



AGA KHAN FOUNDATION



Beyond Financial Services

Improving Access to Basic Financial Services and Agricultural Input and Output Markets by Smallholder Farmers in Zimbabwe

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© April 2011 Aga Khan Foundation

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**The MasterCard
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*The Aga Khan Foundation wishes to thank The MasterCard Foundation for its generous
financial support for this case study.*

Learning Initiative Objectives

This research study is one of a series of studies sponsored by the Aga Khan Foundation's Beyond Financial Services initiative funded by the Aga Khan Foundation Canada and The MasterCard Foundation. The initiative examines how Savings Groups are used as a *platform* for development activities and how *linkages* to other services take place and with what benefits to group members. It considers how financial services combined with other development activities add value for individual members of the groups, for the groups as entities in themselves, for the agencies facilitating Savings Group development and offering the linked activities, and for the wider community. The initiative also explores the sustainability and replicability of Savings Groups, thus examining long-term access to financial services for the poor.

Abstract

CARE International's programme in rural Zimbabwe promotes access to basic financial services combined with support to farmers for accessing agricultural input and output markets. Findings provide evidence that Savings Groups enhance the capacity of smallholder farmers to purchase agricultural inputs. However, the evidence is less clear that linking Savings Groups to local agro-dealers through the Agribusiness Entrepreneur Network and Training (AGENT) project resulted in a direct increase in the purchase of agricultural inputs.

Preface

Savings Groups

Savings Groups refer to groups that provide access to basic financial services for their members; they are community-based and managed, composed of 15 to 25 self-selected individuals who meet regularly (usually weekly or fortnightly) to save and if desired, borrow for short periods. After approximately 12 months, all savings and interest earnings are distributed back to the members in proportion to their relative savings. Savings Groups respond directly to the unmet financial services needs of the remote and rural poor by providing: 1) a secure place to save; 2) the opportunity to borrow in small amounts and on flexible terms; and 3) affordable basic insurance services. Savings Groups aim to increase household financial assets and decrease vulnerability to financial and other shocks.

Savings Groups are a simple, transparent, cost-effective and sustainable means of providing entry-level financial services to people who are too poor or live in difficult to access areas, and so are not served by other financial service providers such as banks or MFIs. For this reason, they are being actively promoted by leading development agencies including CARE, Catholic Relief Services, Oxfam America, the Aga Khan Foundation, and PLAN International and their partners. The number of Savings Group members has grown rapidly in the last few years to about three million people at the end of 2009. They are mostly in Africa, but with increasing numbers in Asia including Central Asia, and a few in Latin America thus far. Savings Groups are complementary to other financial services; some people choose to belong to a Savings Group while availing themselves of services from other providers.

Learning Initiative objectives

This case study is one of a series of studies sponsored by the Aga Khan Foundation's Savings Groups Learning Initiative. It aims to understand how Savings Groups are used as a platform for other development initiatives, and how linkages to other services take place and what benefits are provided to group members. The initiative considers how savings combined with other development activities add value for individual members of the groups, for the groups as entities in themselves, for the agencies facilitating Savings Group development and offering the linked activities, and for the wider community. AKF is particularly interested to learn of and synthesise research on the sustainability and replication of Savings Groups, and of combining Savings Groups with other services.

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List of Acronyms

AFC	Agriculture Finance Corporation
AGENT	Agribusiness Entrepreneur Network and Training
AGRITEX	Agriculture, Technical and Extension Services
AKF	Aga Khan Foundation
BMO	Business Membership Organisation
FO	Field Officer
GoZ	Government of Zimbabwe
IGA	Income-Generating Activity
ISAL	Internal Savings and Lending
KI	Kipfuma Ishungu (“to be rich, you persevere”); local name of CARE International’s ISAL project in Zimbabwe
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
NGO	Non-governmental Organisation
POSB	People’s Own Savings Bank
SEAD	Small Economic Activity Development unit
SPM-IGA	Care international course on the Selection, Planning and Management of Income-Generating Activities
USD	United States dollar

Executive Summary

This case study examines CARE International's efforts to promote access to basic financial services and agricultural input and output markets in very poor areas of rural Zimbabwe.

Agriculture has always been a fundamental part of Zimbabwe's economy. At one point, the sector generated 40 to 45 percent of exports as Zimbabwe supplied food to its regional neighbours. Although once renowned as the bread basket of Southern Africa, Zimbabwe's agricultural sector has declined precipitously and today the country is no longer considered food self-sufficient. This is due to a number of factors, including structural changes in the sector, the economic crisis of the past decade, and recent droughts.

The economic collapse proved to be a great setback to the agricultural sector; at the height of the downturn, large-scale input providers ceased operations and many farmers stopped production entirely. Donors and NGOs have responded with years of free and subsidised inputs to targeted farmers, but sustainable access remains a challenge. While the private sector is slowly recovering, the process of improving access to input and output markets by communal farmers – and obtaining the necessary liquidity to be active participants in these markets – remains a challenge.

A survey conducted by the National Task Force on Microfinance in 2006 reports that 70 percent of the economically active population in Zimbabwe does not have access to formal financial services. As both the national economy and financial sector begin to rebuild, the UNDP's Comprehensive Economic Recovery in Zimbabwe Working Paper Series emphasises the importance of financial inclusion and recommends, among other measures, the promotion of innovative agricultural financing models and the building of greater synergies between the formal and informal financial sectors.

CARE Zimbabwe developed the Agribusiness Entrepreneur Network and Training (AGENT) model in 1995 to improve the food and income security of smallholder communal farmers by enhancing access to agricultural input and output markets. CARE pioneered the agro-dealer development model in Zimbabwe, which has subsequently been adopted by many other development agencies. The AGENT project, which aims to develop sustainable linkages between village-based agro-dealers, farmers and other market actors, has the following components:

1. The capacity building of existing rural retailers to undertake the marketing of agricultural inputs;
2. The creation of new opportunities for output marketing by smallholder farmers; and
3. The establishment of associations of agro-dealers termed Business Membership Organisations (BMOs).

In the late 1990s, the Small Enterprise Activity Development (SEAD) sector of CARE recognised that the lack of appropriate financial services for the rural poor represented a major impediment to the creation, stability and growth of income-generating activities and significantly limited agricultural production by smallholder farmers. The coverage of financial institutions was extremely limited,

products and service delivery mechanisms were not well-suited for the rural poor as both the collateral requirements and costs of accessing formal financial services were prohibitively high for clients in remote areas. As a result, CARE Zimbabwe launched the Internal Savings and Lending (ISAL) project in 1998, experimenting with a community-based approach for the delivery of basic financial services to the rural poor in Zimbabwe.

In 2004, CARE Zimbabwe adopted a strategy of enhanced programme integration based on a concerted effort to offer the whole range of its interventions in new programme areas; the AGENT model was introduced in areas of the ISAL project while the ISAL methodology was introduced to farmer groups established under the AGENT model. By May 2010, the ISAL project of CARE Zimbabwe had trained over 127,000 individuals in the ISAL methodology; 112,000 remain active members of Savings Groups, while over 90,000 communal farmers have accessed agricultural inputs or participated in output marketing schemes supported by the AGENT project.

The objective of this case study is to investigate two research propositions:

1. *Savings Groups enhance the capacity of smallholder farmers to purchase agricultural inputs.*
This proposition is based on the hypothesis that Savings Groups enable the accumulation of capital and access to useful lump sums – through improved access to credit and periodic share-outs – that facilitate the purchase of agricultural inputs by smallholder farmers.
2. *The linkage of Savings Groups to an agro-dealer model improves access to and participation in agricultural input and output markets.* This proposition is based on the hypothesis that access to improved basic financial services and the linkage to local agro-dealers will improve the capacity of Savings Groups to purchase agricultural inputs, improve the quality and local supply of appropriate agro-inputs, and reduce the monetary and non-monetary costs of agro-inputs.

The experience of CARE International's AGENT and ISAL projects in Zimbabwe provides evidence that Savings Groups enhance the capacity of smallholder farmers to purchase agricultural inputs. The significant increase in ISAL member savings over the past decade and growing asset base of members are used to access agricultural inputs more efficiently and effectively from the local agro-dealers of the AGENT network.

However, the direct partnering of ISAL groups with the services of the AGENT model appears to be weak and there is insufficient evidence to demonstrate that connecting Savings Groups to an agro-dealer model improves access to and participation in agricultural input and output markets *by the Savings Group itself*. While ISALs do sometimes engage in joint productive activities, they tend to be more consumption-oriented and socially-focused. Therefore, Savings Groups are not the most natural vehicle for the collective purchase of inputs. In fact, ISAL groups in Zimbabwe are less likely to purchase inputs in bulk from agro-dealers, relative to gardening groups and other community-based organisations and were more likely to purchase consumer items such as blankets and kitchenware. Crop-specific producer groups are a more logical supply point.

Nevertheless, the Savings Group serves as an invaluable safety net for the members of other local

institutions (e.g., farmer groups) through credit, grants and periodic share-outs of cash and physical assets to their common membership. The group favours and improves the participation of its members and other community-based organisations in the services provided by the AGENT network. Identifying and building upon cross-membership in Savings Groups and farmer groups can support this linkage. In turn, the participation of ISAL members in the AGENT model – through other community-based organisations – has provided them with access to inputs at reduced costs and more lucrative output marketing arrangements that have improved their savings capacity and the financial health of ISAL groups in the community.

I. Context of the Study

1. Background and country context

This case study examines CARE International's efforts to promote access to basic financial services and agricultural input and output markets in very poor areas of rural Zimbabwe. CARE's programming in the country was originally designed to address temporary food insecurity challenges caused by the severe drought of 1991/92. However, over the 15 years since CARE International began working in Zimbabwe, the economic situation has worsened considerably and the needs of both the rural and urban populations have grown significantly.

Located in southern Africa, Zimbabwe is a country of approximately 12 million people and a gross national income per capita of USD 1,230 in terms of purchasing power parity. Over the past 20 years, a series of factors created economic disruptions that ultimately led to the country's near-total economic collapse. Unfavourable macroeconomic policies and droughts sparked a rate of inflation that by 2008 had reached an estimated 14.9 billion percent (CIA World Factbook, 2010). Compounded by currency and import restrictions, the supply of products in many shops disappeared. By April 2008, over one-third of the population (4.1 million people) was dependent on food aid (Doré, 2009). As the crisis worsened, a near-complete shutdown of the country ensued. Seventy percent of health workers and sixty percent of education workers left their workplaces and many emigrated, as their salaries depreciated to become worthless (Doré, 2009). Finally, in response to the worsening situation, the Government of Zimbabwe (GoZ) abandoned the Zimbabwean dollar as the country's official currency in 2009 in favour of a multi-currency economy including the United States dollar and the South African rand. Although economic conditions have significantly improved and stabilised, the economy remains fragile. The long-term impacts of the economic crisis are severe; Zimbabwe's once strong industrial and manufacturing sector has shrunk from 25 percent to 10 percent of GDP (Doré, 2009). Moreover, a large portion of the individual, banking and corporate savings that would be expected to aid the recovery were eliminated during the inflationary period.

These extreme economic challenges have been compounded by the spread of HIV/AIDS; by 2006, Zimbabwe's life expectancy had declined to the lowest in the world, an average of 37 years for men and 34 years for women (Doré, 2009). A staggering 15.3 percent of the population was infected (approximately 1.8 million people) as of 2007 and over one million Zimbabweans were orphans (UNAIDS, 2008). Faced with this suite of economic and health challenges, rural Zimbabweans have a strong need for agricultural and financial services that can improve their food security and economic prospects. The response by CARE International that is profiled in this paper has been tested in one of the most challenging contexts and offers interesting insights for practitioners.

