for most households with November, December and January as the lowest savings months.

SHDF organizes and trains women in groups based on community geographic structures and friendships. In the groups they would monitor each others' savings through the meetings. The savings clubs promoted by SHDF use simple methods of stamps that are denominated in monetary values.



Each one gets the number of stamps equivalent to the savings made and is particularly useful for the illiterate.

Almost all savings clubs interviewed are saving with banks or building societies. According to Awano (2000) see graph below, seventy percent (70%) of SCs deal with building societies, followed by the POSB (18%), and commercial banks (15%). On average, the SCs in rural areas can access these institutions within an hour. The reasons are mainly because they have lower account opening and maintenance requirements.

[12] Interviews with the management indicated that the use of stamps is not cost effective. An alternative has to be sought if service delivery is to continue cost effectively

[13] SHDF is a not for profit company that was started by Brother Waddilove and for over 30 years was offering mobilising groups, offer training in technical skills and in savings mobilisation and management. The women use stamps as a means of recording savings in individual passbooks and all members savings are saved with a formal financial institution.

People join savings clubs for a variety of reasons as indicated in the table below. The most common reason however is the opportunity to save small fixed amounts in a disciplined manner and accumulate it over time e.g. a month before they take it to the bank (savings account). Amounts typically range from a fixed Z$10 (US$0.10) to Z$20 (US$0.20) per week with amount changed across the year depending on the seasonality of income. The flexibility in the amounts that they save and awareness that whatever they save will eventually build up to the lump sum that they can withdraw towards end of year at the beginning of the farming season is a big incentive for joining the savings club.

Savings clubs also provide a forum for social relationships, encouraging one another and sharing ideas.[14] The other reason why mostly women prefer savings clubs is because they can store money that is beyond their husbands' reach. The gender dimension of poverty is significantly pronounced as husbands are still the "cultural owners" of resources and often-sole decision makers regarding use of resources. They tend to treat the wife as part of his property.

"*Takavadzidza -We have studied our people (meaning the husbands) every penny you make at the market they want you to surrender it to them but this money from the savings club or round or tea party they cannot touch. Its mine! I don't have to beg them for money all the time*," commented one member.

Others have joined Savings Clubs because of the "illiquidity" preference. *"I like the club because I cannot withdraw as I please. As an individual I would have withdrawn the amount at the knock of every small problem. This gives me the opportunity to get a lump sum."* In urban areas, savings clubs have been used for a wider range of purposes including purchasing business stock and paying rent. The savings club contributions are made on daily or weekly/monthly basis with payouts made at the end of the year or end of the month. *"The end of month payouts are good because you can pay rent and get money just like you are working".*

Reasons for joining savings clubs

Reason	**%**
Possibility of saving small amounts	42
Saving discipline	35
Possibility of bulk ordering	20
Learning from each other	9
Security in case of future needs	5
To meet specific financial requirements	4
Working together on projects	3
Learning/exchange skills and information	3
To join others in solving problems	3

Adapted from Lacoste 2001

As indicated in the table above, earning interest on savings is not a major reason for joining savings clubs – however it is one of the considerations made in choosing the bank to save with. The other benefits derived from the savings clubs are the fact that there is no need to maintain an individual passbook (since there is one group/club account). The individuals cut down on transport costs as one member goes to do banking once a month thereby reducing transaction costs. The mechanism also benefits the illiterate members who do not necessarily have to deal with bank transactions. Savings club documentation is fairly rudimentary and for SHDF the use of stamps as a measure of deposits or withdrawals is user-friendly for the illiterate.

[14] At the end of the group discussion the women quickly organised themselves into a choir and joined another of the focus groups that was running simultaneously. They then sang two songs and performed a brief skit that demonstrated the role of women in the families as most men spent their money on beer. I wished I had a video camera.

As a control mechanism, 3 members need to be present to withdraw (Secretary, Chairperson and Treasurer). In addition, there is one member in charge of security who keeps the savings passbook but is not a signatory. Thus although the risk of fraud is minimal due to the often close social relationships the clubs have developed internal control mechanisms.

3.1.5. Saving at home

Almost all persons interviewed indicated that they had savings at home. Most of it though is for emergencies or for meeting daily business requirements. In rural areas there were incidences of elderly people saving at home – underground or on themselves. Cases of amounts of money discovered on someone's body when its prepared for burial were numerous among the elderly in the rural areas. Those who still save at home are suspicious of banks and believe that their money is safer on them than with someone else. Most of the women interviewed indicated that saving at home is risky because of the numerous demands with neighbours borrowing, or the husband taking the money for beer drinking, or the saver using the money for trivial needs. "*If I have money at home, because it is within my control, I can just withdraw it anytime*." The in both rural and urban areas have assessed the risk associated with savings at home and have resorted to banks or investing in non-cash items. The various risks highlighted included:

- Theft at home – the children or in-laws who were trusted as confidante are no longer as reliable so if you disclose your secret home bank to your child, s/he might even take it and misuse it.
- Destruction by fire or other disasters
- Risk of being misused - illiquidity preference

The fact that it doesn't earn interest at home

3.1.6. Savings in kind – and the gender dimension

Savings in kind is a very common form of saving among the poor, which are later liquidated through outright sale or pawning. Because of the way the way saving in-kind keeps pace with inflation, one can only expect increased usage of this form of savings considering the high levels of inflation that have Zimbabwe currently records.

The most popular items include purchasing assets such as furniture (in urban areas) and goats, and cattle (in rural areas). The unique feature about this mechanism is the distinction between what the women and men will invest in. In Zimbabwe because of the gender imbalance, women are still viewed as foreigners (*mutorwa*[15]) in their married family and are not expected to own cattle or immovable property such as houses. In the urban areas, most of the women save in assets such as kitchen furniture, which is traditionally deemed to belong to the wife. However this form of savings is more for inheritance than for future liquidation.

Indivisibility

"*If my daughter needs a dress she does not go to the father. She comes to me and therefore I need cash to buy such items. It takes time to sell a cow and the amount you get is usually much more than what you need,*" explained one woman in Chihota Village.

In the rural areas the women clearly indicated that they would not invest in cattle for a number of reasons.

- Firstly the community regards cattle as a sign of wealth and therefore husbands tend to claim sole ownership. The men make this claim because they regard the home and land and all property as theirs[16]. This means that he can actually sell them and use the proceeds as he pleases.

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[15] Mutorwa is a shona term for a stranger or someone who doesn't belong to the same clan or tribe.

[16] Issues around property rights are still being addressed in Zimbabwe and there is a lot that needs to be done to change the people's mind sets. Traditionally the men were regarded as the ones that would get land from the traditional leadership – and so when they got married they already had land as a resource that could be used by the wife but was not automatically deemed to be hers. The produce from the land and whatever the women worked on was therefore deemed to belong to the men. Thus decision-making powers rested with the men in the home who could distribute the produce or resources as he wishes.

- Secondly most men would not want to see the wife being the one who owns the cattle that are the signs of wealth in a rural setting.
- Thirdly the wives are afraid of the usual neglect that may result when the husband says "you do have the resources so I will not support you and the children since you can take care of yourself".
- Fourthly the women realise that they need small amounts of money often and therefore prefer assets that can be easily liquidated.
- Fifthly the women claimed that the community would see them as enriching the other family (married family) and not their own parents.
- Finally, it also seems as if the women would not like to openly display their wealth through cattle – preferring savings forms that are not visibly deemed as valuable e.g. chicken and goats or grain. In urban areas saving in fixed assets such as land and buildings is common practice even among the poor but not the very poor.

Women value smaller assets that can be easily liquated and that give them options for denominations that are small enough for their needs. Men view savings in-kind (especially in cattle) to have more uses rather than liquidation. Men need oxen and donkeys for farming – they use draught power for ploughing. They also use cattle for paying *lobola*[17] – some of the *lobola* should be paid in the form of live beasts and not cash. Lastly they indicated that the cattle are also used for ritual purposes.

In spite of the hedge against inflation that is provided by savings in-kind, there are certain risks associated with this namely:

- It may not be possible to liquidate the asset as and when the money is needed especially in case of emergencies. The usual result is selling at way below market price.
- The problem of indivisibility of the asset in order to have access to amounts smaller than the values of the assets.
- Natural hazards that affect animals and crops e.g. grain storage is a big challenge in most communities, animal need to be fed and sometimes may die.

3.1.7. Saving with employer

Savings with employer was a very popular method with housemaids/gardeners, farm labourers and other low-income jobs, but has faded over the years. In rural areas it was common for one to work for many years and receive only part or no monthly wage. The savings would be targeted usually for *lobola* or a cow, which the owner would then give to the worker in turn for services rendered. The traditional form involved working for years in order to get a wife – (*ugariri*). This was the easiest way for the poor who could not afford to pay *lobola*. However there were numerous cases of the poor working for years in vain and the mechanism become infamous.

In the urban areas, the house workers preferred saving with the employer because that allowed them to accumulate the meagre wages into one lump sum at the end of the year. This was possible in cases where the worker stayed in the house and fed from the employer thus did not have to meet the daily household expenses. In the informal sector, it was also common for apprentice-workers to save with their employer and get a lump sum to use to buy their own equipment.

Why We Prefer Banks!!

"*We prefer using banks that are secure. Furthermore if you save with the employer and you damage his equipment they will deduct from the money you saved with him – so it's a big disadvantage*,' explained one apprentice welder in Gazaland.

There has been a drastic decline in the use of this mechanism due to a variety of reasons.

- Firstly, the level of trust between employer and employee has declined due to the numerous cases of fraud and losses on the part of the employer;

[17] Bride price

- Secondly the life span of employment contracts has become very short (6 months to a year) instead of 5-10 years that were common previously.
- Thirdly the risk of losing the money upon death of employer or in liquidation of company especially for self - employed employers is very high

3.1.8. Reciprocal "lending"

The most common form of savings among the poor is reciprocal lending. The poor lend amongst themselves both in monetary terms and also in kind. The basis for lending is the knowledge and assurance that the borrower will in future lend back to the lender. The terms and conditions are flexible and although the values are not necessarily exactly the same.

The big limitation is that there is no guaranteed access or availability of amounts required since the lender has limited resources. With the current economic hardships it seems this mechanism is slowly becoming less popular as the lenders are becoming more risk averse.

3.2. Semi formal

The semi-formal sector includes those financial services providers that are not under the regulatory supervision of the Reserve Bank of Zimbabwe. This includes the savings and credit associations (SACCOs) and Housing Cooperatives.

3.2.1. The Savings and Credit Cooperatives (SACCOs)

The cooperative movement in Zimbabwe was born out of the post-colonial socialist ideology. Then the reasons for forming cooperatives were political. However over the years the movement has changed and various types of cooperatives exist. The research focused only on the savings and credit cooperatives and the housing cooperatives were examined in some greater depth and will be discussed herein.

