



Building Climate Resilience of Vulnerable Agricultural Livelihoods in Mzingwane, Runde
and Save river basins in Southern Zimbabwe

Inclusive Finance and Risk Insurance

UNDP Zimbabwe Country Office

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Acronyms

Acronym	Long Form
AGRIBANK	Agricultural Bank of Zimbabwe Limited
AGRITEX	Agricultural Technical and Extension Services
CSA	Client Smart Agriculture
CABS	Central Africa Building Society Limited
CRIDF	Climate Resilient Infrastructure Development Facility
DFID	Department for International Development
DOs	Development Organisations
FAO	Food and Agriculture Organisation
ENSURE	Stepping Up Resilience and Enterprise
GCF	Green Climate Fund
IF	Inclusive Finance
ICT	Information Communication Technology
VSLAs	Village Savings and Loans Associations
LFSP	Livelihoods, Food and Security Programme
ICRSAT	International Crops Research Institute for The Semi-Arid Tropics
IPCC	Intergovernmental Panel For Climate Change
IPEC	Insurance and Pensions Commission
MFIs	Microfinance Institutions
MEWC	Ministry of Environment, Water and Climate
MNO	Mobile Network Operators
NGOs	Non Governmental Organisations
POSB	Post and Savings Bank of Zimbabwe
RBZ	Reserve Bank of Zimbabwe
RI	Risk Insurance
ROSCA	Rotational Savings and Credit Associations
SACCOS	Savings and Credit Association Cooperatives
SEDCO	Small and Medium Enterprises Development Corporation
SNV	Netherlands Development Organisation
ISLAs	Village Savings and Loans
VCF	Value Chain Finance
ToRs	Terms of Reference
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WRF	Warehouse Receipt Financing
ZADT	Zimbabwe Agricultural Development Trust
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZFU	Zimbabwe Farmers Union

Executive Summary

The project entitled “Building Climate Resilience of Vulnerable Agricultural Livelihoods” led by Ministry of Environment Water and Climate (MEWC) with United Nations Development Programme (UNDP) as a technical partner is targeting three river basins in southern Zimbabwe and is intended to build resilience through strengthening of agricultural livelihoods of vulnerable communities, particularly women as there is increasing climate risks and impacts.

Inclusive Finance (IF) and Risk Insurance (RI) is a sub-study to the project and assessed the mechanisms for enhancing IF and IR to smallholder farmers/ microenterprises and households in provinces of Manicaland (Buhera, Chimanimani and Chipinge districts), Masvingo (Bikita, Zaka and Masvingo districts) and Matebeland South (Beit Bridge, Gwanda and Insiza districts). These districts are characterised by low annual rainfall and vulnerable to climate changes given increasing surface temperatures, drought spells and increasing intensity of droughts. However, they still have potential for sustainable growth and poverty alleviation given selected opportunities in agriculture.

The study used both primary data and primary secondary information from consultations and/or meetings with smallholder farmers, government departments, organisations and institutions which included Mobile Network Operators, Banks, Microfinance Institutions, Insurance Companies and Non Governmental Organisations who have presence (physically and/or by provision of services) in target districts. Information was also collected from internet, research publications by institutions, industry publications and policy documents. A review of the existing informal and formal finance and RI models was done and a comparative analysis methodology was adopted to bring into focus similarities and contrasts between these systems.

The findings confirm that the key challenges are access to finance, access to markets and financial literacy. On demand side input finance was required by 79.2%, access to market by 58.3% and only 37.5% were trained in financial literacy. These also broadly mirrored the findings on areas for private sector and government required collaboration areas where there was need to develop access to finance by 44% in form of financial services (16%), contract farming (14%) and provision of inputs (14%), markets by 26% and capacity building by 34% as in financial services knowledge and contract management.

In performing comparative analysis, it was found that informal and formal finance and RI models are complementary with Village Savings and Lending Associations (VSLAs) being the key model for linkages to formal financial services through Value Chain Finance (VCF) models for example contract farming. The opportunities for IF and RI are therefore as below.

Challenges	Opportunities
<ul style="list-style-type: none"> Access to financial services 	<ul style="list-style-type: none"> Leverage innovative Information Communication Technology (ICT) to enhance coverage Linking informal VSLAs groups to formal institutions VCF with guarantees for Group Lending Introduction of Microinsurance
<ul style="list-style-type: none"> Access to markets (or selected value chains produce) 	<ul style="list-style-type: none"> VCF with guarantees Markets Development programme
<ul style="list-style-type: none"> Financial Literacy 	<ul style="list-style-type: none"> Capacity Building for Finance and Insurance and Contracts (Documentation) when linking VSLAs.

VSLAs model is the recommended linkage point to formal services. This would however require a capacity building budget of \$1.5 million and a revolving fund budget of \$200,000 for selective poorest of the poor women groups. Access to finance through formal institutions for selected value chains crops (Irrigated vegetables, fruit, beans, green mealies, maize) sorghum, millet, and oilseeds including sesame) and livestock would therefore be done in 3 ways in the short term;

1. Direct individual lending for sizable projects
2. Group lending
3. VCF (including contract farming)

VCF should carry along other goods and services (e.g. seeds, inputs, weather information, insurance and arranged markets). This would benefit the smallholder farmers/ microenterprises and improve households' food and income levels. However they would not replace the conventional financial services, and the financial institutions, ICT and the government should continually engage in capacitating rural financial markets for sustainable productivity beyond the programme.

1. Introduction

1.1 Purpose

The project entitled “Building Climate Resilience of Vulnerable Agricultural Livelihoods” led by Ministry of Environment Water and Climate (MEWC) with United Nations Development Programme (UNDP) as a technical partner is targeting three river basins in southern Zimbabwe and is intended to build resilience through strengthening of agricultural livelihoods of vulnerable communities, particularly women as there is increasing climate risks and impacts. The purpose of this sub-study, Inclusive Finance (IF) and Risk Insurance (RI) was to assess and recommend mechanisms for enhancing IF and IR for smallholder farmers by contacting a feasibility analysis of:

- Existing informal community savings and loan schemes to promote inclusive rural financial services,
- Connections to formal financial institutions to support micro-enterprises where necessary.
- Existing formal and informal rural RI provision including traditional practices of insurance against climate risk.
- Use of innovative digital finance - mobile, Information and Communication Technology (ICT) platforms - for provision and use of finance and RI services to smallholder farmers, and,
- Identify and recommend appropriate services, design (including costing), and implementation strategies that can be supported through the project activities. The recommendations should also entail considerations and strategies for long-term sustainability of the schemes and an exit strategy for the project.

The selected districts for this study are Buhera, Chimanmani and Chipinge in Manicaland province, Bikita, Zaka and Masvingo in Masvingo province and, Beit Bridge, Gwanda and Insiza in Matebeland south province.

1.2 Context

Zimbabwe economic growth slowed sharply from an average of 8% during 2009-12 to a projection of 0.4% in 2016 as a result of significant shifts in trade and a series of major droughts¹. Southern Zimbabwe however has potential for sustainable growth and poverty alleviation given selected opportunities in agriculture. Steven Wiggins (2016) found that farmers in Masvingo province created a demand for local shops, hardware and other goods by spending their incomes from beef and horticulture production². Hence, improved smallholder farmer productivity stimulates rural economies and active economies require financial services.

1.3 Climate Risk and Impact

This region has 1.3 million people (as in 2013) and yet agricultural production is vulnerable to climate changes. It receives an annual rainfall of 450-600mm and is at risk of climate changes due to increasing surface temperatures, drought spells and increasing intensity of droughts³. In 2015/2016 Buhera district temperatures reached a high of 45°C and received only seasonal rainfall of 120mm by February and, Masvingo and Matabeleland South provinces received 25% of seasonal averages by the same time. These were less rainfall than required to grow maize, the staple food. Surface temperatures are bound to increase by 1-3°C by 2060 and this will reduce seasonal rainfall for December to February resulting in drop of yields annually⁴. Improved agriculture production systems, irrigation and/ or use drought resistant crops and varieties for dryland would assist to ensure growing of cash crops to benefit rural livelihoods.

1.4 Previous Work and Baseline

Rural IF and RI refers to easy accessibility of relevant financial services for usage⁵ which includes:

- Savings to manage irregular cash flow, respond to external shocks and make investments
- Loans/working capital to finance production, services and marketing.
- Investment capital and access to leasing and/or insurance services.
- Money transfers to send and receive payments and transact with family, sellers and buyers.
- Liquidity for normal and extraordinary household expenditures.
- Insurance to manage the impact of risks and unexpected events.

Victoria et al (2012) concluded that access to financial services is critical for rural development however

¹ The World Bank report on Zimbabwe as updated October 2016, pg. 1.

² Steve Wiggins (2016) How farming stimulates rural economies Insights from southern Africa, pg. 5.

³ Zimbabwe Agro ecological zones, Annex 1.

⁴ OXFARM (2014) Scaling Up Climate Adaption in Zimbabwe, with a focus on Rural Livelihoods, pg. 1.

⁵ FAO IFAD WFP (2015) Inclusive Finance: Challenges and Opportunities, Concept Note, pg. 1.

these areas are in financial exclusion⁶ because of limited distribution network as a result of fragmented infrastructure development⁷. Formal institutions find it not cost effective to operate in these areas. Only a few banks and MFIs have physical presence in the target districts. Whilst formal institutions may have challenges in servicing rural areas Shahriar (2007) concluded that informal sector for example; Funeral Societies, Savings and Lending groups and informal lending thrive due to the advantage of close sources of information, about its clients and their credit worthiness⁸. CARE promotes Village Savings and Loan Associations (VSLAs) methodology because it ensures access to financial services through VSALs⁹. VSLAs groups are usually women who mobilize a portfolio of funds from their own savings and use the pool of funds to meet their savings, borrowing and insurance requirements. The interest earned from lending out the group's funds are reinvested among the group members in proportion to the member's contribution to the loan portfolio. Other NGOs have used similar VSLA-based models and/or Value Chain Finance (VCF) in Africa and in Zimbabwe the examples are:

- Scaling up Climate Adaptation: A UNDP, GEF funded project for smallholders farmers implemented by OXFARM in Zimbabwe in partnership with Plan International, Government of Zimbabwe (GoZ) and SAFIRE. VSLAs were reached out for inclusive rural financial services by promoting linkages to formal finance institutions¹⁰.
- TechnoServe (Working with Agribusiness) linked rural farmer groups to agro-traders like Better **Agriculture** (Private) Limited using contract farming, a form of VCF. In Masvingo and Zaka districts farmers grew chillies for exports and were also provided with technical advice as part of contracts. The smallholder farmers were able to produce top quality horticultural crops for international markets and improved their income levels¹¹.
- The DFID funded FAO/LFSP target to improve livelihoods of 350,000 smallholder farmers in 8 rural districts in eastern and northern regions of Zimbabwe by training improved agricultural practices, use of improved seeds, linking the farmer groups to input providers and buyer markets and facilitating access to rural finance. The project used Internal Savings and Lending Associations (ISLAs) to empower women. ISALs are considered safe, affordable and breeds trustworthy to multiply savings for rural investments and have improved livelihoods in Gokwe district and Midlands province¹².
- Stepping Up Resilience and Enterprise (ENSURE): A World Vision led programme which was funded by USAID and incorporating CARE, SNV, SAFIRE and ICRISAT as implementing partners. In its 2015 evaluation it reported that \$660,406 was saved and lent through VSLAs (9305 groups under guidance of CARE Zimbabwe). In the same report the total of agricultural sales amounted to \$670,335¹³.
- VSLAs have also been promoted in Zimbabwe as part of a climate change adaptation package for smallholder farmers in Chiredzi District, one of the country's most drought-prone areas by OXFARM and Plan International through support from the UNDP and the GEF. In the feasibility study for this project VSALs were recommended as the appropriate model for linkage to formal financial services as access to financial services improved the activities of smallholder farmers and household incomes¹⁴.

Recently there has been rapid advances in ICT and digitalization solutions are bridging the gaps in financial inclusion and gender for long term sustainability of rural agriculture¹⁵. Econet Wireless Zimbabwe Holdings Limited introduced EcoCash Saving Club in 2015, a product that is digitalizing traditional rotational savings and lending clubs, (Mukando)¹⁶. On the other hand there is a fast growth in mobile microinsurance products offered globally¹⁷. Microinsurance should be valuable as a risk mitigation tool for vulnerable smallholder farmers¹⁸ and in Zimbabwe the insurance industry has put in place the framework for microinsurance.

This study reviewed existing rural informal and formal financial services in order to explore the opportunities

⁶ Victoria B, Mudimu G. and Moyo T. (2012) Status of Agricultural and Rural Finance in Zimbabwe, FinMark Trust, pg. 76-79.