1.1 Agricultural context

Agriculture has always been a fundamental part of Zimbabwe's economy; at present, it counts for 19 percent of total gross domestic product (World Development Indicators database, 2010) and 66 percent of the labour force as of 1996 (CIA World Factbook). At one point, the sector generated 40 to 45 percent of exports as Zimbabwe supplied food to its regional neighbours (Mudimu, undated). Although once renowned as the bread basket of Southern Africa, Zimbabwe's agricultural sector has

declined precipitously and today the country is no longer food self-sufficient (FEWS Net, 2010). This is due to a number of factors, including structural changes in the sector, the economic crisis of the past decade, and recent droughts.

From the 19th century until the turn of the 21st century, a dual landholding structure existed in rural areas. Roughly half of all land was owned by approximately 5,600 predominantly white commercial farmers. These large scale farms – each with hundreds of workers, title ownership and an average size of over 1,000 acres – were well served by a strong national research and extension system and robust input supply networks. These farms produced the majority of the country’s export crops.

In contrast, by 1980 760,000 farmers occupied the less fertile half of Zimbabwe’s farmland, growing a range of crops for consumption and periodic sale (Doré, 2009). These ‘communal areas’ – so named because land ownership is in the hands of the government and represented at local levels by Rural District Councils, traditional chiefs and village heads – are characterised by small plots, low and erratic rainfall levels, and few urban centres nearby from which to source needed products and services. Rural retailers are reluctant to stock agricultural inputs given their low margins and high risk, and wholesalers have not focused their marketing on these areas. As a result, yields remain far lower than for commercial farmers; yields of the predominant maize crop, for instance, were five to ten times lower (Doré, 2009). When farmers do produce a surplus, they lack avenues through which to access high-yield markets for their products.



Photo credits: David Panetta

Since independence in 1980, a range of interventions have been introduced to improve the dynamism of farming in the communal areas. The new government shifted its focus away from the commercial agricultural sector towards improving the performance of communal farmers. Its primary policy thrusts were: 1) intensification of agriculture on existing lands; 2) relocation of communal farmers to urban areas; and 3) resettlement of other communal farmers on commercial farmers’ land. Investments were made in agricultural research, extension services, and cooperatives that provided inputs and guaranteed output markets. Yet while early gains were promising, heavy subsidisation of agricultural loans and output prices proved unsustainable and gains were steadily reversed. By the early 1990s, structural adjustment policies marked the end of the pervasive cooperative system and by 2001 only five of 57 cooperative unions were still in place (CARE International, 2001). Farmers’ access to inputs dropped substantially, as government services shrunk and the private sector remained based in larger towns and focused primarily on the commercial farming sector. Farmers wishing to purchase small quantities of inputs faced expensive journeys to district centres that effectively priced many out of the market.

Recognising that its agricultural policies would not achieve the performance improvements anticipated in the communal farming sector, the GoZ launched the Fast Track Land Reform Programme in 2001. The programme resettled approximately 135,000 people on former commercial farms without compensation to the former owners, largely destroying the commercial farming system. Today there are only an estimated 300 commercial farmers who continue to operate (Gonda, 2010). The government has provided large flows of subsidies to the newly resettled farmers, including free or subsidised inputs provided by the Grain Marketing Board, that in 2004 were equivalent to 19 percent of gross domestic product (Doré, 2009). Despite these investments, results to date have been poor, as the greater profitability of selling subsidised inputs to the black market likely proved tempting for many.

The economic collapse of the last decade proved a great setback to the agricultural sector. At the height of the collapse, the large-scale input providers ceased operations and many farmers stopped production entirely. Donors and NGOs have responded with years of subsidised and free inputs to targeted farmers, but sustainable access remains a challenge. While the private sector is slowly recovering, the process of improving access to inputs and output markets by communal farmers – and the necessary liquidity to be active participants in these markets – will not be quick.

1.2 Access to financial services

Prior to Zimbabwe's independence in 1980, lending to the agriculture sector was mainly from the Agricultural Finance Corporation (AFC). Established in 1924, the AFC was the country's first specialised development bank funded by the GoZ to cater to the credit needs of farmers and, by the 1970s, lending was extended to small-scale commercial farmers that had been granted land tenure from the government (Makina, 2009).

In the early 1980s, access to credit by smallholder farmers in Zimbabwe increased rapidly as the number of borrowers in communal and resettlement areas soared from 4,400 in 1980 to 70,000 in 1984 (Brownbridge and Harvey, 1998). However, Brownbridge and Harvey (1998) report that the coverage of the agricultural sector remained low and represented only eight percent of an estimated 850,000 farming households. Furthermore, the repayment record of smallholder farmers during this period was poor – primarily due to persistent droughts – and the AFC had no incentive to recover overdue loans because they were guaranteed by the government (Brownbridge and Harvey, 1998). As a result, credit to smallholders dropped considerably and by 1990, had fallen by 40 percent compared to 1985 levels (Makina, 2009).

The AFC was commercialised in 2000 and renamed Agribank, though it remained government owned. Under its new structure, Agribank was designed to base lending decisions on business criteria (Makina, 2009). However, despite its national network of 45 branches, the branches of Agribank are located in urban or semi-urban centres at substantial distances from their intended customers, the resettled small landholders and communal farmers. Prohibitive fees, collateral requirements and inappropriate products and services have resulted in negligible coverage among smallholder farmers in the poorer and less fertile Masvingo and Midlands provinces of CARE International's working area in Zimbabwe. Similarly, commercial bank lending to the agricultural sector has been limited because

[E]xisting collateral arrangements, including the recently introduced 99-year leases, do not provide adequate security of land tenure. The Reserve Bank of Zimbabwe (RBZ) reported that in the 1990s lending to agriculture accounted for over 80 percent of total commercial bank loans but by 2003 it had declined to under 12 percent of total commercial bank loans due to the changed risk assessment profiles in agricultural finance (Makina, 2009).

Makina also notes that “in Zimbabwe most MFIs [microfinance institutions] emerged in the 1990s and experienced phenomenal growth so that by 2003 there were 1,700 institutions. To a large extent their growth was a reflection of the failure of the large-scale commercial banking sector to cater for the small-scale borrower” (2009). However, MFI repayment rates plummeted in the 1990s – to as low as four percent with the government-operated microfinance programmes SEDCO¹ and SDF² – and there remained no more than 75 MFIs operating throughout the country by 2009, compared to over 1,700 a decade earlier.

The most visible and widely known financial institution in rural areas is the People’s Own Savings Bank (or the Post Office Savings Bank) operated by the Post Office. The POSB has an estimated coverage of over two million clients and

[S]imple, convenient products that are easily understood by all groups in society. There is security of deposits through government guarantee, thus appealing to more risk-averse rural people. Furthermore, the POSB has the potential to engage in secured lending for micro and small enterprises (MSEs) and smallholder farmers and becoming a full-fledged commercial bank with countrywide network, capable of carrying out remittance and fund management services for the poor” (Makina, 2009).

However, hyperinflation and the subsequent dollarization of the economy of 2009 wiped out the assets of financial institutions and their clients; and the collapse of the formal productive sectors of the economy led to a growing informal sector that in turn reduced demand for formal financial services and the widespread collapse of POSB savings clubs as poor, smallholder farmers reverted to barter trade and savings in physical assets. The UNDP explains that

[T]here is a positive correlation between the credibility of the financial system and participation in it by the public. When people do not trust the financial sector they keep their money under their mattresses. The problem is compounded in the presence of hyperinflation when it would make no sense for people to deposit those savings given the rapid loss of value” (Makina, 2009).

A survey conducted by the National Task Force on Microfinance in 2006 reports that a distressing 70 percent of the economically active population in Zimbabwe does not have access to formal financial services. As both the national economy and financial sector begin to rebuild, the UNDP’s Comprehensive Economic Recovery in Zimbabwe Working Paper Series emphasises the importance

¹ Small Enterprise Development Corporation

² Social Development Fund

of financial inclusion and recommends, among other measures, the restructuring and re-capitalisation of the POSB, the promotion of innovative agricultural financing models and the building of greater synergies between the formal and informal financial sectors.

2. CARE International in Zimbabwe

CARE International has been active in Zimbabwe since 1991, when it first entered the country to address the impacts of a severe drought. While the provision of relief continues to constitute a large portion of its activities, it is increasingly focusing on recovery and development. CARE Zimbabwe has four programmatic sectors: 1) Relief; 2) Agriculture and Natural Resource Management and Climate Change; 3) Water, Sanitation and Hygiene; and 4) Small Economic Activity Development (SEAD). The organisation is administered by a country director, supported by two assistant country managers responsible for finance and administration and programming. Sector Coordinators in charge of each programming sector report to the assistant country manager for programming. CARE Zimbabwe's annual budget is presently 31 million dollars, with approximately three million dedicated to the SEAD sector.

This case study focuses on the activities of the SEAD sector, whose goal is to improve the economic security and income opportunities for poor people - especially women - by supporting economically viable activities. Its three objectives are to 1) develop suitable community-based lending methodologies, 2) enhance the income generating capacity of informal sector micro entrepreneurs, and 3) improve the marketing efficiencies of agro-inputs and outputs. The SEAD sector is led by a Sector Coordinator and comprised of two main projects: Internal Savings and Lending (ISAL) and the Agribusiness Entrepreneur Network and Training (AGENT) projects, each implemented by a specialised unit led by a project manager. The ISAL project unit consists of specialised field officers who are managed by a training supervisor and a training specialist. The AGENT project unit also has specialised field officers reporting to a training supervisor, and has a separate output marketing specialist position that coordinates all output marketing activities. Each project unit also has a monitoring and evaluation (M&E) officer that reports directly to the project manager and is responsible for developing and managing systems for data collection, analysis and reporting.

SEAD's activities target the poor and food insecure living in rural and urban areas of Zimbabwe. The AGENT and ISAL projects are currently being implemented in Masvingo and Midlands, two of the provinces with the highest levels of food and income insecurity in the country; as a result, CARE has focused the majority of its implementation efforts on these two provinces.

3. Internal Savings and Lending (ISAL): A community-based approach for the delivery of basic financial services to the rural poor in Zimbabwe

In the late 1990s, the SEAD sector of CARE recognised that the lack of appropriate financial services for the rural poor represented a major impediment to the creation, stability and growth of income generating activities and significantly limited agricultural production of smallholder farmers. The coverage of financial institutions was extremely limited, products and service delivery mechanisms

were not well-suited for the rural poor as both the collateral requirements and costs - monetary and non-monetary - of accessing formal financial services were prohibitively high for clients in remote areas. As a result, CARE Zimbabwe launched the ISAL project in 1998 in order to experiment with a community-based approach for the delivery of basic financial services to the rural poor in Zimbabwe. The purpose of the project was to improve the well-being of rural, economically active poor households by building their capacity to engage in and manage savings and lending activities.

3.1 Methodology

The initial ISAL model introduced to Zimbabwe by CARE in 1998 was based on early iterations of the Village Savings and Loan (VSL) methodology now promoted by CARE International in at least 25 countries worldwide. CARE Zimbabwe has subsequently made a number of adaptations to the model in response to the local context.

ISAL groups are composed of five to 10 self-selected members, usually adults. The group size is considerably smaller in Zimbabwe than in similar CARE programmes worldwide, typically 10 to 30 members per group, as early experiences revealed that groups of up to 50 members lacked cohesion and meetings were unmanageable.