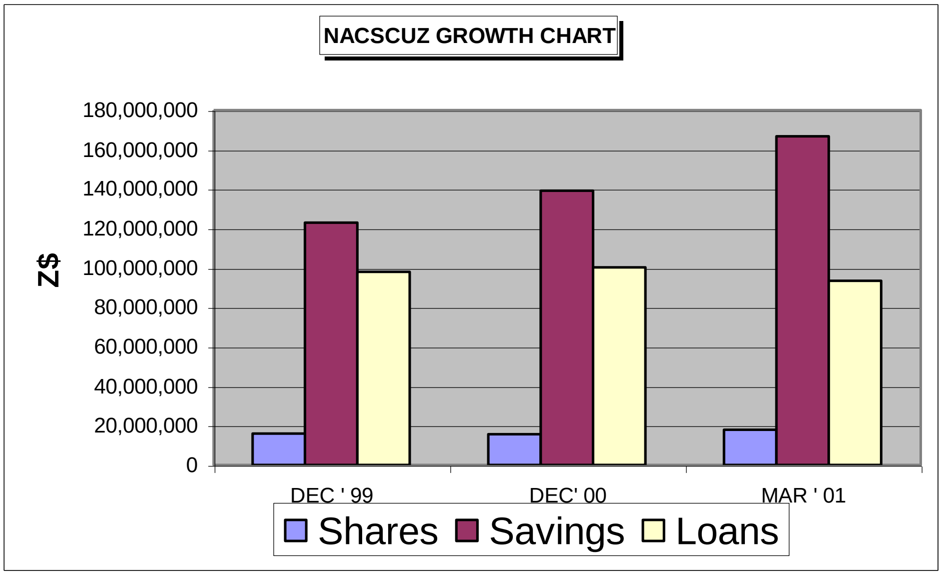
Credit Unions in Zimbabwe (called Savings and Credit Co-operatives or SACCOs) are grouped in to two categories:

- *Worker Based*: these are SACCOs whose common bond is the same employer or profession. Examples include the Post and Telecommunications Corporation and Zimbabwe Teachers' Association. 68% of the SACCOs are based in urban areas with the highest number recorded in Harare.
- *Community Based*: these are SACCOs whose common bond is a geographical location. These are usually based in rural areas, growth points and high-density suburbs and are known in Zimbabwe as 'Village Banks'. 32% of SACCOs are in the rural areas.

As at Dec 2000 NACSCUZ[18] had 43 affiliate SACCOS throughout the country. This excludes other SACCOs that are not registered or affiliated to NACSCUZ. The total outstanding savings as at that date were Z$140m compared to the Z$162m as at March 2001 (see chart below). Although the figures show a general increase in savings/shares, the real increase when considering the rate of inflation is quite nominal. Furthermore the members of the SACCOs are saving because they expect to get a loan. This partially explains why the share values are much lower. In terms of clients' perception, the SACCOs still battle with issues of ownership as the key motivator for members.

The products offered by the SACCOs to their members include: savings, and loan facilities and obviously the share option. The loans are diversified to include agricultural, consumption/non-productive and for enterprises. Savings products are not so varied with the most common one being a liquid savings account. Very few SACCOs offer other products such as insurance and even those that do so restrict it to cover of the loan amount borrowed.

[18] NACSCUZ is the National Association of Credit and Savings Unions of Zimbabwe – an umbrella orrganistaion that is assisting SACCOs with training, and general technical expertise.



As indicated in the table above, over the years, savings in SACCOs have grown, but shares have not increased while loans have almost been constant. Cooperatives have been battling with the concept of ownership versus access to credit. However it seems most members still value access to credit more than ownership and dividends. There are a number of reasons for this. Firstly, the SACCOs have not demonstrated that there is a real return on your shareholding. Secondly the emphasis of loan sizes being a multiple of the savings and not linked to shares makes it imperative for members to contribute more in savings so as to access loans. Thirdly the credibility of the whole movement is still questionable, due to reasons explored below (on weaknesses of SACCOs) and this creates the perception of an insecure financial mechanism.

The Current Legislation

SACCOs, as co-operative organisations, are currently regulated under the Co-operatives Act, Chapter 24:05. However the provisions of the Co-operatives Act, while suitable for agricultural, marketing, service or manufacturing co-operatives, are not sufficient for the regulation of Financial Co-operatives. Similarly, legislation intended to regulate the operations of Commercial Banks is also not appropriate for credit unions, which are membership organisations operating according to democratic co-operative principles.

Limitations of the Co-operatives Act

The main problems and limitations which have been identified with the current system include:

- The co-operative structure is open to abuse by individuals within the membership, putting members savings at risk.
- The legislation provides inadequate measures for control and regulation of SACCOs.
- SACCOs are not compelled to belong to NACSCUZ as the apex organisation and therefore they are not compelled to submit reports or accept monitoring and inspection or audit services from NACSCUZ.
- Ministry officials tasked with administration and regulation of co-operatives do not have the specialist knowledge needed to deal with SACCOs
- NACSCUZ as an apex organisation has no powers of enforcement of regulations.
- More stringent measures for reporting and accountability are needed for SACCOs than for other types of co-operative due to the nature of their business (i.e. people's savings are at risk).

Weaknesses of the Credit Union Sector in Zimbabwe

The following list is a summary of weaknesses identified by NACSCUZ in workshops they have recently carried out:

- Governance and ownership problems – the leadership selection process is not transparent.
- The non-payment of interest on savings and no dividends payouts disillusions members.
- Financial reports are not prepared on time and communicated to members
- No audits or refusal to accept audit coupled with the lack of external law enforcing mechanism or regulatory body.
- There are no or very few regular meetings or Annual General Meetings held.
- Fraud and poor risk management resulting in unwarranted loss of assets.
- Non-compliance with policies, by-laws and the Co-operative Act.
- Under-capitalisation.

As was the case in many parts of the world, SACCOs are prone to mismanagement and corruption due to lack of regulatory and supervisory framework. Most of the weaknesses associated with credit union structure and operations can be reduced or removed through the implementation of effective supervisory and legislative controls. The biggest challenge, however, is how to develop capacity to supervise organizations can potentially run in the thousands being fully aware that legislation without adequate capacity enforcement is not only useless it is dangerously counter productive. It gives depositors a false sense that their institutions are being supervised and therefore safe for their deposits. This false sense unfortunately has caused losses for poor people all over the world.

A 1999[19] research on financial position of 24 credit unions (approximately 52% of the total at the time) revealed that only 8% were found to have 'a semblance of solvency.' The report recommended a serious overhaul of legislation in order to change the way that credit union business was being conducted and perceived.

Following this research and numerous stakeholder consultative workshops was the drafting of a Credit Union Act that provided for:

- Guaranteed protection of member funds.
- Quality financial services to members.
- Healthy and viable credit unions that are sustainable, dynamic and innovative.
- The need for NACSCUZ progressing from a voluntary association of credit unions to a legally empowered regulatory body of credit unions.

The draft Credit Union Act proposes the creation of a Stabilisation Committee, which has the following mandate:
To ensure that credit unions:

- Operate using sound financial procedures and controls and establish adequate reserves.
- Maintain high asset quality and operate profitably.
- Evaluate viability of a supervised credit union and determine whether to:
  a) provide technical assistance and training

provide financial support

  b) merge or liquidate

- Establish and operate a deposit guarantee programme that has capacity to pay part of all of members deposits in the even that a credit union liquidates.

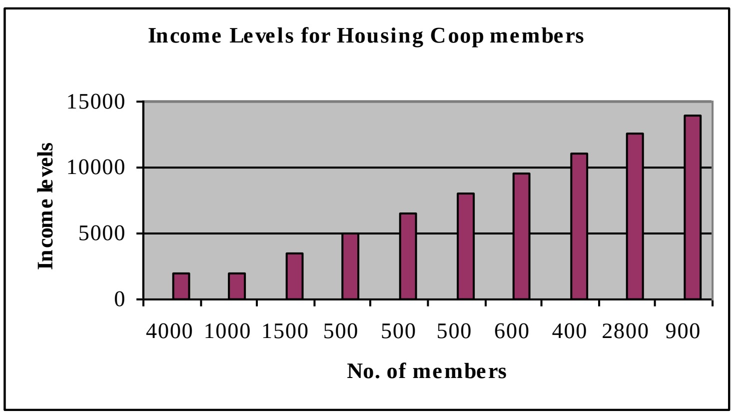
The proposed Act would also recognise the apex body (NACSCUZ) as the apex for all SACCOs and empower them to recommend intervention of the Stabilisation Committee where necessary. The apex is also a member of the Stabilisation Committee with other stakeholders such as Reserve Bank, Ministry of Finance, Ministry of Youth, Gender Employment Creation and Cooperatives (MYDGEC).

[19] Research by the Technical Advisor of the Canadian Cooperative Association.(CCA) The CCA has been providing technical assistance to NACSCUZ and its member SACCOs.

3.2.2. Housing Cooperatives

Housing cooperatives comprise of 10 – 300 members who save their money in a collective accounts to be used for land acquisition, servicing of stands and house construction. The monthly contributions to the cooperatives are recorded against each member's name and then the lump sum is banked in the collective account and/or invested on the money market. Although housing cooperatives like other cooperatives are likely to face management challenges, they are likely to be less problematic because they are a savings-only institutions free from the challenges of credit risk management and default problems typical of savings and credit associations.

Kathleen Kaye (2001) notes that housing co-ops, like any other, register with the MYDGEC in order to gain legal status to be recognised in land allocation processes by the local authorities. Currently, approximately 273 registered co-ops have been identified in Zimbabwe in addition to numerous unregistered ones, bringing the total to approximately 334. In 1992, there were only 32 housing co-ops and the last survey by HPZ in 1999 (Humble), found that there were 135 registered co-ops. Thus, the number of registered co-ops has increased dramatically since 1992, and nearly 140 co-ops new co-ops have been formed just in the past two years. This indicates the growing acceptance of housing co-operatives as a feasible option for meeting one of the biggest savings needs of the poor - housing.



Housing coops are formed mostly by people in the same income level bracket e.g. the worker based coops, and or community based coops. The coops are common in urban areas where the need for housing is greater than in rural areas. In the rural areas, the land is not purchased but rather is inherited and the building materials used are basic which makes house construction not as expensive as in rural settings.

