

## **Regional Workshop**

### **Internal savings and lending in southern Africa: Lessons from CARE Zimbabwe's Rural Micro Finance Programme, 5th to 7th July 2006 at Elephant Hills Resort and Conference Center in Victoria Falls, Zimbabwe**

#### **Context**

In the last 5 years southern African has been through recurrent food insecurity with the underlying causes being a complex network of climatic factors, poverty, policy failures, macro economic conditions and HIV/AIDS. 24.5 million People are living with HIV.<sup>1</sup> There is retarded progress towards the MDGs with the number of people living in extreme poverty rising from 217 million in 1990 to 290 million in 2000.<sup>2</sup> Grain production has been subsiding compared to 1990s by 20% in 2001 and 14% in 2002.<sup>3</sup>

Most of the responses to the southern African crisis have consisted of predominantly short term interventions dominated by food aid and, on varying scales, others such as cash transfers, vouchers, input packs, public works and food for work programmes. There is increasing demand for mechanisms that will not only ensure survival but prevention, mitigation and coping of vulnerable households.

Practitioners and policy makers are challenged to design and support interventions that can strengthen the capacity of households and communities to be more resilient during and beyond crisis. While such initiatives may be under implementation across the region, most unfortunately, are often not widely shared to be scaled up and supported. In addition collaboration by

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<sup>1</sup> UNAIDS, 2006, Fact sheet, pp 1.

<sup>2</sup> Economic Commission of Africa, 2005, The Millennium Development Goals in Africa: Progress and Challenges, pp 9

<sup>3</sup> Economic Research Services, Forces Shaping Food Security: Factors Affecting Production, USDA, [www.ers.usda.gov](http://www.ers.usda.gov)

organizations is limited and this has challenges of the programmes not having scale, not well coordinated and inadequately supported.<sup>4</sup>

CARE International in Zimbabwe has been implementing the Kupfuma Ishungu Rural Micro Finance (RMFP) which has survived through periods of social, economic and natural crisis and demonstrated impact on participating households and communities. The RMFP programme can contribute to some of the challenges that the region is facing on food insecurity, HIV/AIDs and poverty.

### **Project Background**

RMFP was initiated in 1998 covering two districts, Zvishavane and Mberengwa, of Midlands Province in southern Zimbabwe. Since then the programme has been replicated to four other Provinces reaching more than 60,000 clients, of which 84% are women, organized in 8,000 savings and credit groups. The programme has been supported by various donors such as Austrian Government, Department for International Development, Swedish International Development Agency, Africa Fund and McKnight Foundation.

The programme uses a now proven approach for delivering financial services to the rural poor: the Internal Savings and Lending (ISAL) model. The ISAL model is an adaptation and extension of traditional and often labeled informal savings clubs found in Zimbabwe, South Africa, Tanzania and other African countries. Clients form self-selecting groups, agree on internal by-laws, save regularly and use the saved funds to give loans to members of the group. Members repay the loans with an agreed interest, which contributes to the growth of the group fund. After an agreed period of savings and lending, the group fund will be shared and a new cycle started.

The ISAL is driven by savings generated by the community and there is no external capital. The approach is self-managed and has simplicity and transparency, flexibility of loan use, size and terms; promotes IGAs, low group management costs covered by the interest and the earnings are owned and retained by the community. CARE Zimbabwe has been able to provide

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<sup>4</sup> Adato M, Ahmed A and Lund A, 2004, (5), Linking Safety Nets, Social Protection, and Poverty Reduction - Directions for Africa, IFPRI

capacity building to other Organizations, mostly AIDS Service Organizations, to replicate the ISAL methodology within their on-going programmes.

In 2002, 2004 and 2005 CARE engaged services of private consultants to measure the impact of the methodology and make programmatic recommendations. The results confirmed that the project has been successful in enhancing livelihoods through the satisfaction of basic household needs such as food, access to health, education and clothing and social networks. Clients are able to accumulate both productive and non-productive assets and their savings are protected against the effects of inflation through returns on loans and assets that are acquired in the process of the group operations. The feedback verified that RMFP is the best of all MMD-style programmes in Africa as measured in terms of outreach and efficiency.

The results of CARE's ISAL work constitute evidence, which is essential in informing, and influencing policy and practice related to social protection, addressing poverty and inequality. The potential for RMFP in Zimbabwe and southern Africa is immense. This can only be realized if the work is shared and collaborations are established. It is in this background and environment that CARE Zimbabwe and SARPN are collaborating to create a platform for dialogue and knowledge sharing on ISAL.

## **Objectives**

### **Purpose of the regional workshop**

Use the RMFP experience and evidence to contribute towards influencing policy and practice for mitigating crisis and poverty reduction.

## **Objectives**

- Share with other regional stakeholders the RMFP ISAL programme experience and results and the implications on policy and practice.
- Engage on the relevance of RMFP to regional challenges and trends on food security, HIV/AIDs, gender inequality and social protection.
- Establish mechanisms and strategies to strengthen collaboration and learning among regional stakeholders in order to scale up and replicate RMFP type interventions.

- Deliberate on information needs and dissemination strategies for similar RMFP programme for the development of effective policy and practice.

## **Outputs**

The workshop will result in the production of:

- A workshop report
- Briefs outlining particular themes and issues deliberated from the workshop
- Action points on collaboration beyond the workshop

## **Timing**

The workshop will be held on the 5<sup>th</sup> to 7<sup>th</sup> July 2006 at Elephant Hills Resort and Conference Center in Victoria Falls, Zimbabwe.

## **Target group**

Researchers, practitioners, policy makers, and policy influencers from civil society, local and international NGOs, national and regional networks, governments and donors, among other stakeholders working in:

- Micro finance
- Social protection
- Livelihoods
- Food security
- HIV/AIDs

## **Hosting Partners**

A collaborative partnership between CARE International in Zimbabwe and SARPN.<sup>5</sup>

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<sup>5</sup> SARPN's goal is to contribute to the sustainable reduction of poverty through effective pro-poor policy, strategy and practice in the SADC region. The core business for SARPN consists of knowledge management, building linkages and promoting broad based debate on poverty related policy issues within the SADC region. SARPN commissions studies, collects and disseminates poverty related information to key stakeholders from civil society and policy makers. SARPN has an established website - [www.sarpn.org.za](http://www.sarpn.org.za)- widely recognised as one of the best sources of diverse poverty related material in the region.

CARE seeks "a world of hope, tolerance and social justice where poverty has been overcome and people live in dignity and security. To this end, CARE will be a global force and partner of choice within a worldwide movement dedicated to ending poverty. We will be known for our unshakable commitment to the dignity of people. CARE facilitates lasting change by strengthening capacity for self-help; providing economic opportunity; Delivering relief in emergencies; influencing policy decisions at all levels; Addressing discrimination in all its forms. CARE-Zimbabwe is committed to being a valued partner of disadvantaged people in their pursuit of livelihood security. We will consolidate our position as a leader in innovative, market-sensitive and high-quality programming for economic and social empowerment.