ISAL groups meet monthly and all transactions are conducted at these meetings in order to ensure transparency and accountability. ISAL groups are organised in clusters of 10 to 25 groups and all the groups within a cluster meet simultaneously at the same location each month. Each group is financially and institutionally independent, establishing its own financial parameters and a democratically elected management committee composed of a chairperson and deputy, a secretary and deputy, a treasurer and two committee members. CARE does not promote any type of federation or financial transactions between groups but financial and institutional linkages within a cluster have emerged spontaneously over time. The clusters have also improved the operational efficiency of the implementing agency by allowing for the simultaneous training of several groups by one field officer (FO); the monitoring of several groups in a single visit; and collaboration between the cluster and the FO for the mobilisation and training of new groups within the cluster.

Each group develops a constitution that defines its Social Fund, savings and credit policies. At each meeting, each member contributes a fixed amount to the Social Fund, which is used to provide grants to meet any emergency needs of group members and, sometimes, other members of the community as well. At each meeting, each member also deposits a fixed savings contribution – determined by the group – that is fixed for the entire operating cycle, typically six to 12 months. The accumulated savings plus interest payments and fines received constitute the group's Loan Fund, from which all members have equal access to credit for exactly one month at an interest rate determined by the group. There is no pre-determined loan ceiling and the loan size ranges from as little as five dollars to as much as 500 dollars, depending on the savings mobilisation of the group; the monthly interest rate is typically 10 percent, and can range anywhere from zero to 20 percent. A simple group ledger is maintained by the secretary to record individual savings deposits and loan liabilities as well as the balance of the group's Social Fund and Loan Fund.

The group does not retain any funds between meetings; all accumulated savings are lent out among the members, in accordance with a 'zero balance policy'. At the end of each operating cycle (six to

18 months), all of the assets of the group³ are distributed equally among the members either in cash or through a collective purchase of household items that are needed by all members; these usually include blankets, groceries, kitchenware, agricultural inputs or livestock.

3.2 Mobilisation and training of groups

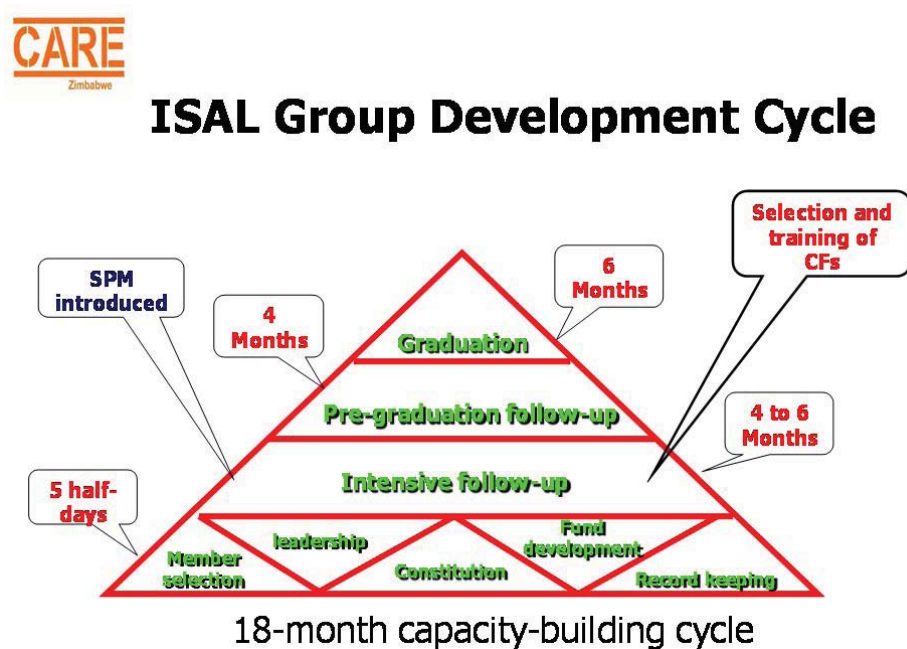
Since its inception in 1998, the project has been implemented, under different phases, by eight local implementing partner NGOs⁴ and CARE, which serves as the coordinating agency but also implements directly in selected districts. The approach is promoted to the entire community by a specialised, locally based ISAL FO of the implementing agency and groups are self-selected on an entirely voluntary basis - that is, participation is not attached to any other benefits or CARE interventions. The FO trains, supports and monitors the group over an 18-month capacity building cycle, as illustrated in Figure 1, at the end of which the group graduates and continues to operate independently. The carefully planned cycle is divided into four phases:

1. *Training Phase (one week)*: 5 half-day training modules are delivered over a period of one week and cover issues related to member selection, election of leadership, development of the group constitution, group fund development and recordkeeping.
2. *Intensive Phase (four to six months)*: The FO actively facilitates group meetings, provides continuous on-site training in recordkeeping, and delivers a complementary course in the Selection, Planning and Management of Income-Generating Activities (SPM-IGA). The objective of the five day onsite workshop is that participants: a) understand, select, plan and manage an income generating activity (IGA); b) examine the technical, marketing and financial aspects of a number of alternative IGAs; and c) develop action plans for starting up their own IGAs (CARE, 2002). Towards the end of the Intensive Phase for the first groups mobilised and trained within a cluster (about six months), the FO identifies and trains a member of the cluster to serve as a cluster facilitator, providing long-term support to the groups of the cluster and undertaking the responsibility to train new groups that may join the cluster.
3. *Pre-graduation Follow-up (four months)*: The FO counsels the group on meeting procedures and record keeping but does not play an active role in the group meeting; he or she decreases the frequency of visits to group meetings to once every two months.
4. *Graduation (six months)*: The group operates for extended periods of time without a visit from the FO; the FO attends one to two meetings in this period to collect data and monitor the group's capacity to graduate from the project and operate independently.

³ Group assets include accumulated savings, profits and physical assets.

⁴ Africa Self-help Assistance Programme (ASAP); Batsirai Group; CADEC Masvingo; Chitungwiza Utano Project (CUP); Dananai; the National Council for the Disabled Persons of Zimbabwe (NCDPZ); The AIDS Support Organisation (TASO); and the Zimbabwe Womens' Bureau (ZWB)

Figure 1: The ISAL group development cycle



Source: CARE International in Zimbabwe, SEAD Unit, ISAL Project Presentation, 2010

3.3 Profile of participants

Membership is open to both men and women, usually among the adult population. As groups are very small and members are self-selected, groups consist of family members and neighbours and are therefore highly homogeneous in terms of land holdings, income levels and primary occupations. However, there is substantial heterogeneity across clusters, particularly related to land holding (half a hectare to three hectares per household); moreover, there are wide differences in income⁵, economic activities and access to markets based mainly on local infrastructure and distances from urban centres.

4. Research propositions

The purpose of this case study is to investigate two research propositions which are seen to be mutually reinforcing:

1. *Savings Groups enhance the capacity of smallholder farmers to purchase agricultural inputs.*
This proposition is based on the hypothesis that Savings Groups enable the accumulation of capital and access to useful lump sums – through improved access to credit and periodic share-outs – that facilitate the purchase of agricultural inputs by smallholder farmers.

⁵ Income levels were not measured for the purposes of this case study but clear income differences across ISAL clusters were observed based on member savings rates, clothing, investments in agricultural inputs and inventories of agricultural tools.

2. *The linkage of Savings Groups to an agro-dealer model improves access to and participation in agricultural input and output markets.* This proposition is based on the hypothesis that access to improved basic financial services and the linkage to a local agro-dealer will improve the capacity of Savings Groups to purchase agricultural inputs, improve the quality and local supply of appropriate agro-inputs, and reduce the monetary and non-monetary costs of agro-inputs.

II. Internal Savings and Lending Groups as a Platform to Improve Access to Agricultural Input and Output Markets

1. CARE Zimbabwe's Agribusiness Entrepreneur Network and Training (AGENT) model

CARE Zimbabwe developed the AGENT model to improve the food and income security of smallholder communal farmers by improving access to agricultural input and output markets. The AGENT project aims to develop sustainable linkages between village-based agro-dealers, farmers and other market actors. On average, each agro-dealer covers a radius of seven to 15 kilometres and, according to CARE's estimates, serves approximately 200 farmers. Through a series of projects stretching back to 1995, CARE has pioneered the agro-dealer development model in Zimbabwe, a model which has subsequently been adopted by many other development agencies. The AGENT project has been operational in five districts since its inception, and at present covers three districts spanning two provinces.

The AGENT approach has three components: the first is to develop the capacity of existing rural retailers to undertake the marketing of agricultural inputs. In order to do so, CARE builds linkages between selected, trained rural retailers and larger agro-input wholesalers based in provincial or district capitals. Selection criteria include access to storage facilities, local recommendations, local residence, ownership and management of a retail shop (which is important given the seasonality of demand for inputs), basic literacy and numeracy, an agricultural background, an interest in



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training, no criminal record, the ability to understand contractual obligations, and financial solvency. These retailers have existing businesses typically selling groceries; some may already be retailing agricultural inputs, but in small quantities on an opportunistic basis. After receiving practical training in key areas of business management (e.g., customer care, credit, stock management and record keeping), retailers are provided a credit account by a wholesaler based within the region. This account allows them to purchase inputs on credit and pay at a later date that is variable, depending upon agro-dealer performance. CARE facilitates this linkage by agreeing to share a portion – typically half – of any losses incurred by the wholesalers on the financing of agricultural inputs during the first year, up to a specified limit. At the end of the year, the wholesalers and CARE then jointly review the performance of the agro-dealers and the wholesaler determines whether to continue working with individual agro-dealers on a completely commercial basis, based on their track record.

The second component of the AGENT project is the creation of new opportunities for output marketing by smallholder farmers. CARE introduced this during the second phase of the AGENT project after observing that improving access to inputs often generated small crop surpluses that were not easy for farmers to sell. To build economies of scale, farmers are clustered into small producer groups of approximately 10 people, officially independent of the Savings Groups but often with overlapping membership, who all produce the same marketable crop. A group facilitator is selected by the group to support the members in production and to discourage side-selling. CARE links these groups to interested buyers by coordinating logistics, managing communication and supporting the negotiation of sales contracts. Most buyers are either directly engaged in processing, such as beer brewing, or are traders that supply such processing enterprises. CARE Zimbabwe's model is to withdraw as these linkages become stronger, leaving the commercial relationships in place. In some areas, CARE has also begun to support output marketing linkages between groups and local agro-dealers that then typically look for local markets where they can sell the purchased crops.

The third component of the AGENT project is the establishment of associations of agro-dealers, termed Business Membership Organisations (BMOs). BMOs were added to the AGENT model as economic difficulties mounted in Zimbabwe, causing wholesalers to restrict access to credit by agro-dealers. BMOs improve access to credit by reducing the risk and costs for local MFIs to provide loans to rural borrowers. Funded by subscription fees from members, each BMO consists of several sub-groups of agro-dealers who operate in close geographic proximity to one another. Individual loans are provided directly to the sub-groups on the basis of a guarantee by the overall BMO, which registers certain assets of agro-dealer applicants, allowing it to liquidate these assets in the event of non-payment. The BMO has also been envisioned as a mechanism to engage in other joint activities, such as collective input purchases or as a forum for joint savings activities, but these activities have only occurred periodically. Neither BMOs nor their sub-groups are connected directly to Savings Groups.

The AGENT project is delivered by CARE Zimbabwe staff in collaboration with the private sector. Field implementation is performed primarily by CARE FOs, with support from a training specialist. An initial five-day, offsite agro-dealer training is provided to all shop owners by project staff and supported by the representatives of collaborating wholesalers and MFIs, who use the meetings as a launching point to establish relationships that may result in purchasing or lending agreements. FOs are expected to work with agro-dealers only for the first year when their linkages with wholesalers are being supported. Each FO supports up to 20 agro-dealers annually so as to have adequate time to mentor new agro-dealers and provide hands-on training in market surveying, buying and stocking. An initial two-day orientation to BMOs is also provided to agro-dealers by the training specialist, with follow-up support visits and mentoring by the FO. FOs also undertake primary responsibility for the development of output marketing arrangements by training producer groups and establishing and maintaining linkages between producer groups, agro-dealers, wholesale buyers and other purchasers.