Membership varies between the minimum allowable of 10 to approximately 300 although the latter is recommended considering the group dynamics and challenges of cooperative efforts. The income levels for the participants is extremely low with almost 50% of the coops of members earning Z$4,000 or less. During the study, a group of domestic workers (see box) were interviewed who were earning up to Z$1,800 (US$18) but were currently saving Z$500 (US$5) per month i.e. 30% of the monthly earnings. The range of contributions is between Z$50 – Z$5 000 (US$5-50). As depicted in the figure below, almost 4000 members earn less than Z$2,000 and more than 50% earn less than Z$5,000. These statistics indicate that the bulk of the members of the housing cooperatives are the poor.

As of October 2000, the total amount of co-op savings from the number of coops the co-ops in this survey was Z$98,788,618 with a range between Z$400 and Z$19,830,000. Thus these cooperatives on their own have a significant savings portfolio: Z$85,894,174 of these savings that has been invested in unit trust and building societies. The most common type of account is a savings account invested with a building society.

Even though almost all coops save with building societies, only nine co-ops have received a mortgage facility with amounts ranging from Z$4,000 to Z$1,4000,000. BBS, CABS, FNBS and ZBS were the four mortgage providers for these co-ops. These limited numbers demonstrate the difficulty in obtaining mortgages or loans from financial facilities.

The main motivation for saving for a house is the fact that people that are renting described as "lodgers" are looked down upon. " *We are constantly harassed by the landlords and our wives are forced to wake up as early as 4:00 a.m. to clean up the place - even in a bus someone can just ridicule lodgers as if we are not people*," commented one member of Advent Housing Cooperative.

Kutambura Domestic Workers Housing Co-op
Greendale, Harare, Zimbabwe.

"*Having your own house frees you from the tyranny of the land lord… In life there is one thing everybody should have - a house of their own,* " says Ms. Karimazondo, a founding member of the Co-op.

The Co-op was started in 1989 by domestic workers wishing to own a house. "*We are 184 contributing of $500 per month*," explains Edna, "*So far we have built 32 houses which we rent out. Another 48 stands/plots are work-in-progress. We bought all the stands/plots at once at a cost of Z$960,000. It took us 7 years to raise this money. We deposit our savings and income with Founders Building Society*."

"*We need more education about the banks and the range of products offered by each of them so we can be in better position to select who the best for our needs*".

Constraints to housing cooperative movement

There are however, some important constraints to, and challenges facing, the housing cooperative movement. The main ones are as follows:

The challenge of inflation: As one participant noted, "*The cost of constructing a 3 room unit (one bedroom, one living room, kitchen and bathroom plus toilet) was Z$50,000 in 1992 but currently stands at Z$200,000 because of high level of inflation. The stand is about 0.10 of an acre.*"

Limited access to finance: Cooperatives cannot access mortgage finance to supplement their savings contributions. They are treated by building societies as high-risk clients just like every other poor client although they actually save the coop contributions with the building societies. A few of the cooperatives interviewed also indicated that they were afraid of borrowing. They were not even clear of the terms and conditions currently applying. Hence cooperative member education is definitely a need. By the time they are able to pool enough resources together the impact of inflation will have eroded their capital base.

Cost of building materials: The cost of building materials is going up on a monthly basis as a result of inflation. Coupled with lack of knowledge, the cooperatives also lose time and money with fraudulent contractors.

Corruption: Just like the other cooperatives that have problems with governance and management and are often managed by self-imposed leaders. The housing cooperatives have problems with corrupt dealings within the cooperative itself and sometimes with the contractors or local authorities. These have tainted the image of the movement. In the absence of sufficient consumer protection, and due to lack of expertise information and knowledge, cooperatives often fall prey to corrupt deals in the absence of sufficient consumer protection. "*HPZ could not assist us with a contractor who had defrauded us … and the city council records are inaccurate and keep charging when we have paid. Sometimes they say you are in arrears, then the other time they say you have paid more – we really get confused and no one can help us*", explained one member of Kutambura housing cooperative.

Access to land: It is difficult for the cooperatives to access serviced stands. The local authorities have run out funds to develop the stands prior to allocation. Thus in some cases housing cooperatives have opted for un-serviced land, which then increases the upfront capital as the local authorities insist on servicing the land properly before development can commence. "*We have constructed the core houses and finished but the local authorities will not allow us to move into the houses before we have fully serviced the land. There are no sewerage systems and roads. We wish they could find a contractor prepared to do it for us then we can pay in monthly instalments later*", pleaded one member of a cooperative in a Harare suburb. Zimbabwe still has strict regulations to urban development with the local authorities inspecting new developments to ensure adherence to set standards.

Regulatory issues: The policy framework within the housing cooperatives operate is fragmented with different policies coordinated by different ministries. Firstly the cooperatives are registered and treated in a generic fashion under the Cooperative Societies Act that is not specific to the housing industry. Secondly, because of the movement is unprecedented, the Land Authority and financial institutions do not have specific policies/rules/conditions applicable to the cooperatives. The Land Authorities are even unsure of the point at which title deeds may be passed on to the cooperative members. Thirdly there is no clear housing policy articulating issues of community mortgage. Fourthly the different stakeholders Land Authority, financial institutions, coops are housed in different ministries. This makes the coordination a nightmare since there is no one focal ministry to deal with. *(HPZ report on Microfinance and Housing 2000)*

Internal capacity of the coops: The technical capacity within housing cooperatives, like any other cooperatives, is very limited. Apart from the services offered by NGOs such as Housing People of Zimbabwe, there is little training offered to cooperatives members or leadership. The few that may be competent are full time employees elsewhere and handle cooperative affairs on a part time basis.

3.2.3. Microfinance Institutions (MFIs)

As is the case in East Africa, MFIs that are registered under the Money Lenders Rates of Interest Act are restricted from mobilising savings and on-lending them. The MFIs are faced with two major issues i) the legal constraint and ii) the internal capacity limitation. It is for this reason that MFIs are involved with compulsory savings which the research team did not categorize as savings. Besides MFIs are barely getting the loan product right and the savings management issue could complicate rather than compliment their programming.

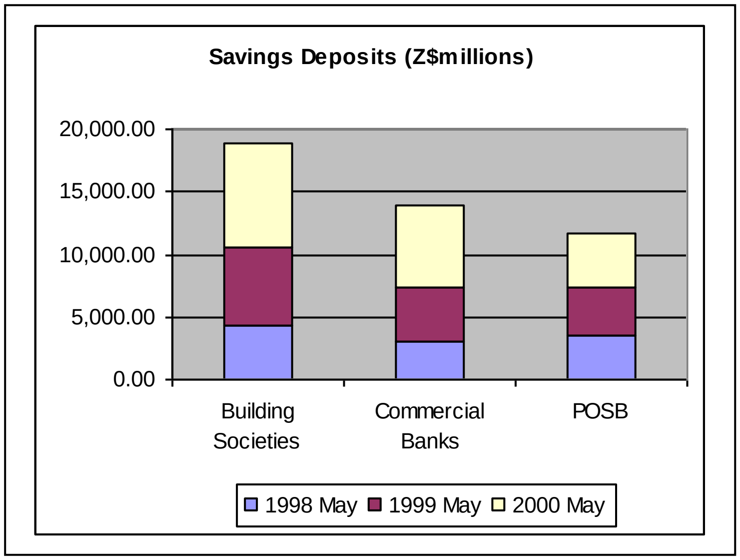
There are close to 35 MFIs country wide that are purporting to serve the poor with financial services lending to 50 000 micro-enterprises in a country where micro-enterprise operators are estimated to be 1.3 million. Out of the 35 only a few approximately 5 have loan portfolios above 5,000 clients (refer to Annex 4). The MFI operations are generic with one category emphasizing individual lending while the other is offering group loans. There are very few programs dealing with village banking with one program supported by CARE International experimenting with community or village banks in rural areas.

Until very recently the microfinance products were limited to the two main services, credit for enterprises and training. Out of the 35 MFIs identified through the National Sector Study, 14 are exclusively enterprise lenders and 8 provide both training and enterprise loans, while 4 are exclusively consumption lenders. Current statistics indicate a high upsurge in the consumption lenders and there are more such lenders who are not members of ZAMFI. The increase in micro-lenders is a reflection of the hard economic times as the poor borrow to smoothen consumption patterns and meet the ever-increasing health, education and death financial demands.

3.3. Formal services to the poor

3.3.1. Building Societies

The formal banks as indicated in Annex 2, are servicing the poor but mainly in terms of savings. This is significantly different to the East African experience, where the banks have actually been pulling out of the poorer communities. As indicated in earlier sections even the informal savings mechanisms lodge their money at the formal bank – a traditional phenomenon unique to Zimbabwe. The People's Bank formerly Post Office Savings Bank had branches and mobile agencies in most rural areas and was renowned for keeping money safely for many years. In Zimbabwe because there is stiff competition within the formal commercial sector, most banks have been forced to downscale. In the recent past, two banks have introduced in-store banking that seems to be targeting the lower end of the market. Kingdom Bank and Century Bank have recently set up branches in high - density suburbs of Harare and are utilising the OK Bazaars and TM supermarket respectively. These supermarket chain stores have a branch network that is nationwide and are also located in rural areas – Rural areas as far as 300 or 400 km out of Harare have branch outlets for the Central Building Society of Africa (CABS), Agribank, Beverly, CBZ.



Most of the people banking with formal financial institutions deal with building societies, the People's Bank or new commercial banks. As indicated earlier most poor people deposit their savings with building societies. They greatly contribute to the 160 millions savings deposits indicated in the table.

The main selection criteria is the minimum opening balance. Currently the major commercial banks Standard, and Barclays are requiring a minimum balance of Z$3,000 and Z$6,000 respectively which is way above the Z$750 and Z$50 required by building societies and People's Bank respectively. The tendency to increase the minimum balances is likely to be on the increase due to the inflationary pressures on the economy.

Another factor considered by the poor when choosing with whom to bank, is the accessibility in terms of geographical proximity as well as coverage. Some of the building societies especially CABS, have a large branch network of 55 branches nationwide with an online computer wide area network. Salary transfers, cash transfers and remittances are actually done through CABS where there is no charge, (for at least the first Z$10 000) made for cash transfers as long as the recipient of the cash has an account with CABS[20].

Preference is obviously for banks that allow for maximum flexibility with mixed reactions to use of ATM facilities. Some of the poor – even in rural areas such as Gokwe (250 km from Harare) claim that they prefer access to ATM facilities while a few conservative ones prefer using the passbook because they have physical evidence. The issue of interest earned on the savings seems not to be an issue when considering savings facilities. Savers value security above the interest offered. This explains why the People's Bank still has the largest number of savers even though their interest may not be as high but the poor perceive the bank as stable since it has been in existence for time immemorial.

[20] With the Central Building Society of Africa (CABS) one can deposit cash (any amount) into an account that is located in another branch and the money reflects on the same day since all accounts are networked. A flat fee of $20 is charged for cash deposit of over $10 000.

