The SEEP NETWORK

THE PROMISING PRACTICES CASE STUDY SERIES

With support from CARE INTERNATIONAL, Zimbabwe

CASE STUDY:

The Kupfuma Ishungu Rural Microfinance Project, Zimbabwe

A Self-managed, Village Savings and Lending Scheme

The HIV & AIDS and Microenterprise Development Working Group of The SEEP Network, **"The Kupfuma Ishungu Rural Microfinance Project, Zimbabwe. A Self-managed, Village Savings and Lending Scheme."**

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The Kupfuma Ishungu Rural Microfinance Project, Zimbabwe

A Self-Managed, Village Savings and Lending Scheme

prepared by

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February 2008

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Acronyms

AIDS	Acquired Immunodeficiency Syndrome
ASO	AIDS Support Organization
BDS	Business Development Services
DAAC	District AIDS Action Committee
HIV	Human Immunodeficiency Virus
IGA	Income-Generating Activity
KI-RMFP	Kupfuma Ishungu Rural Microfinance Project
MFI	Microfinance Institution
OVC	Orphans and Vulnerable Children
SIMBA	Supporting the Income and Basic Needs of HIV & AIDS-Affected Households
SPM	Select, Plan, and Manage (training offered by CARE)
VAAC	Village AIDS Action Committee
WAAC	Ward AIDS Action Committee

Exchange rate:

Z$ 5,300 = US$ 1, as of June 2004
Z$ 30,466 = US$ 1, as of April 1, 2008

Preface

The consequences of HIV & AIDS are unprecedented and far reaching. For many families, concerns about poverty subsume concerns about the effects of HIV & AIDS. Poverty and social factors, such as gender inequality, also increase the risks to which women are exposed, as well as their vulnerability to contracting HIV. Income and savings become crucial tools and safeguards as households struggle to build and protect their economic resources to offset the impact of HIV & AIDS. Engaging in business and gaining access to support services may, moreover, provide women with alternatives to risky sexual behavior.

Microenterprise development services[1] can help families cover basic expenses, ensure the well-being of their children, increase their incomes, and build their savings. In addition, the close relationship between providers of microenterprise services and their clients offers a powerful platform from which to launch awareness and community mobilization initiatives that go beyond the mitigation of the economic impact of HIV & AIDS to address issues of HIV prevention.

Microfinance practitioners have created an innovative system that provides poor people access to capital, which in turn supports their economic activities. However, most microfinance institutions (MFIs) do not have information about how HIV & AIDS affect their operations or their clients, nor do they have the background to address the societal factors that underlie HIV & AIDS. A better appreciation of client realities could allow MFIs to develop demand-driven innovations that protect their institutions. Such awareness could also guide MFIs to collaborate with AIDS support organizations (ASOs).

The **economic development** (ED) sector is promoting effective ways to meet the non-financial needs of microentrepreneurs. ED initiatives typically seek to create access to market opportunities for microentrepreneurs and increase business growth in the various sectors in which they work. The services offered by ED initiatives include business management training, entrepreneurial development, and facilitation of linkages between microenterprises and growing markets. New lessons are emerging, however, that may help ED providers meet client needs that microfinance is not suited to address.

Development practitioners involved in **HIV & AIDS programming** traditionally come from the public health or social welfare fields. Although they often understand the need for sustainable economic interventions, they may not have the necessary background either to design and implement such interventions effectively or to examine potential development tools in the context of the social and economic needs of HIV-affected populations.

[1] In general, the field of microenterprise development is comprised of initiatives in microfinance and economic development (also referred to as business development services).

Effective AIDS program responses have opened opportunities for more economic initiatives in AIDS-impacted communities. For example, with the availability of life-extending anti-retroviral therapies, people living with HIV are able to regain and extend their productive capacity and stay involved in their enterprises and communities. Increased education and awareness campaigns have been effective in reducing stigma, which encourages community members more inclusive of HIV-affected households.

Sharing information about current initiatives and sound practices in both the microenterprise industry and HIV & AIDS field should lead to a better understanding of the issues faced by households coping with this disease. Clarifying these issues and better defining potential strategies to address them will in turn lead to more effective collaboration and program design, helping catalyze strategic alliances between microenterprise development organizations and AIDS support organizations.

