

Financial services and financing mechanisms for ensuring the development of identified Sasso poultry and sorghum business models in Murewha and Mbire districts in Zimbabwe



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Acronyms

AE-I	Agroecological Initiative
AFC	Agricultural Finance Corporation
AgricWII	Agricultural Weather Index Insurance
AI	Artificial Intelligence
ALL	Agroecological Living Labs
APT	Agricultural Partnerships Trust
AARDS	Department of Agriculture Advisory and Rural Development Services
CBA	Cost Benefit Analysis
CBZ	Commercial Bank of Zimbabwe
CIAT	International Centre for Tropical Agriculture
COMFI	Credit-only Microfinance Institution
CGIAR	Consultative Group on International Agricultural Research
DTMFI	Deposit-taking Microfinance Institution
FGD	Focus Group Discussion
FLW	Food, Land, and Water
FMD	Foot and Mouth Disease
FSA	Food System Actors
GMB	Grain Marketing Board
GoZ	Government of Zimbabwe
HWC	Human-Wildlife Conflict
ICZ	Insurance Council of Zimbabwe
IFC	International Finance Corporation
IPEC	Insurance and Pension Commission
ISAL	Internal Savings and Lending Scheme
K2	Klein Karoo seed company
KII	Key Informant Interview
LMIC	Low- and Middle-Income Country
MFI	Microfinance Institution
MT	Metric tonne
NARCOF	National Climate Outlook Forum
NGOs	Non-Governmental Organizations
NR	Natural Region
NTS	National Tested Seeds
PISP	Presidential Input Support Programme
RBZ	Reserve Bank of Zimbabwe
RDC	Rural District Council
SARCOF	Southern Africa Climate Outlook Forum
SACCO	Savings and Credit Cooperative Organizations
SME	Small to Medium Enterprise
SMEAZ	SME Association of Zimbabwe
SSB	Salary Service Bureau
USD	United States Dollar
USP	Unique Selling Point
WP	Work Package
WII	Weather index insurance
ZADT	Zimbabwe Agricultural Development Trust
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZIMLAC	Zimbabwe Livelihoods Assessment Committee
ZWL	Zimbabwe Dollar
ZWG	Zimbabwe Gold
ZWMB	Zimbabwe Women's Microfinance Bank

Abstract

This report advances the Agroecology Initiative (AE-I) efforts to design sustainable financial mechanisms for Sasso production and sorghum contract farming in Zimbabwe, focusing on Output 3.8 of AE-I Work Package 3. Through stakeholder engagements, focus group discussions, and key informant interviews in Mbire and Murehwa districts, the report identifies inclusive financial solutions to address the main barriers faced by smallholder farmers, such as high interest rates and lack of collateral. Key mechanisms proposed include tailored microfinance options via partnerships with institutions like Zambuko Trust, enhanced community-based financing by upgrading Internal Savings and Lending Schemes (ISALS) to Savings and Credit Cooperative Organizations (SACCOs), and digital financing models using platforms like EcoCash. Additional strategies involve contract farming agreements to ensure stable market access, credit guarantees to mitigate lending risks, and insurance options to manage climate and production risks. These financial tools create a more accessible and resilient financial ecosystem, supporting the long-term sustainability of agroecological business models in Sasso production and sorghum farming. By facilitating affordable and secure funding pathways, the report makes recommendations to empower smallholder farmers to continue their operations sustainably and with reduced financial risk.

KEYWORDS

Country/Region: Zimbabwe

Crop(s): Sorghum, Sasso chickens

Subjects: Agroecology, transformation, value chains, market development, business models, livelihoods, contract farming, access to finance, ISALS, MFIs, sustainable finance,

Inclusive finance, Smallholder farmers, Savings and Credit Cooperative Organizations (SACCOs), Internal Savings and Lending Schemes (ISALS), Microfinance, Asset-based financing, Mobile money, EcoCash, Risk management, Weather index insurance (WII), Credit guarantee, Digital platforms, Community-based financing, Zimbabwe agriculture

Executive Summary

This report documents the continuation of work done with the agroecology initiative (AE-I) business models first identified in 2022. The work contributes to Output 3.8 of AE-I Work Package 3, namely, '*sustainable financial mechanisms for poultry brooding and sorghum contract farming assessed and re-designed based on investment cases.*'

The methodology used in this report involved a combination of district stakeholder engagements, focus group discussions (FGDs), and key informant interviews (KIIs). Insights were gathered on the financial aspects of the poultry and sorghum business models. FGDs were conducted with farmers and Internal Savings and Lending Scheme (ISAL) groups in Mbire and Murehwa districts to understand the current financing options, challenges, and opportunities. Key informant interviews (KIIs) were held with various stakeholders, including officers from the Department of Agricultural Advisory and Rural Development Services (AARDS) and representatives from banks, microfinance institutions, business member organizations, and individuals, to assess the available financial products and their suitability for smallholder farmers.