⁷ Reserve Bank of Zimbabwe; National Financial Inclusion Strategy 2016-2020, pg11.

⁸ Shahriar, Tariq Md. (2007) Rural Finance, Annotated Bibliography Series Series No. 3, Bangladesh.

⁹ Care International's Village Savings & Loan Programmes in Africa, Microfinance for the Poor that Works, Hugh Allan, August 2002.

¹⁰ Scaling Up Adaption in Zimbabwe on Rural Livelihoods: Promoting Access to Financial Services, OXFARM, 2015.

¹¹ Technoserve (Working with Agriculture) <http://www.technoserve.org/blog/promoting-innovative-agricultural-businesses-in-zimbabwe>

¹² LFSP: Economically empowering women through ISLAs, <https://fspzimbabwe.com/2016/10/11/economically-empowering-women-through-isals>

¹³ Ensure Zimbabwe <http://www.wvi.org/food-assistance/ensure-zimbabwe>

¹⁴ Feasibility of Linking Smallholder in Chiredzi to Formal Financial Services 92016), Plan Zimbabwe, pg. 25-30

¹⁵ Digital Financial Solutions to Advance Women Participation, prepared for Turkish G20 Presidency, 2015.

¹⁶ EcoCash Savings Club. <https://www.econet.co.zw/media-centre/general-news/ecocash-savings-club-launched>

¹⁷ Digital Financial Solutions to Advance Women Participation, prepared for Turkish G20 Presidency, 2015.

¹⁸ EcoFarmer in Zimbabwe: A new Agricultural Development Phenomenon, 2014.

available of IF and RI as a tool in building climate resilience of vulnerable agricultural livelihoods in southern Zimbabwe.

2. Methodological Approach

IF and RI models for both informal and formal systems have been coexisting and yet there are gaps in including the rural communities. A comparative analysis methodology was adopted for this study as it plays a role in concept formulation by bringing into focus similarities and contrast among the finance systems. The existing informal/formal finance and RI models were reviewed within in their own categories and then compared between categories to identify synergies and/or linkages for innovative inclusive models.

The study used both primary data that was already collected by the project preparation team at the feasibility stage and available relevant primary secondary information from institutions including NGO projects and farmer groups that have implemented similar IF and RI models. It also involved evaluation of the ICT sector to assess available ICT based options.

Assumptions

- Access to finance is availability of financial services in the form of deposits, credit, transactional (payments/receiving remittances), and/or insurance to individuals and/or enterprises. In its multidimensional form this includes a close look at access (physical proximity and affordability), usage (regularity, frequency and duration of time used) and quality (Are products meeting rural needs?)¹⁹.
- Data collected by consultations and/or meetings with stakeholders who have presence (physically and/or by provision of services) in the district was a fair indication of current status.

2.1 Desk Review

- Desk review of existing products, institutions, key findings from the literature and current financial and RI services in line with preferred products in target districts of Manicaland Province- Buhera, Chimanimani and Chipinge Districts; Masvingo Province - Bikita, Zaka and Masvingo; and Matabeleland South Province - Beit Bridge, Gwanda and Insiza.
- The information was collected from internet, research publications by institutions (including DOs/NGOs), industry publications and policy documents.

2.2 Data Collection

Quantitative Data: Quantitative data was obtained from reports and through first part of questionnaires (Annex 4). The data was including market coverage for formal finance and RI distribution channels. It was important to understand the level of financial inclusion in the southern part of Zimbabwe.

Qualitative Data: The consultative meetings/interviews were used to collect qualitative data using questionnaires as per template guide for discussions.

Consultative meetings and discussions were used to collect both quantitative and qualitative information. The questionnaires were designed to cover the following areas;

- **Financial Access:** The existing formal access to finance. The insurance and saving and credit groups at community level and other mechanisms for securing funds including the current informal and formal RI mechanisms that are in place for smallholder farmers.
- **The financial needs and related constraints:** Financing required for value chains from ease of credit point of view to support (access to agricultural inputs i.e. seeds, technologies etc., including security requirements).
- **Risk exposure and insurance needs:** Insurance arrangements/models to mitigate weather and other production risks; review of traditional informal RI models for up-scaling
- **Existing and opportunities for innovative mobile,** ICT platforms for the provision of inclusive financial services and risk insurance.
- **Partnerships synergies:** Indications of the private sector and government collaboration in building an effective small scale finance programs.

¹⁹ Adapted from Alliance for Financial Inclusion Financial Inclusion Data Working Group (2011)

2.3 Sample Profile

The districts for this study were given in the ToR and selection of the stakeholders was deliberate taking into account involvement of the organisation with smallholder farmers and microenterprises. These are institutions and organisations which have presence by geographical location and/or provide/have potential to offer financial products and services to rural smallholder farmers/microenterprises. The schedule of stakeholders is in Annex 3.

Table 1 Selection of Stakeholders

Category	Criteria	Justification
Banks	5 banks	The commercial banks selected are Agricultural Bank of Zimbabwe Limited (Agribank), Central Africa Building Society Limited (CABS), CBZ Bank Limited FBC Bank Limited, and Steward Bank Limited as they have some work with development organisations in provision of rural financial services as per CREATE FUND, Value Chain Financing under ZADT.
Microfinance Institutions	MFI Association	Secondary information was obtained from Zimbabwe Association of Microfinance Institutions (ZAMFI) and Reserve Bank of Zimbabwe (RBZ) reports. 2 Microfinance Institutions namely Microplan Financial Services (Pvt) Ltd (Microplan) and Virl Rural and Social Financial Services (Pvt) Ltd (VIRL).
ICTs	2 leading institutions	Econet Wireless Zimbabwe Holdings Limited and NetOne Cellular Pvt Ltd had a market coverage of 87.7% as at 31 December 2015 in Zimbabwe including the southern part Zimbabwe ²⁰ .
DO/NGOs	Rural Finance NGOs	Selected NGOs were Care Zimbabwe, FAO, OXFAM (SAFIRE and PLAN), SNV Netherlands and TechnoServe. These institutions have rural projects at grassroots. They have also collected a lot of primary information from rural districts that is useful for carrying out this study. The information collected was also cross referenced with data collected from Building Climate Resilience of Vulnerable Agricultural Livelihoods partners including VUNA reports.
Advisory /Training	Agritex ZFU	Department of Agricultural Technical and Extension Services (Agritex) is the core grassroots, farmer contact government agent and has representation in each district. Agritex's mandate is to provide technical and advisory services, regulatory services, and farmer training for betterment of livelihoods. Data from Agritex on the farmer finance status is therefore valuable. Zimbabwe Farmers Union (ZFU) is the largest farmer representation across the country. Its structure represents the interest of the rural farmers. Rural farmers join clubs that are formed at the local levels and feeds into representative structures from area, district, provincial up to national level. The ZFU's District Council represents the interests of the associations and area councils of each district. The ZFU's provincial councils represent all districts and the national council is formed out of the provincial councils. Within this structure it has subdivisions for women, youths and commodity associations. These are represented in the respective councils at all levels. The statistics obtained from ZFU was be used in assessing the needs of the rural farmers.
Insurance	Top 4	Alliance Insurance Limited, Nicos Diamond Insurance Limited, Old Mutual Insurance Company (Private) Limited and Zimnat Lion Insurance Limited are leading short term insurance institutions in the country. Farming insurance has traditionally been offered on land, machinery and selected value chain lines e.g. tobacco, maize, wheat and soya mainly for large scale farmers. However, there has been a recent shift to cover rural agriculture. Analysis of current scenarios and opportunities for smallholder farmers was therefore important as these trends are following redefined farming systems.
Farmer Group Study		VSLAs, Traditional Leaders, Contract Farmers etc., interviews to analyse informal formal systems in place by visiting Fuve Panganayi Irrigation Scheme in Zaka District.

Note: The consultations/meetings were run during working week days from 19 December 2016 to 23 January 2017. The period was extended to accommodate availability of stakeholders due to the holiday season.

²⁰ NetOne target 8 million Subscribers, 16 June 2016, News Days, Zimbabwe.

Farmer Group Study

A field visit was made to Fuve Panganayi Irrigation Scheme in Zaka District. It consists of 4 blocks; Fuve Panganayi A (8ha); B (80 ha); C (54ha); D (162 ha). This was a day's visit at Block C for an engagement with farmers and collection of primary data and the sample size was as per Table 2.

Table 2 Famer Group

Participant	Target Sample	Responses
Irrigation Specialist	1	1
Agritex Officers	4	4
Farmer Groups(Defined by Funeral/Savings)	10	3
Individual Farmers not affiliated to group	16	13
Local Traders	6	3
Chairman/Secretary of Irrigation Schemes	4	3
Local Leaders	2	2
Total	41	29



2.4 Criteria for Inclusive Finance and Risk Insurance Models

The criteria for selecting appropriate inclusive finance and RI models was drawn from the definition of access to financial services on page 3 and looked at accessibility, availability, suitability of products for the target community and whether they support women.

- Accessibility:
 - Proximity to the community / Have delivery convenient channels
 - Interest rates/ administration costs
 - Collateral requirements
- Products Availability
 - **Savings and RI** to assist in reducing vulnerability to risks like untimed cashflows, droughts, etc.
 - **Loans/working capital finance** to enable rural farmers /microenterprises to make investments, and purchase inputs. Note: Short-term consumption or emergency loans help households to avoid difficult situations that might have forced them to sell valuable farm assets.
 - **Transactional services** to make it possible to send, deposit and receive money to and from suppliers, traders' relatives in country and/or abroad.
- Suitability of products for the community
- Supports women

3. Analysis and Findings

3.1 Rural Financial Inclusion and Resilience

At national level the significance of IF to socio-economic development is recognized and RBZ has put in place a Zimbabwe National Financial Inclusion Strategy for 2016 to 2020. The strategy outlined the sectors for financial inclusion which includes the rural districts²¹. The existing formal financial services are very much structured to serve clients across individuals and corporates. As at 31 January 2017 there were 19 banks, 185 microfinance institutions (MFIs) of which 4 were deposit taking institutions and 2 development finance institutions. Financial services are also offered by Savings and Credit Cooperative Societies (SACCOS) and 114 insurance companies. SACCOS includes churches, workers' unions, finance NGOs and community groups. The government formalized SACCOS so that they are properly governed for financial inclusion.

SACCOS are defined as formalised groups of people with a common interest (churches, workers' unions, finance NGOs, community groups etc.) whose objective is to save collectively and then make loans available to the group members. These are registered and supervised by the Ministry of Small and Medium

²¹ Reserve Bank of Zimbabwe: National Financial Inclusion Strategy 2016-2020. Rural Inclusion pg. 29-31. www.rbz.com

Enterprises and for Cooperatives. Registered SACCOS have access to borrow through Small to Medium Enterprises Development Corporation (SEDCO).

Banks have partnered with 3 mobile network operators (MNOs) namely; Econet Wireless, NetOne and TeleCell to enhance their distribution network through digital financial services. Besides the linkages formed with MNOs by the formal financial services, the rural population is still financially excluded. 2014 Finscope Survey indicated that 70% of the population resides in rural areas and only 23% of these are formally banked²². In 2012 Finscope Survey noted that rural areas have 66% micro, small to medium enterprises and 47% of these were financially excluded. The unbanked sector often gets financial support from informal arrangements (community groups like unregistered SACCOS/VSLAs, friends and relatives) to meet their needs but this is not sufficient and inclusive finance is required. Inclusive finance improved the overall income for individuals and households in Midlands province and Gokwe district under the LFSP programme. Therefore, if these financial services providers extend their services to rural areas among other supporting economic pillars there should be a positive impact in developing rural agriculture and household incomes.

3.1.1 Rural Finance and Risk Insurance Market System

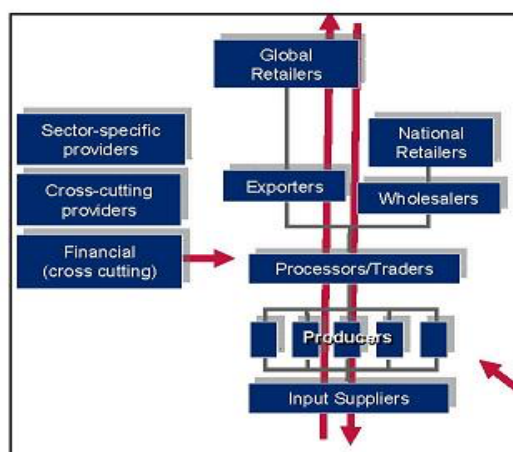
Rural financial market systems just like urban financial market systems have demands for products and services. The poor and low-income people as clients who have to access and use financial services are at the centre of financial services delivery. The supply and demand of IF and RI is therefore influenced by supporting functions that include skills; infrastructure; coordination, Information and capital/ finance/ insurance markets. On the other hand there are rules to be complied with in respect to supervision; regulations; standards; codes of conducts and informal expectations²³.