The purpose of The SEEP Network' "Promising Practices" case study series is to describe a variety of microenterprise services that:

- reach deeply into the poor socioeconomic strata of a given community and/or geographic area;
- show the potential to reach significant scale;
- enable clients to plan for future crises, anticipate needs for lump sums of cash, improve income flows, enhance the profitability of economic activities, and avoid selling productive assets; and
- strive to go beyond the economic dimension of clients' lives to address the underlying factors that contribute to the spread of HIV & AIDS (e.g., through collaboration with ASOs or educational initiatives, such as informing clients about HIV & AIDS issues in order to change their behavior and mobilize community action).

I. Context

Socioeconomic Overview of Zimbabwe

In mid-2004, Zimbabwe was consumed by an emergency situation. Unemployment levels exceeded 60 percent and the country had experienced multiple internal and external shocks, aggravated by inconsistent rainfall in 2002–2003. As a result, crops planted early in the 2003–2004 season failed. Most farmers were unable to replant for the late rains due to limited capital. Food availability in the country improved in late 2004 with supplies from the national government, private imports, and relief provisions. However, harvests for 2004 were far below normal yields.[2]

Agricultural inputs were in short supply in the two years preceding the agricultural season of 2004–2005, with no signs of improvement. This situation was in part due to high prices, limited foreign currency reserves, and a reduction in the number of local seed manufacturers, all of which negatively affected local efforts to improve agricultural productivity.

Annual inflation in Zimbabwe fell from 600 percent at the end of 2003 to around 400 percent in June 2004.[3] Annual interest rates on loans accordingly fell from 450 percent to about 200 percent over the same period. Accessing loan capital, however, remained highly risky. Return-on-savings investments were also very low, ranging from zero to 30 percent per annum in mid-2004. As a result of the monetary policy of the Reserve Bank of Zimbabwe, the Zimbabwean dollar traded officially at Z$ 5,300 to US$ 1, as of June 2004, which kept prices of basic commodities high.

In addition, HIV & AIDS was taking a heavy toll on Zimbabwe. According the 2*002 UNAIDS Report on the Global Epidemic,* an estimated two million adults, or 33.7 percent of the adult population, were living with HIV & AIDS. As of 2001, 780,000 children in the country had lost one or both parents to the disease.[4] However, the prevalence of HIV is only part of the impact of the disease. HIV & AIDS is a long-wave event, the impact of which will take place over many decades.[5] In light of this timeline, an intervention to serve people in the poorest socioeconomic strata for years at affordable cost is of critical importance.

Purpose of the Kupfuma Ishungu Intervention

The Kupfuma Ishungu Rural Microfinance Project (KI-RMFP) is a four-year program, designed to build the capacity of communities to mobilize and manage savings that can then be used to grant loans to meet the production, consumption, and social needs of vulnerable members (mainly women) of the communities. KI-RMFP's area of operation encompasses the Zvishavane, Mberengwa and Shurugwi districts of the Midlands and Masvingo provinces of Zimbabwe. As table 1 illustrates, these areas of the country are among those hardest hit by HIV & AIDS, in terms of prevalence.

[2]The 1999–2001 average cereal product was 2,174,000 MT. In 2003-2004, data show harvests of between 450,000 MT and 700,000 MT while the Crop and Food Supply Assessment Mission (CFSAM) assessment estimated production at 950,000 MT.

[3]Inflation fell from 598.75% in 2003 to 132.75% in 2004.

[4]UNAIDS, UNICEF, and USAID, *Children on the Brink: A Joint Report of New Orphan Estimates and a Framework for Action,* 4th ed. (New York: UNICEF,2004).

[5]Barnett and Whiteside, *AIDS in the Twenty-First Century: Disease and Globalization* (New York: Palgrave Macmillan, 2002).

TABLE 1. HIV PREVALENCE RATES BY PROVINCE, ZIMBABWE (2002)	
Province	**HIV prevalence (%)**
Central Mashonaland	19.1%
East Mashonaland	34.7%
West Mashonaland	25.6%
Midlands	46.2%
Masvingo	42.7%
Manicaland	17.7%
South Matabeleland	33.6%
North Matabeleland	28.2%
Source: Ministry of Health of Zimbabwe, 2002, based on 2000 ante-natal clinic data for women aged 15–49 years.	