The main research question for this work is '*which financial services and financing mechanisms [can] ensure the development of identified poultry and sorghum business models at the two districts in Zimbabwe?*' Sustainable financial mechanisms for Sasso production and sorghum contract farming were assessed based on the two investment cases considering long-term viability and alignment with the needs of smallholder farmers in Murehwa and Mbire.

The financial mechanisms focus on creating a sustainable and inclusive financial ecosystem that addresses the key challenges faced by farmers, such as high interest rates, lack of collateral, and limited access to formal financial services. The following mechanisms with potential to ensure the financial sustainability of Sasso production and sorghum contract farming models were identified:

- **Tailored Microfinance Solutions:** Microfinance Institutions (MFIs) such as Zambuko Trust and VIRL Microfinance have products that can accommodate agricultural production cycles. This includes tailor-made loan tenures and lower interest rates made possible through partnerships with development agencies that provide concessionary funding. By establishing revolving funds, MFIs can provide medium-term loans that are better suited to the needs of poultry and sorghum farmers, ensuring that financing is accessible and affordable.
- **Enhanced Community-Based Financing:** The existing ISALs could be upgraded to Savings and Credit Cooperative Organizations (SACCOs) to strengthen financial sustainability. SACCOs, recognized by the government, can mobilize larger amounts of capital and offer structured loans to members and non-members. This upgrade would not only increase the availability of credit but would also provide a formalized structure that could attract additional investment and support from financial institutions.
- **Asset-Based and Digital Financing Models:** To overcome the challenge of collateral, MFIs are now accepting movable assets, such as livestock and farm equipment, as security for loans. Asset-based financing is supported by the Reserve Bank of Zimbabwe's (RBZ's) Collateral Registry, which enables the use of these assets for credit purposes. E-Livestock is an innovation that supports the collateralisation of cattle through tagging, providing further comfort for lenders. Digital solutions, like EcoCash, facilitate efficient and transparent transactions, while also enabling the creation of a financial history for farmers, which can improve their creditworthiness.
- **Mobile Money and Digital Platforms:** The use of mobile money platforms, such as EcoCash, can streamline financial transactions and facilitate access to nano loans. The Hamara digital platform for Sasso producing groups is available to support bulk purchasing, production coordination, and connections with potential investors. These digital innovations reduce transaction costs and improve financial management, making the business models more sustainable.
- **Contract Farming and Offtake Agreements:** The Agrowth model for sorghum contract farming provides material and extension support, along with guaranteed market access. This reduces financial risk for farmers and ensures stable income streams. Similarly, the Sasso production model includes bulk purchasing discounts and coordinated production schedules through Hamara's app, creating efficiencies that support financial sustainability.
- **Credit Guarantee Schemes:** Credit guarantee schemes are designed to cover a portion of loans provided by banks and MFIs. Development partners act as guarantors, reducing the risk for financial institutions and encouraging them to lend to smallholder farmers. This mechanism ensures that even farmers without traditional collateral can access necessary funding, for Sasso production and sorghum contract farming.
- **Risk Management Through Insurance:** Weather index insurance (WII), livestock and wildlife conflict insurance are available to protect farmers against climate and production risks. These insurance products provide financial stability in the face of unpredictable weather patterns, disease outbreaks and crop damage, ensuring that farmers can recover and continue their operations.

- **Integrated Capacity Building:** To support these financial mechanisms, ongoing training in financial literacy and agroecological practices should be provided to farmers. This ensures they can manage loans effectively, reduce input costs through sustainable farming techniques, and maximize profits from their enterprises.

By implementing these financial mechanisms, the Sasso production and sorghum contract farming models will be better equipped to withstand economic and environmental challenges, ensuring long-term financial and agroecological sustainability.