2. The history and process of programme integration

CARE developed the AGENT and ISAL projects independently to respond to the challenges facing communal farmers. The AGENT project emerged from CARE's efforts to improve household food security in the mid-1990s. The small dams that it had built allowed farmers to bolster food production, but a lack of inputs was impeding yield improvements. In November 1995, CARE piloted an approach in which lead farmers sold inputs to their neighbours with CARE providing support in procurement, coordination, financing, and transportation. Due to poor loan repayment rates by the lead farmers and misperceptions by participants about the commercial intent of the project, CARE revised the model in 1998 to resemble the AGENT project described above.

Also in 1995, CARE initiated its Rural Microfinance Project (later re-named the Internal Savings and Lending project), based on the methodology described in Section 3.1. The coverage of financial institutions was extremely limited, products and service delivery mechanisms were not well-suited to the rural poor and both the collateral requirements and costs (monetary and non-monetary) of accessing formal financial services were prohibitively high for clients in remote areas. As a result, CARE Zimbabwe launched the Internal Savings and Lending (ISAL) project in 1998 in order to experiment with a community-based approach for the delivery of basic financial services to the rural poor in Zimbabwe. Initially, CARE had planned to have groups save for three months and then link them to external sources of credit, through MFIs and an internal microfinance facility within CARE Zimbabwe. However, early results were quite poor, as groups were formed purely for the convenience of accessing external credit and lacked cohesion; both the group repayment and survival rates were very poor, as many groups collapsed soon after the provision of external credit (CARE International, 2006b). As a result, CARE Zimbabwe modified its strategy around 2000 and aimed to mobilise and train independent ISALs without any external funding. At this time, the target group size was also reduced from up to 50 members to five to 10 members per group; CARE Zimbabwe adopted a policy of "self-determination of loan use," such that field staff no longer screened internal loan requests or counselled groups on effective loan utilisation (CARE International, 2006b). By March 2010, the ISAL project included nearly 18,000 independent, self-managed ISAL groups composed of over 127,000 active participants, 86 percent of whom are women.

The intensification of economic challenges in 2003 created serious disruptions to both the ISAL and AGENT projects. For AGENT, the breakdown in macroeconomic stability caused breakdowns in commercial relationships, liquidity and access to capital, and decreased the willingness of firms to make medium-term and long-term investments. Domestic input manufacturers and suppliers largely ceased to operate, given the lack of access to needed materials; product that was available was often produced late (Doré, 2009). Another factor that significantly affected the AGENT project during the economic collapse was the widespread scale-up of subsidised input distributions by CARE Zimbabwe, the Government of Zimbabwe (GoZ) and other NGOs. Food aid and agricultural inputs were often delivered directly to farmers by the GoZ and humanitarian aid agencies, bypassing agro-dealers and wholesalers. Even when food aid and agricultural inputs were delivered through agro-dealers and other local retail shops, value chain actors faced challenges in predicting supply. Agro-dealers would be paid by NGOs to stock sufficient inputs for farmers that were particularly food insecure, without including supply for other farmers. Droughts and variable access to inputs also reduced farmer

surpluses that were available to market. Over the past decade, CARE Zimbabwe continued to initiate new phases of the AGENT project in anticipation of improved economic performance, with funding from a range of donors including the Rockefeller Foundation, the Canadian International Development Agency (CIDA) and the UK Department for International Development (DFID).

Similarly, the severe economic disruptions of the last decade had significant adverse effects on the ISAL project. The collapse of formal economic sectors – particularly the commercial farming sector – caused rural incomes to plummet and, consequently, eroded the capacity and demand for savings. The hyperinflation of historic levels and subsequent dollarisation essentially wiped away all the financial assets of most of Zimbabweans. During this period, many ISAL groups ceased operations, though many other ISAL groups continued to operate, adopting creative strategies for survival (see Section V: Sustainability). The economic stabilisation of the last 18 months has witnessed the revival of some dormant ISAL groups, both spontaneously and through renewed mobilisation efforts of CARE FOs; however, liquidity constraints continue to hamper ISALs as stocks of smaller denominations of the US dollar remain limited, particularly in the more remote parts where CARE operates.

Recognising the complex socio-economic context and the diversity of needs of its beneficiaries, CARE Zimbabwe adopted a strategy of enhanced programme integration in 2004. Sector and programme managers were given the responsibility of ensuring greater overlap in terms of working areas and project participants, and a concerted effort was made to introduce the whole range of CARE's interventions in most new programme areas. For the first time, the AGENT and ISAL projects were to be deliberately integrated.

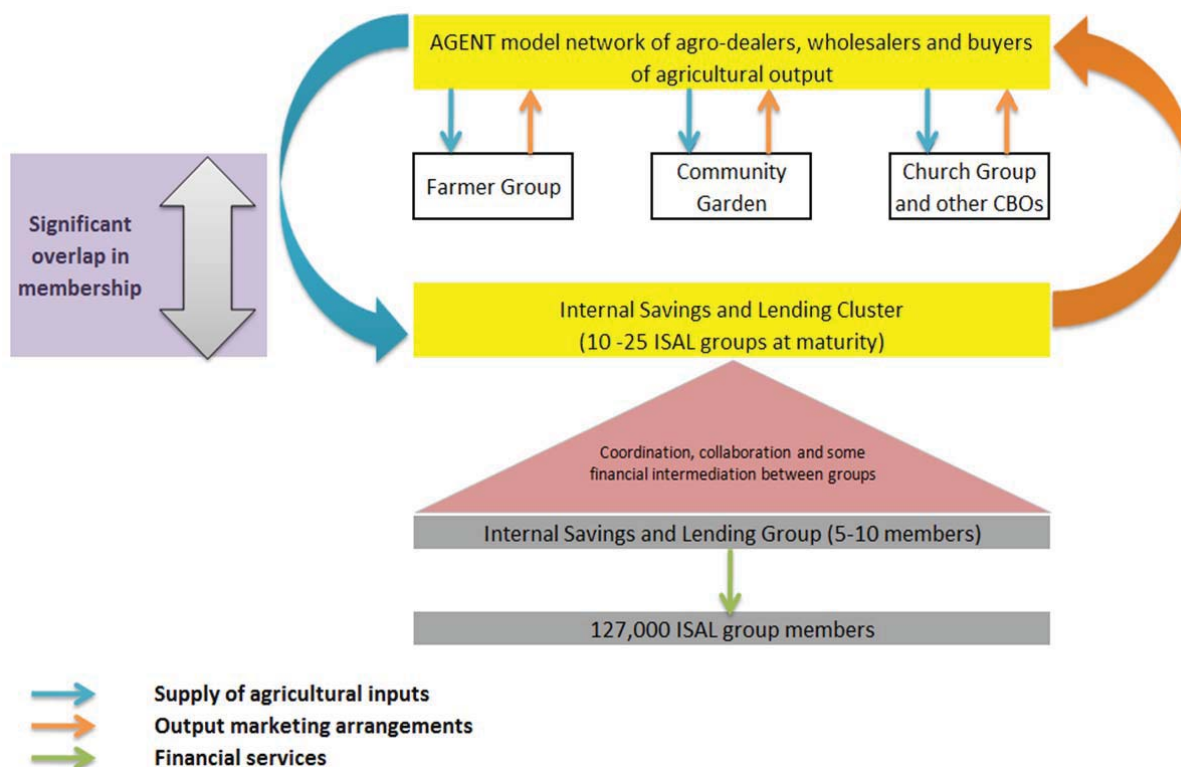
3. Links between ISAL clusters and the AGENT model

Under CARE Zimbabwe's new strategy of integration launched in 2004, the AGENT model was introduced to areas where the ISAL project was underway and conversely, the ISAL methodology was launched amongst producer groups that utilised the AGENT approach. Beyond the direct overlap in geography and membership, the ISAL and AGENT models are interrelated – purposefully and spontaneously – through various interventions by CARE and other institutions. Figure 2 below is a diagrammatic representation of the various linkages observed between the ISAL groups and the AGENT model, as well as the synergies between the two interventions.

CARE Zimbabwe expects the AGENT and ISAL programmes to be extremely complementary: ISAL group members use the capital that they have saved or borrowed to purchase from the agro-dealers, while the agro-dealers use the ISAL groups as a marketing platform, given their improved purchasing power. As Figure 2 illustrates, in practice there are multiple and often indirect linkages between ISAL group members and the AGENT project interventions. This study found that most direct linkages were not actively promoted by CARE but rather were developed by ISAL groups themselves. The primary reason for this is the fact that even following the decision of CARE Zimbabwe to integrate its programming in 2004, the ISAL and AGENT projects were rarely implemented simultaneously in the same areas. Instead, both programmes primarily targeted areas where the other had already worked. Many linkages were observed to have occurred spontaneously, often following the end of CARE interventions. Moreover, other village groups such as farmer groups

or community garden groups - that ISAL members are a part of and that were formed by CARE and other institutions - often act as the intermediaries through which the agro-dealers' products and services are accessed. This case study focuses on the observed linkages between the two projects.

Figure 2: Linkages between ISAL clusters and the AGENT model



3.1 The nature of participation in the supported linkages

The decision of ISAL groups – or an individual group member – to use AGENT-supported services is voluntary; group members who were interviewed said that they did not participate unless they considered it to be in their best interest. The likelihood of the ISAL groups purchasing inputs from CARE-certified agents was based on several factors including an individual's connectivity to larger trading centres with lower prices and better selection through geographic proximity and personal relationships; the quantity of product demanded; and his or her participation in a group. When purchasing individually, many members were more likely to use the services of the local agro-dealer, given the high costs of travelling to a larger centre for a small order. ISAL groups also make collective purchases from agents in many of the surveyed communities; their purchases are often consumer products but at times also include agricultural inputs. In at least one community where both interventions were implemented simultaneously, the agent extended inputs on credit to group members using their access to credit through the ISAL structure as an informal guarantee. This relationship continued up until the agent himself was no longer able to access credit due to the economic crisis. On the other hand, many other ISAL members who purchased in groups – either ISAL groups or within other structures – often travelled further to purchase directly from wholesalers

at lower prices and avoid the 10 to 15 percent margin charged by agro-dealers. This was particularly the case for groups located in close proximity to wholesalers or main roads. This finding suggests that the input and output marketing components may sometimes work at cross-purposes when the interests of groups and agro-dealers are not aligned.

Participation in output marketing interventions by ISAL members is entirely dependent upon favourable rainfall patterns (permitting crop surpluses) and the existence of buyers. The frequency of drought over the past several seasons and the breakdown of commercial relationships during the economic crisis meant that only a few active schemes were observed. Agro-dealers themselves were, in some cases, engaging in output marketing. Overall, the observed participation of ISAL members in the input and output marketing linkages promoted by the AGENT project was weak, as discussed above. Although the two projects are located within CARE Zimbabwe's SEAD sector, the minimal overlap between them means that the majority of participants in each project have not engaged in the other.

3.2 Duration of the supported linkages

All of the AGENT initiatives are intended to be time-bound, facilitating commercial relationships that continue to follow CARE's interventions. Financial linkages are developed between wholesalers and trained agro-dealers by temporarily underwriting the risk of establishing a credit account. This, together with CARE's selection process and training, reduces the wholesaler's risk of offering financing to an unknown retailer who lacks both trade references and proven financial acumen. Over the course of one year, the wholesaler and agro-dealer are able to assess each other's trustworthiness and reliability; wholesalers thereafter maintain a commercial relationship with those agro-dealers who have performed up to expectations, while discontinuing their collaboration with those who have not. In certain cases, CARE and the wholesaler have agreed that a longer period of underwriting is required for promising retailers who have had some troubles, but this is also time-bound. Similarly, the ISAL model is a community-based approach to the delivery of basic financial services in very poor areas and the objective of the project is to establish independent ISAL groups based on the 18-month capacity building cycle described in Section 3 of Chapter I.

