This proposal is in response to the current challenge of Rural Poverty and gender inequality in Zimbabwe. It will be implemented on a small rural community called Bocha, which is located in the South East of the Manicaland Region. Prior to this proposal a feasibility study was run in Bocha for six months. The results and findings from this study, together with community feedback responses were used to create this project proposal. As a microfinance specialist this proposal will aim to tackle rural poverty through the use of participatory approaches to provide microfinance.

This report has been prepared for the SEF Advisory Board which is looking at implementing a program in Zimbabwe.
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**Introduction:**
The purpose of this report is to propose and develop a Microfinance Program that aims to reduce rural poverty and improve gender inequality in a small community in the Manicaland Province called Bocha.

The suggested program aims to tackle issues of rural poverty, gender inequality and educational gaps that were identified in Bocha. The success of this pilot program will provide solid frameworks that can be used and implemented in other provinces in Zimbabwe and potentially other countries as well.

**Country Context:**
Zimbabwe is currently classified as a low income developing country, with a poverty headcount ratio of approximately 72% (World Bank, 2012). Furthermore, rural poverty in Zimbabwe is a vast reality to many individuals, with many families still facing chronic hunger and living in poverty. The rise in unemployment and consequent migration of males from rural areas has resulted in many households in rural communities being run by women. Many of these households are commonly disadvantaged and fluctuate between emergency and recovery states.

According to the Agricultural Cooperative Development International (2013) although farmers and communities in Zimbabwe may be able to provide enough food for themselves for a short period of time during the year, (after harvesting), household productivity and income is not sufficient to sustain families in between one harvest to the next. In addition many rural communities are located in drought prone areas, which do not have any perennial water sources resulting in low agricultural yields. These factors force rural communities to become heavily dependent on emergency aid and food rations.

**Community Analysis:**
Bocha is a small rural community in Zimbabwe located in the south east region of Manicaland, which faces many of the above challenges and is also highly drought prone. It has a population of approximately 378 people and currently does not have any irrigation facilities. The main sources of income in this community includes various forms of agriculture, either by selling food crops or cash crops such as maize, groundnuts, millet, sweet potatoes and poultry production. It is estimated that on average each household owns at least two cattle.

In January 2013 a feasibility study was run by an independent consultant (Mr S Mutepfa) in Bocha for 6 months. The study aimed to assess the community’s current agricultural practices and community needs. Moreover it critically observed Bocha’s economic environment, household finances and involved community participation through the rural participatory appraisal approach Mosse, (2003).

The results of this study showed that out of the 72 primary income earners, a large majority were literate to a certain extent, most had completed primary school stopped formal schooling at the ages of 14/15 years on average. Subsequently the vast majority of households did not know how to adequately manage, budget and account for their resources and income. In addition, the study showed that a lack of sufficient...
credit/inputs and technical knowledge meant that households were not producing at optimum efficiency or productivity. Conclusions from the feasibility study suggested that Bocha could increase its agricultural productivity if irrigation facilities were established and better drought tolerant seed used.

Based on the above, the proposed response to the issue of rural poverty in Bocha is to provide households with micro finance to increase their inputs/capital and to collectively contribute towards drilling four boreholes. By using participatory approaches such as capacity building and workshops, households will be taught how to manage, save and account for resources and income Pretty et all (1995). Moreover the Bocha community will take ownership of the repairs and maintenance of the borehole and equipment as they would have collectively invested in its purchase, which White (1996) suggests is an important aspect of participatory learning.

As this proposal has a strong focus on the community, Midgley (1986) suggests that community based community participation will result in stronger development programmes. This program will aim to primarily address Millennium Development Goal 1- eradicating extreme poverty and hunger.
**Needs Analysis:**

Data obtained in this needs identification analysis section was gathered through extensive research via various online searches, journal articles, caste studies, reports, personal interviews with Mr Stanley Mutepfa and siphoning through academic literature provided by Dr Reina Ichii.

In 2013, the Zimbabwe Vulnerability Assessment Committee through the Annual Rural Livelihoods Assessment provided a general overview of the current challenges that are faced by rural communities in Zimbabwe (Refer to Fig 1.1).

![Community Challenges](image1)

Following from this, the following development priorities found in Fig 1.2 were established for rural communities in Zimbabwe by the Committee (ZimVac, 2013).