These work on a demand and supply basis and promote performance of the market. Any challenges in of supporting functions would affect the system and will not benefit growth of households, smallholder farmers and/or microenterprises activities. It is very much dependent on stakeholders (private sector and government) to create an enabling environment for appropriate value chains.

3.1.2 Value Chains and Financial Services

In generally agriculture cycles have periods ranging from a few months for vegetables/chickens to several years in the chase of cattle/plantations/orchards from buying inputs to marketing and there are cashflow limitations during each cycle that require funding. The stakeholders in the value chain (Figure 1), such as farmers/producers, agro-dealers, buyers, traders and/or processors typically need working capital for inputs, buying crops/livestock for onward sale or processing, logistics and for other related costs.

Figure 1. Financing through and to the Value Chain



Adapted from Microlinks²⁴

²² 2014 Finscope Survey, pg. 2.

²³ MercyCorps; Financial Inclusion Approaches and Principles pg. 3.

²⁴ USAIMicrolinks-<https://www.microlinks.org/good-practice-center/value-chain-wiki/features-value-chain-approach>

In VCF some stakeholders provide advance payments, input packages/loans to farmers/producers or traders. In southern Zimbabwe most companies supplied seeds and fertilisers. Cairns Food Limited has been in contract farming arrangements since 2007 in which they provide inputs to farmers and guarantee to buy the produce. However, this constrains capital for expansion of the core business. In a functional and efficient financial system, the formal finance and RI would support players in the whole value chain including rural producers. There are 3 ways of financing in VCF;

- The provision of credit, savings, guarantees or insurance to value chain players.
- The creation of strategic alliances through financing extended by a combination of value chain players and financial institutions.
- The offering of tools/services to manage price, production or marketing risks

If viewed holistically, in addition to input finance for agricultural value chains, the financial services demands would include finance expenses for households and non-agricultural activities that enhance their incomes as well. The informal Funeral/ VSALs/ISALs groups consider an entire household's income and expenses and this way they have managed to meet the needs of unbanked.

The Value Chains Analysis study for southern Zimbabwe identified a number of value chains namely; irrigated horticulture (vegetables, fruit, beans, green mealies, maize); sorghum and millets; oilseeds including sesame; and livestock mainly indigenous cattle and goats. The financing requirements for the identified value chains are as below:

- **Irrigated Horticulture (vegetables, fruit, beans, green mealies, maize):** Irrigated horticulture crops are grown by farmers on irrigation schemes with citrus fruits in Beit Bridge district and bananas in Chipinge district. The study noted that there is a huge unmet demand by current production levels and the farmers need finance for inputs to increase production among other issues like skills development, inefficient infrastructure, fragmented production and climate change disasters.
- **Sorghum and millets:** These are dryland crops and mitigants to less rainfall challenges and the farmers should be encouraged to switch to small grains (sorghum, finger millet and pearl millet). These crops require relatively low water within the bands for the southern region and there are also early maturing varieties that can be used. Farmers have generally not grown this crop and there is need to establish the market for its uptake. The finance would be required to cover skills development, input costs and market development.
- **Oilseeds including sesame:** Sesame is a dryland /rain fed crop which is heat and drought tolerance, with a low input requirements of \$60/\$100 per hectare and has been to date grown by women. The crop however is being grown on contract basis as there are no open markets. Finance would be required for inputs, harvesting and establishment of markets.
- **Livestock, Cattle and Goats:** Livestock especially indigenous cattle and goats are drought resilient however they require water to drink to be available during the drought spells. Farmers have kept cattle as savings and security. A few farmers have kept livestock for breeding purposes due to lack of access to capital for investments in its production following the drought periods. Farmers would have to buy supplementary fodder from the nearby irrigation schemes to mitigate drought spells.

3.1.3 Rural Financial Models

The common financial models that have been used in rural districts include savings from agricultural activities and/or money received from family/relatives. These savings are then placed through association contributions with Burial/Funeral Associations, Savings Clubs and/or ISALs/VSLAs. In IF programmes, CARE used VSALs methodology in Masvingo for the ENSURE project and also Grameen methodology used group lending²⁵ and most women participated in these finance models. The next sections look at access to finance from the demand side and supply side and will also review the results in light of these models.

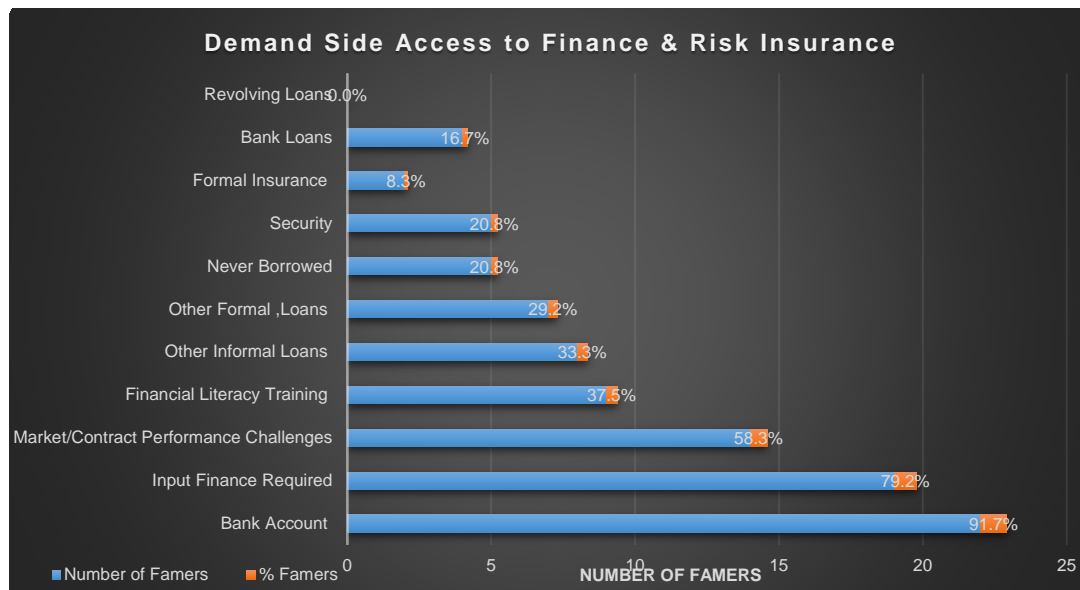
3.2 Demand Side Access to Finance Fuve Panganayi Irrigation Scheme Block C Case Study

A visit was made to Fuve Panganayi Block C in Zaka District for an in-depth understanding of the IF and RI status. This is a 54ha irrigation scheme with 55 households and out of a sample size of 41, only 29 beneficiaries managed to come for the discussions. In addition, they are organized into groups, the Irrigation

²⁵ Grameen methodology. <http://grameenresearch.org/grameen-group-lending-model/>

Committee that manages the affairs of the scheme in respect to irrigation management; Bulk Inputs group for purchase of bulk inputs for cash crops and, Burial/ Funeral Societies and VSLAs (and present were Fushai group, Group D and Rimai group). The individuals in VSLAs groups can borrow funds from constitutions at an interest rate of 20% per month. The results of consultative discussions are as per chart 1.

Chart 1



The top 3 findings were challenges with input finance, access to markets and financial literacy.

- **Inclusive Finance:** 91.7% farmers indicated that they had access to banking services mostly in form of savings accounts and those with no bank accounts had deposit accounts with MNOs. 33.3% had loans from informal groups, 29.2% had from MFIs/Contract Farming Finance 20.8% never borrowed and 16.7% farmers had loan facilities from commercial banks. These farmers had taken advantage of contract farming finance (a form of VCF) for cropping finance and secured markets. The off-takers in contract farming who provided input packages are Better Agriculture (Private) Limited for Chilies, Zimbabwe Super Seed (Private) Limited for sugar beans, Cairns Foods Limited for Michigan pea beans, Masvingo Food Security for maize, groundnuts, onions and sugar beans. The farmers also grow green mealies and tomatoes as cash crops for local sales.
 - **Input Finance:** All in all, 79% farmers indicated that finance is required for farming inputs.
 - **Revolving Finance:** No farmer received revolving finance nor were there any financial institutions which offered revolving loans.

The results confirmed that although informal finance played a valuable role of provision of finance (33.3%), the farmers still needed finance for farming inputs.

- **Market/Contract Management:** 58.3% indicated that market access is required even though they had some contract farming finance with confirmed markets for their produce. Some of the offtakers did not collect the produce timely and/or took long to pay thereby disrupting the production cycles/rotations. They would like the government to develop agricultural markets and also put in place policies for stakeholders to honour their contracts subject to them producing the right products as per contracts. They have two options to take the issue through ZFU for those with membership with the union and/or use the local courts however, it would take their productive time.
- **Financial Literacy:** Only 37.5% had received financial literacy training hence 62.5% required capacity building. Financial Literacy would enlighten the farmers on managing farming activities as a business and give them knowledge on financial services and products to their benefit.

These findings were in line with key findings/constraints highlighted in LFSP Baseline report (2016) namely; access to markets, access to services, inputs and finance. In the same report a few households had access to savings or credit services. Assets owned by farmers were limited and therefore they could afford provision of collateral for convectional credit products²⁶ and only 20% provided collateral in this study. In a feasibility study done in Chiredzi in 2016 by Plan in Zimbabwe it was also found out that the farmers lacked financial literacy and access to finance to improved on their activities and household income.

- **Insurance:** Whilst the facilities administered through the formal institutions have credit life insurance, only 8.3% of farmers had life insurance. Most of them had no knowledge and/or had no interest in the formal insurance arrangements as they did not see its value add and believed that it would only increase the charges collected from their income. Instead they use informal risk mitigants that include good farming practices, diversification of value chains, drought resistant varieties, staggered planting dates and keeping livestock to caution their households cashflow. The weather risk mitigations are Climate Smart Agriculture (CSA) practices. Livestock is considered to be a savings, investment and security since they reproduce and generate money for cashflows when required. Livestock is also acceptable collateral in getting formal loans as it's a near cash asset.

These findings conformed with results on the study on Uptake of Insurance by The Farmers in Zimbabwe by Tsikirayi *et al* ²⁷. In this survey farmers did not consider insurance as a risk tool and they preferred to use CSA practices. The insurance companies on the other hand indicated that insurance uptake was low because of limited knowledge on insurance; unaffordability of insurance; low income levels; and low agricultural production; remoteness of farms from service providers; and negative perceptions about insurance in general. Rural farmers have not been educated about formal insurance for both personal and business. VUNA's CSA project combines the farming techniques and provision of weather information to farmers for effective planning and this is important in enhancing informal risk insurance.

3.3 Supply Side Access to Finance

Southern Zimbabwe is characterised by low distribution network of formal finance and RI services as these are mainly at district centres (Annex 5). The distribution channels include financial institutions branches, alliance/agents, mobile banking, mobile money, internet banking; and services offer are savings, credit and insurance. It was noted that 3 out of 9 districts districts namely; Beit Bridge, Gwanda and Masvingo had more formal financial services institutions (Banks, MFIs and Insurance companies) as these are focal growth points for their respective provinces. Mobile money services are available in all the 9 districts.

Table 3 Key Financial Services Distribution (including agencies)

	MANICALAND				MASVINGO		MATEBELAND SOUTH		
	Buhera	Chima nimani	Chipinge	Bikita	Masvingo	Zaka	Beit Bridge	Gwanda	Insiza
BANKS	4	4	6	3	14	5	11	8	1
MFIs	2	3	2	2	5	2	2	4	2
INSURANCE	1	3	3	2	4	2	2	3	2
Total	7	10	11	7	23	9	16	15	5

The informal finance and RI activities and, the efforts by the NGOs to promote agricultural production for livelihoods complimented financial services provisions in the rural areas. The informal financial services being localised in villages by their nature have limited product range (funeral cover, savings and loans) and serve a few individuals within their own groups. Although the formal institutions provide a wider range of

²⁶ LFSP Baseline Report, Monitoring, Reporting and Evaluation of the Livelihoods and Food Security Programme, 2016, Coffey, pg. 92.

²⁷ Tsikirayi, Catherine Mazwi R. Makoni Ephraim and Matiza Joseph. Analysis of the uptake of agricultural insurance services by the agricultural sector in Zimbabwe, Aabri Journals.

financial services that cut across all segments and client touch points, these are not fully available in rural districts. These results are inline with the findings in the national survey by Finscope for 2014 and the conclusions in the National Financial Inclusion document of 2016-2020 on rural financial inclusion. The formal financial services providers have therefore entered into alliances with MNOs in order to close the financial inclusion gaps by leveraging on their networks.