As previously described, CARE supports the linkages of ISAL members and other communal farmers to output markets by facilitating relationships with purchasing firms. CARE anticipates that mutually beneficial relationships will be maintained by both parties following the end of its support and will not require on-going external support. Producers are expected to have sufficient capacity to supply the agreed upon products, while purchasers will continue buying as they receive products that meet their commercial requirements. CARE does not have a stated time limit on its support to coordinate these relationships, as it does with the wholesaler linkages, although it has typically continued to provide support until the relationship ends or the project is completed. CARE's experience has demonstrated that output marketing linkages typically require a longer period of support, and vary depending upon the specific circumstances of each case. A range of estimates was provided by CARE staff regarding the time required to establish durable marketing linkages, some extending up to five years.

Finally, CARE has designed the BMO to continue operating on its own following the cessation of project assistance. The mutual incentives for the microfinance institutions and the BMO sub-groups

to continue providing and receiving credit are expected to endure following the end of CARE's support. As with the output marketing linkages, CARE does not have a predetermined period of intervention during which it will facilitate the BMO's activities, although it has typically been for the full project implementation period within a region. CARE is still working with some older BMOs that were established in 2003 and based within its current areas of operation, but is focusing primarily on the addition of new sub-groups.

4. Functional coordination

The AGENT and ISAL projects have always been implemented by separate, specialised units within the SEAD sector; until 2004, there was effectively little coordination between the units, often operating in different geographic areas and being implemented by different partner organisations. Following CARE Zimbabwe's adoption in 2004 of a strategy of enhanced programme integration – and an institutional commitment to implement the total range of its interventions in most new programme areas – the AGENT model was introduced to areas of the ISAL project and, conversely, the ISAL methodology was introduced to producer groups established under the AGENT model for the most recent phases of each project. Increasing overlap of geographic areas and partner organisations has enabled greater coordination across field staff of both projects, particularly in joint social mobilisation efforts as each project benefits from the existing social infrastructure of the other. Operational progress, challenges, opportunities, threats and membership lists of both projects are shared at quarterly coordination meetings of all SEAD field staff.

Nevertheless, beyond increasing geographic overlap and joint social mobilisation efforts, functional coordination between the projects remains limited. In particular, the introduction of ISAL clusters to the AGENT model is not systematic; while some spontaneous relationships are observed between ISAL group members and the various types of institutions in the AGENT model, the building of these relationships is highly erratic and uneven across areas, often for no other reason than differences in commitment of individual field staff.

III. Efficiency Gains, Leverage and Risks Associated with Programme Integration

Economies of scale and scope have been realised in the SEAD unit of CARE Zimbabwe since the institution's decision to enhance programme integration in 2004. As institutional policy, CARE now aims to introduce the whole range of its interventions to most new programme areas. As a result, CARE has adopted the ISAL strategy as a crosscutting intervention – integrated into most new programme proposals – and recognised the ISAL methodology as an effective social mobilisation tool across various programmes. The strategy is twofold: to implement the ISAL project as a first-outreach initiative in new working areas and to introduce the ISAL methodology to all the groups that CARE has supported within its various geographic and thematic areas.

The adoption of the ISAL methodology as a cross-cutting intervention – and first-outreach initiative in several new working areas – has improved the continuity and stability of the ISAL project unit and its activities; this, in turn, has enabled the project to develop into one of the largest savings-led microfinance initiatives in Africa.

The SEAD unit's continued commitment to introduce the ISAL methodology to producer groups established under the AGENT model and, conversely, to link ISAL groups to the various institutions of the AGENT network has also generated significant economies of scope despite there being few people who are directly participating in both projects. As each project benefits from the social infrastructure established by the other, efficiency gains are created with respect to logistics and information management. As described earlier, SEAD field staff share details of project membership, contact information of local leaders and knowledge of the local working area such that the process of introducing either intervention to existing CARE working areas is much smoother than in the past, where working area selection was made exclusively by the respective project unit, often with little geographic overlap between CARE interventions.

Nevertheless, the integration of programme activities and the use of ISAL clusters as platforms for the AGENT model are not without risks to both programme participants and the implementing agency. First of all, the ISAL model may not be appropriate for all households in CARE working areas, particularly in areas of heightened food insecurity, extreme income fluctuations and severe liquidity constraints. As opposed to improving household economic security, the fixed monthly savings requirement of the ISAL model may increase the risk to ultra-poor members. Discussions with former programme participants revealed that the fixed savings requirement was the primary reason for member dropout and the dissolution of groups. Unable to adjust savings deposits to their capacity and need, members in distress sold off productive assets in order to meet the fixed monthly savings obligation. The requirement that group members borrow the entire balance of the Loan Fund at the end of each meeting and at relatively high interest rates, was another challenge highlighted by one former member. Describing the ISAL system as “too expensive”, the member had therefore decided to form a ROSCA after the dissolution of his ISAL. Some areas also suffer from severe liquidity constraints and remain effectively barter economies, such that a cash-based savings model is inappropriate. Nevertheless, in circumstances of extreme income volatility and liquidity constraints, ISAL groups have demonstrated resilience through creative innovations (see Section V: Sustainability), such as saving and lending in kind (e.g., poultry) and the more frequent share-out of

physical assets instead of cash.

Similarly, the introduction of the AGENT model to ISAL clusters generates new opportunities to access and participate in agricultural input and output markets; this, however, also exposes members to risks that may not be well understood. Facilitating a relationship between ISAL clusters and the nearest CARE-certified agro-dealer is extremely low risk but there are effectiveness and logistical concerns as agro-dealers have evolved as the preferred – and sometimes only – distribution channel for relief aid by the GoZ, CARE and other international NGOs. The distribution of large volumes of nearly free food aid and agricultural inputs through agro-dealers competes for commercial shelf-space, displaces the market orientation of the agro-dealer, and distorts commercial relationships between the agro-dealer and the community. While the provision of relief inputs is not a component of the AGENT model, the dealers have nevertheless proven to be an attractive platform for such distribution campaigns.

Output marketing arrangements can greatly improve the terms of trade – contracts, pricing, payment and logistics – of smallholder farmers in remote areas. Nevertheless, such relationships have proven to be erratic and ISAL clusters struggle to understand what attracts buyers in some years and not in others. The unpredictability of these arrangements makes it difficult to plan crops ahead of time and, at harvests when no such relationship is brokered, large surpluses of cash crops with depleted local market value. Effective joint marketing requires quite a high level of group coordination and cooperation that has not always been easy to build.

Finally, there is significant overlap in membership between producer groups established under CARE's AGENT project and ISAL clusters; however, the participant profiles and inter-personal relationships within ISAL groups and producer groups are not necessarily the same. As one ISAL cluster facilitator in Zaka district explained:

The level of trust required within producer groups and the ISAL structure is quite different. We are more than 60 people in the farmer group in this village and we don't all know each other. But the worst that can happen is that a member does not respect our schedule of responsibilities. The farmer will be fined and may be asked to leave the group; but it is not very disruptive or damaging to the group or its members. In our ISAL cluster, we are 32 people and we have to know each other quite well because we often use our group Social Fund to help members of other groups, within the cluster. For the ISAL group, there has to be complete trust and confidence in each other because we are one. We rise together but we also suffer together.

In short, superimposing ISAL structures and AGENT activities upon one another carries the risk that the groups form and evolve to fulfil their initial purpose but may lack the capacity and social cohesion required for additional activities. CARE recognises these risks and emphasises the importance of voluntary participation in both projects; discussions with dropouts of both projects reveal that longstanding members of existing groups are sometimes pressured to leave once an additional activity is undertaken that they are not suited for, thus excluding individuals and disrupting previously solid organisational structures.

IV. Value Added by the Use of ISAL Groups as a Platform for Integrated Programming

The ISAL structure has provided CARE Zimbabwe with an effective social mobilisation tool to reach very poor and remote communities as well as a social infrastructure of more than 127,000 households organised into mostly cohesive ISAL groups and clusters. Moreover, the ISAL model has proved, over the last 12 years, to be an effective base for the economic and social progress of its membership. A project evaluation conducted by VSL Associates in 2004 that covered a sample of 272 member households reported several positive outcomes of participation in the ISAL programme:

- Household productive asset levels have increased amongst the great majority of ISAL members. These have been mostly in areas that represent semi-liquid stores of wealth controlled mainly by women, such as small livestock and agricultural tools.
- Household non-productive asset levels have increased very substantially, especially in semi-liquid stores of wealth controlled by women, such as utensils.
- There has been a smaller but substantial improvement in housing quality noted in the construction of new houses from brick (as opposed to mud and wattle) and the widespread use of cement plaster.
- Two-thirds of respondents have improved access to health services, usually as a result of being able to afford the costs from IGA income and being able to get credit to pay for the service when it is needed. Only 11 percent noted a reduction in access.
- All categories of the major food groups were consumed in greater amounts by between 45 and 85 percent of respondents.
- 81 percent of respondents felt that their status in the community had improved, as a direct result of their association with ISAL.
- Member participation in other social groups increased by 83 percent and accession to leadership or committee membership in these groups increased by 77 percent (CARE International, 2006b).

The linkage of ISAL clusters to the various institutions of the AGENT network has deepened the relationship between CARE and ISAL members and enabled the parties to engage more deeply on intersecting needs of project participants. As described in Chapter II, the direct linkages between ISAL clusters and the services of the AGENT model are not widespread; it is not common for ISAL groups or clusters to engage in joint production, input purchases or collective output marketing under AGENT-sponsored schemes. However, ISAL clusters provide valuable support – both directly and indirectly – to their individual members and other community-based organisations that are actively engaged in the AGENT network.

From the perspective of the ISAL member, the up to fourfold increase in savings observed over the past decade (in real terms) and growing asset base of members are used to access agricultural inputs more efficiently and effectively from the local agro-dealers of the AGENT network. For those members located close to a CARE-trained agro-dealer, the dealer's presence has reduced transportation costs by shortening the distance to access products for remote farmers and improved access to agro-inputs, such that the small farmer can purchase appropriate quantities of suitable seed varieties in more convenient increments at the optimal time. An important component of the

CARE agro-dealer training programme is teaching what varieties are most suitable for local conditions; many agro-dealers who were interviewed contrasted their comparatively indiscriminate purchasing practices prior to training with their conscientious selection of good seed varieties at present. As one ISAL member in Chivi district explained:

A good farmer is a responsible farmer. My ISAL group has semi-annual share-outs and one is scheduled for the beginning of the planting season. I know that every August, I will receive a payout that will enable me to purchase the necessary inputs for the season. And I have three months [until November] to purchase these inputs. In the past, I struggled to purchase inputs at the end of the planting season, when prices are highest, local supply of suitable seed varieties is lowest and the absence of cash forced me to sell a goat or two to purchase inputs for the season.

Feedback from farmers indicates that local agro-dealers have allowed farmers to make more effective use of the greater capital that they now have access to through ISAL. In short, the increasing savings and asset base of ISAL members and the presence of a local agro-dealer have enabled ISAL members to purchase agro-inputs more effectively – at lower cost, in greater quantities, more appropriate seed varieties and at more convenient times – without the need to de-capitalise a household IGA or sell a productive asset at the onset of each planting season.