Most of the housing cooperatives are saving with building societies but cannot access the housing loans. Out of the more than 300 cooperatives, only 9 had accessed loans from building societies. Access to USAID Housing guarantee scheme has enabled a number of low - income earners to access housing finance. The facility established with the government and implemented through building societies involved investing funds into the low income- housing sector through a one on one matching grant. This enabled the building societies to offer housing loans at a lower rate than the normal – (18% instead of 27%). However the scheme encountered problems when in year 2000 interest rates soared an all time high of over 70% (with TB rates at 72%) and building societies would prefer investments to mortgage finance in order to maximise profits. Furthermore it was difficult for the building societies to mobilise the usual cheap funds from the market as alternative investment instruments were highly competitive. The situation has changed now with new government policies that have seen T-bill rates plummeting to as low as 15% in just over six months.

3.3.2. Unit Trusts and Shares

In the past two years the Unit Trusts market has been growing and expanding the outreach to the poor. The major trigger for the poor to participate in the share market was the de-mutualisation of the largest insurance firms Old Mutual in 1999/2000. A large number of the working poor who had pension policies with Old Mutual suddenly became shareholders and were given the option to sell their shares. It was also at the same time that the interest rates were very high and the poor could sell shares and could invest the money through the Unit Trusts and live off the interest. During the same period, a number of locally owned financial institutions and the First Wireless network company listing on the local bourse and this increased the involvement of the poor with the stock market. Housing cooperatives, burial societies and some of the poor quoted ‘Unit Trust’ as one of their savings instruments. Furthermore as more and more financial institutions have been entering that market, there has been a tendency to reduce the minimum amounts required for Unit Trusts investment per individual with the lowest being Z$10,000. The promotional campaigns carried out by dynamic financial institutions such as Kingdom Financial Holdings have increased the layman’s understanding and appreciation of the instrument. There is now an increased awareness to the fact that you can invest for a return.

3.3.3. Pension facilities

Pension facilities have been a privilege for the working class and non-poor. Company and individual contribution-based schemes are common for permanent workers including blue collar workers, but rarely available for the self- employed. However there has been a new development with the creation of a pension facility for farmers through the Zimbabwe Farmers Union (ZFU). The ZFU pension facility is a formal pension mechanism that is being offered by a formal financial insurer ZIMNAT to ZFU members who are communal farmers. These would not, under normal circumstances, qualify for insurance cover. The pension facility has been designed to allow for small contributions that can be paid as a one off annual premium after marketing their produce. The fund covers retirement, disability and death.

Reason for joining	***%***
Retirement and pension fund	*76*
Financial security	*27*
Death	*35*
Disability	*18*
Source of investment	*9*

The Pension fund has encountered the following problems:
Mode of payment of premiums and accessibility: The farmers are expected to visit the payments offices to make payments in person. The farmers find these transactions as expensive and time-consuming who have to make trips to payments offices most of which are located outside the district.

Communication: The majority of the farmers prefer workshops and seminars as the best methods of communicating changes or disseminating information. This is because the other modes of communication like press, radio etc are not appropriate and not interactive and there fore could have contributed to the slow uptake of the scheme.

Terms of maturation: The long - term nature of the fund, like any insurance program does not meet the farmers' expectations. As the farmers confront daily financial problems they would like the flexibility of easily accessing the fund e.g. through loans against contributions. "The need to have a flexible fund which solves immediate financial problems has led some farmers to look for alternative welfare systems such as burial societies and savings clubs", Mukora 1998.

Limited coverage: The insurance does not cover the loss of assets e.g. livestock and crops which the communal farmers value. This seems to be a key issue and may affect the long-term sustainability of the fund.

In order to address the above constraints Mukora1998 made the following recommendations:

- The rotating savings and credit schemes, which exist around the country, should be upgraded to form mutual aid societies, providing people with a base from which they can protect themselves against a variety of contingencies by sharing risks and pooling resources. The membership of the mutual aid societies should be large enough to provide economies of scale.

- In order for these societies to be responsive to the day-to-day needs of smallholder farmers, they should also provide loans to meet pressing needs such as health and education, and for the purchase of agricultural inputs. As management of the funds and the maintenance of records are crucial to the viability of the scheme, the farmers will need assistance from reputable NGOs, who may even be willing to absorb some of the initial administrative costs. The mutual aid societies should be linked to the formal system so that smallholder farmers enjoy better social protection by being integrated into the mainstream.

- In order to increase the take-up rate, NGOs can act as intermediaries between the groups they work with, and the insurance companies; the use of several intermediaries will spread the administrative costs and thus make premiums more affordable. *Extract from Social Security Systems in Rural Zimbabwe 1998 page 71 -72*

3.3.4. Funeral Insurance Companies

A wide selection of funeral services companies is operational but these are mainly for the not so poor. There has been a rapid increase in the number of funeral insurance companies is a direct reflection of the impact of the AIDS pandemic. Informal sector coffin makers are actually increasing as well. Insurance firms have diversified their product range too, to cover funeral insurance as well. One formal funeral insurance company called Homage Funeral Assurance, is specifically targeting the poor and taking a holistic approach – provides funeral services, counselling, training and after bereavement care.

A Holistic Approach to Funeral Insurance
Homage Funeral Assurance - Harare

"We do not simply deal with death and burial. We provide counselling and comfort to the family before, during and after death. We are not just undertakers. We provide for wide range of needs to the family especially children to help them cope with the death of there parents. This has become increasingly necessary especially since 80% of deaths are HIV/AIDS related", explains Paxton Chivera, Managing Director of Homage Funeral Assurance. "We take the orphans for a week long - retreat to help them manage the shock of death and build new confidence. We visit the schools, talk to the head master as we monitor their progress". There is a lot more emphasis on working with groups like burial societies.

HFA policy covers :

- Ambulance body removal service
- Full burial documentation and all funeral arrangement
- Full mortuary body embalmment, dressing and cremation facilities
- Selection of all types and sizes of coffins and caskets
- Church prayer and service chapel facilities
- Country wide hearse transport and up to 5 people to any burial location
- Grave lowering machines and covering tents
- Country wide mourners bus transport to and from any burial location

The groceries that they used to supply were recently scrapped because of the difficulty in managing the logistics.

Group premiums for burial societies and companies are lower because of the of the lower administration cost. The average size of a burial society is 30 people and the number of burial societies is currently around 70. The premium is Z$50 per person. There are levels of premiums each having various levels of cover. The variations are mainly in form of the type of caskets in order to meet the needs of different income groupings.

Promotion is done during the funeral meetings and visiting bars and such meeting places. Every burial is a promotional opportunity. Homage works with Burial Societies to reduce the cost of administration of services to lower income earners. Individuals interested in participating are referred to a local burial society in their neighbourhood. Once the society is ready, trained pastors visit to sensitise the community about the lifecycle from creation to death. The programs are customized to meet different groups' levels and needs.

4. WHAT EMERGES AS IMPORTANT FOR THE POOR

The poor apparently maintain different savings mechanisms due to the value placed on specific characteristics of the mechanisms. A review of the key features perceived as in savings facilities is provided below:

Product attribute	**Comment**
Minimum opening balance	"*We do not want to tie up a lot of cash in the bank which we cant use*."
Flexibility in withdrawals	Post Office Savings Bank has the lowest minimum opening balance but because they have too many restrictions on withdrawals they are no longer as popular. "*We want facilities that are flexible like ATMs where I can get money any time. If I send my husband to the bank as long as I have signed the withdrawal slip I expect my money. I don't want to hassle in getting my money as if I'm begging the bank*".
Proximity	Savings clubs in rural areas assist the poor in accumulating the savings before one member takes them to the bank that is usually located out of the village. Transport costs should be minimised.
Credibility of mechanism	"*Once an institutions poses like a bank it must have the infrastructure and a big sign post that shows that it's a bank. This (referring to WDCS office) is not a bank – you cannot even refer a customer to this place. A big building at a site that is visible, with a big poster indicates permanence*".
Customer service	This includes the time spend in the queue, ability to respond to queries and treating adults with respect. Most of the poor value this and do not want to spend.
Access to credit	For most of the poor access to credit is critical and that is why RoSCAs are popular. Easy access to credit against the savings accumulated or against future savings is highly valued.

- *Use of technology* – the poor are becoming sophisticated with most of them preferring the use of an ATM card instead of passbooks. The use of smart cards or credit cards for lending purposes should therefore be explored. Some clients prefer using the ATM cards because of the flexibility it offers - they can easily access their money anytime anywhere.

- *Payment procedures* – the MFIs should use stop-order facilities where there is an automatic debit to the savings account on the day of repayment. The poor are as time conscious as anyone in the market, and clients would not like to waste time on monthly transaction.

- *Simple procedures and documentation* – the researchers found out that in almost all the institutions (SHDF, WDCS, ZT and CBZ) almost half of the clients interviewed did not know the correct procedures. There is minimal communication with clients. Almost all documentation – even for rural clients in Gokwe, is in English for all the MFIs interviewed. Changes are often not communicated to clients and there seem to be discrepancies between branches. It is important for MFIs to perform operational audits and periodic client interviews that are critical for continuous product refinement. Exit interviews that are rare should be instituted as they also assist in highlighting areas of concern. As was the case in the East African context, client dissatisfaction levels are very high.

- *Savings* – clients do not like the compulsory savings that almost every MFI collects. MFIs should review the use of banks as disbursement mediums as some clients have difficult in accessing their loans through the banks. SHDF and Zambuko clients cited examples of inefficient services through the banks whose operations are completely out of the control of MFIs. The only strategy that in the interim (prior to the amendment of the current legislation regarding savings) is the formation of bank/MFI strategic partnerships in order to deliver a holistic and integrated service to the poor.

4.1. Suggested products include

Savings product – A contractual savings product could easily tap into the savings clubs that are currently depositing their money with building societies from they do not get any other financial services e.g. loans. Some of the clubs are even saving money with a local chain store and saving for Christmas groceries. They are quite aware of the inflationary impact and the fact that they are not earning interest on it. However the reason why they continue to do it is because they want the discipline i.e. targeted and bonded savings. This could be exploited by a bank offering interest and then pays out in the form of a voucher or grocery coupon at the end of the year. It would give the client the flexibility in terms where to buy, as well as earnings on the savings.

Educational savings - The same contractual savings product could be used to save for educational purposes. This facility could then be used to access an educational loan as a top up to the savings. Institutions such as WDCS that are already offering liquid savings and educational loan could benefit from a mix of the two. An analysis of the seasonal flows of income and expenditure indicates that there is a lot of cash towards the festive season (Christmas) as companies, government and savings clubs pay out bonuses at that time. It would be prudent to save part of the money during that time when there is excess liquidity and save for the school fees in January.