![Development Priorities](image2)
Although all of the above challenges were also found in Bocha, the following needs were identified as critical in Bocha and will therefore be addressed by this microfinance project proposal.

**Water and Irrigation Facilities:**
As shown in Figure 1.1, the second biggest challenge for most rural communities in Zimbabwe was water production shortages. In addition from the graph it can be seen that three of the challenges faced were water related, highlighting the magnitude of this need. Rainfall is key driver of change, it can alter crop production from year to year as well as create long term fluctuations in livestock numbers. Moreover it is suggested that the challenge of rural poverty becomes more difficult when individuals solely depend on rain-fed agriculture (PRFT, 2013).

Bocha is relatively dry with poor rainfall and sandy soils. Climate change impacts include droughts, floods and temperature and rainfall variations. These vulnerabilities create difficulties in terms of climate conditions and erratic rainfalls, making it hard for individuals to break out of the cycle of poverty (PRFT, 2013). Mr Mutepfa in an interview confirmed that Bocha currently has two wells, which are not fully functional and most community members complained about having to travel more than five km to get clean water. The lack of clean water in an area can lead to poor sanitation and unhygienic conditions (WSP, 2011). A recent study in dry rural areas confirmed that without proper and regular maintenance, boreholes in the Manicaland province did not last very long (PRFT, 2013), confirming the need for adequate maintenance and repair procedures.

Secondly, the Food and Agriculture Organization (FAO) of the United Nations (2013) and the Water and Sanitation Program (2011) verified the need for boreholes and more irrigation facilities in rural communities Zimbabwe. In these reports, both organisations confirmed the need for a robust rural maintenance policies or strategies that are less dependent on government finance or donors. WSP (2011, p17) state "rural districts should assume this responsibility whilst exploring options for contracting out to small scale private contractors.

This proposal will consequently lead to the drilling of four new boreholes in Bocha, addressing the current water challenges faced for farming and personal use. By including the community and creating a collective contribution towards the drilling of boreholes and purchasing of irrigation pipes, the community's ownership will increase and a collective effort will be made to ensure repairs and maintenance are done frequently.
Financial and technical agricultural Education:
Food insecurity in rural communities in Zimbabwe has been exacerbated by the non-availability of basic farm inputs, dysfunctional markets and the absence of rural finance (PRFT, 2013). Likewise agricultural productivity in Bocha has suffered greatly due to fragile support systems, slow technological advancements, a lack of credit and draught power as well as shortages of essential inputs such as seeds, fertilizer and fuel (S Mutepfa 2014, pers. Comm., 28 May 2014).

Despite Bocha having sandy soils which is not highly suitable for maize productions, famers in this area continue to grow maize regardless of its low production rate and high volume of fertilizer required to boost production levels. The continued maize production is this area is because of the imbedded cultural and traditional norms and a lack of agricultural training. The Poverty Reduction Trust Forum (2013, p37), made the following recommendation regarding agricultural education:

There is a need for government to teach suitable crop farming in most rural areas. There is a tendency by rural farmers to grow the wrong crops especially maize in soils that need drought resistant crops like millet. This to a large extent breeds poverty as their yields will be low causing them to rely on food handouts.

As a result this response will focus on providing both microfinance and education and training in financial management and drought resistant farming techniques for community members, including alternative farming methods and crops.
Rural Poverty:
As a result of the political, socio-economic challenges that Zimbabwe currently faces, rural poverty has predominately increased over the years. The dollarization of the economy has worsened life in rural communities as most inhabitants are now forced to resort to barter trading. In particular when analysing the Maincaland province, where Bocha is located, rural poverty “has a three-legged problem of deprivation, vulnerability and inequality” (PRFT, 2013, p20). Furthermore poverty in this community is viewed as structural/chronic, where most dwellers are understood to be going through vicious cycles of poverty from one generation to another. Mr Mutepfa when interviewed on 28 May 2014 confirmed that the liquidity challenges that are faced by individuals in Bocha have resulted in individuals failing to buy the agricultural inputs required to produce food, creating greater food insecurity.

The lack of employment and alternative sources of income creates a serious problem in Bocha. In addition unemployment is gendered as women in this community do not occupy leadership positions and are not involved in the decision making processes. Unemployment in particular affects youths more than other ages, particularly those individuals who have left secondary school, leading to youths partaking in thefts and prostitution to make money (PRFT, 2013).