3.4 Inclusive Finance and Risk Insurance Models

Reflecting on the previous findings, access to finance for input, financial literacy and markets were the top 3 issues on demand side and on the supply side there was limited distribution of services. In the next sections we look at the results from review of informal and formal finance and RI models and also discuss the comparative analysis of informal versus formal finance and RI.

3.4.1 Informal Finance Models

Savings are a pillar of informal services in the rural districts. In Fuve Panganayi case study 91.6% of the farmers had some savings and/or belonged to a savings group through which they are able to access *ad hoc* and some households funding for their activities. It is important to note that all savings groups were led by women except for the Bulk Input group. The group formation process brought the members together and enhanced their communication. They also found it easier to reach out for external support as groups in arranging for contracts with offtakers and/or selling produce to the dealers. The informal finance and RI models as collected in the study are as follows:

i) Village/Internal Savings and Lending Associations (VSLAs/ISLAs)

VSLAs groups are usually women who mobilize a portfolio of funds from their own savings and use the pool of funds to meet their savings, borrowing and insurance requirements. The interest earned from lending out the group's funds are reinvested among the group members in proportion to the member's contribution to the loan. The funds are savings based; self-managed hence have low costs; they are simple and transparent operation; have flexibility in small loan sizes and terms; and earnings are retained in the group and local community. The savings are an asset, and therefore reduce livelihood risk and so the group members are comfortable to participate.

ii) Rotational Savings and Credit Associations (ROSCA)

The group members contribute equal amounts of money at regular periods. At each meeting one person receives the total contribution for the round collection and the cycle continues until all the members have received their share. The benefit of this system is that it imposes savings discipline and members share a proportion of the time value of money. It is transparent; has low to zero financial costs and its safe and efficient. However, there is no return on investment. Its relatively ineffective as a means of capitalising investment and fixed amounts of the contributions may not match personal requirements.

iii) Burial/Funeral Associations

Individual contributions are done at frequent intervals to the group fund to cover funeral costs in case of death of a member. It covers all the expenses. No death certificate or paper presentation formalities would be required as the members would be aware of the circumstances. However, it leaves a lot of administration to be done by group members during the funeral period.

iv) Cash Saved

Cash saved from farming or business, previous employment, gifts by friends and relatives) This is just seed money that has to be invested to generate more. Farmers who are use it to buy seasonal inputs in most cases. The amounts are generally small and supplementary borrowing is still required to grow value chains/business.

Gender Aspects: The women feel comfortable with the savings groups. Manyumwa *et al* (2016) found that VSLAs are a good initiative and women use them to compete for self/family developments in Chiredzi district. In the same study VSLAs were found to be a tool for savings as the high interest rates on loans discouraged borrowing.

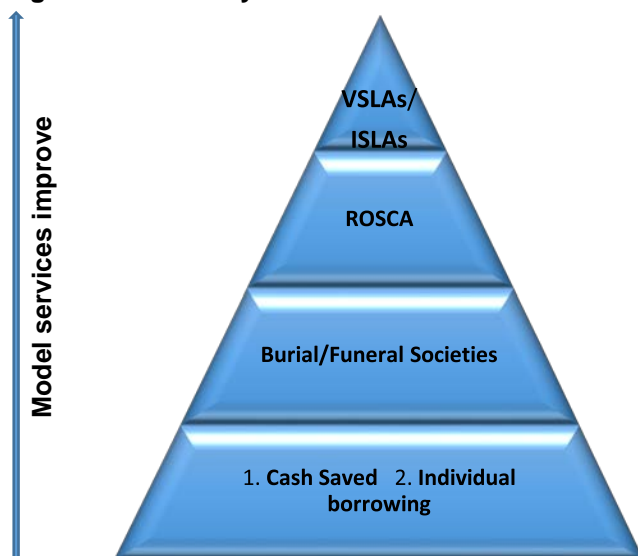
Climate Risk Aspects: The savings groups get funds injected in form of membership contributions from personal savings after an agricultural season and/or received remittances from friends and relatives and

interest generated from lending in the case of VSLAs. The key source of income is therefore the agriculture therefore if production is affected by weather conditions there will be less to save to deposit with the savings group. The informal finance models were compared against the predetermined criteria for accessibility, usage and suitability in Table 4

Table 4 Informal Finance Models Comparative Analysis

CRITERIA	VSLAs/ISLAs	ROSCA	Burial/Funeral	Cash Saved
Proximity	Community based	Community based	Community based	Community based
Distribution	Group members	Group members	Group members	Group members
Distribution Costs	minimal	minimal	Minimal	minimal
Paper work	Non	Non	Non	Non
Savings	Yes	Yes	Yes	Yes
Transactional Channels	Non	Non	Non	Non
Credit/Loans	Yes	Receive cash when its one 's turn	No	No
Credit Interest	15-25% pm	n/a	n/a	n/a
Households	Yes	Yes	No	n/a
Crops	A few	A few	No	n/a
Livestock	A few	A few	Np	n/a
Size of facility	Small	Small	n/a	n/a
Structured Finance Solutions	n/a	n/a	n/a	n/a
Collateral	No	No	No	n/a
Insurance				
Funeral	No	No	Yes	n/a
Supports Women	Yes	Yes	Yes	Yes
Climate Impact	Performance of the models is a function of weather conditions as most of the income is agro-based.			

Figure 2. Hierarchy of Informal Finance Models



The provision of financial services improves from the bottom to the top. The VSLAs/ISLAs are at the top of the hierarchy as they bring the community together and create a good foundation for linkages with the formal services in order to widen the product range and link to formal financial inclusion.

CARE in Zimbabwe used VSLAs strategy for the ENSURE project which they worked with CBZ Bank Limited and VIRL in Masvingo province. CBZ Bank Limited indicated that trained groups are easier to work with.

OXFARM in their recent studies in Chiredzi also recommended the use of VSLAs in community development especially women and that it is a tool for linkages with formal financial institutions.

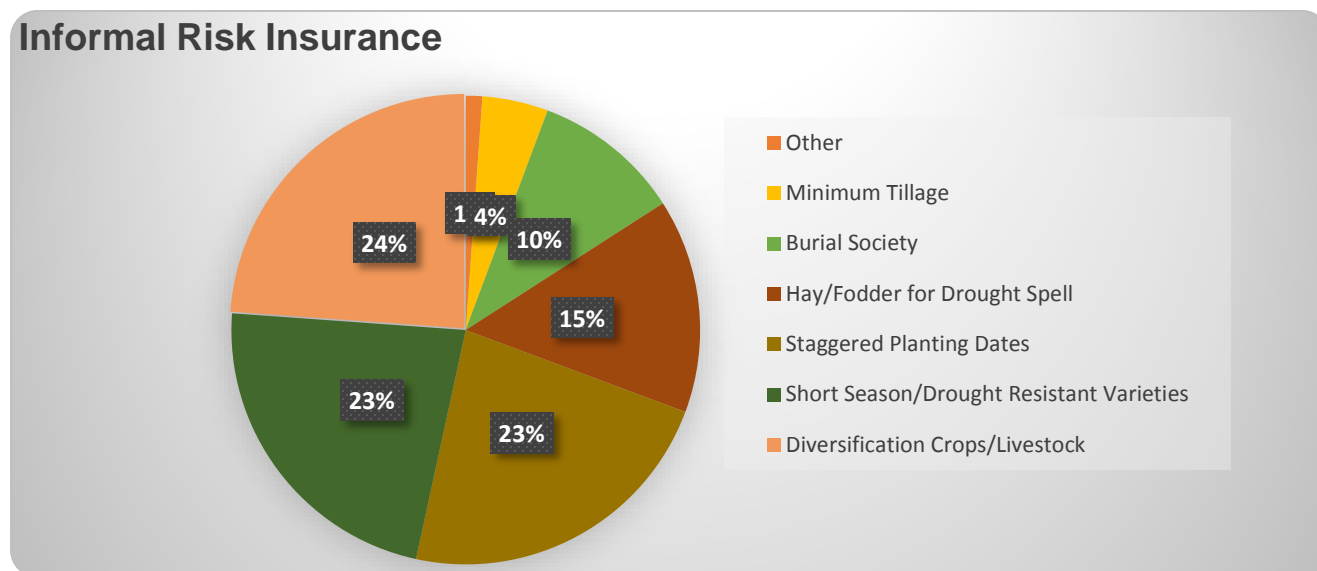
LFSP programme focus on strengthening and upscaling ISLAs by introducing them to banks and MFIs for loans and conventional financial services

1.

2. 3.4.2 Informal Risk Insurance

The Chart 2 below depicts the findings from the information collected from 22 formal financial institutions and Fuve Irrigation Scheme Committee group discussion on informal insurance.

Chart 2



Most of informal RI activities are CSA of which a seasoned farmer would carry out to ensure higher yields and leverage on crop varieties and cashflow generated from different value chains. The selected value chains therefore would be appropriately fit in managing the risk insurances. Irrigated crops mitigate the mid season drought spells and whilst the dry land crops (sorghum, millet and sesame) are rain fed drought resistant crops. The table below shows review of the informal risk management activities and areas of improvement.

Table 5 Review of Informal Risk Insurance

Strategy	Enterprise	Short Description	Advantages	Areas for Insurance Considerations
Diversification	Livestock; cattle or goats	The farmer purchases livestock at the end of each season. These are kept for growth and sold in case of low crop production. However fodder management is critical to ensure good animal husbandry during dry spell periods.	Whilst this is considered as an insurance it is also a savings and investment as the livestock also reproduce. Household cashflow stability from sale of milk and during culling process. Livestock is also an acceptable form of collateral as it's a near-cash asset.	Livestock remains at risk and a secondary insurance cover for theft, animal astray and extreme drought impact is required.
	Value Chain Combinations	Value chain combinations (e.g. maize, sugar bean and cattle) to caution weather risks and market risk have been used to guarantee yields and income stability. This is also used in modern agribusiness in crop rotations and as a way to maximise revenues.	A variety of crop combinations assures good harvest and stable markets returns	Secondary insurance is required to guard against e.g. drought spells, windstorms, floods, theft and fire.

Strategy	Enterprise	Short Description	Advantages	Areas for Insurance Considerations
	Combination of crop varieties and (Staggered Cropping dates)	Combination of short season and drought resistant varieties Staggering planting dates are another way to mitigate seasonal weather variations due to climate changes.	Staggered planting dates improve the chances of harvest and avoids total loss of inputs that could be incurred by using a single planting date.	Secondary insurance is required to guard against e.g. drought, windstorms, flood, theft and fire.
Cash Saved	Cash Set Aside from Crop Sales	Instead of paying an insurance premium the farmer sets aside money as insurance for next production. The saved money would then assist with purchase of inputs for the next season should there be a crop failure in the current season.	This is less administrative as cash is on hand and/or at the bank.	Cash on hand however can be stolen or used for other household expenses.
Home Grain Silo	Dura	In old days the family would reserve grain and other dry crops for family consumption for current and next season.	Family had food to eat and or sell for cashflow alleviation.	Dura management is required to keep the food in good standard. Insurance may be necessary for theft and fire.
Common Land Production	Zunde Ramambo	A piece of land was reserved for community production purpose. Labour for growing the crops was provided by the community. The produce and proceeds from this were reserved for community usage during time of needs like droughts. It was also used to support the elderly, widows, orphans and persons with disabilities in times of need.	The community common purpose was established and supported as long as there was transparency in administration of the resources from the piece of land.	Mushandira pamwe (Cooperatives) failed in the recent due to governance issues and there is limited land available to put aside a reserved communal block of land.

Gender Aspects Women were aware of these mitigants and continuous capacity building on the farming activities skills is delivered by AGRITEX however due to government budgetary constraints the department is not able to effectively cover dry land farmers in the southern Zimbabwe. Continuous CSA capacity building is therefore required.

Climate Risk Aspects: CSA and weather information as advised by the Metrological Centre and translated for agricultural use by AGRITEX have been useful when information is relayed timely and therefore they did not have reasons to buy RI as discussed on the demand side in section 3.1. However, with changes in weather patterns residual risks for drought, floods among other challenges they would require formal insurance. In addition, the dissemination of information on weather expectations should be done through a reliable ICT network. In 2016/2017 season AGRITEX used What's Up groups to relay the information.

3.4.3 Formal Finance and Risk Insurance Models

Banks and MFIs are registered and regulated by RBZ, and they have to abide by set rules and regulations locally and internationally. They provide services such as accepting deposits, making personal and business loans, and offering savings and investment products. They also provide enabling transactional platforms for receiving remittances, making payments, trading foreign exchange etc. (including client e-services like mobile banking, internet banking, ATMs, POS).