Context

Macroeconomy

Zimbabwe's projected economic growth in 2024 has been revised down to 2% from the initial 3.5%, reflecting significant challenges, primarily due to the drought which led to a 21.2% contraction in agriculture. This severe drop contrasts sharply with earlier projections, which anticipated a smaller 4.9% contraction. In contrast, the mining sector has shown resilience, becoming the primary growth driver in the economy, as the agricultural setback heavily dampened the overall outlook.

The early months of 2024 saw rapid depreciation of the Zimbabwean Dollar (ZWL) in both the formal and informal markets, with exchange rates plummeting by about 74% on the interbank market and 70% on the parallel market. Blended inflation, which includes a weighted calculation of prices in both ZWL and USD, rose significantly from 27% in December 2023 to 55% by March 2024. This inflation spike and currency instability led to Zimbabwe's adoption of a new currency, the Zimbabwe Gold (ZWG), in April 2024, transitioning from a traditional fiat currency to one that is more structured and, ideally, stable.

However, currency stability has continued to be a challenge. By August, the black market for currency exchange had a premium of 75% over official rates. To address this disparity, the Reserve Bank devalued the official ZWG rate by 42.5% in September, setting it at ZWG24.39 per USD in an attempt to mitigate the widening gap with the parallel market. Despite these adjustments, the premium on the black-market underscores ongoing challenges in achieving full currency stability.

Currency instability has had profound effects on Zimbabwe's financial sector, primarily eroding trust in local currency holdings and diminishing the real value of bank assets. With rapid depreciation, as seen with the Zimbabwean Dollar before the introduction of the Zimbabwe Gold (ZWG), banks faced increased volatility and challenges in maintaining stable balance sheets. High inflation, coupled with a premium on parallel market rates, forced financial institutions to contend with growing default risks as borrowers faced escalating debt burdens in real terms. Additionally, the currency shifts made financial planning difficult, limiting banks' ability to extend credit reliably and pushing them to favour short-term investments over traditional lending. The persistent gap between official and black-market rates further incentivized informal trading, which diminishes official banking activity and contributes to liquidity challenges across the formal financial system.

Drought

The 2023/24 summer cropping season in Zimbabwe was challenging due to extreme drought conditions, marking the worst in four decades. The delay in the onset of effective rains, typically expected by late November, significantly impacted planting schedules and crop development. Furthermore, the premature cessation of rains in February exacerbated the situation, leading to widespread crop failures, particularly for late-planted varieties.

There are several significant adverse effects:

- **Food Security Crisis:** A substantial decline in food production, leading to increased food insecurity, higher food prices and reliance on imports and humanitarian aid.
- **Inflation:** The decrease in agricultural output contributes to inflation as food prices rise. This puts pressure on household budgets, especially for low-income families, and exacerbates poverty levels.
- **Loss of Livelihoods:** Many Zimbabweans depend on agriculture for their livelihoods. Crop failures lead to job losses in farming and related sectors, affecting income and employment rates.
- **Economic Growth:** Agriculture is a key sector in Zimbabwe's economy. A poor harvest hinders overall economic growth, reducing productivity and GDP.
- **Export Revenue:** A decline in agricultural output reduces export revenues, especially for cash crops like tobacco and cotton. This in turn reduces foreign currency reserves and the balance of payments.
- **Increased Poverty:** As food prices rise and livelihoods are lost, more people fall into poverty, which strains social services and increases the need for government assistance.
- **Rural-Urban Migration:** Economic hardship in rural areas usually leads to increased migration to urban centers, placing additional pressure on urban infrastructure and services.
- **Government Expenditure:** The government has had to allocate more resources to address food shortages and aid affected communities, impacting other areas of public spending.

The financial sector has not been spared from the effects of the drought. Reduced agricultural output has resulted in a decline in economic activity since agriculture is a key economic driver. Many lending institutions reduce their risk exposure by focusing on irrigated agriculture. Finance needs for agriculture are forecasted to increase before the 2024/25 season as many farmers will not have savings to finance the coming crop.

Methodology

District stakeholder engagements

Focus Group Discussion (FGD) and Key Informant Interview (KII) guides were developed ahead of the district meetings (Annexes 1 and 2). FGDs were held with selected Agrowth contracted farmers and ISAL groups from Angwa (Ward 2) and Madzomba (Ward 3) wards of Mbire district to understand current sources of financing accessible to sorghum farmers. In Murehwa, FGDs were held with Sasso farmers to understand the financing mechanism for the enterprise. The FGDs with ISAL groups were designed to solicit information on how the ISALs were working and how savings are used by farmers. KIIs were held with officers from the Department of Agricultural Advisory and Rural Development Services (AARDS). Table 1 shows the schedule of the meetings. These stakeholder engagements were supplemented by desk review of relevant literature.