ISAL groups and clusters sometimes operate a community vegetable garden, manage a cash crop, purchase inputs, or market outputs collectively under the AGENT model; however, ISALs tend to be more consumption-oriented and socially-focused. Although some groups do purchase inputs and other agricultural equipment together, the 18 ISAL groups that were interviewed in Masvingo Province reported that the primary use of loans is not for investments but rather for the purchase of household items such as clothing and kitchenware. Periodic share-outs are usually made in a combination of cash, groceries and essential household items; most ISALs time at least one semi-annual share-out in December to coincide with school fees and other expenses associated with the beginning of the school year in January. Members explain that the certainty that their immediate consumption needs and payment of annual school fees will be met through ISAL membership enables them to make investments in agriculture and non-farm IGAs that were otherwise difficult.

There is also significant overlap in membership between the ISAL cluster and key community-based organisations, mainly community vegetable gardens, producer groups, and church groups that are, in fact, active participants in the AGENT model. The ISAL cluster serves as an invaluable safety net for the members of these institutions – and the institutions themselves – through credit, grants and periodic share-outs of cash and physical assets to their common membership. As one cluster facilitator and member of a sorghum producer group in Chivi district noted:

It does not make sense to make collective purchases of inputs through the ISAL cluster. We do this through the farmer group. Input purchases are made from the agro-dealer over there [pointing at the business centre located 200m away from the ISAL cluster's meeting site] at the beginning of the planting season through member contributions of five dollars to ten dollars. All the members of the farmer

group can afford this because most are ISAL members and receive a payout in August. We then sell our entire production to PANA Seeds at harvest [an on-going relationship brokered by CARE in 2002] and most of the profits are re-invested to purchase inputs in the following season and saved in the ISAL through an increase in its savings rate for the following cycle.

In short, the ISAL cluster itself is not an active participant in the AGENT model but favours and improves the participation of its members and other community-based organisations in the services provided by the AGENT network. In turn, the participation by ISAL members in the AGENT model – through other community-based organisations – has provided them with access to inputs at reduced costs and more lucrative output marketing arrangements that have improved their savings capacity and the financial health of ISAL groups in the community.

From the perspective of the community, the ISAL cluster is a focal point for community-based activities. First, the ISAL cluster provides a platform and identity for farmer or producer groups that meet far less frequently. Producer groups may meet no more than twice per agricultural season, for the collective purchase of inputs and sale of outputs. In periods of drought or when there is a lack of surplus production, a farmer group may not meet for several months or in, some cases, years. During this period, the ISAL cluster, with a strong overlap in membership with the local farmer group, provides an institutional framework and the main forum for discussion between farmers.

Second, the ISAL cluster is often a conduit for other activities including:

- Food aid distribution by CARE and other institutions;
- HIV/AIDS prevention interventions delivered through Regadziveshiri (a local NGO in Masvingo Province) and the Ward AIDS Coordinator of the GoZ; and
- Various social initiatives, particularly the maintenance of smallholder farms and provision of free labour to widows, the elderly and orphan-headed households.

A member of a particularly well-organised ISAL cluster established in Zaka district in 2002 explained that “we are different, and everyone knows that we are different. We are organised, disciplined and hardworking.” It is this sense of organisation that makes the ISAL cluster an attractive avenue for interventions by other organisations. The same ISAL cluster in Zaka district explains that the agricultural extension services officer of the Agricultural, Technical and Extension Services (AGRITEX) regularly holds ward-level seminars on various topics of common interest to small-scale farmers and uses the ISAL cluster as a promotional mechanism. Moreover, explains the cluster facilitator, “the ISAL cluster is the only group in the ward that can communicate directly with the AGRITEX officer and solicit their direct support on topics of particular interest to our members.” In short, the ISAL cluster directly enhances the sustainability of producer groups in the area through the supply of financial services and a meeting place; is a conduit for interventions by CARE, other institutions and the community; and lends a strong voice to its members to articulate their needs to local institutions and government.



Photo credits: David Panetta

1. Impact of integrated programming on the implementing agency

Following several years of experimentation, adaptation and evolution, the ISAL and AGENT methodologies have been adopted and streamlined by the SEAD unit at CARE Zimbabwe. The agro-dealer network has been frequently leveraged by the relief sector for the distribution of free or subsidised inputs to targeted food insecure populations following droughts; the ISAL approach is the principal conduit into new areas as well as the SEAD unit's main interface with the community. As MFIs have lost interest in serving communal farmers, given the perceived risks and limited resources following a decade of socio-political and economic crises, CARE Zimbabwe has focused on facilitating access to finance through the ISAL model. Joint social mobilisation efforts across field staff of both projects have created operational efficiencies and each project has benefited from the social infrastructure created by the other.

2. Internal lessons learned

Nearly 15 years of operational experience has enabled CARE to draw several lessons from both the ISAL and AGENT projects. First, when initiating its Rural Microfinance Project, CARE found that forming groups of up to 50 individuals with the explicit objective of linking to MFIs was not viable. Groups were not cohesive, had very poor repayment rates and high levels of dissolution. Members also resented paying interest to CARE, which had supplied the initial loan capital for the pilot. It was on the basis of this learning that it adopted the ISAL methodology with no external capital injection and smaller group sizes (five to 10 members). CARE has also found the coordination and management of output marketing to be very difficult and the stability of the linkages it has developed to be weak. These challenges have made CARE consider the potential role that agro-dealers – who are more closely connected to the farmers – can play as purchasers instead. At the producer group level, group size needs to be limited to a maximum of 20 for lead farmers to willingly perform a peer monitoring function in preparing joint production for sale. Finally, CARE discovered that wholesalers were ultimately more comfortable extending inputs to agro-dealers through credit

rather than on consignment, given the greater investment and responsibility implied by regular visits and onsite monitoring.

3. Identified opportunities

During the case study research, several opportunities to deepen the integration of the ISAL and AGENT projects emerged. Although senior managers thought the message of integration was well understood by field staff, this was not always the case and linkages between ISAL structures and AGENT services were consequently more spontaneous than planned. Providing tools (e.g., a list of pre-existing groups) and guidance (explicit information on how to build cross-programmatic linkages) to all staff would have strengthened implementation, particularly if supported by regular onsite monitoring and periodic evaluation. Existing monitoring data, which estimates the number of farmers served by each agro-dealer, could be bolstered through periodic surveys of ISAL members, groups and clusters to capture what linkages (if any) exist with other programming. A final approach would be to build upon the CARE-supported gardening groups, where the ISAL methodology has already been mainstreamed. Creating linkages between these gardening groups and agro-dealers and output markets presents an opportunity to leverage a strong source of demand as many agents identified gardening groups as important customers.

Opportunities were also identified to broaden the outreach of the AGENT project, thereby reaching greater numbers of ISAL clients who are not presently accessing the services of the supported agro-dealers. One potential strategy would be to increase the number of wholesalers who were involved with the programme. While previous phases of the AGENT project engaged other wholesalers, Red Star Wholesalers has been the project's most significant wholesale partner and is presently the only partner wholesaler in the current phase.⁶ The risks of working with few wholesalers were apparent when speaking with Red Star, which has already shut its Masvingo branch and is planning to close more rural branches due to falling volumes. With the improving economic situation, there may be opportunities to establish new partnerships and re-forge old ones; many of Red Star's competitors expressed a willingness to collaborate during the case study interviews and to offer lower prices or more convenient locations for rural retailers.

A more inclusive approach may also offer opportunities at the village level. CARE's selection criteria rightly selected only those shop owners with the best potential for success as agro-dealers, but limited the number of participating agro-dealers in any shopping or business centre to just one. This created a high reliance on the performance and continued operation of the selected agro-dealers. The willingness of other wholesalers to provide accounts to multiple agro-dealers in the same centre suggests that market cannibalisation is not a significant risk, and the low marginal cost of incorporating additional agro-dealers means that this would be a low cost modification with the potential to reach greater numbers of smallholder farmers.

⁶ An attempt was made to work with a wholesaler based in Harare – Greenhouse - but efforts had not materialised into a partnership at the time of writing.

4. Negative impacts

The challenges in sustaining output marketing arrangements ultimately created negative impacts for some ISAL groups linked with AGENT services. In some cases, purchasers failed to honour their commitments to purchase from farmers; in others, they failed to pay following collection. One group complained that they had altered their production process to cultivate onions for one buyer who then refused to purchase the crop because farmers had not met the exact purchase requirements. As a result, members experienced losses in selling into local markets. In another group, farmers had been satisfied with their sorghum sales arrangement but were surprised when the buyer did not return in subsequent seasons, without any explanation from the buyer or CARE field staff.

While there were multiple reasons for these failures, of which some are specific to the purchasers themselves, they point to the need for a systematic approach to the promotion of output marketing arrangements. Groups lacked both the means to follow up with the buyer and the capacity to develop new linkages on their own. Without greater capacity or a larger entity to coordinate these linkages, it proved very difficult for small producer groups (10 or so members) to maintain or replicate the linkages that CARE coordinated for them. This was well demonstrated during the financial crisis, when only the most local purchasing arrangements formed with agro-dealers survived.

There are also indications that the use of agro-dealers as distribution points for subsidised or free agricultural inputs by developmental institutions creates negative effects, particularly if not accompanied by market development approaches. All agents felt that their aggregate sales had increased through the supplementary purchases made by input recipients in their stores on other grocery items and the small top-up that recipients were required to pay for subsidised inputs. Moreover, most CARE observers concur that it is preferable for subsidised inputs to be distributed via agro-dealers than to be provided directly to farmers, given that the relationship between the two is maintained and the agro-dealer does not suffer a complete loss of income. However, the relief distributions created losses for the wholesale firms that were forced to collect unsold product from agro-dealers – distributed without the expectation of subsidised input supply – and request reimbursement from manufacturers. The uncertainty of free or subsidised input programmes increased the risk of loss and consequently reduced the willingness of wholesalers to serve rural areas. There are also common concerns about the quality and appropriateness of subsidised inputs; in Zaka district, distributions of supplemental inputs by the Swiss Development Corporation (SDC) and Redan in 2009 were of varieties not preferred by farmers and were at prices higher than those of competitors. Yet agro-dealers who were receiving a storage payment were indifferent to the market potential of the merchandise; this prompted farmers from ISAL structures and producer groups to seek new sources of supply with little notice before the planting season.

V. Sustainability

1. The ISAL model

A significant proportion of ISAL groups appear to have dissolved between 2004 and 2008, during which most formal and community-based organisations collapsed. The strong revival of independent groups since the beginning of 2009 – both spontaneously and through renewed social mobilisation efforts by CARE – reveals that their suspension was due mainly to systemic failures rather than any shortcomings specific to the ISAL model. In fact, CARE estimates that among the roughly 127,000 individuals mobilised and trained by the ISAL project since 1998, there remain over 112,000 active ISAL members. This was not true of all ISAL members, however, as some of those interviewed explained that they had re-formed ROSCA groups instead given the frequency of forced borrowing in the ISAL model. Nevertheless, a midterm review of the most recent phase of the project – funded by the Swedish International Development Agency – reports very robust attendance and dropout rates of 97 percent and one percent respectively, as well as a very low portfolio-at-risk of two percent, compared to the five percent threshold of the local microfinance industry (CARE International, 2009).

