

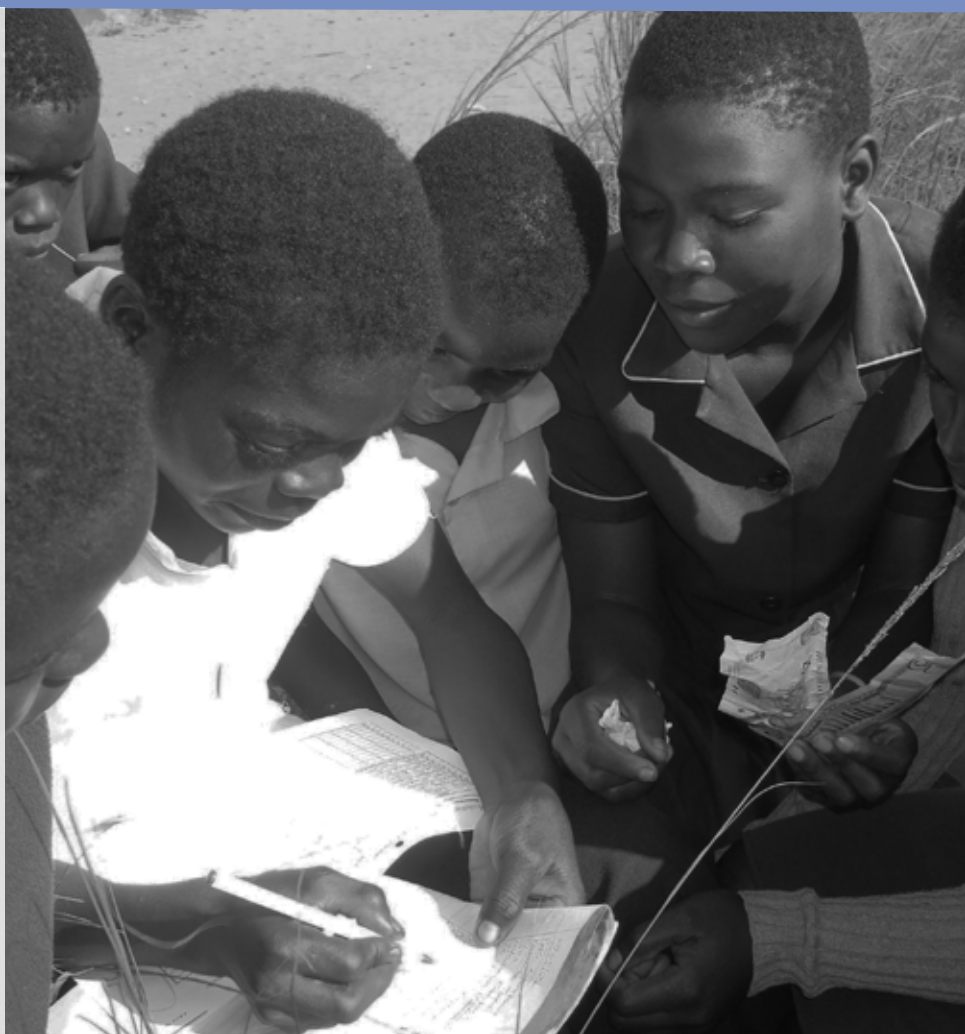
Savings and Internal Lending Communities (SILC)