Theoretically, the whole issue of savings currently in Zimbabwe given the inflationary environment should not be attractive – but the presence of the numerous informal savings mechanisms could be a further indication that the poor perceive savings not necessarily as investment instrument.

Insurance - A number of clients now value the long - term benefits of insurance facilities and would benefit from insurance schemes. These would need to be carefully designed to meet the needs of the clients without unnecessarily overloading the institutional framework.

Housing loans – To assist in finishing up houses that have already been built – e.g. windows, doors, plastering or roofing. The presence of housing cooperatives that are pooling resources and actually building core houses in urban areas is a positive indication of the 'social capital' that could be exploited by financiers. Linkages between technical NGOs such as Housing People of Zimbabwe, would provide useful synergies. The NGOs would provide technical expertise and training to housing groups (though these need not necessarily be registered cooperatives) while the MFIs process the funding. In the initial stages the funding should be limited to short term housing improvement loan and not house constructions.

Streamline and diversify the loan product – The current standard MFI loan product is too generic and is not packaged attractively. There is an urgent need to review the guarantee mechanism, loan amounts and processing time.

5. RECOMMENDATIONS

- Because of the regulatory limitations towards direct savings mobilizations, MFIs should explore strategic partnerships with deposit-taking financial institutions to respond to the myriad savings needs and opportunities presented by the poor. The Central Bank is open to self – regulation and is committed to review the regulations around deposit mobilisation.
- Burial societies have demonstrated that they are responding to a huge need. As the more sophisticated burial societies have demonstrated, it is clear that forming or strengthening strategic alliances with formal insurance companies – especially funeral – to deliver group policies at a lower transaction cost to the insurer is in demand.
- Supervision and training of SACCOs will be crucial in order to tap into the huge potential for savings mobilization. Legislation must be supported, keeping in mind that legislation without capacity to supervise may cause more harm than good because it communicates a false sense of security and

confidence in the institution to the unsophisticated public and may result is serious loss of there deposits in the event of failure.

- Housing cooperatives have demonstrated a huge potential for longer-term savings mobilization. Strengthening linkages between housing cooperatives and building societies, especially on the HPZ, should be strengthened in their roles of:
    - helping the poor through the complexities of accessing serviced land,
    - lobbying for more streamlined and coordinated procedure between the various government departments and
    - strengthening the internal operating capacity of cooperative through on-going training.

- There is growing evidence that more poor people are investing in unit trusts as indicated by the management of one of Zimbabwe's most innovative unit trusts. This presents a fresh opportunity to disseminate information and strengthen linkages to allow more poor people to save or invest with the stock exchange to better manage the adverse effects of inflation.
- Since the poor value some products attributes in surprisingly different ways, MicroFinance Institutions should use systematic market research and product development for a continuous process of product quality refinement. At present the key challenges for MFIs are:
    - to reduce the financial and non-financial transaction costs both for the client and the institution and
    - the effective and simplified product promotion of carefully designed or refined products.

- Seek ways of addressing the adverse effects in inflation by looking for inflation-linked investments. Investing savings in unit trusts seems to be one of the potential options for hedging against inflation.
- There is a need to conduct a cost benefit analysis around the subsidized savings mobilization activities of SHDF at a national level. Currently they have linked between 250,0000 to 300,000 clients with reasonably large savings to formal financial institutions by promoting savings clubs. Sustainability considerations are forcing SHDF to increasingly focus on credit and this might have adverse effects on savings mobilization.
- Since the majority of the poor (54%+) maintain bank savings accounts because of emergencies, this message must be incorporated in designing marketing and promotional campaigns
- The poor are becoming sophisticated with most of them preferring the use of an ATM card instead of passbooks. The use of smart cards or debit card for transaction purposes should therefore be explored.
- MFIs should seek to simplify deposit and withdrawal procedures and documentation since so many of the clients interviewed did not know the correct procedures. It is important for MFIs to perform operational audits and periodic client interviews that are critical for continuous product refinement. Exit interviews should be instituted to highlighting areas of concern.

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Annex 1

MicroSave
Market-led solutions for financial services

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Terms of Reference
For
Study on the Use and Impact of Savings Services Among Poor People in Zambia, Zimbabwe and South Africa

General Background:
After nearly 20 years, the microfinance industry has enjoyed a great deal of success in terms of outreach and sustainability, particularly in certain parts of Latin America and Asia. However, microfinance remains primarily a supply-driven endeavour, with a limited number of methodologies applied to provide mainly working capital loans to poor microentrepreneurs. Over the past few years, industry practitioners and experts have increasingly recognised that the poor require a wider range of financial services to manage risk and improve their welfare. Savings services in particular have garnered much interest, especially in Africa where the traditional supply-led credit models have not resulted in the hoped-for massive outreach and sustainability.

In recognition of this industry shortcoming and the particular challenges of the African microfinance sector, the CGAP Savings Mobilisation Working Group held an Africa Conference on "Savings in the Context of Microfinance" in February 1998 in Kampala. The conference results and demand from MFIs for great information on and assistance with the development of savings services inspired UNDP and DFID to start the ***MicroSave*** initiative to promote savings services for poor people in Africa.

Mid-Term Review & Project Description:
A mid-term review and appraisal for a second phase of the project carried out by CGAP staff and renowned microfinance experts Beth Rhyne and Marguerite Robinson fully endorsed the extension of ***MicroSave*** for another three years. The new project, called ***MicroSave*** II would be jointly funded by CGAP and the original funders, DFID and UNDP, and expand operations from three to eleven countries in East and Southern Africa.

The overall strategy for ***MicroSave***- II entails a three-pronged approach that builds on the successes of the first project while widening the scope of activities.

- The project will continue to broaden the core messages about listening to clients and new product development through research, curriculum development, and dissemination efforts.

- ***MicroSave***– II will create a significant demonstration effect through its work with 6-8 action research partners, with a goal of at least 75,000 clients benefiting from new or refined financial services.

- Finally, the project seeks to ensure the sustainability of the training and technical assistance aspects of the market research agenda beyond the project life by training others to deliver the services directly.

All core elements of the project work together in a synergistic way. For instance, the field research informs and is informed by the action research, and both of these pieces feed into curriculum development. All curricula are tested first with the action research partners before being passed on to outside service providers. Active information dissemination and leverage of outside dissemination networks assures continued project impact beyond ***MicroSave's*** immediate project area.

Specific Background:

Throughout Africa there is a vibrant, active and diverse informal financial sector (Adams et al., 1992; Ardener and Sandra (eds), 1995; Aredo, 1993; Aryeetey and Gockel, 1991; Aryeetey et al., 1997; Bascom, 1952; Bolnik, 1992; Bouman, 1995; Brundin and Sandstrom, 1992; Cuevas and Schrieder 1991, Delancy, 1977; Dodson, 1997; Geerdes, 1975; Geertz, 1962; Haggblade, 1978; Jerome, 1991; Mauri (Ed.), 1977a; Mauri, 1997b; Mensink, 1995; Miracle et al., 1980; Osuntogun and Adeyemo, 1981; Pal, 1997; Rutherford, 1996; Shipton, 1990; Shipton, 1994; Steel and Aryeetey, 1994; Temu, 1994; Webster and Fidler, 1996; Zeller et al., 1991; Zeller, 1993). Traditional systems exist for both saving and/or borrowing. ***MicroSave*** seeks to learn from these systems, and from the savings services provided by more formal financial institutions both semi-formal (village banks, small credit unions etc) and formal (large credit unions/SACCOs, NGO-MFIs and formal sector banks). Through reviewing these savings services, how they are used and their impact on poor people's household budgets, ***MicroSave*** hopes learn lessons important to MFIs seeking to introduce secure poor-responsive savings services.

The Study:

The purpose of this study is to improve knowledge and understanding of (if and) how poor people in East Africa save, how they use different savings services/systems and the impact of those savings facilities on their household budgets/lives. The results of the study will play an important part in defining the agenda of ***MicroSave***, and the issues that it raises with MFIs involved/interested in savings mobilisation, local service providers and AFCAP.

Specifically, the study will:

1. pay particular attention to looking at a variety of savings services used by poor people (ranging from current accounts to funeral funds, from contractual savings agreements to ROSCAs and even including methods of saving "in-kind");
2. examine the perceived advantages and disadvantages of this variety of savings services;
3. examine the socio-economic characteristics of the people using the variety of savings services;
4. develop an understanding of how savings services are used to manage household income/expenditure flows;
5. review the results of the ***MicroSave*** study of drop-outs among MFIs' clients;
6. develop an understanding as to whether the availability of savings products increase or decrease the demand for loans and affect the quality of MFIs' loan portfolios;
7. develop an understanding of why some (if any) people do not make monetised savings, and what financial savings services might induce them to start monetised savings; and
8. draw lessons for MFIs seeking to develop savings products for their clients.

Methods:

The study will use some limited quantitative data derived from the MIS of MFIs involved in the study. However, the majority of the research will be undertaken using qualitative and participatory research methods, in particular in-depth interviews with people who are clients of a variety of MFIs (formal sector banks with deepened outreach, NGO-MFIs, Savings and Credit Cooperative Organisations, Village Banks) and informal financial organisations such as ROSCAs, funeral clubs etc. The study will also conduct interviews with poor people who are not members of these organisations to discover why they are not, and how (and if) they save.

Geographic Scope:

The study will be focused on three countries Zambia, Zimbabwe and South Africa, and will examine savers in both urban and rural settings.

Implementation:

The study will be conducted by AFCAP Associates trained in ***MicroSave*** "Market Research for MicroFinance" methods supervised/assisted by AFCAP mentors/international consultants with experience in conducting client-perspective-based, qualitative research on MicroFinance-related issues.

Timing:

The study will run for a total of 27 working days (including travel) from around May 21st to June 23rd (Zimbabwe) around June 25th to July 28th (Zambia and South Africa) with an additional day for finalising the report (Total 28 working days).

Reporting:

The AFCAP Associates will be responsible for drafting the country reports, in collaboration with the AFCAP Senior Consultants/mentors. However, ultimate responsibility for the quality of the final reports will lie with the AFCAP Senior Consultants/mentors.

The report for each country should be delivered in draft form to ***MicroSave*** for review prior to finalisation. The report must be no greater than 30-40 pages in length and include a 3-5 page executive summary and be delivered in both hard copy and on diskette (in Word 2000 or 6/95 format).

The report will follow the format (particularly the financial service analysis tables) of the attached report on "Savings and the Poor: the Methods, Use and Impact of Savings by the Poor of East Africa".