In the circumstances of extreme income volatility and liquidity constraints of the last decade, ISAL groups have demonstrated remarkable resilience through creative innovations. First, during the hyperinflationary period, many groups began to save and lend in physical assets; as communities reverted to barter trade, cooking oil, sugar and salt became commonly accepted mediums of exchange and ISAL groups adapted to these realities by setting the fixed monthly savings deposit in terms of a menu of goods. The accumulated goods composed the group's Loan Fund; accordingly, loans were disbursed and repaid in these goods according to a schedule determined by the group. Secondly, groups that maintained a cash system developed a zero-balance policy that has been widely retained to this day. As the tide of

hyperinflation would have wiped away any idle funds between meetings, the entire Loan Fund was lent out or used to purchase physical assets by the end of each meeting. Finally, as the inflation rate reached into hundreds of millions, members could not even keep their returns from the periodic share-out for more than a few hours before the amounts became worthless. And so, even the cash-based groups began to share-out in physical assets – according to a savings plan established at the beginning of every cycle – purchased within moments of the periodic share-out. Even today, most ISAL groups prefer to make periodic distributions in physical assets rather than cash. As one ISAL member explained:



Photo credits: Ben Fowler

This may appear rigid to you – forcing all members to receive the same package of goods at the share-out. But at least we know that every six months, we will receive something real: groceries, kitchenware, blankets and some cash for school fees. The bad period may be over but 50 dollars would disappear just as fast in my home today...with nothing left to show for it.

As clusters were revived and grew considerably in the last 18 months, CARE developed an exit strategy based on a cluster facilitator. In each ISAL cluster, the field officer and cluster jointly select an experienced member to serve as a cluster facilitator. The cluster facilitator provides long-term support to the groups of the cluster and undertakes primary responsibility for the training of new groups that may join the cluster at any time. In the past, the field officer would continue to attend all monthly meetings of the cluster as long as there was at least one group in the Intensive Phase (less than 6 months old), such that many clusters had received a visit from the field officer at every monthly meeting for up to a decade. CARE has observed that this is neither efficient nor necessary. Since 2009, new clusters have selected a cluster facilitator as early as in the first six months, among the first few groups initiated within the cluster. At this time, the field officer begins to decrease the frequency of visits and the cluster facilitator assumes the primary responsibility of training new groups; within two years, it is expected that the field officer will cease to visit the cluster entirely.

CARE's experience has demonstrated that the training provided to new groups by the cluster facilitators is seldom as thorough and complete as that provided by field officers; in many cases, it was observed that no formal training was provided to new groups at all. However, new groups learn mainly through emulating the older groups of the cluster and any weaknesses are quickly corrected by the cluster facilitator. The learning of these groups is much more experiential, rather than the lecture-based training provided by the FO to the first groups of the cluster; moreover, the quality of their operations does not appear to be affected in the least. As for the volunteer cluster facilitators – who receive no form of monetary or non-monetary compensation from either the implementing agency or the group – there are no financial or time costs associated with the service as it is provided in parallel to the monthly meetings of their own groups. Moreover, cluster facilitators take pride in the honorary role bestowed upon them by their peers and serve as a pillar of the ISAL cluster which may grow up to four-fold beyond the intervention period by the implementing agency.

2. The AGENT model

The sustainability of the various aspects of the AGENT model cannot be stated with certainty, given the strong differences between programme areas and the tumultuous economic and political environment. However, with 15 years of project implementation experience and a recent economic crisis of a severity few countries will see, there is certainly an extensive evidence base that can be drawn from in making conclusions. The core element of the model, the agro-dealer, is certainly the most demonstrably sustainable. Prior to the more severe portion of the economic crisis, the wholesaling company that was working with the agro-dealers estimated that they continued to provide finance for agricultural inputs for at least 90 percent of the agro-dealers who were trained by CARE, a figure supported by CARE's own monitoring data. At the height of the economic meltdown between 2007 and 2009, when input manufacturers stopped supplying financing - and in some cases even product - to wholesalers and all companies began to face a liquidity crunch, the wholesalers

minimised their risk by suspending all finance accounts. They estimate that 40 percent of the agro-dealers that they were working with are no longer in business due to market fluctuations, and many of those that remain are still struggling to rebuild their businesses. Nevertheless, 60 to 70 agro-dealers have reopened their finance accounts with Red Star since 2009 and more accounts are still pending approval, all without the intervention or knowledge of CARE. As such, the business relationships that were built between CARE and remote rural retailers are re-emerging and demonstrate impressive resiliency. A strong factor supporting this re-emergence is the dual provision by wholesalers of both grocery and agricultural inputs. This creates a year round relationship with agro-dealers that reduces risk and increases the attractiveness of financing. The broader range of products also increases the costs to the dealers of non-compliance with the terms of their finance accounts, thus providing a greater incentive for maintaining a good repayment record. For agro-dealers, product diversification is a sound business practice that enabled them to survive when wholesalers pulled out of agricultural input supply during the economic meltdown.

In the medium term, structural changes within the agricultural sector may alter the ongoing viability of the wholesalers' business model. The destruction of the commercial farming sector, which once accounted for a large portion of the sales of the agricultural wholesalers, has reduced the profitability of many of the wholesalers' rural branches. Red Star, for instance, is presently closing some rural branches and 'icing' (temporarily shutting down) others with the hope that business will eventually improve. The impact of this upon the rural agro-dealers, whose source of supply becomes more distant, is concerning. Of note, Red Star asked CARE to provide a list of agro-dealers to help inform their decision on which branches to ice, suggesting that agro-dealers are an important part of their distribution network. It is important to note that these linkages often transcend individual companies; many agro-dealers leveraged their first account with Red Star to establish accounts with other regional wholesalers. As trade references are an important consideration for wholesalers when deciding whether to offer an account, the initial linkage acts as a form of collateral for agro-dealers. Furthermore, when Red Star's Masvingo branch was closed, its sister company Advance Wholesale acquired its client list and began establishing relationships with the CARE-trained agro dealers, again without the knowledge of CARE or Red Star.

The revival of the accounts is a positive indication of the future capacity of agro-dealers to service ISAL members. Evidence suggests that during the years when credit was not available, many dealers reduced their input inventory volumes and many farmers struggled to find inputs for purchase. Importantly, ISAL groups and clusters and other producer groups who were interviewed indicated that they continued to purchase inputs when they were available, and the majority had purchased inputs at the commercial price even when they had also received free or subsidised inputs, though not exclusively from the agro-dealer in many instances. Moreover, some farmer and ISAL groups started to purchase from agro-dealers without the introduction by CARE.

A critical aspect of the AGENT model's sustainability is the training that is offered to new agro-dealers. On an individual level, it was observed that the training received by the agro-dealers continues to be applied. The vast majority of the surveyed agro-dealers cited the training as a critical benefit of their involvement in the CARE programme, explaining that they continue to use the training to:

- Procure seed in time for the first rainfall;
- Stock the most appropriate seeds for the local agro-ecological conditions;
- Understand the benefits of linking with AGRITEX extension staff for information purposes; and
- Actively market to farmers and ISAL members through participation in AGRITEX-organised field days and trainings.

Other aspects of the AGENT model have demonstrated less sustainability. The vast majority of the output marketing relationships were unable to withstand the financial crisis, during which many firms reverted to spot market transactions (rather than entering into contracts with farmers) and reduced their business activities. This was exacerbated by several consecutive years of drought, when many farmers had little to sell. While the impact of the crisis is understandable, the erratic nature of rainfall among the areas that were visited and the consequential instability of surplus for sale suggest that the creation of long-term purchase arrangements with external buyers is a difficult proposition. The level of coordination required by CARE in setting up and maintaining these linkages was substantial, and it seems unlikely to be replicated by many of the producer groups. Nevertheless, those farmers who harvested in the previous year complained bitterly about their lack of access to markets, causing many to engage in local barter or sale at very low prices. For them, the creation of effective sales channels was critical to the returns from agriculture and thus to their livelihoods. Some local sales arrangements were observed through agro-dealers – and indeed have, in some cases, been occurring for decades – which appear to be a more feasible linkage. Given the agro-dealers’ access to finance and their connections within the communities through input sales and AGRITEX activities, developing this type of output marketing linkage would seem more likely to be sustainable. Future investments in output marketing would be well spent exploring this area.

The institutional sustainability of the BMO is still uncertain. Its function of supporting access to finance seems more likely to endure; there is promising evidence of BMO replication by a local MFI described in Section VI. Other activities, such as joint purchase and transportation of inputs have not occurred regularly and seem much less likely to be maintained. Surveyed wholesalers did not see them as adding value. What is clear from CARE’s on-going support is that if the BMOs are indeed able to eventually operate independently, they require a relatively long period before they are able to do so.

VI. Lessons Learned

The experience of CARE Zimbabwe over the last 15 years provides valuable lessons in the promotion of Savings Groups, the implementation of the AGENT model, and their effective integration.

Above all, the SEAD unit coordinator at CARE Zimbabwe explains that “the ISAL approach is modest and built around the novel idea that the capabilities that allow for success are already available in most African villages, so long as the methodology is transparent, simple and not too labour intensive.” The ISAL methodology is indeed scalable, replicable and easily adopted by members, groups and the community because it is based on a clear, systematised and highly repetitive set of procedures. The innovation of a cluster facilitator – an experienced ISAL member who provides support to the groups of their respective cluster and trains new groups that wish to join the cluster – supports the sustainability of independent groups and has enabled the impressive growth of the intervention following the implementation by the implementing agency.

With respect to the effectiveness of the ISAL model in improving the livelihoods of the rural poor, three main limitations have been observed. First, the fixed monthly savings contribution severely curtails the usefulness of the model and its impact on improving the financial management of the household. In fact, the fixed savings rate has been identified as one of the main reasons for member dropout and has, in some cases, even had profoundly negative effects on members in distress who have taken severe and unproductive coping strategies to meet their monthly savings obligation. ISAL members would be better served by a flexible savings system that would allow member households to save according to their needs – in different amounts over time and across members.

Secondly, the ‘zero balance policy’ of the ISAL model under which the entire Loan Fund must be lent out at each meeting was a necessary survival strategy during the period of hyperinflation; however, this is no longer necessary and is a serious hindrance. One former ISAL member that has reverted to his village ROSCA explains that “ISAL is too expensive. If no one wants to borrow, then everyone must borrow.” With the simple adoption of the three lock cashbox used by most VSL programmes of CARE throughout Africa, ISAL groups would be able to securely maintain a positive balance in the Loan Fund between meetings and eliminate the harmful obligation of members to borrow.

And finally, the frequency of meetings appears to be insufficient. It can be quite difficult for a member to set aside USD 2 to USD 20 (the typical monthly savings deposit) at the end of every month; the opportunity to save more frequently in smaller amounts would, again, enable the member to manage household cash flow more easily and effectively.

ISAL groups have exhibited remarkable resilience over the past decade, demonstrated by a strong revival rate since 2008 and their ability to adapt to economic challenges of historic proportions. Nevertheless, there remains one impediment to the sustainability of ISAL groups and their ability to operate independently: a cumbersome recordkeeping system that is understood by very few members. While the group is trained and undertakes primary responsibility for the maintenance of its records, the 18 groups visited in Masvingo Province reveal that the multiple ledgers of each group are maintained by the FO during the 18-month capacity-building cycle and the cluster facilitator thereafter, if at all. The group’s multiple ledgers are extremely cumbersome and do not provide much

added value to the members, especially when compared to innovative systems based on passbooks, observation and memorisation developed by other savings programmes over the last decade.

With targeted training and linkages to effective lead firms, rural retailers can be an effective mechanism to improve access by Savings Group members and non-members to agricultural inputs. When able to access credit, agro-dealers will stock greater quantities of inputs for longer periods. Given the seasonality of demand for agricultural inputs, this product line is best combined with the sale of other products (e.g., fast moving consumer goods). Among surveyed agro-dealers, agro-inputs represented between five percent and 30 percent of their annual revenues.