KI-RMFP recognizes that vulnerable households, which include those affected by HIV & AIDS, suffer economic distress and need access to financial services, savings, and credit. Vulnerable communities and households have the potential to mobilize financial resources to strengthen their income-earning opportunities and build safety nets. The program consists of:

- capacity building for both communities and AIDS support organizations;
- establishing community-based, self-managed village savings groups; and
- enhancing the potential and capacity of local communities.

CARE anticipated that Kupfuma Ishungu would enable poor households to better withstand shocks and stresses. Specifically, these households would diversify their sources of income[6] and protect and enhance their assets.[7]

The strategy for achieving these goals was based primarily on CARE's village savings and loan methodology. This methodology was originally developed in Niger and now operates in Mali, Tanzania, Uganda, Mozambique, and several countries in Latin America. Its distinguishing characteristic is that loans are provided solely from member savings. KI-RMFP actually consists of two interventions, both of which have made a positive contribution to mitigating the impact of HIV & AIDS:

[6]IFPRI (International Food Policy Research Institute) research indicates that diversification of the sources of household income is a successful adaptive strategy for crises and risk management. See Lire Ersado, "Income Diversification in Zimbabwe: Welfare Implications from Urban and Rural Areas," Discussion Paper, no. 152, Food Consumption and Nutrition Division (Washington, DC: IFPRI, 2006).

[7]Protecting assets is also a key strategy for mitigating the impact of shocks and crises. See Monique Cohen and Jennefer Sebstad, "Microfinance, Risk Management, and Poverty," synthesis report prepared for USAID (Washington, DC: Management Systems International, 2002).

- ***Kupfuma Ishungu expansion.*** This intervention targeted community members interested in joining this new savings and credit program. Given the high prevalence of HIV & AIDS in Zimbabwe, this approach was expected to reach a significant number of affected and infected clients, an expectation confirmed by anecdotal evidence. In addition, an improvement in the safety nets of a broad membership in any given community was expected to enhance the resilience and coping mechanisms of the community.
- ***Supporting the Income and Basic Needs of HIV & AIDS Affected Households (SIMBA)***. This intervention built the capacity of ASOs to deliver CARE's savings and credit methodology to their respective clients. With the proper guidance, ASOs involved in HIV & AIDS welfare interventions have the potential to integrate financial services into their ongoing activities, enabling them to strengthen the social support networks of HIV & AIDS households. SIMBA has had seven ASO partners, including the Association of Disabled Persons and an educational assistance organization.

The results presented in this case study are mainly those of the KI expansion. This is the longer-running effort of the two and has had more rigorous and extensive impact evaluations than SIMBA.

Description of Target Group

Kupfuma Ishungu operates in largely rural areas and has limited coverage of semi-urban settlements. Its rural communities consist of households that are largely dependent on agriculture, but are willing to and/or already engage in off-farm activities to improve their sources of income.

As of mid-2004, the program had 49,086 individual members in 7,114 groups, of which 40,929 individuals (85 percent) were women and 7,167 (15 percent) were men. Roughly 99 percent of the village savings groups are located in rural areas, with an average group size of seven. At that time, 350 groups overall were engaged in asset-based savings, and 1,300 groups had created social funds to assist their members with funeral, medication, and illness-related expenses.

A total of 57 groups of orphans and vulnerable children attending secondary and primary school participated in the KI expansion and SIMBA interventions, supported by 44 groups of adult clients.[8] District AIDS action committees (DAACs), ward AIDS action committees (WAACs), and village AIDS action committees (VAACs) existed in all 13 districts where the two interventions were in operation, many of whose members also participated in the Kupfuma Ishungu and SIMBA programs. Finally, 75 community-based trainers helped train new groups without CARE input.

[8]The members of 11 of these groups chose to find out their sero-status.

II. Description of Methodology

Background

Poor households face constraints that prevent them from engaging in economic activities that can help build the resilience of their household safety nets. Accumulating assets (especially productive assets) and diversifying income sources are two key aspects of building resilience. Kupfuma Ishungu rests on the premise that giving poor households access to timely and flexible loans will improve economic resiliency.