Most formal institutions supported rural agriculture through structured group lending and VCF (in this case contract farming finance). These models in some instances were backed up by guarantees or grants by NGOs. The example is Zimbabwe Agricultural Development Trust (ZADT) that was founded by SNV Netherlands and HIVOS in 2010 and being funded by DANIDA, DFID and Ford Foundation. ZADT introduced Credit for Agricultural Trade and Expansion (CREATE) fund in 2012. CREATE Fund support smallholder finance using VCF. The funds are disbursed through intermediaries for direct management through their systems. There are 6 banks and 2 MFIs these have financed mostly contract farming arrangements that benefit smallholder farmers. In discussion with CABS, FBC Bank Limited, Steward Bank Limited and VIRL who are using CREATE FUND they indicated that the model is successful and they look forward to expand their portfolios on a similar model. ZADT engage SNV in Zimbabwe to provide capacity building to smallholder farmers or organized farmer groups.

For this review 5 Banks, 2 MFIs, 2 Farmer support service providers, 1 Development Bank and 5 NGOs (Annex 4) were engaged in consultations and the key models found and their attributes are as per Table 6.

Table 6 Review of Formal Finance Systems

Type	Short Description	Advantages	Areas for finance considerations
Individual Savings	An individual opens a saving account. The minimum balance for this account is US\$5 across deposit taking institutions.	A minimum balance of US\$5 encourages individual to run the account and save.	Current market confidence is low for formal savings
Group Savings	A group of 5-20 people saving funds for a common purpose.	Saved money can be used as collateral for group loan. The savings have interest generation to the benefit of the group	Current market confidence is low for formal savings
Individual Lending	Individual lending methods are typically used for large loan sizes under a single borrower/business.	The larger loans make it cost-effective for lending institutions to visit and conduct assessments of the client's business and its cashflows.	They require close and more frequent monitoring such as monthly site visits or calls.
Group Lending Model 1	In the wholesale group lending model, the entire group is the borrower, and group members guarantee each other. This works where they have a single project and/or have capability to reissue individual loans and monitor collections.	Group lending model 1 is more cost-effective than model 2 and hence normally gets an interest rate/administration fee discounts. The individuals guarantee each other. The individuals in a group monitor each other on both performance and repayments. It has reduce transaction costs and risk through joint-liability and guarantee arrangements within the groups as compared to individual lending.	The effectiveness of group-based guarantee decreases as the groups mature. The individual finance needs may increase due to good performance of his or her projects. The members then would take varying loan sizes under individual lending.
Group Lending Model 2	The group is formed and collectively borrow with individual loan accounts created under one group. However the group is still expected to monitor each other's activities because if one defaults it affects the whole group.		
Value Chain Lending (the common models being the buyer finance/Contract Farming)	The buyer security models are structured so that the financier relies upon the buyer contracts to secure institution loans.	A strong buyer in the chain in itself provides comfort, as there is limited market risk access and price volatility, therefore less default risk. Collateral may be a pledge of buyer receivables to the lender or some form of guarantee.	This is always structured for specific value chain and transaction and therefore suits larger groups/transactions.

The formal finance system had challenges in the past with individual lending in rural areas in respect to high distribution costs and low loan recovery rate. However, their experience with group lending mitigated these shortfalls in individual lending. The co-guarantee arrangements for group lending removed collateral assets requirements in favour of the farmers. Group lending has therefore been used in contract farming by formal institutions to the mutual benefit to the farmers, the contractors and the financial institutions.

3.4 Formal Risk Insurance Systems

All 4 short insurance companies who were consulted indicated that distribution of rural RI is expensive and commissions charged would not be able to cover the expenses. They are however repackaging the products for grouped farmers. VCF models are designed to minimize the risk of default and the anchor has often arranged for appropriate insurance. The insurance sector has various risk products that benefit the farmers if packaged properly. These include credit life products, production and weather insurance, machinery and implements, motor vehicle and other personal risk cover products. However, their uptake is low due to lack of knowledge as mentioned in the earlier findings in section 3.2.

Insurance improves comfort/acceptability of assets pledged for collateral and ultimately reduce a loss of an asset when a trigger event like drought, fire or theft happens. Insurance under defined circumstance provide a good risk mitigant for crop/livestock loss by the farmer. The farmers need to be educated on the benefits to the introduction insurance especially the weather index products. The microinsurance capacity building is needed in medium to long term to inform the rural population on how to use insurance and its benefits.

3.4.4 Informal and Formal Finance and Risk Insurance Comparative Analysis

The informal system consists of private individuals, traders, commission agents, friends and relatives who lend money generally out of their own equity and are not regulated or supervised by the national regulators, say RBZ. The major differences between the informal and formal systems is that the informal screening, evaluation and monitoring mechanisms are based on their intimate knowledge of their clients and also the amounts saved/loaned are small and thereby not adequate for rapid business/value chain growth. Whilst it may be easy to get funds from friends and relatives it has generally been found that these sources are expensive as unregulated interest rates apply. The informal system also has very limited financial services. The comparison of informal and formal financial system was done and is in Table 7.

Table 7 Informal and Formal Finance Systems Comparative Analysis

Criteria	Informal	Formal			Challenges and Opportunities for enhancing Inclusion
		MFIs	Banks	Insurance	
Proximity	Community based	Low distribution	Low distribution	Extremely limited distribution	Access to financial services Leverage innovative ICT for enhanced coverage. Agencies/Alliances with existing branches
Distribution	1 point	Branches/Agents	Branches/Agents/electronic platforms	Branches/Agents	
Administration fee	Minimal	As high as up to 7%. (and will be up to 3% from 1/4/2017)	Negotiable no limit. (and will be up to 3% from 1/4/2017)	n/a	
Paper work	No paper work	Simple budget	Comprehensive budget required	Yes linked to budgets	Lack financial literacy
Interest /Commission	High (as high as 20% per month)	High up 10% per month. Will be capped at 12% p.a. from 1/4/2017 for productive sector.	Up 15% per annum. Will be capped at 12% p.a. from 1/4/2017 for productive sector.	1-1.5%	Access to financial services Link informal groups to formal institutions/ commercial companies to enhance financial inclusion. Accommodate the informal sector with provision of small packages for complete farm inputs per VC. However this only ensure distribution of inputs but no increased hectares.
Size of facility	Small amount	Up to US\$5000	Full requirements provided after assessment and meeting specific criteria.	n/a	
Markets	No market uptake assessment	Group lending and secure for rural farmers	Market uptake should be secured	n/a	Limited markets
Structured VCF	No structured VCF	Structured VCF with guaranteed markets.	Structured VCF with guaranteed markets.	n/a	Access to financial services

Collateral	Not required	Required in form of: Group co-guarantees, livestock, implements and household effects (for MFI loans).	Required in form of: Group co-guarantees, livestock, implements and household effects.	n/a	Explore Structured VCF with guarantees.
Insurance					
Credit	No	Credit Life Insurance	Credit Life Insurance	Yes	Access to financial services Complete microinsurance packages for rural. **Drought insurance has been on pilot for 3 years by Alliance Insurance Company, Nicos Diamond Insurance, Old Mutual Insurance Company and Zimnat Lion Insurance. This should be introduced Should be rolled out in 2017. Note; These were pioneered in natural region II where drought spell is not prevalent.
Life	No	Yes	Yes	Yes	
Funeral	Burial Society	Yes	Yes	Yes	
Pension	No	No	Yes	Yes	
Health	No	No	Yes	Yes	
Weather	No	No	Yes	Yes**	
Machinery & Impliments	No	No	Yes	Yes	
Crop	Good farming practices	No	Yes	Yes	
Livestock		No	Yes	Yes	
Supports Women	Yes	Yes	Yes	Yes	Not gender sensitive

From this comparative analysis formal and informal finance and RI are both required. There is a primary need for IF and a secondary need for development of formal RI. The challenges and opportunities available are therefore summarised as below;

Challenges	Opportunities
<ul style="list-style-type: none"> Access to financial services 	<ul style="list-style-type: none"> Leverage Innovative ICT to enhance coverage Linking informal VSALs groups to formal institutions VCF with guarantees for Group Lending Introduction of Microinsurance packages for rural
<ul style="list-style-type: none"> Markets (for produce) 	<ul style="list-style-type: none"> VCF with guarantees Markets Development programme
<ul style="list-style-type: none"> Lack of Financial Literacy 	<ul style="list-style-type: none"> Capacity Building for Finance and Insurance and Contracts (Documentation)

3.4.5 Challenges and Opportunities for Rural Finance and Risk Inclusion

Access to Financial Services: Whilst there are limited financial services in rural areas these challenges can be overcome by leveraging on innovative ICT to enhance coverage, linking informal VSALs groups to formal institutions, VCF with guarantees for Group Lending and gradual introduction of microinsurance packages for rural as per outline below.

- Leverage on innovative ICT: The 3 MNOs (Econet Wireless, NetOne, and TeleCell) have coverage in southern Zimbabwe however there are some areas that are not full covered. The rural communities are also moving along with these changes and are comfortably using technology to their advantage.

MNOs products include voice, data and mobile money. The advance mobile money is including deposit, withdraws, payroll and bulk payments, individuals and group savings and credit, funeral insurance, life

insurance and drought insurance. Mago et al (2014) concluded that money banking was enhancing financial inclusion for Masvingo province and in the last 2 years 7 banks (Agribank, BancABC, CBZ Bank, NMB Bank, Stanbic Bank Steward Bank and ZB Bank) were linked with Econet Wireless, the largest MNO for the mobile money services. This development has widened their distribution network this way. There was a push for branchless banking through agencies in rural districts. Steward bank has only 1 branch in Masvingo and the rest of 8 districts are through agency arrangements (Annex 5). It was also noted that convenience is an important factor for financial inclusion for rural mobile money users (Chinakidzwa et al 2015). Whilst the distribution touch points of formal financial services may be limiting financial inclusion the alliance and contacts between MNOs and the Banks, MFIs, and Insurance companies removes this barrier.

- **Linkages of informal groups to formal institutions:** Farmer groups have become the centre for development in the rural because they are easier to reach out and minimise the administration costs. All stakeholders would want to use the farmer groups for sustainable development programmes. These worked well for Agribank through its linkages with AGRITEX, whilst CBZ Bank Limited and VIRL, a MFI worked with groups introduced CARE in Bikita, Gwanda, Masvingo and Zaka.
- **Structured VCF with guarantees:** Contract farming has worked very well with the anchor taking financial responsibility for providing inputs. However, it needs to be expanded further to include farmers/microenterprises with guarantees being extended to the lenders for sales proceeds to be sent to the collection accounts for loan repayments. This way the anchor will have free capital for expansion core business and thereby markets.
- **Microinsurance Packages for Rural Markets:** Microinsurance is the protection of low-income people against specific risk in exchange premiums that proportionate to the likelihood and cost of the risk involved. As with all insurance, risk pooling allows many individuals or groups to share the costs of a risky event. CSA are being used to improve production and as risk insurance mitigants. However, as the farmers are commercialising their operations insurance packages should be developed since formal borrowing requires insurance for the underlying assets. It should be noted that all formal institutions embedded creditlife for on credit facilities and require insurance for collateral assets. For example, if livestock is used as collateral for a loan it should then be appropriately insured. The rural population still need to embrace these changes for crop production, livestock, weather, funeral, life, pension etc. There is an opportunity for CSA capacity building backed with introduction of rural microinsurance in respect to:
 - Livestock insurance to cover for theft, animal astray and extreme drought impact
 - Secondary crop insurance to mitigate risk for drought spells, floods, theft and fire

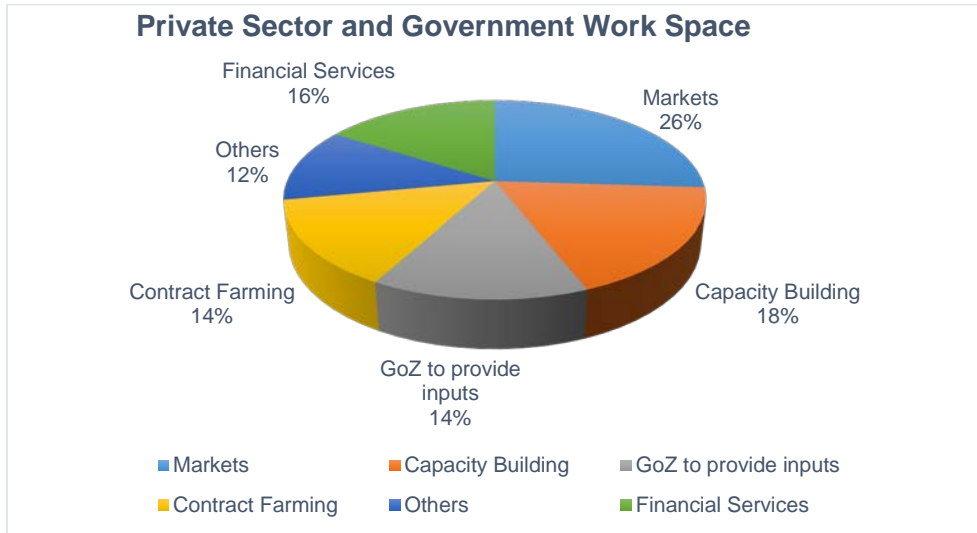
Access to Markets: Farmers on contract farming have secured markets for their produce however creation of additional structured markets is required. Structured markets make it easy for farm planning, selection of value chains for production and assessment of viabilities and thereby making bankable proposals for considerations by formal financial institutions.