Given their proximity to and frequent transactions with rural farmers, agro-dealers are also potential conduits for many other development interventions, such as in health messaging (e.g., information on HIV/AIDS). Caution must be exercised in developing the social mandate of the agro-dealer, however, so as to not damage their commercial orientation and relationship with their client base. In contexts where agro-dealers have been employed by the implementing agency – or other organisations – for the free or subsidised distribution of food aid and agricultural inputs, it is important to ensure that there is adequate supply and commercial shelf space for those who wish to purchase products on a commercial basis and that the supplied products are appropriate for the local agro-ecological and commercial conditions.

A clear lesson from the case is that Savings Group participants – and indeed most smallholder farmers – are extremely discerning customers. They will only purchase from agro-dealers if they offer the best combination of convenience, quality and affordability. If agro-dealers are unable to offer their customers the best combination of these factors they will lose their market quickly, which occurred in locations where agro-dealers competed head-to-head with wholesalers offering lower prices. Given their inability to match the prices of their suppliers, agro-dealers have proven most viable in remote locations that are distant from their suppliers. Predictably, CARE's support to agro-dealers was effective when they had a viable business, but failed when they did not.

It is important to note that Savings Groups are not the most natural vehicle for the collective purchase of inputs, because their membership is heterogeneous and the input needs of their members vary. In fact, ISAL structures – groups or clusters – were less likely to purchase inputs in bulk from agro-dealers relative to gardening and other groups and were more likely to purchase consumer items such as blankets and kitchenware. Crop-specific producer groups are a more logical supply point; identifying and building upon cross-membership in both groups can support this linkage.

In the replication of the model, geographic overlap or simultaneous interventions alone are insufficient to ensure integration when initiatives to link Savings Groups with other products or services are implemented by separate units or organisations. A conscientious effort to build linkages must be articulated at all levels of the organisation, well beyond the levels of policymakers and project managers to field level staff. When policies for enhanced programme integration were not adequately articulated within CARE Zimbabwe, field staff members were not clear on their responsibilities and intervention strategies to develop these linkages. When supporting a linkage, regular collection of monitoring information is extremely important to determine whether and how

services are being used and what gaps exist.

The introduction of appropriate community-managed financial services to producer groups can improve their sustainability. Producer groups that are focused only around periodic activities (e.g., crop marketing once per year) tend to be less sustainable and face higher likelihood of dissolution than those that engage in regular savings activities. This is exacerbated in areas where periodic droughts eliminate surplus production for one or more years. CARE observed that the majority of its producer groups disbanded after several years of drought and now seeks to integrate its ISAL methodology as a regular activity that will strengthen producer groups.

With respect to output marketing opportunities, success is most likely when Savings Group members have a reliable source of product and the capacity and scale to maintain commercial relationships. In the absence of those factors, localised market relationships may be more appropriate, even if less profitable. The coordination role required to develop and sustain these linkages should not be underestimated and this function needs to be built into the producer organisation. Not doing so risks causing harm to producer groups that are unable to meet buyer standards or who are unable to develop new linkages when their existing relationships fail or expire. The time and investment that is required to create this capacity within a producer group is substantial and requires greater resources and levels of effort than the formation of the Savings Groups or the agro-dealer component of the AGENT model.

1. Scalability and replicability

CARE Zimbabwe has demonstrated that the AGENT model is scalable and it continues to roll out the activity in its new and existing districts.

There is also strong evidence that the AGENT model can be replicated well beyond CARE Zimbabwe's own programming with continued external funding. Within Zimbabwe, several aspects of the model are already being adopted and replicated by several organisations, albeit without the mobilisation of Savings Groups to improve farmer purchasing power.⁷ In fact, the Food and Agricultural Organization of the United Nations, the Department for International Development of the United Kingdom, and other key players in agricultural input provision are currently considering the institution of a requirement that all subsidised inputs be provided through agro-dealers nationwide, and several donors are preparing to dedicate significant funding to the initiative.

Given the benefits that private wholesalers identify as having gained from the AGENT model in terms of expanded outreach and greater sales, the natural avenue for replication of the model is for wholesalers to incorporate the basic training and pilot financing strategies within their own business models, thereby expanding their agro-dealer networks. Despite the recognition from CARE's partner wholesalers of the significant benefits they have gained through the AGENT project, they do not feel that a private sector-driven self-replication model is currently feasible in an environment of branch

⁷ The major adaptations of the model by other development agencies include training provision by a private sector institution, a pooled insurance scheme funded entirely by donors, and the provision by wholesalers of goods on consignment rather than credit.

closures and slow returns to profitability. As stated by Red Star's operations manager, "it's basically a cost issue. The benefit is well appreciated, but we can't afford it right now. We have to rely on information that has been imparted before." The widely anticipated donor investments in agro-dealer training in Zimbabwe are likely another contributing factor. Whether Red Star and other wholesaling companies will ultimately incorporate aspects of the AGENT methodology into their own business plans in the future remains to be seen. Nevertheless, interviews with other wholesalers in CARE's provinces of operation suggest that the potential to replicate the model with additional businesses likely exists.

With respect to the BMO structure, CARE Zimbabwe's partner MFI, MicroKing, is actively replicating BMOs – independently of CARE – with new agro-dealers in order to increase its base of rural shop owner clients. While it originally started by only working with CARE-trained agro-dealers, they now represent just 50 percent of its total agro-dealer client base. Critically, MicroKing has even started providing its own training programme to new agro-dealers, focusing on basic bookkeeping and group dynamics. While it has found that the new agro-dealers do not pay as reliably as the ones that were trained by CARE, it has developed a series of mechanisms to adapt for the greater vigilance that is required. Like many MFIs, MicroKing is reluctant to lend in rural areas and restricts its lending to individuals within 40 kilometres of a branch. It finds the advantages of the group loan guarantee, the reduction in paperwork that accompanies a group loan and the high credit volumes demanded by rural retailers to be very attractive features. Given the year-round sales of groceries and other products of BMO members, MicroKing offers lending services throughout the year. MicroKing actually considers these groups to be so secure that it offers them a lower interest rate than it does to other clients: five percent monthly rather than 5.5 percent.

Outside the country, CARE has replicated the AGENT model in neighbouring Zambia, another country where agro-dealer models have been promoted with some success. The project there is still young, however, and the results are not yet available. Beyond CARE, the American NGO CNFA is applying a very similar approach in Tanzania and elsewhere in Sub Saharan Africa. Certain factors specific to the Zimbabwean context are relevant to the replicability of the AGENT model elsewhere as well as to agencies who are considering the model. First, the methodology is dependent upon the creation of strong linkages with input manufacturers or distributors. In Zimbabwe, the traditional presence of large-scale commercial farmers that would order 30 tons of a certain input facilitated the development of a sophisticated input supply system. Wholesalers would supply communal farmers as a side activity to their primary business, without requiring the small volumes sold in this market to cover their operating costs. The strong financial position of these wholesalers gave them the financial capacity to offer financing terms to customers. While Red Star first began offering finance to agro-dealers after partnering with CARE, the business model was not completely new to the region; at least one wholesaler had already been offering finance to its best customers for years prior. CARE's approach was to scale up the use of this business model which, although functioning successfully, had not been widely adopted and was not expanding to reach underserved farmers. Replication of the AGENT model requires agricultural input manufacturers or wholesalers with adequate financial and managerial capacity to supply producers.

Another factor for the replicability of the AGENT model is the commitment to input purchase by smallholder farmers. There is a strong tradition of buying agro-inputs in Zimbabwe, to the extent that

even extremely food insecure and impoverished farmers receiving subsidised inputs were often making additional input purchases so as to cultivate their entire farms. Application of the AGENT model in places where this tradition does not exist would require a corresponding focus on demand creation for inputs among farmers. Finally, AGRITEX plays an important coordination role in increasing awareness of the agro-dealer and creating linkages to farmers. The weekly trainings and periodic field days it offers provide venues for the agro-dealer to engage with potential clients in a cost effective manner. Many dealers also cite the AGRITEX staff as an important on-going source of knowledge on new varieties and other important production information. The absence of a similar system would increase the costs of the outreach and on-going learning activities that presently occur.

2. Conclusions on the research propositions

In conclusion, there is evidence that the ISAL structure enhances the capacity of smallholder farmers to purchase agricultural inputs. The significant increase in ISAL member savings over the past decade and growing asset base of members are used to access agricultural inputs more efficiently and effectively from the local agro-dealers of the AGENT network.

However, the direct linkage of ISAL groups to the services of the AGENT model appears to be weak and there is insufficient evidence to demonstrate that linkage of Savings Groups to an agro-dealer model improves access to and participation in agricultural input and output markets *by the Savings Group itself*. While ISALs do sometimes engage in joint productive activities, they tend to be more consumption-oriented and socially-focused. Nevertheless, the Savings Group serves as an invaluable safety net for the members of other local institutions (e.g., producer groups) – and the institutions themselves – through credit, grants and periodic share-outs of cash and physical assets to their common membership.

In short, the ISAL group itself is not an active participant in the AGENT model but favours and improves the participation of its members and other community-based organisations such as producer groups in the services provided by the AGENT network. In turn, the participation of ISAL members in the AGENT model – through other community-based organisations – has provided them with access to inputs at reduced costs and more lucrative output marketing arrangements that have improved their savings capacity and the financial health of ISAL groups in the community.

Appendix A: Case Study Methodology

The above case study – which examines how access to and participation in agricultural input and output markets may be improved through the linkage of Savings Groups to an AGENT model – is based on:

1. A literature review of programme documents, project proposals and project reviews of the ISAL and AGENT programmes of CARE International in Zimbabwe during the 1995-2010 period.
2. A field study of the ISAL and AGENT programmes of CARE International in Zimbabwe, conducted from May 7th to May 21st, 2010 by Ben Fowler and David Panetta. Fieldwork consisted of:
 - a. Key informant interviews with the CARE SEAD unit coordinator (Kakono Tafirenyika), the ISAL project manager (Victor Dzimba), the AGENT project manager (Cephas Luxmore Nhira), and monitoring and evaluation specialists and field staff from the CARE SEAD unit;
 - b. Key informant interviews with CARE-certified agro-dealers, BMOs and partner wholesalers;
 - c. Key informant interviews with non-participating wholesalers; and
 - d. Focus group discussions with 20 ISAL groups and AGENT-supported producer groups (among the 24 sampled groups; see sample selection below).

Site and Sample Selection

The field study was conducted in selected districts of Masvingo Province (Chivi, Mwenezi and Zaka districts) and Midlands Province (Mberengwa district), based on the historical overlap and linkages of the ISAL and AGENT projects in this area as well the existence of wards that have only been exposed to one of the interventions.

The sample frame included four categories of groups that CARE has supported through its ISAL and AGENT projects

1. ISAL groups that have never been introduced to the services of the AGENT model;
2. ISAL groups that were linked to the AGENT model;
3. Producer groups established and/or supported by the AGENT project only; and
4. Producer groups established and/or supported by the AGENT project and then introduced to the ISAL methodology

The purpose of this categorization is to examine:

1. The implementation and outcomes of each intervention – ISAL and AGENT – implemented independently; and
2. The integrated implementation and combined outcomes of the ISAL and AGENT interventions, and any differences related to the sequencing of the two interventions.

Based on the above sample frame, a total of 24 groups were sampled in the selected districts unit using a 'best-worst case' approach. From each of the four categories, the CARE SEAD unit selected the three best performing and three worst performing groups based on their adoption of the respective methodologies, active participation in AGENT services and observable outcomes at the level of the member, group and community. All key informant interviews and focus group discussions were conducted by:

- Ben Fowler, AKF research team
- David Panetta, AKF research team
- Lyona Rutambwa, SEAD sector M&E officer (AGENT project)
- Innocent Takaedza, SEAD sector M&E officer (ISAL project)

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