Accordingly through providing community microfinance and the other services highlighted, this proposal will aim to provide water, create income generating activities, improve agriculture and achieve greater socio-economic equity and gender equality. The Poverty Reduction Forum Trust (2013, p37) states:

People-centred participatory development is indispensable to fighting rural poverty in Zimbabwe. The lack of community ownership of development projects meant to alleviate poverty remains a big challenge in the implementation of poverty reduction strategies. Communities must be allowed to prioritize and drive the poverty reduction projects for their areas. Carefully crafted communal ownership schemes are important and should be encouraged.

Furthermore, by ensuring that the proposed program focuses on women, Aguirre et al, (2012) puts forward that empowering women has long term positive effects on the overall household and the marginal impact when women control household incomes is 20 times larger than when it is under the control of men.
**Microfinance Program Objectives:**

By using people-centred participatory development this program aims to eradicate rural poverty in Bocha by providing households with micro finance.

Objectives for this program response include:

- Establishing training and educational workshops on financial management and drought resistant farming techniques for community members to enhance both Bocha’s financial and agricultural literacy.

- Implementation and monitoring of micro finance loans for selected community members based on individuals needs and proposal. The loan repayment terms and conditions will be covered in the training workshops.

- Strengthening and enhancing the capacities of individuals by encouraging community members to collectively contribute towards the drilling of four boreholes and purchase of irrigation pipes.

- Recording individual’s experiences in micro financing and monitoring and evaluating the success and impact of the microfinance program.

This Microfinance Program will predominantly offer three services namely: combined continued education and training in loans and agricultural activities, microfinance and lastly enhanced water and irrigation facilities.
**Education and Training (financial and agricultural):**
Primary income earners (male and female) will be split into groups based on location and agricultural products farmed. Weekly workshops will be run for different groups and each workshop will include a practical informal element. It is important for the members to stick to their allotted groups and weeks, as this creates a learning circle for the community (Amaladas, 2004). Workshops will run for a 3 month period, where individuals must attend a workshop every fortnight, each workshop will run for two days.

An interesting thing to highlight is that in these workshops, community members will be educated on SeedCo’s (seed provider) new partnership with Econet (mobile phone provider) for rural farmers, where individuals are able to get drought cover via their mobile phones for as little as (8c per day or $2.4 per month) giving them as much as US$100 for every 10kg seed pack planted if a drought occurs. (Appendix 1 for more Details)

The below table reflects the information that will be covered in each of the workshops.

<table>
<thead>
<tr>
<th>Workshop 1</th>
<th>Workshop 2</th>
<th>Workshop 3</th>
<th>Workshop 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals will be taught the importance of managing, accounting for resources and income. Groups will be taught basic savings techniques and post harvesting techniques. The facilitator will also participate in the communities daily activities and encourage members to apply the acquired knowledge into their daily activities and lives.</td>
<td>Technical experts will focus on teaching and providing community members with information relating to drought resistant farming techniques such as using hybrid seed varieties, soil conservation, crop rotation and the use of small scale irrigation systems.</td>
<td>Individuals will be provided information on microfinance, loans and repayments, savings and terms and conditions. This will include creating budgets were 25% of funds are used for irrigation material, 10% towards compulsory savings. 45% towards income generating activities and the remainder personal use.</td>
<td>Continued attendance and participation in all four workshop results in automatic eligibility for a microcredit loan, collateral used will be livestock. In this session, members will create groups for support and greater accountability for when they are given their loans. Details of the microfinance offerings will be provided in the next section.</td>
</tr>
</tbody>
</table>

**All sessions include a practical and informal session where members practice what they have learnt.**

**Microfinance:**
The details of the Microfinance services can be found in the table below. It is important to highlight that the method of lending in this case will be individual based lending, where cattle and livestock will be used as collateral (average price of a cow is $350). Recent research has highlighted that more individuals are more likely to participate in microfinance programs when the lending mechanism is individual rather than group (University of Munich, 2009). Furthermore recent work has confirmed that repayment rates between groups and individual are exactly the same and individuals are more likely to start business with spouses if in an individual lending scheme (University of Munich, 2009).
The only disadvantage of individual lending is that more monitoring is required, as a result one of the loan conditions is weekly reporting to their loan officers on their individual progress. Loan officers will continually offer support and assist with budgeting and family budgets.