Financial Literacy: There is need for education in respect to financial services available to the farmers. Although the farmers had a general knowledge of formal financial services a greater number were not aware how to make the best use of these products. The capacity building by the NGOs CARE, FAO, SNV, and skills development by AGRITEX assisted a number of groups on irrigation schemes however there is still a larger population on dryland production. The financial literacy modules by AGRITEX and ZFU had not included financial services. Therefore, in delivering capacity building training these should be updated appropriately.

3.4.6 Private Sector and Government Collaboration

The question on private sector and government engagement was discussed with all stakeholders for this survey and the common areas for collaboration that came out are in Chart 3.

Chart 3



These also broadly mirrored the findings on Demand Side Access to Finance analysis in section 3.2. The key areas for private sector and government that require engagement for development are access to finance by 44% in form of financial services (16%), contract farming (14%) and provision of inputs (14%), markets by 26% and capacity building by 34% as in financial services knowledge and contract management. These findings were as per. and LFSP Baseline report (2016) that also had similar findings for the eastern and northern districts of Zimbabwe.

3.5 Gender Aspects:

Men are not part of ROSCAs as they referred to it as a women's clubs. These groups are normally an extension of women's discussions and/or celebrations for success. It is not documented that men should not be part of the ROSCA groups. Men and women however belong to VSLAs/ISLAs as these are formed to support household cashflows and income generating projects.

Formal institutions did not indicated segregation of gender in their criteria for provision of financial services. Men and women are free to access the services as long as they have meet the set criteria including the customer due diligence. However, there is a historic ripple effect from the land allocation process that is in favour of men (ref: sub study for Gender/Social Inclusivity pg. 14-16, 22). The downstream limitations are in respect to access to productive financial services which is based on productivity on a piece of land. Formal financial services require co-guarantees for group lending and in certain instances pledging of assets such as cash, cattle, machinery and implements. Cattle and, machinery and implement would require clearance from the head of family who is a man and without being in agreement these cannot be pledged. This therefore presence limitations to financial freedom of women. Whilst there are no collateral barriers in respect to the ROSCA and VSLAs as no security is required the amounts of loans small.

3.6 Climate Risk Aspects:

Informal RI (Figure 3) are CSA are important as production measures that improve and reassures of good yields however they not adequate as climate change risk mitigants and there is need to cover the secondary risks of adverse weather conditions embedded.

Introduction of microinsurance to rural communities especially with commercialisation of rural agriculture is require and the microinsurance framework is already in place as part of the national financial inclusion strategy 2016-2020. This step would bring the whole range of insurance products that is life, pensions, machinery and implements, livestock, crop production and weather index products for extreme conditions while CSA should continue to be used to improve yields and households cashflow.

The introduction of weather index products was supported by TechnoServe in their work with Zimnat Lion Insurance Limited and Nicoz Diamond Limited. Alliance Insurance Company Limited and Old Mutual

Insurance Company (Private) Limited piloted use of the products in natural region II and the roll out should in the coming season. All these 4 institutions indicated that there is room to improve the weather/satellite data they use as its not reliable during heavy storms. The introduction of Ecofarmer was after ZFU approached Econet Wireless as rural farmers had lost inputs due to droughts.

Further support on development of weather indexed insurance products is key in terms of refining the products for rural farmers and weather information dissemination systems. On the other hand, formal RI has specific performance trigger events and appropriate farmer education for use of insurance would be useful required.

4. Conclusions/ Recommendations

It is concluded that both the informal and formal finance and RI are required for development of rural financial service in southern Zimbabwe.

- Informal Finance and RI do not adequately to meet finance requirements for smallholder farmers and microenterprises. However, VSLAs/ISLAs and CSA are a strong foundation for empowering rural smallholders/microenterprises especially women and capacity building should be extended on both VSLAs/ISLAs and CSA. The internal group performance monitoring and group co-guarantees presents bankable proposition for VSLAs/ISLAs to be linked with formal institutions.
- Formal finance is available in targeted rural districts but with low distribution networks. Formal institutions, traders and commercial offtakers have successfully used group lending and VCF (contract farming finance) models. The identified value chains (Irrigated Horticulture (vegetables, fruit, beans, green mealies, maize); sorghum and millet, oilseed including sesame, cattle and goat production) should use these finance models. For this programme VSLAs/ISLAs should be the linkage point to formal institutions through the group lending and VFC models. It is however important that the linkages should only be done after capacity building of the groups.

The positive development in ICT are alternatively less costly distribution channels and institutional alliances with MNOs are enhancing branchless banking especially for transactional services. The financial institutions should leverage on ICT for IF and RI for rural districts with increased MNO coverage. ICT in this case should make it easier for the smallholder's farmers to access other convectional banking services.

- There are no revolving loans available. Revolving Loans facilitate providing loans to poor of the poor, women or groups of people that do not qualify for financial services or are otherwise viewed as being high risk. This should be introduced to benefit the poorest of the poor, women who historically may not have access to assets for use as collateral, not affiliated to groups and have capability to run income generating projects in the rural area.
- **Insurance:** The formal insurance is yet to be widely used in the rural districts and there is need for insurance companies to package microinsurance products to meet the needs of prospective rural clients. Rural insurance products will be required to support IF as the lenders require underlying assets in a credit transaction to be insured and its also important to insure higher inputs/production levels so as to minimize losses due to weather variations. Insurance capacity development should be initiated for the famers in the medium to long term.

Development of Markets: Whilst IF is important in all financing models the income and repayments for credit facilities are from selling of goods and so are markets part of the financial system. Private sector and government should engagement to secure appropriate markets for the identified value chains.

The Role of Government: The supporting functions in 3.1.1 and the government have major roles to play in creating an enabling environment for rural financial markets. The Notational Financial Inclusion Strategy for 2016-2020 is stepping stone towards meeting the needs of smallholder farmers however the government should put in place enabling rules, policies and regulations. The 3 key areas of focus are access to finance, markets and capacity building of rural population and these should be adequately provided for in the implementation stage in order to alleviate poverty. The drive to promote market confidence in the formal financial services system and a savings culture will also assist rural financial inclusion programmes.

Cross Cutting Issues:

- **Capacity Building:** Capacity development in CSA skills and financial literacy are necessary. These are also linked to development of markets for produce as the farmers should know how to produce, what to produce and available markets markets before getting finance and RI for their projects.
- **Gender Aspects:** Women have lesser tangible assets and access to land allocation. All though the financial services providers do not use gender as criterion for their services the project proposals of some women are still disadvantaged due to historic issues on land allocations and cultural demands.
- **Climate Risk Aspects:** CSAs as mitigants for climate changes are important however do not fully cover all weather risks in light of the increased weather variabilities. Introduction of improved weather index products should be explored.

4.1 The Way Forward

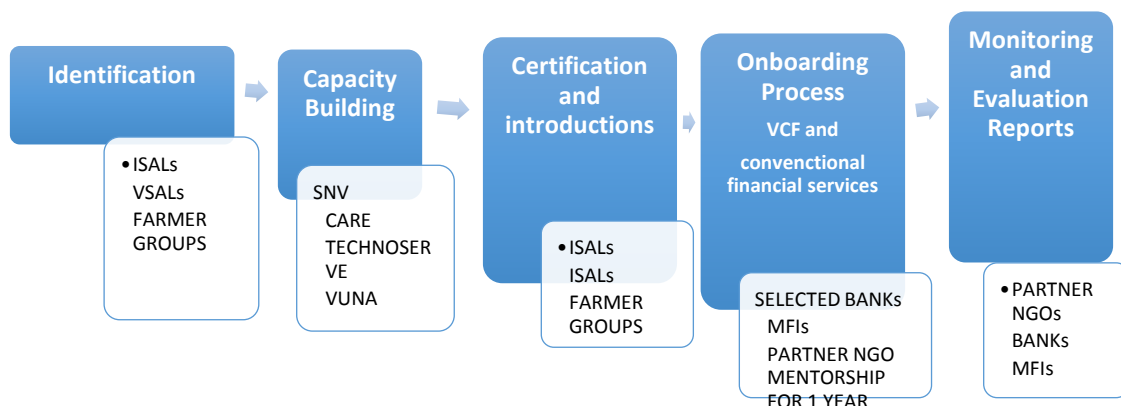
Informal and formal Finance and RI are complementary however to enhance rural productivity and improve rural households' incomes for sustainability of livelihoods formal IF and RI should be incorporated for the 9 rural districts to access a wider range of products and services.

- At commencement of the project all stakeholders should convene a meeting to understand the steps to be taken in including the rural farmer/microenterprises from the formal institutions and then enter into a memorandum of understanding for on boarding trained groups/microenterprises on to formal financial institutions.
- The project should start by capacitating the informal finance and RI models with financial literacy that includes financial services, contract management and CSA. There are a number of development organisations/NGOs with wealth of knowledge, skills and best practice to lead and/or partner with. These include CARE, SNV, VUNA and TechnoServe.
- Simultaneously, the financial institutions have to understand their roles in the recommended models and how to engage rural smallholder farmers/microenterprises during the linkage process. Institutional capacity workshops will be done with selected banks, MFI and insurance companies so that they reach out and work with selected farmer groups. The selected institutions are those with presence and/or would be able to provide the services to the target districts (Annex 7).

Recommended Models

The recommended inclusion process requires the certification of farmers/groups/microenterprises by the capacity building partners before on boarding to the formal finance and risk insurance institutions as outlined in Chart 3.

Chart 3 Recommended Financial Inclusion Process



It should be noted that the financial institutions are expected to use their own business due diligence in accepting the farmers on their books. However, the capacity building and mentorship by the partners

should continue to run for a year whilst they are using the formal systems. This should improve access to financial services by:

1. Widening financial services by packaging appropriate rural products and services and including them transactional platforms for conventional products.
2. Creating markets through large corporates in structured VCF models
3. ICT distribution networks should be adopted in order to cut costs to the famers/microenterprise and the institutions.

The financing requirements for crops (Irrigated vegetables, fruit, beans, green mealies, maize) sorghum, millet, and oilseeds including sesame) can be done in 3 ways:

1. Direct individual lending where the operational are meaningful
2. Group lending
3. VCF (Contract Farming)

VCF finance in production chain along with other goods and services (e.g. seeds, inputs, weather information, insurance). It is most relevant where there are arranged markets. Credit is advanced as inputs finance (farmers receiving inputs from traders) and repayments are deducted from sale proceeds by buyers. This accommodate large numbers of small loan transactions especially when they are part of group lending. The farmers would also be supported with capacity development and access to markets. The full list of recommended finance and risk insurance models are in Table 8.