Most poor people can and do save, given the choice to do so and a safe place to secure their money. In Zimbabwe, KI-RMFP began operations in an environment characterized by:

- a lack of activities to generate income (or a lack of growth in such activities);
- declining access to social services and support (e.g., education, food, and health services);
- increasing prevalence of HIV & AIDS and its negative impact on household and community resources and social support networks;
- a lack of financial products that matched the financial needs of HIV & AIDS-affected households, as well as those of rural and peri-urban dwellers;
- the need to build sustainable community-based financial services that could strengthen ongoing efforts to mitigate the impact of HIV & AIDS among vulnerable groups; and
- reduced agricultural production resulting from high inflation, which eroded income in previous years to the point that farmers could not pay the costs of agricultural inputs for the next season.

Summary of CARE's Village Savings and Loan Program Design

In general, members self-select to form savings groups and agree on a monthly contribution per member toward the group fund. By combining their savings, groups create an internal loan fund. Members borrow money from the internal fund at an agreed interest rate and the fund continues to grow through monthly contributions and revenue from interest rates charged on internal loans. The savings fund pool also serves as a source of emergency loans. Members also have an opportunity to gain business literacy through SPM (Select, Plan and Manage), a training program run by CARE.

Access to small loans allows members of the savings groups to start or improve their investment in economic activities. Since the group manages the fund, they incur little to no administrative costs. CARE's costs are limited to training infrastructure, which builds the capacity of individual groups to manage their funds.

While each of CARE's country projects has its own distinct variation of the basic village savings and loan methodology, they all adhere to a basic set of principles:

- ***"Savings-based" financial services:*** There is no external borrowing or donations.
- ***Earnings retention:*** Earnings on group savings and loans remain within the local group and community.
- ***Flexibility:*** Loans are accessed to meet the production and consumption needs of members.
- ***Immediacy of benefits:*** Savings and lending activities commence from the first day a group is formed, building client confidence in the methodology.
- ***Simplicity and transparency:*** Transactions occur within a maximum of 60 minutes, with no application forms.
- ***Easy access:*** Transactions are village-based, incur no transport costs, and require limited effort.
- ***Self-determination:*** Savings and lending conditions are determined by each group, which enhances ownership.
- ***Use of community resources:*** The project is capable of being replicated through the use of community-based trainers, enhancing its scale and sustainability.

The self-managed nature of the methodology allows communities to (1) pool and leverage their own resources to meet their own needs (i.e., there is no injection of external capital; rather, pooled capital generates a loan fund and interest); (2) get training in the basic concepts of managing and controlling financial intermediation services; and (3) be empowered to address household and community economic needs in a sustainable way, avoiding a welfare approach.

CARE's experience with this methodology has shown that community-managed, savings-based financial systems can provide needed services to highly vulnerable populations at low cost. The methodology works for a number of reasons:

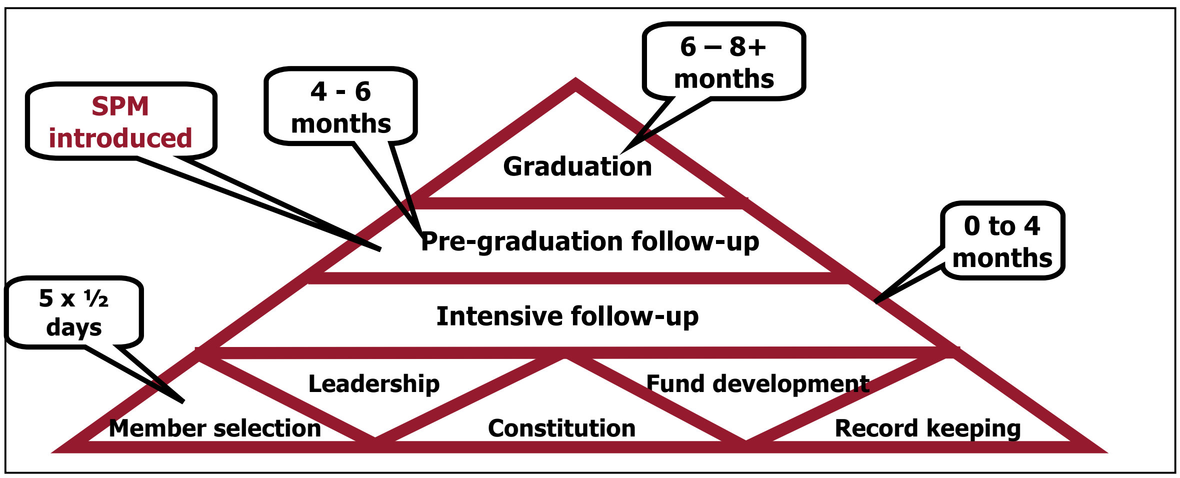
- ***It meets member needs.*** The financial services offered by the groups match the needs and capacity of group members; individuals save and borrow what they can afford.
- ***It has cultural relevance.*** The methodology builds on traditionally accepted forms of financial intermediation and adds value by improving systems, reducing risk, and enhancing returns to members. These gains promote acceptance of the improvements to traditional forms of savings and credit. In addition, the methodology's promotion of asset acquisition and asset-based savings enhances the cultural significance of assets as a symbol of well-being by giving that household recognition in the community.
- ***It offers attractive returns.*** Given a highly inflationary environment and low returns in the formal financial market, this methodology offers higher returns on savings compared to other options.
- ***It incurs limited transaction costs.*** There are few transaction costs because the financial service activities occur in the local village.
- ***It matches the activities and context of the target group.*** For example, the income-earning activities of children's groups (e.g., selling sweets and school stationery) are matched with school attendance, while