The report will include:

1. An analysis and description of the variety of savings services/systems examined;
2. An analysis of the socio-economic characteristics of the users of the savings services, and those who do not;
3. An analysis and description of the uses of these savings services/systems and their effects on the quality and quantity of the MFI's loan portfolio;
4. An analysis and description of the impact of these savings services/systems on poor people's household budgets and lives;
5. Recommendations for methods for linking informal savings systems/systems into semi-formal and formal sector financial service operations; and
6. Recommendations for MFIs seeking to introduce or diversify savings products into their portfolio of services

Personnel:

Provisionally, the personnel will be as follows:

Study Site	Associate	Senior Consultant/Mentor
Zambia	David Musona	Evelyn Stark
Zimbabwe	Petronella Chigara	Leonard Mutesasira
South Africa	Prosper Nyirumuringa	Robert Hickson

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Annex 2

Name of Group	No of participants
Zambuko – Mbare Women	10
Mbare Group II	11
Innscor Housing Co-op males	12
Advent Housing Co-op Glenview	9
Chihota Clients Group 1 (mixed)	8
Rudo Burial Society –Chihota	10
Kutambura Domestic Housing Co-op	8
Kutambura Domestic Housing Co-op	4
Chihota Rural Farmers – Women & men	25
Highfield Machipisa Traders	6
Kushinga Burial Society	31
Welding Group Gazaland	12
WDSCU- Urban clients	9
Ubare Burial Society D2	7
Gokwe Trading Group 1	11
Bereaved Family Services	1
Gokwe Group II – 2 groups (women only)	9
Chigwirizano Burial Society	11
Kuwadzana Ex – Zambuko Clients	5
CBZ current clients	16
CBZ savings club	10
CBZ clients Head Office	4
Zambuko clients Head Office	7
Zambuko clients Nkulumane	6

Management Meetings

Name	Organisation
Masunha Chikami Mr Mutambira	SHDF
Tawanda Sibanda/ D Kombanie	Zambuko
Mr Chivera	Homage
Mr Takaringwa	Berverly
Dyson Mandivenga Mr Maeresera	CBZ
Mrs Nyakunengwa Mrs Gudza Mrs Makomva	WDSCU
Mrs Moyana	Gokwe – WDSCU

Annex 3

Overview of the Financial Sector in Zimbabwe – Extract form the Zamfi Sector Survey
The formal financial sector in Zimbabwe is much more advanced than most developing countries with the central bank playing a crucial role as the superitendency. There is a wide variety of financial mechanisms ranging from commercial banks, building societies, hire purchase, insurance houses, pension facilities etc. Within the banking sector the following categories are described briefly hereunder:

- commercial bank
- accepting houses
- discount houses
- finance houses
- building societies

Commercial Banks

There has been a vast increase in the number of Commercial banks in Zimbabwe since the liberasation of the banking sector, from 5 commercial Banks in 1995 to 14[21] as at the time of this report. This is in spite of the fact that commercial banking capitalisation has been increased from Z50m to Z$100m in the recent past. Currently there are 18 commercial banks that are fighting hard to maintain their clientele in a highly competitive environment.

Commercial Banks are the largest institutions in the banking system in terms of total financial system assets, total loans and advances, and deposits. Commercial banks in the past have been heavily oriented towards financing private consumer durables, agriculture and manufacturing inputs, raw materials and distribution of goods.

In a country this small with a population of barely 12 million people of which 70 % are rural based, debate on whether Zimbabwe is over-banked has actually been raging on. The rural branches for all the commercial banks are the smallest and are not as many as the urban branches. However most "growth points"[22] have banking facilities provided mostly by Building Societies, POSB, and Agribank.

Table 2: Commercial Banks Branch Statistics

Bank	**Geographic Distribution** (“Other = mainly rural branches)						**Total Number of Branches**
	Harare	**Bulawayo**	**Mutare**	**Gweru**	**Kwekwe**	**Other**	
Standard Chartered	14	3	1	1	1	21	**41**
Stanbic	7	2	1	1	1	1	**13**
Metropolitan	2	1	0	0	0	1	**4**
Time Bank	4	1	1	0	0	0	**6**
First Banking Corporation	3	1	1	1	0	2	**8**
Agricultural Bank	2	1	1	1	0	8	**13**
Barclays Bank	14	4	1	1	1	17	**38**
Zimbabwe Banking Corporation	14	3	1	1	1	14	**34**
Commercial Bank of Zimbabwe	6	2	1	1	1	3	**14**
NMB Bank Limited (NMB)	1	1	0	0	0	0	**2**
Total	**67**	**19**	**8**	**7**	**5**	**67**	**173**

[21] Barclays Bank of Zimbabwe, Standard Chartered Bank Zimbabwe Ltd, Stanbic Bank of Zimbabwe, Commercial Bank of Zimbabwe Ltd, First Banking Corporation, Zimbabwe Banking Corporation Ltd. (Zimbank), Time Bank Zimbabwe Ltd, Metropolitan Bank of Zimbabwe, Agribank, NMB Bank of Zimbabwe, Century Bank of Zimbabwe, Trust Bank of Zimbabwe, Kingdom Bank, People's Bank.
[22] Growth Points are commercial trading centres in a rural area with government offices, markets, banks, shops etc.

According to the geographical spread about 61% of branch network is located in major towns and cities. Most of the other branches are located in smaller cities, tourist areas and growth points. This analysis shows that the formal banks are not catering for the low income and poor who constitute the majority in the microfinance sector and are mostly resident in the rural areas.

According to the Reserve bank of Zimbabwe[23] (RBZ) as at May 31 2000 the commercial banking sector granted loans totalling Z$41.4 billion with agriculture taking Z$9.6 billion followed by manufacturing at Z$7 billion. See Table 3 below. It should be noted however that the bulk of these loans are to the formal sector and corporate companies and very little goes to the informal sector.

Table 3: Sectoral Analysis of Commercial Banks Loans and Advances (000s)

Sector	May 1999	May 2000
Agriculture	5,217,213	9,591,127
Construction	512,251	1,281,045
Communication	617,215	695,873
Distribution	5,336,302	5,530,331
Financial & Investments	1,024,969	4,140,749
Financial Organisations	342,188	1,285,195
Manufacturing	5,957,231	7,041,636
Mining	1,678,195	2,807,064
Services	5,173,119	3,659,814
Transport	1,103,893	1,284,335
Individuals	3,381,242	3,991,963
Other	61,053	90,650
Total	30,404,871	41,399,782

Loans to the MSE sector

As noted from the table above very few commercial banks deal with the poor or the informal sector. However in relative terms a number of banks have taken initiatives to support the sector with Barclays Bank Small Business Unit, Agribank Smallholder farmer lending and CBZ. For example Commercial bank of Zimbabwe (CBZ), trading as the Jewel Bank, has created a division called Community Banking to cater specifically for micro enterprise lending. Barclays Bank of Zimbabwe has also got a specific section that targets the micro and small sector. On the other hand banks actually disinvested in the small enterprise sector by closing down the Small Business Units.

Credit Guarantee Company (Private) Limited (CGC)

The Commercial banks have been tying to address the issue of collateral as well as promoting entrepreneurial culture as way back as 1978.This they did by the formation of Credit Guarantee Company (CGC). The shareholders of CGC are the Reserve Bank of Zimbabwe, Barclays Bank of Zimbabwe, Commercial Bank of Zimbabwe, Stanbic Bank, Standard Bank of Zimbabwe, Zimbabwe Banking Corporation and Zimbabwe Development Bank.

The main mission of CGC is listed as follows:[24]

- To facilitate and enhance the economic well being of potential and existing marginalized, micro and small to medium scale entrepreneurs (MSMEs) in Zimbabwe.
- To develop a critical mass of profitable MSMEs in Zimbabwe through credit guarantee provisions to participating banks, thereby increasing the bank’s client base without any significant increase in loan default and/or write-offs.

[23] Reserve Bank of Zimbabwe Monthly bulletin June 2000
[24] Credit Guarantee Company Business profile

- To assist in the sustained economic empowerment of MSMEs by providing a basis through which they would be able to create a resource base that could be used by them in future credit access transactions.
- To assist in filling the credibility gap of MSMEs in general and demonstrate the credit worthiness of qualifying MSMEs under the guarantee scheme in particular.

As at December 1999 CGC had a total loan portfolio of Z$50million of which 50% is purported to have been channelled towards the MSEs. However given the differences in definition of MSEs it is highly likely that the money has been invested into larger businesses than the micro enterprises. Furthermore the funds were distributed through the traditional commercial banks which are not naturally pro-microenterprises.

2.2.4. Accepting house/Merchant bank

As of December 1999 there were 8 merchant banks in Zimbabwe. It must be noted that Trust Merchant bank and National Merchant Bank have since been granted Commercial Banking licences. Merchant Banks offer a full diversity of financial services except current accounts (cheque facilities). MFIs are making use of the institutions by placing investment funds to try and maximise their returns.

Discount houses

There are 6 discount houses that provide discount house services ………
Discount houses deal mostly in securities with most of them having a minimum investment limit of $50,000. This facility has largely been out of reach for the MSEs due to the minimum deposit requirements. However some of the ME operators could pool savings as individuals or though a co operative/club to raise the minimum and deal in collective investments. On the other hand MFIs could pool their client's savings and make large investments on behalf of their clients.

Finance houses

Finance houses operate largely as fixed-asset financing arms of commercial banks. These finance equipment and vehicle leasing and collateralised lending. The main sectors targeted are agriculture, tourism, mining and transport. The lending requirements are usually prohibitive for MSEs hence the bulk of their customers are bigger firms. MFIs could be assisted in the purchase or lease of cars but given the lack of adequate funding it could be difficult for MFIs to keep pace with repayments. If a better instrument was developed, such as lower deposit requirements, reducing from the current minimum average of 25%, a number of MFIs could take advantage by facilitating purchase of cars by their loan officers which could boost their productivity.

Building Societies

Building societies accept savings and fixed deposits and also issue Negotiable Certificate of Deposits (NCDs). They lend for residential and commercial mortgages, purchase treasury bills, provide other loans to government, place funds in the money market and finance low-income housing projects. For those savers that can place their investments in a fixed deposit or Paid Up Permanent Shares (PUPS) they can obtain a short-term loan against the PUPS to meet unforeseen expenditures. A lot of clubs or associations place their investments with Building Societies. Most of the 200 000 to 300 000 savers in Self-Help Development Foundation (SHDF) deposit their money with building societies. Furthermore the SACCOS are also investing mainly with building society.

Building societies tend to have conditions that are more flexible than commercial banks and therefore cater more for the low income, rural and poor persons. For example the some commercial banks require minimum balance of $6000 while Building Societies are requesting $750.