Table 8 Proposed Finance Models

	Farmer	Buyer	Selected Service Providers (Also detail in Annex 8)
Financing	Direct Smallholder Lending. (to Include Equipment and livestock purchases of medium to long term)	Tie the VCF with the buyer for guaranteed repayment for crop value chains.	Agribank, ACBS, CBZ Bank Limited, EcoBank Limited, FBC Bank Limited and Steward Bank Limited FBC bank Limited MFIs: Inclusive Financial Services (Pvt) Ltd
	Savings Account Linked Input Finance (Group) Introduce VSALs/ISALs/Funeral Groups to formal institution after capacity building	Tie VCF with input supplier for crops value chains.	Microplan Financial Services (Pvt) Ltd Quest Financial Services (Pvt) Ltd VIRL Financial Services Microcred Financial Services (Pvt) Ltd
	Contract Farming (Group) - Proceeds ring fenced by buyer	Buyer supply input pack for the crop value chains.	Corporates with source of finance or formal funding arrangements
Risk Mitigant	Personal Insurance, CrditLife/, Funeral, Life and Pension	Commodity Price Risk Management. These are being negotiated per contract	Microinsurance packages: Old Mutual Insurance Company (Alliance Insurance Nicoz Diamond Insurance Limited Zimnat Lion Insurance Limited Econet Wireless (MNO)
	Crop Production, Livestock, Machinery and Impliments		
	Weather Insurance products for input reimbursement.	Weather Insurance for Contract Farming /Group lending.	
Distribution	Existing Institutions branches/ Agents		RBZ (GoZ)to work with Financial Institutions to enhance distribution of financial services for rural districts. Institution alliance among banks, MFIs Insurance companies and MNOs. Financial service providers are encouraged to have up-to-date ICT systems.
	Institutional Alliances		
	Mobile Money Contracts		
	Branchless Banking		

4.2 Budgets

Beneficiaries: Direct beneficiaries are 800 000 with 12 000 on irrigated land (proposed irrigated land is 3000ha @ 0.25ha per beneficiary ref: Irrigation study)

Supporting budgets are required for the following:

Farmer Capacity Building Estimated Budget Estimated Budget: \$1.5 million

- i) Capacity building for financial literacy, contract management and good farming practises/CSA including workshop and training toolkits. This will involve AGRITEX and partner NGOs (CARE/SNV/VUNA/TECHNOSERVE) to reach out to farmers train mentor on skills through a period of 2 seasons. Financial services handbook should be developed by the stakeholders that include Bankers Association of Zimbabwe, ZAMFI, IPEC and RBZ
- ii) **Financial Services for Rural Farmers:** Selected VSLAs for linkages to Group lending and/or VCF should through close training on financial services, contract and market identifications. Formal institutions have medium to large corporates who can be engaged for VCF solutions with linkages to rural farmers. Private sector, farmers and financial institutions/MNOs engagement for the farmers to understand the products, and exchange of best practices in respect to use of ICT for rural inclusion. Note: Linking the farmers to corporates create markets for the value chains.
- iii) **Microinsurance:** Scaling up formal and informal risk insurance would require stakeholder engagement and capacitating of farmers so that they understand the need for drought insurance as well as CSAs and use of weather information sharing platforms. The Insurance/ICT stakeholders to partner NGOs, TechnoServe.

Small Revolving Fund: Estimated Budget \$200 000

As part of capacity building a small revolving loan of \$200,000 for moulding new women groups. This should be introduced to benefit the poorest of the poor, women who historically may not have access to assets for use as collateral, not affiliated to groups and have capability to run income generating projects in the rural area.

Cross Cutting Budgets

- i) **Development of Markets:**
Close engagement of private stakeholders and government for uptake of produce for the identified value chains in structured VCF funding models. (ref: Value Chain Analysis Study draft pg. 30)
- ii) **Distribution of Input Complete Input Packages: Estimated budgets: \$1.8 million.**
Informal finance systems by their nature only support small amounts of loans and farmers have often end up buying inadequate inputs due to unviability in small packages. Funding structure for dealers to sell small complete input packages (seed, fertilizers and chemical per value chain would also be good for inclusive finance.
- iii) **Irrigation Maintenance Fund: Estimated Budget: \$3 million (ref: Irrigation Study)**
(3000 ha of irrigated land has been recommended at a development of of \$10 000/ha. The maintenance costs as a guide are pegged at 10%).

The budget is an initial seed money for repairs and maintenance. Each irrigation should set up the Irrigation Scheme Maintenance Committee for administration of the the irrigation scheme. The maintenance Fund will be deposited into a reserve fund account with a bank and managed by the Irrigation Scheme Maintenance Committee for the purpose of the repairs and maintenance of the irrigation scheme. Farmers will also be levied annually for use of the irrigation by the committee with a grace period of 1 year. The levy payments into the irrigation fund would then only kick off in year 2. The levies would be collected into the maintenance fund account and then used for repairs and maintenance whenever required. This way the farmers will take ownership and charge of the scheme on an on going basis.

4.3 Exit Strategy

Group lending and VCF are finance models which should accelerate financial inclusion for rural households. However, these do not replace requirements of additional conventional financial services. VCF does not cover requirements for savings accounts, transactional services and other insurance products. In transition to an inclusive rural economy the strategy should therefore ensure establishment of productive rural households. Once these are used in the short term and groups are introduced to conventional financial services on introduction to banks and MFIs. It is expected that the lessons learnt from initially selected groups will be shared with the market for replication and continued support of the rural smallholder farmers. The monitoring and evaluation strategy outline is as below;

Objective	Action	Measurement of Outcome	Stakeholders
1-2 years (Percentage split between men and women to be compared in the summary outcome)			
Capacity Building	Good farming Practices	Number of farmers/groups using the methods and/or products or linked to formal institutions	AGRITEX/ZFU
	Financial Services		RBZ and Financial Institutions
	MicroInsurance		IPEC and Insurance Companies/TechnoServe
	VSLAs/Group lending /VCF(Including Contract Farming)		CARE/SNV/TECHNOSERVE/ VUNA
	Creating Market Linkages	Tonnes of produce sold per year for each value chain Number of cattle/goats kept and number sold for normal income per year	GoZ, ZFU, Private Sector/Farmers
1-3 years in order to accommodate meaningful transition to formal inclusive finance and insurance services (Note: establishment of plantation/orchards and cattle production need to be evaluated in year 5 as these have medium establishment periods of 3-5 years)			
VCF Structures for Value Chains (Irrigated horticulture, Sorghum and Millet, Sesame Cattle and Goats)	VCF	Number of farmers/groups using the methods and/or products Number/Value of facilities per annum Hectares and average yield per year. Growth in number of livestock and annual sales.	*RBZ product clearance where required Agribank /CABS/CBZ Bank /Ecobank /FBC bank and Steward bank. MFIs below: Inclusive Financial Services /Microplan/ VIRL Financial Services Microcred Financial Services Quest Financial Services
Savings and other financial services	Standard Financial Services	Number of smallholders/microenterprises /Number of products /Savings balance	
Risk Insurance	Good farming Practices	Number of farmers/groups using the methods and/or products	AGRITEX/ZFU
	Microfinance insurance Weather Index Products	Number of smallholders farmers /groups/microenterprises using the product/ number of product type used	IPEC/ Insurance Companies/farmers /ZFU
ICT	Increase in network coverage	Number of products on distribution /alliances by MNOs Number of individuals using the products	GoZ/MNOs/Banks MFI/Farmers

Note: There will be need to establish the baseline measurement with the stakeholders at the beginning for impact evaluation to be made.

4.4 Area for Research

As the markets are being developed there is need for financial institutions to extend the range of their trade finance products to include and benefit of the smallholder/microenterprises. One key product to look at will be warehouse financing

Warehouse Financing: Warehouse receipt financing(WRF) is a form of secured lending in which the bank advances funds against inventory goods that are stored in a warehouse and that have been assigned to the bank through warehouse receipts. Warehouse Receipts are therefore treated as a document of title, give the bank title to the goods until they have been sold and the proceeds collected²⁸. This should assist to improve the supply of formal rural finance by easing collateral constraints and access to markets.

WRF uses warehouse receipts issued by warehouse operators or collateral managers, as evidence that specified commodities of stated quantity and quality have been deposited. These receipts would be issued to farmers, traders, exporters, or processors as well as individuals or corporate bodies. The receipts have a guarantee that a bona fide holder of the receipt can take delivery of the underlying commodity and warrant that they can make good any value lost through theft or damage by fire and other catastrophes. The warrantee should also have an underlying insurance to it and hence the receipt be pledged and is transferable.

The private sector and government may prospect 3 ways to develop WRF; collateral management agreements model; farmer groups model and regulated warehouse receipt model. It easier to start using collateral management agreements model and farmer groups model in the short term and then convert it to regulated warehouse receipting model in the medium to long term.

4.5 Limitations:

- In the case study of Fuve Panganayi both genders had access to financial services but there was limited knowledge of the available options to access financial services. Women were only 20% of the discussion group. This may not be a true reflection of the group composition as some people did not make it due to the rains. The District Agricultural Extension Officer had informed us that the scheme has 40% women.
- The survey was time bound and therefore the field study was limited to one day and only 1 district was covered.

²⁸ Warehouse Receipt Financing: Adoption of the UCC principles in establishing a Warehouse Receipt Financing General Approach, ACE Global Depository

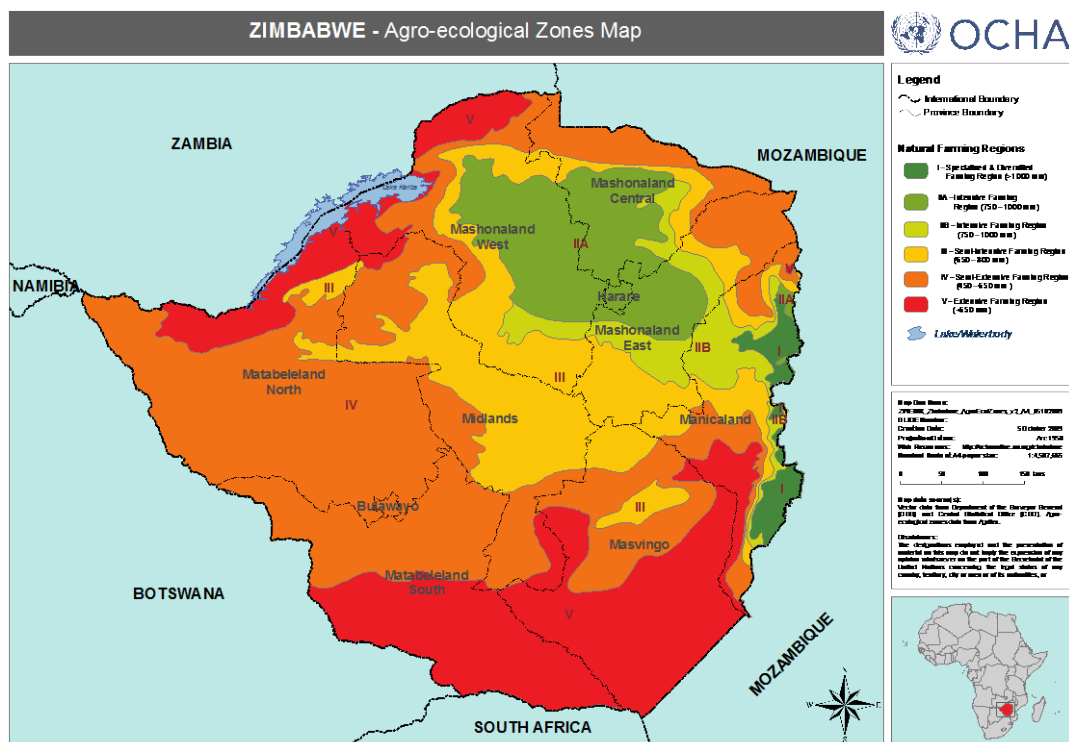
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3	www.care.org	9	www.lfsp.com	16	www.smeaz.org.zw	23	www.zfu.org.zw
4	www.cbz.co.zw	10	www.netone.co.zw	17	www.stewardbank.co.zw	24	www.zimnat.co.zw
4	www.cgap.org	11	www.nicozdiamond.co.zw	18	www.snv.org		
5	www.fao.org	12	www.oxfarm.org	19	www.technoserve.org		
6	www.fbc.co.zw	13	www.oldmutual.co.zw	20	www.viri.co.zw		

Annex 2 Ecological Map for Zimbabwe



Annex 4 Schedule Consultative Meetings

	Organisation	Name	Email	Type of Engagement	Scheduled Date	Comment
F I N A N C E	AGRIBANK	Joseph Mverecha	jmverecha@agribank.co.zw	Meeting	23/12/16	
	CABS	Toddy Muchongwe	toddym@cabs.co.zw	Meeting	20/1/17	
	CBZ Bank Limited	H Z Maeresera	hзмаeresera@cbz.co.zw	Meeting	5/1/17	
	FBC bank Limited/Microplan	Peter Chava Regional Muramba	Peter.chava@fbc.co.zw Reginald.Muramba@fbc.co.zw	Meeting	29/12/16	Ref: Microplan an MFI
	Steward Bank Limited	Zvichapera Katiyo	Zvichapera.katiyo@stewardbank.co.zw	Meeting	29/12/16	
	SEDCO	Gladys Kanyongo	gkanyongo@sedco.co.zw	Meeting	9/01/17	
	VIRL	Lynn Gwenzi	lynn@virlmicrofinance.co.zw	Meeting	23/1/2017	
	ZADT	Bridget Gomo	bgomo@zadt.co.zw	Meeting	16/12/18	
	ZAMFI	Beatrice Chitsika Fortunate Vengesai	bchitsika@zamfi.org fvengesai@zadt.org	Interview/ Statistics Preliminary discussion	4/01/17 14/12/16	
I N S U R A N C E	Alliance Insurance Limited	Langton Mavuto Jasper	langton@aic.co.zw jasper@aic.co.zw	Meeting	6/1/17	
	Old Mutual Insurance Company (Pvt) Ltd	David Muchakagara Onward Karengwa Justice	davidm@oldmutual.co.zw onwardk@oldmutual.co.zw	Meeting	21/12/16	
	Nicoz Diamond Insurance Limited	Primrose Vicky Zvenyika	pvzvenyika@nicozdiamond.co.zw	Meeting	5/1/17	
	Zimnat Lion Insurance Company Limited	Odeal Dube	dubeo@zimnat.co.zw	Meeting	4/1/17	
N G O S	Care Zimbabwe	Tafirenyika Kakono	tafirenyikaKa@carezimbabwe.org	Discussion	5/1/17	
	FAO	Brian Nhlema	Brian.nhlema@fao.org	Discussion	4/1/17	
	OXFARM(SAFIRE and PLAN),	Dr. Leonard Unganai	lungani@oxfarm.org.uk	Discussion	12/1/17	
	SNV Netherlands	Mutsa Denhere	mdenhere@snvworld.org	Discussion	3/1/17	
	TechnoServe	Tinashe Nyahwedemgwe	tnyahwedemgwe@tns.org	Discussion	6/1/17	
I C T	Econet Wireless Holdings Limited	Beniah Nyakanda	Beniah.nyakanda@econet.co.zw	Meeting	3/1/17	
	NetOne Cellular (Pvt) Ltd	C. Muchemwa	cmuchemwau@netone.co.zw	Meeting	9/1/17	No response.
F A R M E R S	AGRITEX	J Gondo	gondojoseph@yahoo.com	Meeting	23/12/16	29/12/16- 10/1/17
	ZFU	Mr. Kuipa	tutsiej@zfu.co.zw	Interview/ Statistics	5/01/07	5-9/01/17
	Farmer Groups	Fuve Panganayi Irrigation Scheme Masvingo	Field Visit	Interview/ Statistics	17/1/17	

Note: Reference will also be made to other sub-assessments being carried out.

