

PUNDUTSO MICRO FINANCING PROJECT

ZIMBABWE



PROJECT BRIEF
2004-2005

Background

Zimbabwe is in the midst of severe economic turmoil, with a recent currency collapse and subsequent hyperinflation causing many large companies to close or radically downsize. In addition to these hardships, Zimbabwe has also experienced major political unrest and security problems which have further increased business closures and discouraged foreign investment. The net result of these factors has been a massive rise in unemployment and the prices of even the most basic goods rising beyond the means of many, even those in employment. With almost no prospect of employment and such a high cost of living, many workers are resorting to subsistence farming or small scale entrepreneurial activities to survive. Micro-enterprise activities are the only option for much of the population. The increase in self-employment and subsequent micro enterprise activity is now seen as an important alternative source of income for the poor. A major problem, however, for these entrepreneurs has been accessing credit to invest in their micro enterprises. World Vision Zimbabwe identified the need for Micro Finance provision in rural communities of Zimbabwe, which had been overlooked by lending institutions, and subsequently created Pundutso Ltd to fill that need. Pundutso Ltd is an registered Micro-Finance institution managed by World Vision in Zimbabwe. The areas currently targeted under the project have high potential growth with small-scale agriculture, market gardening and fruit production.



Development Needs And Issues

The main development needs relate to people in rural areas having access to money in order to start their own businesses and to pay for basic necessities either because they are unemployed or because income from their current employment does not meet the family's needs. Some 2.5 million adults are unemployed or underemployed in Zimbabwe. For those who have not lost their jobs, the hyperinflationary environment has eroded the value of all earning as salaries have not been adjusted in line with the inflation rate. Even middle income earners have fallen below the poverty datum line and the cost of living means that most families cannot afford basic necessities.

Population growth in rural these areas has increased the level of economic activity as people try and make ends meet. This has created increased demand for Pundutso Ltd's services as the informal sector has replaced the formal business economy and access to Micro Finance is not available from other financial organisations for the people in the areas. A United Nations Development Program (UNDP) study reported that demand for credit in Zimbabwe is estimated to be at US\$60 million, while supply stands at US \$13 million. 70% of this demand is estimated to be in the rural areas.

Over the last three years Pundutso Ltd has been successful in addressing local needs by providing a service to micro entrepreneurs in rural areas. Lives have been transformed due to the loans provided with some having managed to grow their own enterprises, employed other people and some having their lifestyle changed due to the increase in household income.

In order to continue providing affordable credit to poor rural populations, Pundutso Ltd needs further short-term funding in order to continue to increase the loan portfolio to reach financial sustainability. Once Pundutso Ltd has reached financial sustainability it will operate independently to provide more opportunities for people who are awaiting loans and can expand its employment and training of local people to help empower their neighbours and communities.

How Development Needs and Issues Will be addressed

The Pundutso Micro Finance project plans to address the development needs both by utilising the following activities

- Providing financial services to the entrepreneurial rural poor
- Training and building the capacity of Pundutso staff
- Building the capacity of the Pundutso Board members in micro finance and governance issues
- Development and maintenance of a quality portfolio for sustainability purposes

Major Project Outputs and Activities

To reduce poverty among households in selected rural districts of Zimbabwe.

For the current project year, the major outputs and activities are:

- Loan capital to issue 2670 loans to the entrepreneurial poor
- Train 7 board members in governance
- Continue effective portfolio management with arrears rate at below 10%.
- Effective monitoring and management information systems to be utilised including computer programs to track overdue loans.

Funding

The Project is being funded by the ANCP (AusAID and Non Government Organisation Cooperation Program). With ANCP Schemes, AusAID will fund up to 75% of the project's direct costs provided the Non Government Organisation (World Vision Australia in this case) funds the balance.

Please note that should funds received exceed the matching amount World Vision is required to raise to meet this project's budget, the excess will be used in another, similar ANCP project