the loans to adult groups are granted for both productive and non-productive activities, including school fees and uniforms

- ***Group meetings offer more than financial transactions.*** In addition to savings and lending activities, group meetings offer an opportunity for members to share ideas and problems, enhancing their social capital. In addition, members often share resources, including labor and draught power, strengthening their social networks.

Implementation

Figure 1. Time Frame for Development of KI-RMFP Savings and Loan Groups



Source: CARE International Zimbabwe 2004.

Community member orientation and mobilization (1 week).

These sessions cover the goals and objectives of the program, the duration and content of training, and the expectations of clients.

Training (1 week).

The five core modules of the program are covered in five, half-day sessions by CARE field officers. The training enables groups to develop constitutions; agree on savings amounts, frequency, and dates; and set loan conditions.

Intensive follow-up (0–4 months).

This phase enables field officers to observe how groups apply the skills and knowledge acquired in training and, where necessary, offer coaching to individual groups. Monitoring visits are made only on days when local groups engage in saving and/or lending activities, or when they have organized a function at the community level.

Pre-graduation follow-up (4–6 months).

Groups continue to carry out their activities, but with the limited involvement of CARE field officers. Coaching at this point focuses on interactive, member-to-member coaching to enhance self-management, with visits limited to once every two months (coinciding with the dates of saving and lending activities).

Selection, Planning, and Management (6 months).

At the end of six months of monitoring, members of a savings and loan group are consulted about their interest in SPM training. Training is provided to interested members over five continuous days in half-day sessions. This training aims to improve the skills of clients to select activities to generate income that have greater chances of success and to improve the performance of these microenterprises. Improved performance enhances members' capacity to save, and the savings enhance their access to capital to invest in their enterprises.

Graduation follow-up (6–8+ months).

CARE field officer visits are made once every three months during this phase, after which a decision is made on group independence from CARE monitoring. It is important to note that the maturity period of groups can be as short as eight months if group members are literate and program staff members are seasoned and experienced.

Typical Process for Creating a Kupfuma Ishungu Savings and Loan Group

- Groups are made up of between five and 15 adult members, who are self-selected, and membership is open to both women and men. Groups elect a committee consisting of a chairperson, secretary, and treasurer. Groups also agree on a constitution (or a set of internal regulations) to guide activities, confer authority on committee members, and provide a framework for regulation of group activities and dispute resolution.
- Groups meet on a regular monthly basis. Before starting to save or lend, members agree on how long the group will operate before terminating savings and lending activities and sharing out the accumulated funds. During the pilot period, field officers encourage groups to choose a one-year operating cycle.
- Members contribute to the loan fund in the form of agreed upon, equal amounts of savings. In 2002, this amount ranged from Z$ 20–$100 per month. (As of mid-2004, it ranged from Z$ 500–$50,000 per month, with an average of Z$3,000–$5,000.)