Table 1: KII and FGD Schedule in Mbire and Murehwa Districts

Organisation	District	Type of meeting	No. of participants		Date
			M	F	
Sorghum Farmers, Ward 2	Mbire	FGD	10	F	5-Aug-24
AARDS, Ward 2	Mbire	KII	1	0	5-Aug-24
ISAL Group, Ward 2	Mbire	FGD	3	12	5-Aug-24
Sorghum Farmers, Ward 3	Mbire	FGD	15	3	6-Aug-24
ISAL Group, Ward 3	Mbire	FGD	1	21	6-Aug-24
AARDS, Ward 3	Mbire	KII	0	1	6-Aug-24
ISAL Group, Ward 27	Murehwa	FGD	1	14	19-Aug-24
AARDS, Ward 4	Murehwa	KII	0	1	20-Aug-24
Three ISAL Group, Ward 4	Murehwa	FGD	1	11	20-Aug-24

The formal financial services sector

KII meetings were held with selected banks, microfinance institutions (MFIs), insurance companies and business member organizations that potentially or actively fund small to medium enterprises (SMEs) and smallholder farmers (Table 2 and Annex 1). The KIIs were designed to help understand the available products, challenges, and opportunities for financing the sorghum contract farming and Sasso production model in Mbire and Murehwa, respectively. The financial institutions were sampled using purposive and snowball sampling methodologies.

Table 2: Schedule of KII Meetings with Financial Institutions

Organisation	Meeting Date
Barbara Vitoria (Access to Finance Consultant)	24-Sep-24
Small and Medium Enterprises Association of Zimbabwe (SMEAZ)	30-Sep-24

Zimbabwe Association of Microfinance Institutions (ZAMFI)	30-Sep-24
Agricultural Finance Corporation Bank (AFC)	1-Oct-24
EcoCash	1-Oct-24
Zambuko Trust	2-Oct-24
VIRL Microfinance	9-Oct-24
Commercial Bank of Zimbabwe (CBZ) Microfinance (aka Red Sphere)	9-Oct-24
Old Mutual MFI	10-Oct-24
Zimbabwe Women's Microfinance Bank	14-Oct-24
FBC Holdings (Microplan Financial Services)	15-Oct-24
Empower Bank	16-Oct-24
Econet Insurance	17-Oct-24
Old Mutual Insurance	30-Oct-24

Microfinance for the poor

The global picture

Even if the Zimbabwe context was enabling, access to finance by smallholders would still be a challenge. African smallholders are generally marginalized because they lack business records, credentials, and physical collateral that is required by traditional financiers. Structural barriers facing poor people include information asymmetries, lack of collateral, high transaction costs, high risk, and systematic market bias.

Microcredit involves the provision of small loans to the poor. On the other hand, microfinance encompasses a range of financial and non-financial services that include savings, insurance, money transfers, training, and social engagements over and above credit. Today, the provision of microfinance ranges from traditional informal suppliers to commercial banks. Some commercial banks are starting to enter the microfinance sector to provide financial services to the poor. Many of these banks have been slow to take up the challenge of providing credit to smallholders because they rate them as risky borrowers. However, the current focus of some banks is now on researching to find ways of building an inclusive finance system that works for the poor. Smallholders lack physical collateral security, which is an integral traditional requirement needed by lenders. However, the proponents of microfinance have discovered that the poor can pay back. An example is the Grameen Bank in Bangladesh whose lending methodology identified the 'social collateral security' that the poor people possess.

Effective demand, or simply demand, is the willingness and ability that people have to acquire a commodity. In this case, the commodity refers to microfinance services offered by different suppliers that may be formal (such as banks and MFIs), quasi-formal (such as NGOs), or informal (such as relatives and friends). A commodity is anything that can give satisfaction or utility to the purchaser. It is reported that Microfinance resources are in demand because of their ability to meet the capital needs of the poor who are considered 'unbankable'. About 80% of the world's population has no access to formal sector financial services. This percentage is higher (about 95%) in developing countries. Most of the demand for microfinance resources comes from those operating in the unregulated, informal sector of the economy. The informal sector is a manifestation of the failure of the formal sector to meet the needs and wants of the people.