The key to helping Zimbabwean youth overcome poverty

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MICROFINANCE
CASE STUDY



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Background

Zimbabwe is a country that is grappling not only with the onslaught of HIV but also the effects of drought, economic meltdown, unemployment and hyper inflation. The National Action Plan for Orphans and Vulnerable Children (OVC) estimates that there are approximately 1.7 million OVC residing in Zimbabwe, most of whom were orphaned due to HIV and AIDS. Three percent of these children are also infected with HIV. Most of Zimbabwe's children and youth have in some way been affected by HIV. Many have lost one or both parents to AIDS-related illnesses and have been left on their own or in the care of elderly guardians, which often negatively impacts the household's ability to produce food, and pay for health and education. Even before the parents pass away, family members are forced to sell household assets in order to pay for medical expenses. This cripples their ability to respond to emergencies and effectively engage in succession planning for their children. After the passing of the parents, the eldest child, especially the girl child, is often left with the responsibility to care for the siblings by ensuring the cost of food, school fees and clothing. This is very difficult, especially in the country's current economic environment where unemployment is high, hyperinflation is rampant, and many areas suffer from persistent drought. But Zimbabwean youth aren't only affected by HIV and AIDS – many struggle with access to education and vocational training as well.

In an attempt to mitigate the impact of HIV on OVC, CRS Zimbabwe reaches out to 17,000 OVC per year through a project called the Support to Replicable Innovative Village Level Community Efforts (STRIVE), which engages a network of partners with extensive hands-on experience in addressing challenges that affect OVC. The STRIVE project is currently funded by the Nation Action Plan (NAP) for OVC through UNICEF. NAP for OVC is supported by DFID, NZAid, SIDA, Germany, AusAid, Netherlands and the EC. Since its inception

in 2001, STRIVE has reached approximately 200,000 OVC with a holistic package of support services that includes education, food and nutrition, psychosocial support and economic strengthening. Among the interventions offered to OVC participants is Savings and Internal Lending Communities (SILC) that provide a safe alternative for accessing financial resources, it teaches young people basic skills in financial management, and helps young people appreciate the importance of saving for emergencies and investments.

The project is currently located in Manicaland province in the Eastern part of the country, an area where diamonds were recently discovered. Diamond dealers have flocked to the region, exposing local youth, especially girls, to temptations of commercial sex activities, and boys to the illegal diamond trade. These activities have made vulnerable youth susceptible to run-ins with the law and exposure to HIV.

Engaging vulnerable youth in positive economic strengthening activities is critical in helping them develop the life skills and coping strategies required to meet their basic needs. The economic strengthening aspect of STRIVE focuses on addressing options to improve the safety and wellbeing of OVC through strengthening the social and economic capacities of their families and communities that provide for their protection and provision. Care and support for the children and youth is carried out through child/youth level interventions and by strengthening the economic safety nets of households and communities. SILCs are used as the starting point for all other economic strengthening activities. This case study will focus specifically on CRS' experience in introducing savings and internal lending to OVC and some of the benefits in their engagement.

Why focus on internal savings and lending communities?

In Zimbabwe, HIV and AIDS and poor economic conditions have

pushed most rural communities and a growing number of urban households deeper into chronic poverty. To cope, communities have created groups and coalitions that help increase resilience to shocks by pooling financial resources and strengthening group engagement. Rotating savings and borrowings, locally known as “rounds,” are one of the main activities carried out primarily by women to address community challenges through the pooling of resources. CRS has sought to improve and build on these activities through the introduction of SILC.



A SILC member who is using her savings for a small pottery business. Hopewell Zheke/CRS.

CRS’ SILC methodology provides a safe place for poor households to save and increase their income. The premise of the SILC methodology is to help members manage their own small resources by teaching them basic financial management skills. The accumulation of savings and the ability to access flexible credit also allow members to invest in productive activities, such as agroenterprises, and help smooth household income in periods of difficulty. Reflecting CRS’ commitment to social justice, SILC enables people to access reliable financial services within their community and to support community self-reliance and resilience.

The basic principle of the SILC system is that members self-select into groups for the purposes of saving and lending. SILC provides savings and simple insurance facilities to communities that do not have access to formal sector financial services. When the amount of money saved by the group is sufficient, members are encouraged to borrow from the funding pool at mutually agreed upon loan terms and monthly interest rates. This allows the fund to grow and helps members move away from dependency on external subsidies towards self-reliance and empowerment.