Annex 3 Data Collection Tool

CATEGORY	TEMPLATE
FINANCIAL INSTITUTIONS /INSURANCE/NGOs	Attached
ICT	Attached
FARMER SUPPORT SERVICES	Attached
FARMERS	Attached

Zaka District Consultation Meeting

	
One on one meeting with farmers administering the questionnaire	Pre-field discussion with District Agricultural Extension Officer at Zaka District Offices
	
Group discussion with Fuve Panganyi Executive Irrigation Committee	Consultations with Patience Mwarire an agro-dealer at Zaka Center

Annex 5 Formal Finance Distribution
Banking Institutions in Southern Zimbabwe by District.

	MANICALAND			MASVINGO			MATEBELAND SOUTH		
Name	Buhera	Chimanimani	Chipinge	Bikita	Masvingo	Zaka	Beit Bridge	Gwanda	Insiza
Agribank	√	Agent	√		√	√	Agent	√	
BancABC Limited					√		√		
Barclays of Zimbabwe Limited					√		√		
CBZ Bank Limited		√	√		√	Agent	√	√	
Ecobank Zimbabwe Limited					√		√	√	
FBC Bank Limited			√		√		√	√	
NMB Bank Limited					√				
Stanbic Bank Zimbabwe Limited					√		√		
Standard Chartered Bank Zimbabwe Limited					√				
Steward Bank Limited	Agent	Agent	Agent	Agent	√	Agent	Agent	Agent	Agent
ZB Bank Limited					√		√	√	
BUILDING SOCIETIES									
CABS	√		√	√	√	√	√	√	
SAVINGS BANK									
POSB	√	√	√	√	√	√	√	√	
DEVELOPMENT BANKS									
SEDCO					√				
Total	4	4	6	3	14	5	11	8	1

Key Microfinance as mentioned by District

	MANICALAND			MASVINGO			MATEBELAND SOUTH		
Name	Buhera	Chimanimani	Chipinge	Bikita	Masvingo	Zaka	Beit Bridge	Gwanda	Insiza
Collarhedge Finance				√	√	√			
CoverLink Finance	√								
Inclusive Financial Services					√		√	√	√
KCI Management Consultants		√							
TottenGRAM Financial Services	√	√							
Microplan			√		√		√	√	
Quest Financial Services					√			√	√
VIRL Financial Services		√	√	√	√	√		√	
Microcred									
Total	2	3	2	2	5	2	2	4	2

Top 4 Short-term Insurance Companies

Name	MANICALAND			MASVINGO			MATEBELAND SOUTH			ALLIANCES
	Buhera	Chimanimani	Chipinge	Bikita	Masvingo	Zaka	Beit bridge	Gwanda	Insiza	
Old Mutual Insurance	Agent	Agent	√	Agent	√	Agent	Agent	Agent	Agent	Various
Alliance Insurance		Agent	Agent		√		Agent	Agent	Agent	Agribank
Nicoz Diamond				Agent	√	Agent				SEDCO
Zimnat Insurance		Agent	Agent		Agent		Agent	Agent		Stanbic
Total	1	3	3	2	4	2	2	3	2	

Note: These districts are yet to learn about insurance and the provider are yet to develop microinsurance products. However, the re alliances with banks and MFI to distribute credit life insurance for all loans offered.

Annex 6 Key NGOs/Private Sector Finance Models

Organisations	Finance and Risk Models Used	Comments
CARE in Zimbabwe	VSALs /ISALs Linkages of VSALs/ISALs with financial institution	Stepping Up Resilience and Enterprise (ENSURE): In its 2015 evaluation it reported that \$660,406 was saved and lent through VSLAs (9305 groups under guidance of CARE Zimbabwe). In the same report the total of agricultural sales amounted to \$670,335.
FAO/LSFP Project	ISALs	The DFID funded FAO/LFSP target to improve livelihood 350,000 smallholder farmers in 8 rural districts of Zimbabwe. The project is using the Internal Savings and Lending Associations (ISLAs) to empower women and improving their standard of living. ISALs are considered safe, affordable and trustworthy to multiply savings for rural investments.
Oxfarm Uk SAFIRE/UNDP/ Plan International	Access to Finance	Climate Change Adaptation Project: VSLAs were reached out for inclusive rural financial services by promoting linkages to formal finance institutions.
SNV Netherlands-	Capacity Building for value chain financing for DANIDA commercialisation of smallholder farmers Value chain financing was adopted in the Create Fund of ZADT.	In Mberengwa and Gutu districts SNV moulded the WASH supply chain by using its agriculture value chain model. This resulted in credit facilities, better business relationships, a mind-set change towards self-supply of WASH services and improved cement stock levels. For Create Fund SNV promote inclusion in market based approaches for smallholder farmers to take charge of development processes that shape their livelihoods
TechnoServe	Capacity Building for VCF and Rural Insurance Packages Weather Index Insurance development with 2 institutions Zimnat Lion & Nicos Diamond.	They had been linking rural farmer groups and successful linkages were done with positive impact on smallholder farmers for the following companies Weather Index is still at its infancy stage.
Agricultural Seeds and Services (Pvt) Ltd (AgriSeed)	Used a company revolving fund finance contract farming arrangements.	Contract farming has been a success as farmers were provided with input finance technical support and the markets for the produce were also secured through the contacts. Area of improvement: capacitating farmer with understanding of contracts (ref farmers in Zaka) and improvement on logistics to timely pick up the produce (in the case of Matanuska for banana plantation farmers)
Better Agriculture P/L	Contract farming	
Cairns Foods Limited	Contract Farming	
Cotton Company of Zimbabwe	Contract farming	
Matanuska P/L	Contract Farming	
Masvingo Food Security	Contract farming	
Schweppes Limited	Contract farming	
Seed Co Limited (Seedco)	Contract farming	
Zimbabwe Super Seed P/L	Contract farming	
ZADT	VCF	The evaluation and monitoring and impact assessment is going to be done in 2017.
FBC bank/Microplan		No smallholder farmers names were disclosed as the information is confidential. It was however confirmed through the discussions that the model was working especially with group lending linkages.
CABS		
Steward Bank Limited		
VIRL		

Annex 7 Recommended Stakeholders

Selection of Stakeholders Bases on Distribution Network

	MANICALAND			MASVINGO			MATEBELAND SOUTH		
Name	Buhera	Chimanimani	Chipinge	Bikita	Masvingo	Zaka	Beit Bridge	Gwanda	Insiza
Agribank	√	Agent	√		√	√	Agent	√	
CBZ Bank Limited		√	√		√	Agent	√	√	
Ecobank Zimbabwe Limited					√		√	√	
FBC Bank Limited			√		√		√	√	
Steward Bank Limited	Agent	Agent	Agent	Agent	√	Agent	Agent	Agent	Agent
CABS	√		√	√	√	√	√	√	
Total	3	3	5	2	7	4	6	6	1
Inclusive Financial Services					√		√	√	√
Microplan			√		√		√	√	
Quest Financial Services					√			√	√
VIRL Financial Services		√	√	√	√	√		√	
Microcred			√		√				
Total	0	1	3	1	5	1	2	4	2
Grand Total	3	4	8	3	12	5	8	10	3

Annex 8 Selection of Stakeholders Bases on Services for Target District

Name	Products and services	Finance Models	Security Options	Formal Insurance	Comment
Banks					
AGRIBANK	Commercial Banking Products	Individual Group lending Value Chain Financing	Cash deposit Livestock Impliments Group co-guarantee Can be structured around the value chain	Agrisure- Credit Life Insurance Motor Vehicle Machinery and Impliments Funeral Life Insurance	Offering services across the segments including rural individual and groups however prefers the group model. Distribution in the target region are in Buhera, Chimanimani, Chipinge, Masvingo, Zaka Beit Bridge and Gwanda.
CABS	Commercial Banking Products	Group lending Value Chain Financing	Cash deposit Livestock Impliments Group co-guarantee Can be structured around the value chain	Bancassurance Credit Life Insurance Motor Vehicle Machinery and Impliments Funeral	Offering services across the segments including rural individual and groups however prefers the group model. Distribution in the target region are in Buhera , Chipinge Bikita Masvingo Zaka Beit Bridge and Gwanda
CBZ Bank	Commercial Banking Products	Group lending Value Chain Financing	Cash deposit Livestock Impliments Group co-guarantee Can be structured around the value chain	Credit Life Insurance Motor Vehicle Machinery and Impliments	Offering services across the segments including rural individual and groups however prefers the group model. Distribution in the target region are in Chimanimani , Chipinge, Masvingo, Zaka Beit Bridge and Gwanda
Ecobank	Commercial Banking Products	Group lending Value Chain Financing	Cash deposit Livestock Impliments Group co-guarantee Can be structured around the value chain	Credit Life Insurance Motor Vehicle Machinery and Impliments	Offering services across the segments including rural individual and groups however prefers the group model. Distribution in the target region are in Masvingo, Beit Bridge and Gwanda
Steward Bank	Commercial Banking Products	Group lending Value Chain Financing	Cash deposit Livestock Impliments Group co-guarantee Can be structured around the value chain	Credit Life Insurance Motor Vehicle Machinery and Impliments	Offering services across the segments including rural individual and groups however prefers the group model. Distribution in the target region are 1 Masvingo and agencies in the rest 8 Districts.
ZADT	Loans	Group lending Value Chain Financing	Livestock Impliments Group co-guarantee Can be structured around the value chain	N/A Facilities linked to financial institutions.	N/A Facilities are being distributed through the following institutions; Agribank, BancABC, CABS, MBCA Bank, NMB Bank, Steward Bank Virl and Inclusive Financial Services.
Microfinance Companies					
Inclusive Financial Services	Loans	Individual Group lending Value Chain Financing	Group Co-guarantees Livestock Impliments Household effects	Credit Life Insurance	Provide agricultural group loans and can distribute facilities to 4 districts , Masvingo Bainbridge, Gwanda and Insiza.
Microcred	Savings products and Loans including transactional platform.	Individual Group lending Value Chain Financing	Group Co-guarantees Livestock Impliments Household effects	Credit Life Insurance	Present in Chipinge and Masvingo (2 districts).
Microplan	Loans	Individual Group lending Value Chain Financing	Group Co-guarantees Livestock Impliments Household effects	Credit Life Insurance Motor Vehicle Machinery and Impliments Funeral Life Insurance	Provide agricultural group loans and has an alliance network with FBC Bank its sister company and can distribute facilities to 4 districts , Chipinge Masvingo Bainbridge and Gwanda. FBC Bank Limited is current participating in CREATE Fund managed by ZADT funded by DFID.
Quest	Loans	Individual Group lending Value Chain Financing	Group Co-guarantees Livestock Impliments Household effects	Credit Life Insurance	Will be able to service Masvingo Gwanda and Insiza district.
VIRL	Loans	Individual Group lending Value Chain Financing	Group Co-guarantees Livestock Impliments Household effects	Credit Life Insurance	Can distribute facilities to Chimanimani Chipinge, Bikita Zaka, Masvingo and Gwanda.