The informalization of Zimbabwe's economy has expanded significantly, driven by high unemployment, economic instability, and heavy regulatory burdens. Over 60% of the population now works informally, engaging in activities like vending and unregistered small businesses to avoid high taxes and the complex formal requirements. According to the International Trade Centre (2023), SMEs account for 90% of all businesses in the Zimbabwean economy, contributing an estimated 60% of gross domestic product. While this sector offers resilience by providing jobs to those excluded from formal employment, it lacks job security and social protections, leaving workers vulnerable. Additionally, the informal sector's minimal tax contributions constrain government revenue, impacting public services and infrastructure development, while regulatory efforts are often resisted by informal businesses seeking financial stability outside the formal economy. Most SMEs find it difficult access to finance. MFIs are best positioned to serve this growing sector due to their flexible lending terms as compared to traditional financial institutions.

Smallholder farmers

Smallholder farmers are often perceived to be high-risk borrowers, and most are excluded from the credit market. Their household incomes can be unpredictable due to fluctuating outputs, which are increasingly affected by climate change and erratic weather patterns. Additionally, farm production has other routine challenges such as disease, pests, and other natural factors. Many smallholder farmers in developing countries lack access to insurance that could protect them from these risks. They also struggle to find effective tools to manage price volatility, largely due to inefficiencies in marketing systems and inconsistent policy interventions. With low per capita rural incomes, most smallholders fail to meet the minimum equity contributions required by financial institutions. Moreover, these farmers often lack the collateral assets that lenders deem acceptable. High administrative costs associated with small, dispersed farms, along with poor contract enforcement and significant information asymmetries, further render smallholder farmers less appealing to formal financial intermediaries.

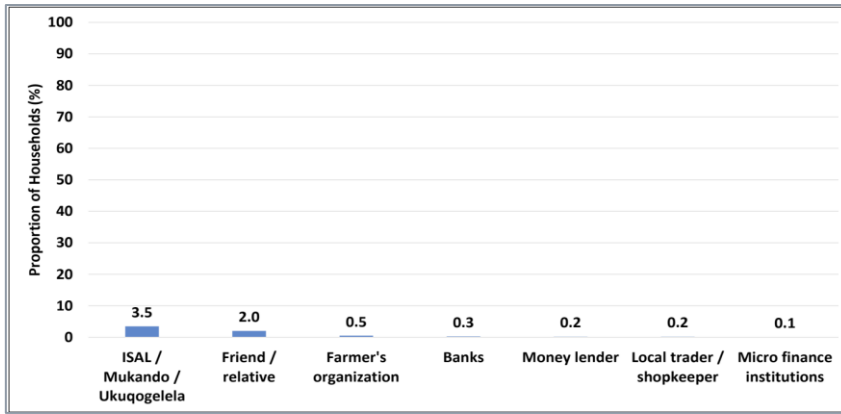


Figure 1: Sources of Finance for rural households (ZIMLAC 2024)

Microcredit and microfinance for AE-I farmers

National overview

According to the ZIMLAC¹ 2024 Rural Livelihoods Assessment Report, microcredit is not common in Zimbabwe. The main channel of microcredit for rural households are Internal Savings and Lending Schemes (ISALS) (3.5% of households) which is more than all the other sources combined (Figure 1).

The MFI sector is key to the attainment of all 10 of the SDGs prioritized by the Zimbabwe government (8, 7, 2, 9, 6, 17, 3, 4, 13, and 5). The MFI sector has better geographical reach than the banks and is found at the local level with flexible lending terms. As of 31 March 2024, the sector had 248 perpetually registered MFIs comprising 240 credit-only microfinance institutions (COMFIs) and 8 deposit-taking microfinance institutions (DTMFIs) (Table 3). COMFIs have grown by 16.5% from March 2023 to March 2024.