- Savings values are recorded in a group ledger. As members' names are called, they hands over their money to the secretary, who records the value of the savings contribution. The contributions are all placed in a bowl and the total amount is calculated and announced to the group.
- Anyone needing a loan from group funds puts forward their proposal to the group and is eligible to borrow if they have no outstanding liabilities. Approval of the loan rests with the group. At the first few meetings, the entire accumulated amount will go to a different member. As the fund grows, however, loans will be given to several members at once. It generally takes three months for all members to receive a loan. By the end of an operating cycle, all members take out loans simultaneously.
- Once a loan has been issued, the amount of the loan is recorded in a loan ledger, indicating the borrower's name (with their signature), loan amount disbursed, date of final loan reimbursement, interest payment required, and purpose of loan. All loans are due at the next monthly meeting, so loan terms are for 30 days.
- Interest rates are set by the group, which is free to set monthly rates at a flat rate. A large majority choose a rate of 20 percent a month.
- When the operating cycle comes to an end, the group shares out the total value of their loan fund among members (i.e., the amount of money is counted out and divided up equally). The share-out is an important element of the methodology because by recapitalizing their funds, members benefit from interest earnings and, more importantly, accounting procedures and the risks inherent in large sums of money are simplified. Members are then free to leave the group and others are free to join, beginning a new cycle and setting new contribution levels.
- Members are free to decide to suspend contributions during lean periods of the year, to re-stock group funds with a portion of the shared-out accumulated fund or to start over with new contributions.

Method of Measuring Results

The indicators used to measure program results are adapted and guided by the CARE International Household Livelihood Security Framework. Baseline information is collected via individual and group profile forms as members join groups. Activity monitoring is carried out during field visits and observation of group meetings. Focus group discussions and interviews with clients are conducted by CARE field staff and managers. In addition, regular term evaluations are conducted by external consultants.

III. Positive Results

An impact study of the expansion of the Kupfuma Ishungu intervention was carried out in June 2002 and again in February 2004.[9] The latter evaluation reported continued increases in productive and protective assets among village savings and loan groups, as well as a marked strengthening of their social capital and standing in the community at large. The impact study observed clear evidence of personal pride in the groups, noting that people were encouraged to work more energetically than they otherwise might, owing to the need to repay their loans. The most common use of earnings from microenterprises that were boosted by KI loans was food, followed by the payment of school fees. In fact, Kupfuma Ishungu is known as the program that puts children through school.

Other statistics from the 2004 evaluation[10] revealed these findings:

- Household productive asset levels increased among the great majority of KI members. These increases were mostly in semi-liquid wealth controlled mainly by women, such as small livestock and hoes.
- Household non-productive asset levels increased substantially, especially in semi-liquid stores of wealth controlled by women, such as cooking and eating utensils.
- There was a significant reduction in the use of formal financial sector and traditional savings instruments in favor of KI group membership. This trend was marked in particular by a steep reduction in post office savings accounts.
- There was an improvement in housing quality, most noticeably in the construction of new houses from brick (as opposed to mud and wattle) and the widespread use of cement plaster.
- Two-thirds of KI respondents improved their access to health services, usually with revenue generated from microenterprises, KI internal group loans, or lump sums. Only 11 percent of respondents noted a reduction in their access to health services.
- According to KI members, investment in school fees was the single most important service that the savings and lending scheme provided.
- All the major food groups were consumed in greater amounts by between 45 and 85 percent of respondents.
- Among all respondents, 81 percent felt that their status in the community had improved directly as a result of their association with KI.
- Member participation in other social groups increased by 83 percent and accession to leadership or committee membership in these groups increased by 77 percent.
- At the family level, increased cooperation was experienced between husbands and wives, and women gained increased control over microenterprise income.

[9]Hugh Allen and Pauline Hobane, "Impact Evaluation of Kupfuma Ishungu," (Harare: CARE Zimbabwe, 2004).

[10]Ibid.

Indicators for Monitoring

Savings fund performance

As of June 2004, total cumulative savings worth Z$ 1,375,461,246 (US$ 259,521) had been mobilized by the KI program since its inception. These savings were the source of 189,956 internal loans worth Z$ 3,478,784,727 (US$ 656,374). Interest and penalties on loans contributed Z$ 665,784,634 (US$ 125,620), or 48 percent, to overall savings. A total of Z$ 614,424,801 (US$ 115,929) of accumulated savings was shared out in lump sums. All of the groups that liquidated accumulated savings chose to start a new savings cycle. Finally, 5,697 members received SPM training.