The majority of groups are comprised of women and girls and many are in positions of leadership. SILC builds up members' financial assets; increases human assets by acquiring skills in numeracy, bookkeeping, and policies and procedures related to SILC governance; develops social assets through the election of a committee and the drafting of a constitution; practices solidarity by supporting the poorest members of the community and building group cohesion and self-reliance; leverages political assets through the collective voice of its members; and multiplies physical assets by allowing members to invest their loans in productive income generating activities (IGAs).



Out-of-school youth engaged in a SILC meeting. Lameck Mahohoma/CRS.

Why youth-inclusive financial services?

CRS Zimbabwe, through its partners, works towards incorporating young people into its SILC program. These children and youth (13-24 years) are at the levels of primary and secondary school as well as out of school youth. Special efforts are made to ensure youth participation in the design of their groups. The very nature of SILC allows young participants to develop their own constitutions and systems of group governance.

Initially SILC activities targeted the adults that provide care to OVC with the assumption that if they did well the benefits would trickle down to the children and youth in their care. However, communities began to integrate children into adult groups when their parents passed away and children inherited their parents' savings. Recognizing that young people can contribute significantly to the SILC groups' success, CRS Zimbabwe began to work more intentionally in engaging youth into SILC activities. The benefits of these integrated groups (youth and adults) are that young participants are able to be mentored by adults on life skills, business knowledge, and financial management. This mentoring role can be particularly important for youth who have few adult role models.

In addition to integrated or mixed groups, CRS also offers SILC to youth exclusive participants who are primarily out-of-school youth (ages 17-24) and children (ages 13-16). SILC groups comprised exclusively of children and youth are able to save and lend on their own and are mentored by an adult group member in the early stages before becoming independent groups.

SILC groups composed of children are usually hosted at local schools. These groups generally meet weekly on the school compound. The activities are not limited to the school term but are held during school holidays as well. Many of the children say they feel safe conducting their activities at the school and for many it is a central location. An adult community facilitator is

always present during the meetings to ensure the safety of the children as well as offer guidance during their proceedings.

CRS also targets out-of-school youth with SILC services. These youth generally range in age from 17-24 and have been identified through community and adult groups. The youth meet at local schools where they are allocated a classroom to use. Their meetings are supervised by an adult community facilitator who also belongs to a SILC group. The adult offers relevant technical guidance and helps solve problems.

Members of the children and youth SILC groups have the advantage of engaging in peer-to-peer learning and exchanges and are able to encourage each other since many are in similar stages in life. Additionally, many of the youth acknowledge that participating in youth exclusive groups helps them to meet their goals because they often share similar aspirations.

One challenge with youth exclusive groups is the risk of attrition due the mobile nature of the age group. The demand for employment in urban communities attributes to the transient aspect of the group. For many who choose to remain in their communities, however, SILC provides a means for them to find a safe place to save as well as resources with which to invest in business opportunities.

How do children and youth use their SILC resources?

Most of the projects carried out by children and youth involve buying and selling. This is a profitable venture because shortages in basic commodities in rural areas results in high demand.

Children and youth in schools often request the assistance of their teachers in purchasing commodities and supplies on their behalf whenever they go into town. The teachers often willingly do so for no fee during their trips to town after they receive their salaries.

CRS Zimbabwe believes that economic strengthening activities must not exploit children or interfere with their schooling. In Zimbabwe it is very common for children to engage in small enterprises, and thus far the program has not encountered a problem with child labor. The children normally sell their wares during the 30 min tea break and 1 hour lunch break at school. After these breaks the children return to class to resume their lessons. Selling also happens at church gatherings during weekends. Children sell items such as sweets, snacks, exercise books, pens and pencils.

Most children and youth use their profits to purchase small livestock, pay school fees, and buy food. Others use their income to pay for medical bills for their parents and relatives who may be ill.



Guinea fowl and chickens are among the most common small livestock bought by youths after borrowing from the groups. Hopewell Zheke/CRS.