Table 3: Zimbabwe landscape of MFI sector (RBZ, 2024)

Type of Institution	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Credit-Only MFIs (COMFIs)	206	208	217	230	240
Deposit-Taking MFIs (DTMFIs)	8	8	8	8	8
Total	214	216	225	238	248

According to the Reserve Bank of Zimbabwe (RBZ), the MFI sector has recorded a 6.3% increase in branch networks from 1,152 to 1,224 as of 31 March 2024, indicating expanding outreach. The growth in the number of branches is attributed to branch network expansion by some of the existing MFIs and the licensing of new ones. Figure 2 below shows the trends of MFI outreach between December 2019 and March 2024. The downturn from 2019 to 2020 can be attributed to lowered economic activity at the onset of the Covid-19 pandemic. The spike in the number of clients in June 2023 may be attributable to a special program targeting financing for women. The total number of active clients increased by 8.38%, from 334,396 in December 2023 to 362,415 in March 2024. Although the number of female clients did not increase significantly, loan amounts did, rising by 868% to ZWL2.84 trillion up from ZWL293.32 billion (in nominal terms) recorded in the previous quarter.

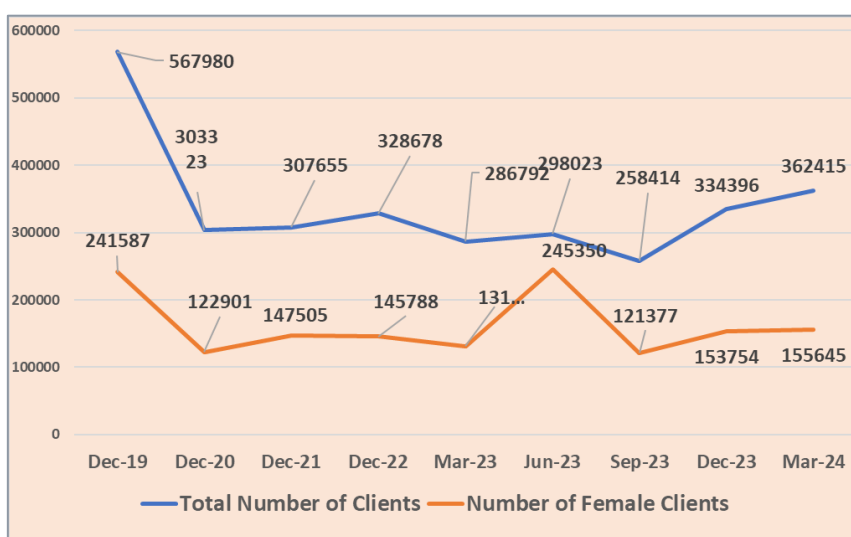


Figure 2: Trends in MFI Outreach (RBZ, 2024)

¹ Zimbabwe Livelihoods Assessment Committee

The RBZ further reports that MFI lending for productive purposes has been on the decline from September 2022 until June 2023, when there was an increase through to March 2024 (Figure 3). This is seen to be an encouraging development with money going into the productive sector, creating jobs and contributing to economic development. According to ZAMFI, most MFIs prefer the SSB platform², giving salary-based loans to civil servants and employed people. MFIs prefer to avoid SME lending because of information asymmetry - financial institutions do not know who the SMEs are, their characteristics and their risks. The majority of the ZAMFI members view rural communities and SMEs as high risk for lending because of such information asymmetry. Only the big MFIs with financial leverage have been embracing technology to close the information asymmetry gap, including FBC's Microplan Financial Services, CBZ's Red Sphere Finance, and First Mutual MFI.

