 competed with commercial shelf-space and displaced the market orientation of the agro-dealers.

Superimposing ISAL structures and AGENT activities upon one another carries the risk that the groups formed for one purpose 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 revealed that long-standing members of existing groups are sometimes pressurised to leave once an activity is added for which they are not suited, thus excluding individuals and disrupting previously solid organisational structures.

**Lessons Learnt**

SGs serve as an invaluable safety net for the members of other local institutions, such as farmer groups, by making available credit, grants and periodic share-outs of cash and physical assets to their common membership. In turn, participation of ISAL members in the AGENT model has provided 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.

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 the linkage improves access to and participation in agricultural input and output markets for the savings group itself. While ISAL groups do sometimes engage in joint productive activities, they tend to be more consumption-oriented and socially-focused. In fact, ISAL groups in Zimbabwe were less likely to purchase inputs in bulk from agro-dealers as compared to gardening organisations; they were more likely to purchase consumer items such as blankets and kitchenware. Thus, perhaps crop-specific producer groups are a more logical supply point for agro-dealers than SGs.

**Brief based on research and case study sponsored by the Aga Khan Foundation’s Savings Groups Learning Initiative, written by Ben Fowler and David Panetta in July 2010.**

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 small-holder 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.

**Savings Groups**

Savings Groups (SGs) refer to self-managed community-based groups that provide their members access to basic financial services. SGs are composed of 15 to 20 self-selected individuals who meet regularly (usually weekly or fortnightly) to save and, if desired, borrow for short periods, paying monthly or fortnightly interest at a rate set by the group. After approximately 12 months, all savings and earnings are distributed back to group members (often referred to as a share-out). The earnings usually are distributed in proportion to their savings. SGs respond directly to the unmet financial services needs of the remote and rural poor by providing: i) a secure place to save; ii) the opportunity to borrow in small amounts and on flexible terms; and iii) affordable basic insurance services. SGs aim to increase household financial assets and to decrease household vulnerability to financial and other shocks.

SGs are a simple, transparent, cost-effective and sustainable means of providing entry-level financial services to people who are too poor or isolated to be served by other financial service providers. For this reason, they are being actively promoted by leading international development agencies including CARE, Catholic Relief Services, Oxfam America, the Aga Khan Foundation (AKF), PLAN International and others including national and local partners. The number of SG members has grown rapidly to about three million people at the end of 2009, mostly in Africa, but with increasing numbers in Asia, including Central Asia, and a few in Latin America. SGs are complementary to other financial services; some SG members also use financial services from other providers.

**Learning Initiative Objectives**

This research study is one of a series of studies sponsored by AKF’s Savings Groups Learning Initiative funded by the Aga Khan Foundation and the MasterCard Foundation. The Initiative examines how SGs 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 SG development and offering the linked activities, and for the wider community. The Initiative also explores the sustainability and
Although some groups do purchase inputs and other agricultural equipment together, ISAL groups that were interviewed in Masvingo Province reported that the use of loans is not only for investments but also for the purchase of household items, such as food staples and kitchenware.

The ISAL model has proved, over the last 12 years, to be an effective base for the economic and social progress of its membership. Household productive asset levels have increased among 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.

The ISAL structure provided CARE Zimbabwe with an effective social mobilisation tool to reach very poor and remote communities organised into largely cohesive ISAL groups. The linkages with local agro-dealers have enabled ISAL members to purchase agricultural inputs more effectively, including at a lower cost, in greater quantities, and of more appropriate seed varieties. Importantly, the ISAL programme has provided beneficiaries with the means to make these essential purchases while alleviating the need to sell productive assets at the onset of each planting season. In turn, some agro-dealers use the ISAL groups as a marketing platform and benefit from the groups’ improved purchasing power.

In 1995, CARE Zimbabwe developed the AGENT Project to improve the food and income security of smallholder farmers by increasing access to agricultural input and output markets. The AGENT Project aimed to develop sustainable linkages between village-based suppliers of agricultural inputs (agro-dealers), farmers and other market actors. The Project also offered training to new agro-dealers to improve their ability to identify good seed varieties. In addition to training in business management (subjects such as customer care, credit, stock management and record keeping), they received hands-on training in market surveying, buying and stocking. In 1998, CARE Zimbabwe launched the Internal Savings and Lending (ISAL) project, using a community-based SG approach for the delivery of basic financial services. Then in 2004, CARE Zimbabwe introduced the AGENT Project to areas of the ISAL programme while the ISAL methodology was introduced to the farmer groups established under the AGENT Project.

In 2010, when most ISAL groups prefer to make periodic distributions in physical assets rather than cash.

The core element of the AGENT Project, the agro-dealer, is the most demonstrably sustainable. Prior to the most severe portion of the economic crisis, the wholesale company working with the agro-dealers continued to provide finance for agricultural inputs to approximately 90 percent of the agro-dealers who were trained by CARE. Business relationships that were built between CARE and remote rural retailers are beginning to re-emerge and are demonstrating impressive resilience. A strong factor supporting this re-emergence is the dual provision by wholesalers of both grocery and agricultural inputs. 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.

Economies of scale and scope have been realised since CARE Zimbabwe’s decision to enhance programme integration. Efficiency gains were created with respect to logistics and information management because the ISAL and AGENT projects benefited from the social infrastructure established by each other. However, the distribution of large volumes of nearly free food aid and agricultural inputs through agro-dealers to the agro-dealers’ products and services was accessed.

Sustainability

Given the extreme income volatility and liquidity constraints of the last decade, ISAL groups have demonstrated remarkable resilience through creative innovations. During the hyperinflationary period, many groups began to save and lend physical assets. As communities shifted to barter trade, cooking oil, sugar and salt became commonly accepted media of exchange; ISAL groups adapted to these realities by setting the monthly savings deposit in terms of a fixed price list of goods. The accumulated goods composed the group’s loan fund and accordingly, loans were disbursed and repaid in these goods according to a schedule determined by the group.

Groups maintaining 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. In 2007, as the inflation rate reached the hundreds of millions, even the cash-based groups began to share-out in physical assets purchased within moments of the periodic share-out. This habit persists to 2010, when most ISAL groups prefer to make periodic distributions in physical assets rather than cash.

In practice there are multiple and often indirect linkages between internal savings and lending (ISAL) group members and the AGENT Project, including farmer or community garden groups that ISAL members are a part of.

The ISAL model network of agro-dealers, wholesalers and buyers of agricultural output

**Significant overlap in membership**
Although some groups do purchase inputs and other agricultural equipment together, ISAL groups that were interviewed in Masvingo Province reported that the use of loans is not only for investments but also for the purchase of household items, such as food staples and kitchenware.

The ISAL model has proved, over the last 12 years, to be an effective base for the economic and social progress of its membership. Household productive asset levels have increased among 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.

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Hyperinflation and the subsequent dollarization of the economy of 2009 wiped out the assets of many financial institutions and their clients. The collapse of the formal productive sectors of the economy led to a growing informal sector that in turn demanded formal financial services as poor, small-holder farmers reverted to barter trade and saving in physical assets. Furthermore, in 2006, 70 percent of the economically active population in Zimbabwe reported that they did not have access to formal financial services.

SGs as a Platform to Improve Access to Agricultural Markets

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AKF SAVINGS GROUPS LEARNING INITIATIVE

CARE International in Zimbabwe: Improving Small-Holder Farmers’ Access to Basic Financial Services and Agricultural Input and Output Markets

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 small-holder 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.

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