### Microfinance Loan Offering Structure

<table>
<thead>
<tr>
<th>Product</th>
<th>Loan Type 1</th>
<th>Loan Type 2 (only offered after Year 3 of the program)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Terms (months)</strong></td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td><strong>Repayment Frequency</strong></td>
<td>Monthly</td>
<td>Fortnightly</td>
</tr>
<tr>
<td><strong>Method of Lending</strong></td>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td><strong>Interest Rate based on operating expenses, tax, contingency reserve and the cost of capital.</strong></td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Loan Size (USD)</strong></td>
<td>400</td>
<td>400-1,600</td>
</tr>
<tr>
<td><strong>Guarantor</strong></td>
<td>Individual and livestock</td>
<td></td>
</tr>
<tr>
<td><strong>Compulsory Savings</strong></td>
<td>10% of loan, ($40)</td>
<td>12.5% of loan (50-200)</td>
</tr>
<tr>
<td><strong>% towards Irrigation &amp; Water</strong></td>
<td>25% of loan ($100)</td>
<td>10% towards maintenance</td>
</tr>
<tr>
<td><strong>% towards income generating activities</strong></td>
<td>45% of the loan goes towards income generating activities such as agriculture or other business activities.</td>
<td>60% of the loan goes towards income generating activities such as agriculture or other business activities</td>
</tr>
<tr>
<td><strong>Use for remainder of loan (20% &amp; 17.5% respectively)</strong></td>
<td>Personal Use (food, education, clothing, household goods etc.)</td>
<td></td>
</tr>
</tbody>
</table>
Water and Irrigation Facilities:
Upon receiving loans, 25% of the loan will be given to the loan officer towards the cost of a borehole and irrigation pipes. Groups will select and vote for a committee user group, (6 people, 2 must be women) that will be in charge of managing, implementing and protecting the borehole drilling project. This user group will ensure once drilled, the borehole maintenance is kept up to date and loan repayments are established. This group will also negotiate with the local borehole company the timing and installation of the boreholes and irrigation systems (2 month deadline). The group will be encouraged to come up with fee for service charges for external community members who would want to use the irrigation system but have not contributed to the cost, through running small willingness to pay surveys.

Once the boreholes are drilled, community members will be able to start their normal farming practices using the irrigation systems provided and drought resistant seeds purchased. Members will be provided farming assistance with technical experts throughout the ploughing and sowing season if required. The crop growing and harvesting normally takes 6 months, at which time the yield results will be evaluated and assessed.
The proposed timeline for this program proposal can be seen in the above diagram (Figure 1.3). The first phase (year one) of the pilot project will take approximately 24 months, after this the project will be repeated incorporating more individuals and offering a second type of loan. It is hoped that by this time the project will be financially sustainable and continue to run on its own and be implemented into other communities.
Evaluation: Key Performance Indicators

The following measures will be used as key performance indicators to evaluate the success of the proposed response (refer to Fig 1.4 & Fig 1.5).

Figure 1.4

Input
- Financial cost
- Labor
- Training Resources
- Skilled Human Resources
- Community needs and requirements

Process
- Design of program and services
- Delivery of Education and Training workshops
- Farming and income generating activities

Output
- Access
- Equity
- Effectiveness
- Efficiency
- Financial Results
- Products and services

Outcome
- Improved agricultural yields
- Lower Poverty headcount ratio
- Improved livelihoods and socio-economic conditions
- Happier and healthier Community

Figure 1.5

Equity: Access for Women
- Employment: 60% of hired staff will be women
- Microfinance: equal access to credit facilities for men and women, 50% of clients should be female.
- Education and Training: women are encouraged to participate and the committee user group should have at least 2 women members.

Efficiency: Inputs vs outputs
- Increased agricultural yields per seeding packet
- Increased per capita household expenditure
- Return on investment (credit)
- Sustainability of program
- Improved and increased household income
- Increased water supply

Effectiveness: Quality and Appropriateness
- Reduction in poverty headcount in Soctta community
- Improved community livelihood and health
- Increased Knowledge on farming and irrigation techniques
- Reduction in poverty and gender inequality
- Increased business opportunities particularly for women.
Recommendations:

The following recommendations have been put forward to the SEF Advisory body:

- The SEF Advisory board as the organisation investing and implementing this program should implement the proposed Microfinance Program for the rural community of Bocha.
- Use this program proposal as a pilot and framework for similar projects in other provinces where rural poverty is highly prevalent.
- Issues of food insecurity and lack of water facilities should be taken seriously and addressed by other non-governmental organisations and governments.
- Continual monitoring and evaluation of this program to ensure its continued success.