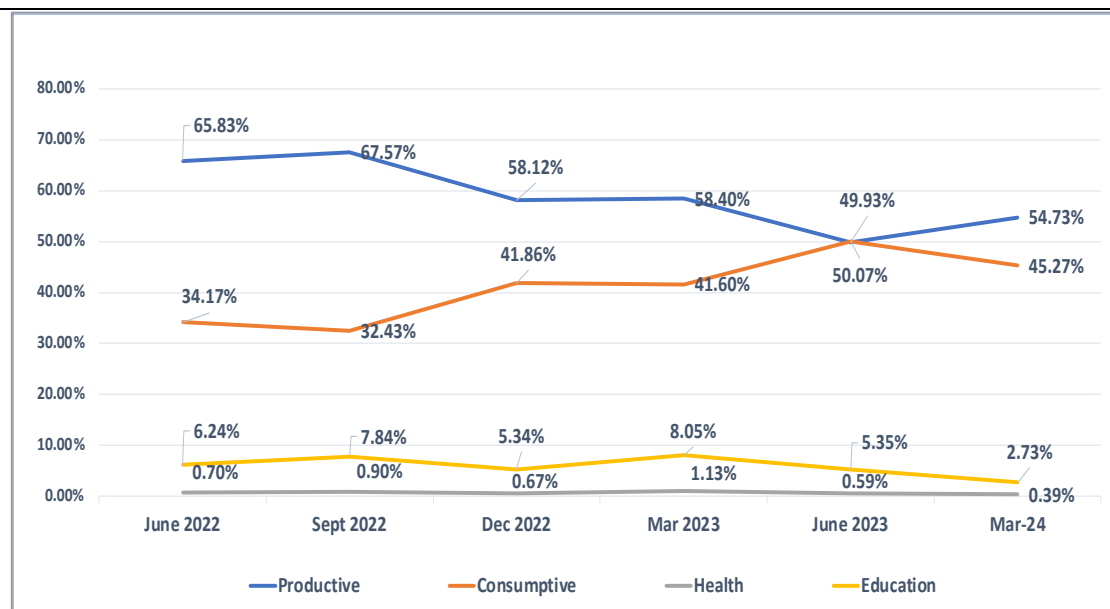


Figure 3: Sectoral Distribution of MFI Loans (RBZ, 2024)

Demand from AE-I farmers

Mbire district is one of the most marginalized districts in Zimbabwe, with poor infrastructure and limited economic opportunities. The key source of livelihoods is farming, which historically has mainly been financed by the Presidential Inputs Scheme. The demand for credit is low because of limited economic opportunities. The result is that there are no financial institutions in Mbire. Besides the low demand, most farmers do not have collateral or bankable business ideas. The only financial services available to Mbire communities are linked to mobile money services, mainly Ecocash. The two local MFIs identified in the district - Eagles and Coverlink - mainly target civil servants for salary-based loans.

In Mbire Ward 3, only two of the seven interviewed farmers had accessed a loan in their lives, and this was when they were still employed in towns. Farmers have very limited knowledge and experience about borrowing and fear taking credit. There is an experience in the district of Cottco enforcing credit default in its cotton contract farming programme by confiscating assets that had been used by farmers as collateral. Some farmers relocated to avoid debt repayment. There is a need to increase knowledge of financial literacy in Mbire before exposing farmers to credit.

Murehwa district is quite different. There is greater economic activity due to its proximity to Harare and there is a choice of financial institutions, notably CBZ, AFC, ZWMB, CABS, POSB, and several MFIs. These are accessible to those eligible farmers with bankable business ideas. Most of the farmers in the target wards are however not banked, nor do they have collateral security to access funding from these institutions. Farmers in Ward 27 have less experience in loan borrowing from MFIs and banks - only two farmers mentioned having accessed loans, one obtained credit from a SACCO in Goromonzi and another

² SSB stands for Salary Service Bureau in Zimbabwe. The SSB is responsible for Civil servant loans, pension processing and garnishing salaries.

from ZWMB. Farmers in Ward 27 are quite risk-averse when it comes to borrowing from banks however are comfortable getting input loans in the form of chicks and stockfeeds from Hamara demonstrating that there is a demand for finance³. Although farmers in Ward 4 have little experience in borrowing from formal financial institutions they expressed interest in accessing credit to grow their Sasso businesses, conditional on identifying a trusted partner.

Supply for AE-I farmers

Informal funding sources

Self-help

In normal years some farmers will sell agricultural commodities to raise funds to buy inputs. The 2023/24 season was not normal, with drought resulting in widespread crop failure resulting in many farmers having to sell assets to buy food.

Remittances

Farmers in both districts complained that remittances from urban-based family members have all but dried up due to economic hardships. If remittances are being made, they are normally in the form of food – there is no funding for productive investments.

Products locally available within the community

Short-term loans may be obtained from family and friends. This channel is, however, unlikely to be of much use for agriculture projects where medium-term funds are required.

Internal Savings and Lending Schemes (ISALS)

ISALS are essentially community banks. They are active in both districts and are a key source of funding for some farmers in the districts. ISALS exist due to the failure of the formal sector to make a business case in rural areas. They allow participants to save and grow their money, and the liquidity helps members through the availability of credit. ISALS strengthen the social cohesion of group participants and can provide a good foundation for business development⁴. Given the limited investment opportunities in rural Zimbabwe and the macroeconomic instability, livestock assets and ISALS are the two main viable options to grow money in a rural setup. Overall, the percentage of households participating in ISALS in 2024 was low at 13% (Figure 4). This is like the previous two years. There has been a decline in ISAL participation in Mashonaland Central and West provinces. Given the importance of ISALS, it is recommended that AE-I commissions a deep dive study into the dynamics in the two target districts, with a view to expanding the approach.