There are a number of schemes, which are funded by such organisations as USAID, through Building Societies that target the poor or low-income categories. Currently for one to qualify they must be earning a salary of not more than Z$8000 per month. This figure though gets adjusted from time to time. Another assistance that focuses on housing comes from the World Bank and is channelled through City Councils/Local Authorities that target the poor or the lower end of the income bracket in providing accommodation.

Building Societies could not operate cheque accounts and had to develop diverse savings products. Furthermore they are allowed to mop up savings that earn tax free interest to finance housing mortgages. The fixed term saving known as Paid up Permanent Shares (PUPS) have made Building Societies attractive to the poor. The geographical network lack of sophistication appeal to the poor.

Post Office Savings Bank (POSB)

POSB is a state-owned institution administered by the Post and Telecommunications Company (PTC). It mobilises funds from small savers through a network of almost 200 post offices around the country and offers both savings and fixed deposit facilities. By investing in government securities the POSB is providing a steady supply of domestic funding for the public sector.

The POSB is currently being restructured into a Savings bank and is now known as People's Own Savings Bank. One major drawback is that the bank is not able to offer credit facilities despite their favourable geographical coverage and branch network. Given the minimum savings balance of $50 as well as the favourable geographical coverage, the POSB is able to attract a lot of deposits from the informal sector, both within urban and rural areas. Part of the SACCOS savings of balance of $ Z$122 million as at December 1999 are with the POSB because it has the widest rural network. However even though a large proportion of the deposits come from the informal sector and the low income; there is very little service rendered to the same clients in return for their savings – save of course their current negative return on savings.

As at 31 May 2000 the POSB had savings deposits totalling Z$4.3 billion with Commercial banks having Z$6.1 billion and the Building Societies Z$8.1billion.[25] Please refer to Table 4 below.

Table 4. Savings Deposits

	Savings Deposits (millions)			
		Commercial Banks	Building Societies	POSB
1998 May		3,029.8	4,376.2	3,592.3
1999 May		4,310.4	6,251.9	3,719.0
2000 May		6,555.1	8,189.7	4,393.1

2.2.9. Development Finance Institutions

Development finance institutions are not mobilising any savings but are channelling donor and government funds to small and medium enterprises in manufacturing and agriculture. Unfortunately development finance institutions prefer to lend to incorporated institutions and collateral is required. Not much assistance is therefore available for microfinancing through development finance.

Unit trusts

There are about 13 Unit Trusts listed as at the time of this report some of which were not fully registered but had provisional registration.

With unit Trusts, investors place deposits that are then pooled to make bigger investments. Normally a minimum investment of Z$10,000 is required. This is mostly beyond the reach of most clients of the MFI sector unless they pool their resources together. Indications are that as this is a new phenomenon and the usage of the unit trusts by the informal sector was low. In recent months though the Unit Trusts have attracted more from the MSE sector with increased promotion of the facility.

[25] Reserve Bank of Zimbabwe Quarterly Bulletin June 2000.

Access of financial services from the Banking sector by microentrepreneurs.

With such a well-banked financial system one would presume that there is no room or demand for financial services, as the market almost seems over-banked. However it should be noted that the banks do not offer these services to the poor or the low-income earners with the exception of one or two banks. For example Commercial Bank of Zimbabwe had a portfolio of $7.3 million[26] under their Community Banking Division (microfinance unit) as at 31 December 1999. The total portfolio for lending for the whole bank, as at 31 December 1999, was $5.4 billion [27]. This represents 0.13 % for the microfinance sector. Their savings portfolio as at 31 December 1999 for the microfinance unit was $8.7 million, which represents 0.12 % of the total deposits for the bank.

Most of the commercial banks have been fighting over the ever - decreasing corporate clients, with Standard Chartered Bank closing its Small Business Unit in pursuit of the bigger client. The Commercial Banks' branch network, though wide, appears not to be ideally located for the microenterpreneur, with some suggestions that this is a risky sector and in addition, may not bring a good image for the bank. The way that some of the traditional banks treat this type of client would seem to lend weight to such kind of thinking.

Most of the MFIs do not have adequate cash handling systems be it manual or computerised; and this is an area that would need to be developed. MFIs could tape into the infrastructure or branch network of the banking system for client disbursements or repayments. A number of MFIs are already using the banking system for disbursement to their clients. Given the technology that the banks have as well as resources, they could be in a better position to develop or modify their information systems to cater for microfinance reporting if they were to venue more meaningfully into the sector. However there isn't sufficient dialogue between the two entities currently hence the lack of interface.

[26] ICC Review of Zimbabwe's Financial System April 2000.
[27] Commercial Bank of Zimbabwe financial statements for 1999.

Annex 4

Micro Finance Institutions (MFIs)

INSTITUTION	LEGAL STATUS	DATE FORMED	SERVICES OFFERED	FUNDING SOURCE	PORTFOLIO SIZE in Z$[28]	TARGET GROUP	COVERAGE
CARE RMFP 802 Goddard Road Eastlea Ext, Zvishavane Tel: 051-3522/3519 Fax: 051-3556 e.mail: caremid@acacia.samara.co.zw Contact: Mr.Alfred Hamadziripi	NGO	1998	• Savings mobilization • Training in management of group dynamics • Follow up on group development progress • Link up groups to established MFIs	CARE Zimbabwe Government of Austria	92,467	Rural poor men and women.	Zvishavane, Mberengwa and Masvingo.
Collective Self Finance Scheme 39 Rotten Row Box 706 HARARE Tel: 726416/726402 Fax: 726402 Contact: Mr. J C Rushwaya	Private Company	1988	• Business loans • Leasing facilities • World Bank program **Conditions** • Interest rate 5% admin fee charges • Repayment period 6 to 12 months. • Loan application $300 • Handling the World Bank Program • Loan SME $10 000 to $15 000	World Bank European Union ADF NOVIB HIVOS FOS	4,800,000	Co-operatives individuals 80%women	National program serviced from Harare and Bulawayo offices
Cotton Company of Zimbabwe 1 Lyton Rd, Workington P O Box 2697 Harare Tel: 739071/61 Fax: 753854 Contact: Ms. S Mangwiro	Private Company	N/A	• Training and advisory services in cotton production • Input loans for communal cotton growers	Private funding Bank loans	447,000.00	Individuals and cooperatives involved in cotton growing.	Nationwide especially in the low veld areas.

[28] Portfolio size as at July/August 2000. We could not get the number of active clients as some MFIs had cumulative figures and not active.

Counterpart Zimbabwe 14 Louis Rd Greendale Harare Box 6316 Tel: 492526 Fax: 739199 Contact Mr. Ngwena or Mrs. M Chidzonga 091211256	NGO	1996	• Sourcing of funds • Loan guarantees to SEDCO • Loans of $3000 to $10 000. • Membership organisation • Product Marketing for Members • Working with AIDS orphans and female headed households	Bank loans	850,000	Women groups of 5 or more people	Mhondoro Women's groups.
Dondolo Mudonzvo 6 San Fernando Ave P O Box 5589, Harare Tel: 705679 Contact: Mrs. E Sibanda	NGO	1985	• Loans **Conditions** • Application fees $100 • Membership $200 p.a • Loans up to $20 000 • 3 -11 months repayment period • Guarantors for individual loans • Interest 40% per /period • Group guarantee methodology	European Union (Brussels Office) Robo Bank Foundation	2,500,000	Women funded through : Group loans Individuals	Mostly rural services from offices in Gweru, Bulawayo and Harare
Dynamic Generation Community Development. Finance Stand No 3828 Gokwe South Box 98 Tel: 059-2239 Contact: Capt M Ganyani	Private Company	June 1996	• Business Loans **Conditions** • Entrepreneurial skills course for $400,00 • Professional services and consultation for $100 to $1000 • Loan application fee - $150 to $300 • Loan Range $500 to • $36 000 • Repayment period 1 to 18 months • Grace period 60 days • 20% Security • Loan approval time 45 to 90 days • Interest charged prime + 18% up to 42% p.a.	Private funding	100,000	Individuals, sole traders, families	Gokwe District.

Finance Emporium Flat 1,52 H. Chitepo St Box 1591 Mutare Tel: 66664 Fax: 68739 Contact: Mr. W Munotii	Private Company	1996	• Loans **Conditions** • Emergency Loans – access to money is immediate; $150 application fee, • repayment within 30 days • Long-term loan – 42% deposit • Train borrowers on request in business skills and charge for this training • Collateral includes deposits, guarantors, group collateral (although there are no groups at present) • Interest on loans: 35% p.a. • $300 for membership into revolving credit fund	Private funding	847,000	Informal sector dealing with individuals only	Urban – rural , Mutare, Rusape and Masvingo
Informal Equity Finance **Suite 7 Mulla Hse** **11BN Mandela way** **Kwekwe** **Tel: 055-21450/023821937** **Contact:** Mr T Baauline	Private Company	April 1998	• Business Loans Conditions • $100 application fee • Processing fees are 5% of loan value • Loan repayment period ranges from 3 to 12 mths • Clients pay 10% of the loan amount as a death benefit fund (Insurance) • Loan amounts $500 - $25 000 • Interest: 45% pa • Groups of 5 to 10 individuals	Private Funding	650,000	Groups and Individuals	Kwekwe urban and rural Zhombe and Silobela
Jekesa Pfungwa[29] 44 Logan Road Hatfield Harare Tel: 570846			• Savings • loans	Private funding	N/A	Women Clubs Group loans	Countrywide

[29] Information not available

Lutheran World Federation (LWF) 49 Airport Rd, Box 1159 Queens Park Bulawayo Contact: Mr Chiwanza Tel: 09-227328 Cell: 011 231 217	NGO	N/A	• Advances grants to Community Development Associations • Community Development Associations administer loans **Conditions** • No interest charged by LWF but by the community • Up to 12 months repayment period. • Group loans ranging from $5 000 to 40 000. • Promotes village banks	LWF	300,000	Women and men	Mberengwa, Gwanda, Beitbridge, Chivi, Mwenezi and Zvishavane
Mashonaland West Provincial Co-op Union Box 494 Chinhoyi Tel: 067-25660/1/2 Fax: 067-25662 Contact: MR D V Musiyiwa	NGO (To be registered as an MFI. Not yet disbursing loans)	1998	• Technical skills in bookkeeping project Planning and management.	Anticipating donor funding	N/A	Cooperatives and Groups	Urban and Rural areas in Mashonaland West Province.
Masvingo Credit Against Poverty *(M-CAP)* 11 Hellett Street Masvingo Tel: 039-62445/64211 Fax: 64090 Contact: Mr. G Gonani	NGO	September 1996	• Group guarantee plus savings • $50 annual membership fee • 1% of loan up-front to cover insurance for death and serious illness	Catholic Relief Services GTZ	762,000	92% women Group lending	Masvingo urban and Chivi rural