Summary:

Rural poverty in Zimbabwe remains extremely high. Communities living in remote and rural areas are greatly disadvantaged by the current practices, systems and polices and tend to be vastly isolated. Subsequently any response to eradicate poverty or inequality should include investing in rural areas, where poverty is the greatest levels. The proposed program addresses the issue of Rural Poverty by initially working in the Bocha community, in the Manicaland province. Through the uses of three key services: training and education; micro financing and access of water and water facilities, all of which encourage gender inclusivity, this proposal will promote poverty alleviation and equality in Zimbabwe.

The limitations and risks like with any participatory approach to development is that despite the facilitators and program’s efforts to achieve transformative and empowering participation this goal is not 100% attainable most of the time Mosse, (2003). Microfinance institutions still come in with an initial objective that they try to address through participation. In addition the complexity and multi-dimensionality of poverty makes it difficult for such a program to totally eradicate poverty.

Moreover as this project is starting on a small scale with four boreholes, strict water controls will need to be implemented to ensure the project primarily benefits people who have contributed towards its purchase. Difficulties may also be found in controlling and monitoring water usage in the initial stages.

Furthermore the success of the project is highly dependent on the community and trustworthiness of the selected committee members. Selected members will need to be honest and accountable.

It is important to note a similar project has been run in Nigeria (Propcom-Mai Karfi) which has had great success and has been funded by Department of International Development (DFID) till 2018.
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Appendix 1

Part 1 of Newspaper Article in The Herald Zimbabwe

Econet launches drought cover

Business Reporter

ECONET Wireless Zimbabwe has developed a weather-indexed drought insurance cover for smallholder farmers allowing farmers to make a financial claim if their crops fail because of either inadequate or excessive rainfall. Under the scheme known as EcoFarmer, a farmer can buy insurance for as little as US$0.8c per day deducted from their prepaid phone account during the agricultural season.

In the event of a drought due to poor rains, the farmer will be given as much as US$100 for every 10kg seed pack planted in what will effectively cover participating farmers from drought induced loss of input.

The key to the scheme is a highly innovative weather monitoring network which enables Econet Wireless to know exactly how much rain fell on the farmer’s field to determine whether there was drought or normal rain fall that season.

Econet has partnered with Seed Co to produce special seed packs that contain a small plastic container with a special number that the farmer must text to Econet. As soon as Econet receives the number, the company will know exactly where the farmer is located.

The Econet base station in the farmer’s area monitors weather patterns including rainfall, temperature and humidity. This information is used by weather experts to tell if there has been a drought in that particular area.
Part 2 of Newspaper Article in The Herald Zimbabwe

The system being developed by Econet is intended to give farmers, particularly smallholder farmers, what is known as weather-indexed insurance cover.

When an insured farmer has peace of mind that crop failure does not mean hunger for the family, they will be encouraged to plant more crops and therefore increase national crop production.

Econet has chosen Mashonaland East province as the location for a pilot scheme, which will run between November this year and March 2014. The system for weather measurement and monitoring has already been installed and the plastic capsules are being put into seed packs for the 2013/4 season.

Based on the results of the pilot scheme, Econet will subsequently expand it nationally, in time for next year’s planting season.

The service being developed by Econet for Zimbabwe is similar to one which has been rolled out in Kenya. Kilimo Salama, by that country’s leading operator, Safaricom, which also pioneered mobile phone banking services in that country.

Kilimo Salama (“Safe Agriculture”) is an insurance designed for Kenyan farmers so they may insure their farm inputs against drought and excess rain.

The project, is a partnership between Syngenta Foundation for Sustainable Agriculture, UAP Insurance, and telecoms operator Safaricom, offers farmers who plant on as little as one acre insurance policies to shield them from losses when drought or excess rain affect their harvest.

Kilimo Salama insurance cover was designed based on the learning of a pilot in Laikipia district in Kenya where several hundred maize farmers insured their farm inputs against drought in the long rains season of 2009.