Targeting children and youth with SILC

The engagement of children and youth in the SILC initiatives is done in a participatory and inclusive manner—ensuring the voice of community groups, households and children. The project respects the community's traditional structures for engagement in new initiatives.

Implementation begins when the diocese/partner staff (DPS) holds introductory meetings with community structures such as local leadership, home-based care (HBC) givers, volunteer groups, school development committees, village and ward development committees, women's groups, burial societies, cattle herding family groups, church and Sunday school groups, youth groups and sports teams. The structures then hold introductory meetings with community members.

Partner field officers together with community-based field agents also carry out awareness-raising campaigns targeting youth and adults in the project areas. The campaigns take the form of community gatherings in targeted wards. Adults and youths who are already participating in savings groups are invited to share their own experiences of engaging in SILC activities with the gathering. After this, interested youth are invited to join groups based on characteristics of trust, honesty, reliability, punctuality and goodwill within the community, as well as their savings potential and similar social status.

As groups develop, the diocesan partner staff will allow community structures to select community-based facilitators who will gradually assume the monitoring and evaluation roles of the partner staff. Community Facilitators (CFs) will advise diocesan partner on the development of groups using various indicators. After a certain degree of group operations (saving and lending) has been achieved and groups are moving

towards maturity; groups, CFs and community structures are trained in the selection, planning and management (SPM)¹ of IGAs to ensure that they effectively match their individual skills and available resources, which results in improved business practices.



Among the most popular commodities is soap, cooking oil and clothing. Hopewell Zheke/CRS.

Children and youth ownership and participation in SILC activities

The design of the SILC model promotes child and youth participation from the moment of group formation up to the point of graduation. Selection of children and youth is based on their willingness to participate in the initiative. Once the groups are in place, the members decide on their own how to run their groups. This includes the formulation of the constitution,

¹ The selection planning and management curriculum is a module that was developed by CARE.

and decisions on meeting time and place. Groups in the same locality are encouraged to meet once a quarter to review their progress and share experiences and challenges. The feedback meetings are convened and supervised by the partner's field officers. These meetings are very important because they inform the partners' decision-making and future planning in terms of project design and training needs. They allow for cross learning between the groups. The process is not standardized but it generally starts with presentations from the groups followed by question and answer sessions. Partners also take the opportunity to share health education messages designed to reduce the youths' risk of contracting HIV in addition to providing general psychosocial support. These discussions are usually directed toward adolescents. In some cases speakers from other fields, such as agriculture extension, health, and education, are invited to talk to the youth.

Blessing Matavire: A SILC Success Story

Blessing Matavire used the money she borrowed from her SILC group to purchase aluminum liquid and gave it to her uncle to make pots that she sells within the village and to a nearby mission school. Before the 17-year-old started saving with her group, she had dropped out of school as her grandmother couldn't pay her school fees. But now she is back in school and paying her own fees. Her savings and the profit from the group have also helped her to purchase a school uniform.



Photo by Hopewell Zheke/CRS.

Critical role of partners

The CRS Zimbabwe STRIVE project works with a total of seventeen partners. Of these seventeen, seven of them are implementing economic strengthening activities.

Table 1: The table below shows the seven partners and areas of operation

Partner	District	Activity	Children and Youth reached
ASAP	Nyanga	SILC & IGAs	2,770
DOMCCP	Marange & Mutasa	SILC	425
Batsiranai	Buhera South	SILC	306
RUDO	Gutu	SILC	170
Nzeve	Mutare urban	IGAs	12
ORAP	Bulilima, Bubi, Nkayi, Tsholotsho,	Vocational training & Junior Farmer Field School	1,051
CTDT	Murewa, Mutoko, UMP	IGAs and Junior Farmer Field School	1,301
Total			6,035

Of the 6,035 children and youth reached through economic strengthening interventions, 3,671 are in SILC groups.