Micro Empowerment Trust Foundation 8 Belvedere Road Harare Tel/Fax: 720603 Contact: Mr E Maigurira	NGO	2000	• Loans • Business Training • Bridging Finance **Conditions** • Loan amounts $5 000-$10000 • Repayment period 3 to 6 months • Annual membership fee $5 000 • Interest pa 55%	Private funding	N/A	Individuals and 'Groups	Harare urban and peri-urban areas
Micro Finance Society 129 Airport Road Harare Tel: 572926 Contact: Mrs P Tsetse	NGO	1998	• Business Loans Conditions • Membership fee annual subscription $50,00 • Application fee $10,00 • 30% Deposit fee paid up front • Loan size $5000 to $40 000	Private funding	N/A	Women members only	Urban Peri-urban, rural areas in all the provinces of the country

NISSI Micro Finance 4th Floor North wing Mimosa House Box 2783 Bulawayo Tel/fax: 61684/68107 Contact: Mr. S.S. Phiri **NISSI Global** Address (same as above)	Public Company Private Company	September 1999 1996	• Business loans • Train clients in entrepreneurial skills before giving them a loan **Conditions** • Application fee $100 • 35% Interest p.a. • 4-12 months repayment period. • Loans $ 3 000 to • $25 000 **Consumer Loans** **Conditions** • 34.3% interest per 30 days • Up to $6 000	UNDP HIVOS SDF Negotiating with CIES for funding Private funding	11,126,500 N/A	Individuals Individuals	Bulawayo Urban and Gwanda Gweru, Kwekwe, Harare, Gwanda and Bulawayo
ORAP Savings and Credit Organization Prestige House Suite 6 2nd Floor J Tongogara/Fourth Street Bulawayo Contact: Ms F. Mafikeng: 011 211 004 Ms Ncube: 091338103	NGO	1996	• Business Loans • Loans given to individuals within groups **Conditions** • Groups of 10 to 30 people • Loan Amounts $4 500 to 30 000 • Repayment period 6 to 12 months • Application fee is 3% of loan applied for • Interest charged is 10% / month on declining basis	NPA ADF American Jewish World Services	11,000,000	Women	Bulawayo, Victoria Falls and Filabusi, mainly rural areas
Pfihwa ***25 Selous Ave*** ***Box CY 3439 Causeway*** ***Harare*** ***Tel: 252123-7*** ***Fax: 253784*** ***Contact: Mr E Kadango***	Private Company (a division of Kingdom Merchant Bank)	1999	• Consumer Loans • Loans are extended to civil servants only **Conditions** • Loan amount range is $500,00 to $20 000,00 • Interest Rate 14% per month • Repayment is pay roll based	Kingdom Merchant Bank	20,000,000	Civil Servants	Mostly urban

Phakama Economic Development Corporative 205 Lutheran House Takawira/Chitepo Str Box 3496 Bulawayo Tel: 09-66045 Fax: 09-78177 Contact: Mr. J Dube	Public Company	July 1996	• Loans only **Conditions** • Loan amounts of $2 000 to $100 000 • Interest per year of 35% • Repayment period 4 to 36 months • Processing Fee of 5% paid up front. • Movable assets and Insurance policies accepted as security. • Salaried guarantors to required.	HIVOS SDF Private funding	1,900,000	Groups and individuals. Unemployed poor. Mostly women	Bulawayo urban and peri-urban
Pundutso Micro Finance 2 – 4th Ave Mabelreign Box 2420 Harare Tel: 310388/310378 Contact: Mrs. M. Marikanda	Private Company	1998	• Business Loans **Conditions** • Loan of 6 months • Application fee $60 • 38% Interest p.a. • 7.5% Processing fee • 10% Deposit • Loan Amounts $500 to $25 000	World Vision AUSAID SDF UNDP	1,500,000	Individuals and Solidarity groups of men and women	Rural: UMP[30] and Mt. Darwin.

[30] Uzumba Maramba Pfungwe

SEDCO 3rd Floor Construction House, 110 Leopold Takawira Street, Box 4520, Harare Tel: 792821/5, 751347 Fax: 796228 Contact: Mr. Mwadira / Mr. Mutengwa	Parastatal	1981	• Loans **Conditions** • Loan amounts $5 000 to 10 000 (first loan) • 20% of the loan amount – deposited into an account as security • Pledge household items • Employed guarantor – SSB stop order instructions • Each individual to open a current account with a commercial bank. • 6 months repayment period • 45% p.a. Interest	Government of Zimbabwe Bank loans (International Bank for reconstruction and Development) SDF Loan PTA bank loan	20,000,000	Groups of 3 to 5 people /Individuals in the Small, Micro and Medium Enterprises.	Urban and Rural - Harare - Mashonaland West - Bulawayo
Self Employment Women Association of Zimbabwe Anlaby House, N. Mandela/Angwa 6th floor Box 4523 Harare Tel: 771998 Contact: Mrs. Mpunzwana	NGO	1996	• Savings and loans **Conditions** • Loan amount $500 to $10 000 • Application fee $20-00 • Membership fee $50-00 • Group fee $20-00 • Workshop fee $10-00 • Insurance$10-00 • 5%/month Interest • 6 month repayment period	NPA	1,559,600	Women entrepreneurs in groups	Urban and Rural (Harare, Kadoma, Norton, Mtoko and Seke)
Self Help Development Foundation 17 Nirvana Rd Box 4576 Hatfield Harare Tel: 570611 Fax: 572933 Contact: Mr. M Mutambira	NGO	1996	• Business Loans and Savings **Conditions** • Joining fee $20 • Subscription fee 5% /year • 20% of loans as collateral • 2% upfront processing fee is charged • Interest on loans: 2.5% per month • Repayment period of 2 – 12 Months	KAF ADRAI Japanese embassy	9,500,000	90% women	Savings are mobilized nation wide, but the credit program covers Harare, Mashonaland East, Matabeleland North and Manicaland.

SELP Zimbabwe Left Luggage Center Harare Airport Box A1821 Avondale Harare Tel: 023313187 Contact: Dr. D. Mponda	NGO	April 1999	• Business Loans **Conditions** • Application fee \$100 • Interest 35% pa • Loan repayment period 6-12mths • Loan -\$500-\$5000 • Membership fee & annual subscription \$100,00	Private funding	20,000	Individuals	Harare Urban
Shamuka Finance P/L 17 Dorchester Court 2nd Floor H. Chitepo/8th Ave, box 3757 Bulawayo Contact: Mr. F. Shava Tel: 78239/011406465	Private Compan y	1998	• Consumer Loans **Conditions for consumer loans** • Interest Consumer Loans 45% / month • Application fee for consumer loans - \$500.00 Business Loans **Conditions for business loans** • Interest Business loans 37,5% p.a. on reducing balance. • Require movable assets for business loans security.	Private funding	20,000	Individuals, groups	Bulawayo and Gwanda
Tashinga Micro Finance P O Box MP1372, Mt Pleasant 22 Chatsworth Rd, Mt Pleasant Harare Tel: 884841/606119 Fax: 884841 Cell: 011214714 Contact: Mrs. N Muchegwa	Private Compan y	1999	• Loans and savings **Conditions** • Interest on Loans: 5% per month • Loan amounts \$2 000 to \$20 000 • Repayment period 6 to 12 months	Private funding	300,000	100% women in groups	Harare, Murewa, Mutoko and Mash East

Westrand Investment[31] 44 B Robertson Rd Box 348 Masvingo Tel: 65724 Contact: Mr D.Van Biljong	Private Company	1998	• Loans are for one month term with most clients renewing their loans **Conditions** • Interest on loans 35% per annum • Service fees – 42%	Private funding	60,000	Mostly civil servants	Masvingo urban and rural
Women Development Savings and Credit Union (WDSCU) 1st Floor Park House 20 Park Street P O Box 661416 Kopje Harare Tel/Fax: 774072 email: wdscu@telco.co.zw Contact: Mrs. S Nyakunengwa	NGO	1998	• Business Loans and Savings **Conditions for business loans** • Minimum $5 000 and maximum $20 000 with repayment period of 3 - 12 months • 5% penalty fee based on outstanding payment • Joining fee $100 • Membership fee $50/mth • Processing fee:6% of loan • Interest on loans 6% month **Conditions for consumer loan** • 15% interest/month • 6% application fee • Insurance at 5% of loan **amount**	NPA ADF SDF UNDP HIVOS	10 ,000, 0000	Women in urban and rural areas Groups and Individuals WDSCU employed members only	Urban Harare, Bindura and rural Gokwe

[31] Information obtained from Review of Zimbabwe's Financial System

Women In Business 41 Mutley Bent Belvedere P O Box 3277 Harare Tel / Fax 741873-5 Contact: Ms. P Mazhawidza	NGO	1998	• Business Loans and Savings • Advocacy and lobbying • Trade Exhibition **Conditions** • Loan Amounts $1 000 to $30 000 • Application fee $100-00 • Interest on loans: 6% per month • 4 to 12 months repayment period • Loans are linked to Savings. • Guarantor (one of the savers)	Africa Now (UK) KAF	2,900,000	100% women	60% urban - Nation wide
Zambuko Trust P/L No 6 Aberdeen Road Avondale, Harare Tel: 333692/302495 Fax: 333641 Zambukohq@utande.cszim.co.zw Contact: Mr David Kombanie	Private Company	1991	• Loans and Savings • Training Conditions • Loan amounts $2 000 to $200 000 • 50% Interest p.a • Repayment period 12 to 24 months	AUSAID Opportunity International Opportunity Trust SDF USAID ADF Royal Netherlands Embassy	35,600,000	58% women Group lending Individual lending	Urban and peri-urban in all 9 provinces of the country 27 branch offices
ZECLOF 120 Baines Avenue P O Box CY3272 Causeway Harare Contact: Mr. J. Banda Tel: 706357 Fax: 794171	Private Company	1994	• Loans (3 categories- Micro, Small and Institutional Loans) **Conditions** • Loan amount (Micro and Small loans) $5 000 to $30 000 • Loan amount for institutions up to $500 000 • Group loan loans of 5+ people • Interest rate 6% per month • Repayment period 6 to 12 Months • Out source training from ZCC and private trainers.	Private Funding	5,000,000	Men and Women	Nation wide operating from the Harare Office.

Zimbabwe Women Finance Trust (ZWFT)[32] 10 Masotsha Ndlovu Way. Hatfield, Harare Tel: 576303 / 735530 Contact: Mr. M Bwakura	NGO	1989	• Loans • Savings **Conditions**[33]	NPA	5,000,000	Women Group loans	Rural, urban and peri-urban – nationwide.

[32] ZWFT has been going through huge institutional problems and their existence is threatened
[33] Information not available from the organisation