TABLE 2. TYPICAL GROWTH PATTERN OF KI SAVINGS AND LOAN GROUP				
Loan duration—one month			**Members**—five	
Contribution per member per month = Z$ 500 each month			**Total saved by group per month** = Z$ 2,500	
Loan interest = 30%			**Unadjusted fund yield** = 705%	
Total savings contribution = Z$ 30,000			**Average portion for each member** = Z$ 48,313	
Month	**Savings**	**Loans**	**Interest/Loans**	**Total accumulated**
1.	$2,500	$2,500	0	$2,500
2.	$2,500	$5,750	$750	5,750
3.	$2,500	$9,975	$1,725	$9,975
4.	$2,500	$15,468	$2,993	$15,468
5.	$2,500	$22,608	$4,640	$22,608
6.	$2,500	$31,890	$6,782	$31,890
7.	$2,500	$43,957	$9,567	$43,957
8.	$2,500	$59,644	$13,187	$59,644
9.	$2,500	$80,037	$17,893	$80.037
10.	$2,500	$106,549	$24,011	$106,549
11.	$2,500	$141,013	$31,965	$141,013
12.	$2,500	$185,817	$42,304	$185,817
Total loans disbursed:	**Z$ 30,000***	**Z$ 705,208**		
		Total interest earned over 12 months:	**Z$ 155,817**	
			Total group accumulated fund:	**Z$ 185,817**
* This number represents turnover of capital.				
Source: CARE Zimbabwe, 2004.				

The portfolio-at-risk, or PAR, rate (> 30 days) consistently stayed close to or below 10 percent, although this number spiked during the general election in 2000, when meetings were disrupted. As of the 2002 evaluation, PAR stood at 1 percent, having declined steadily by 1 percent per month in the last quarter of 2002. The level of risk to group member loans is so low as to be effectively nil. The following table illustrates how meager savings grew exponentially within a typical Kupfuma Ishungu group.

Accumulated assets

With asset-based savings, members are making a transition from acquiring small assets to large assets, such as cattle, donkeys, scotch carts, and inputs for housing construction.

TABLE 3. ASSET ACQUISITION PATTERN OF A TYPICAL KI SAVINGS AND LOAN GROUP

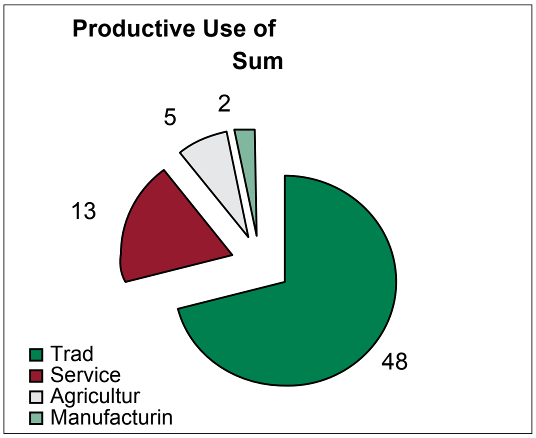
Productive assets	% increase	Protective assets	% increase
Chickens	65	Plates	76
Spray packs	43	Cup/glasses	75
Hoes	41	Pots	53
Goats	39	Piped water	30
Sewing machine	36	Electricity	28
Shovels	33	Bicycles	22
Cultivator	22	Beds	14
Harrows	15	Radios	9
Cattle	12		
Scotch cart	5		
Source: CARE Zimbabwe, 2004.			

Sources of income

Figures 2A and 2B below summarize the results gathered from the February 2004 impact evaluation, showing how members used not only internal loans, but also the lump sums[11] that were shared out at the end of an operational cycle. In general, 68 percent of funds were used for production and 32 percent for consumption, although the lump sums tended to be used for consumption needs. Finally, the number of microenterprises undertaken by households increased by 45 percent, household labor allocated to them increased 48 percent, and 46 percent of members' microenterprises were more stable than before, while only 6 percent were less stable.