Table 2: Current SILC numbers

Total number of clients	3,671
Total number of groups	523
Accumulated savings	\$43,411
Outstanding loan portfolio	\$ 27,669
Social fund	\$1,776
Average Net profit per member to date	53.3%

Coping mechanisms for SILC groups during economic challenges

Between 2006 and late 2008, Zimbabwe experienced serious economic challenges that resulted in high unemployment rates and a higher number of youths searching for work. Most youths migrated to major urban areas or across the borders to South Africa in search of jobs. As a result, many youth were forced to drop out of school and their SILC groups.

Another challenge during the same period was the issue of hyperinflation. The money the youth saved lost value within a very short time, sometimes within hours of a SILC meeting. In response to this challenge, groups developed creative solutions such as saving and stockpiling commodities like soap and cooking oil rather than cash. Interest charges were also collected by way of commodities. Some groups, especially those near the borders, used foreign currencies, mostly the South African Rand, in their groups. Eventually the United States dollar was adopted as the county's currency, which has helped to stabilize both the economy and the SILC groups. This experience demonstrates both the adaptability of the SILC methodology and the capacity of youth to manage and adjust to changing economic conditions.



School children who are engaged in SILC are wrapping up their income generating activities and preparing to return to class. Hopewell Zheke/CRS.

Understanding impact

CRS Zimbabwe intends to carry out a comparison study of adult exclusive groups with youth exclusive groups in terms of the amount of money saved, borrowed and repaid. Additionally, the office plans to conduct a study of the impact of these activities on youth participants. The OVC wellbeing tool (also a monitoring tool) will be used to determine whether there are any changes experienced among the children in the households by engaging in SILC.

The OVC wellbeing tool (OWT) is an M&E instrument designed by CRS to quickly capture information about the holistic “wellbeing” of adolescent children. The designers of the OWT thought that understanding the wellbeing of a child from a child’s perspective could serve as a powerful program monitoring tool. The tool is administered periodically with the intention of tracking changes in OVC wellbeing over time. Program implementers can then determine if sufficient progress is being made and identify gaps so that appropriate services may be provided.

Looking to the future

Through the STRIVE project, over 3,600 children and youth have participated in SILC activities. Another key area of focus for the CRS Zimbabwe programming in helping to build the skills of OVC is through the provision of vocational training initiatives. To date these trainings are not linked to SILC activities but could potentially serve a complementary role.

Other areas of possible focus include:

- **Mentoring/secondment:** In cases where skilled adults are identified within SILC groups, field agents and partners will approach them to offer mentoring support to youth. This could be expanded to the development of mentoring

relationships between youth and local business people, particularly for those who want to use their savings to invest in IGAs.

- **Strengthening of Youth-Adult Partnerships:** Various practitioners have acknowledged the benefits and challenges of adults and youth working together. Most agree that an adult-youth partnership can help to promote program development through creative and synergistic ideas between the two groups. These relationships are particularly critical in helping to build the leadership capacity of youth, especially in the face of HIV. CRS Zimbabwe will work with partners to assess the needs of youth and to implement an institutional assessment and planning exercise that takes into account other economic strengthening activities. The process will be used to develop an organizational approach to incorporating youth consideration and participation in project design and implementation.
- **Income-Generating Activities:** The identification of profitable income-generating activities is a prevalent need in many SILC groups. As group members begin to see the potential growth of their savings, they want to identify ways of investing those funds into profitable activities. Business development modules such as CARE's Selection, Planning and Management (SPM) are among a few approaches that could potentially be introduced to SILC groups.

Conclusion

CRS Zimbabwe's work to date with youth has been very promising. CRS and its partners have seen the value of engaging children and youth at an early age in economic strengthening activities. By starting first with SILC, participants are taught basic financial management and financial literacy

skills which are critical skills that are needed as they transition into adulthood. Given its success to date, CRS will continue to expand SILC services to youth with a continued focus on tailoring those services to different youth audiences.



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