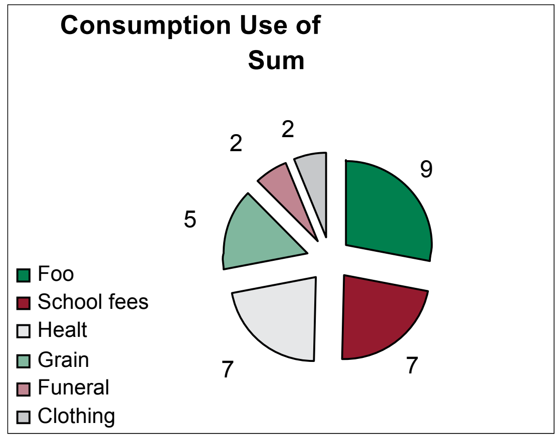
[11]Accumulated savings and interest charged on loans.

Figure 2A



Source: CARE International, 2004.

Figure 2B



Source: CARE International, 2004.

Program innovations

While the project initially started by promoting the basic CARE village savings and credit methodology, group innovations added value to the program. These innovations included:

- ***Asset-based savings:*** Group members took turns buying assets for each other or for the group as a whole, which they then shared. An innovative asset-celebration process acts as a catalyst and motivation for continued asset purchase. (Members received gifts for buying any type of asset.)
- ***Support to orphans and vulnerable children (OVC):*** Groups collectively contributed cash to support the education costs of OVC.
- ***Participation of children in savings and credit groups:*** Groups included children with both parents living and OVC. Both children-only and mixed children-adult groups were formed.
- ***Strengthening social support networks:*** Clients collectively provided labor to plow and weed members' fields and those of orphans and widows in their areas, mitigating shortages in labor and productive assets.

IV. Cost to the Institution

CARE's other microfinance activities in Zimbabwe and East Africa cost a minimum of US$ 2 million to serve a client group of 2,000–3,000, or approximately US$ 1,000 per client. Emerging experience shows that the minimum scale of an active microfinance portfolio that is likely to reach sustainability is not less than US$ 1.2–$1.5 million, with an average loan size of approximately US$ 150–$200. CARE's most successful large-scale program, the WEDCO project in Kenya, has approximately 12,000 clients and has cost US $6 million (a cost of US $500 a client). CARE Zimbabwe's CRISP program, in which the Commercial Bank of Zimbabwe provides credit and savings services to urban entrepreneurs, serves 3,000 clients and by mid-2004 had cost approximately US$ 2 million.

The resources required to implement the KI program include human resources (field officers, management, data collection) and other resources (motorbikes, protective clothing for motorbike riding, bike fuel and maintenance, training materials)

By mid-2004, Kupfuma Ishungu had cost CARE approximately US$ 300,000 and had reached slightly fewer than 5,000 clients,[12] at a cost of US$ 60 per client. It can reasonably be argued that more formal programs have a greater financial impact on enterprises because the loan sizes of such programs are relatively quite large. However, it is evident from the responses of clients in the field that the Kupfuma Ishungu intervention has had a proportionately major impact on their livelihood security and individual self-confidence.

[12]CARE also estimates that the program had a knock-off effect of generating an additional 9,000 clients for its other programs in the region.

V. Challenges and Pitfalls/Lessons Learned

- Scaled-up outreach of the KI program is currently reaching an insignificant number of clients when compared to its potential. Opportunities for partnerships to increase outreach need to be explored, pending resource availability.
- Given general targeting, the KI program needs to know more about its outreach to and participation of people affected by HIV & AIDS.
- Vulnerable groups have the capacity to build and manage their own financial resources. Access to external capital can actually destroy this capacity if such programs are not properly designed.
- The performance of KI group members whose households have been or are affected by HIV & AIDS was in no way different from those members whose households were not affected.[13]
- HIV & AIDS-affected communities and members are more dynamic and willing to take on new innovations (e.g., asset-based savings, social funds, participation of vulnerable children) to strengthen their resilience.[14]

[13]From impact evaluation, see Hugh and Hobane, "Impact Evaluation of Kupfuma Ishungu (2004)," as well as anecdotal sources from staff engagement with clients within the SIMBA and KI programs.

[14]Informal reports from project staff regarding client performance.

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