³ Hamara does not provide credit

⁴ APT has considerable experience in migrating ISALS to VBBs

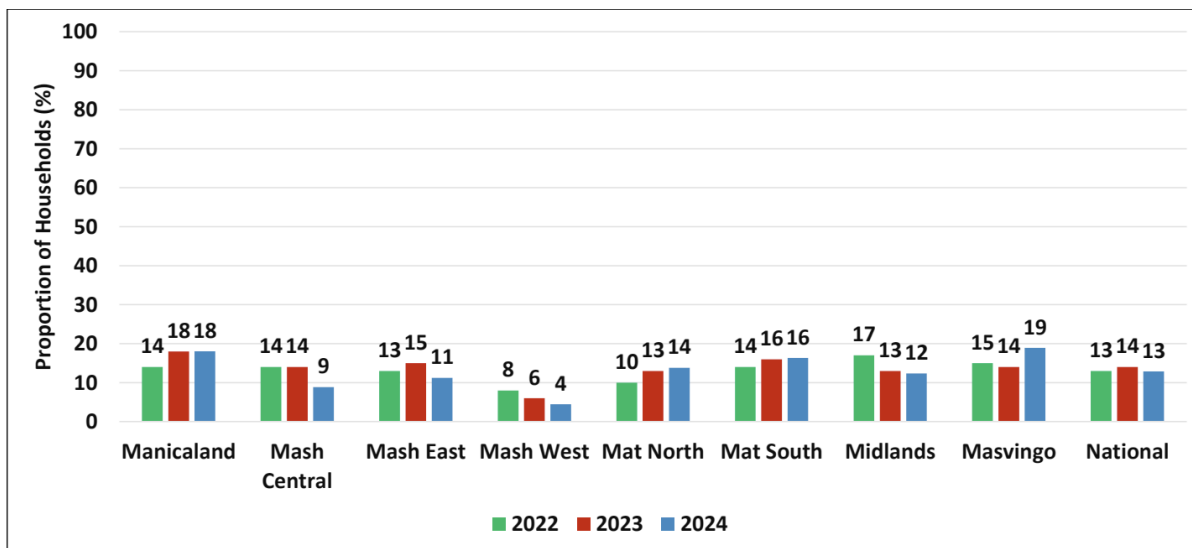


Figure 4: Trends in ISAL participation in Zimbabwe (ZIMLAC, 2024)

Two Mbire ISAL groups (Faithful Group in Ward 2 and Shanduko Group in Ward 3) use similar protocols – they self-select themselves into groups based on mutual trust and relationships, forming groups of 10-15 members. Participants contribute money every month into a central fund, which is used to on-lend money to members at a predetermined agreed interest rate – in the case of the two groups this is 10% per month. To reduce the risk of default lending is restricted to group members who are bound by the group constitution⁵. Money is also raised by fining members who violate the constitution, for example, by arriving late at meetings.

Generally, credit accessed by individual ISAL members is used for consumptive purposes, to meet with daily needs and expenses. It is rare for Mbire ISAL members to invest funds in enterprises or productive assets. At the end of the year group members usually cash out the fund or alternatively, come to a common agreement on how to spend the money. The most popular use is the bulk (discounted) procurement of food and household goods. An exception is the ISAL group in Angwa ward where members have stalls to sell clothes – there are few alternative business opportunities in Mbire.

A significant number of Mbire farmers in the AE-I were trained on ISALS methodology by AARDS, World Vision, and the Ministry of Women’s Affairs, Community and Small and Medium Enterprises Development (MWACSMED). This presents an opportunity for partnership or collaboration with the AE-I. Since some of the ISAL members are participating in sorghum contract farming, there is a strong case to link ISALS to the sorghum production enterprises so that they become a vehicle to fund sorghum production. The company Agrowth also has an opportunity to leverage on these existing ISAL groups for their contract farming programme to reduce their risk exposure and spread the impact of their contract farming.

The success of ISALS in Mbire is dependent on the performance of the agricultural season because most member contributions come from crop sales. The groups are showing a good level of resilience, continuing to function after the 2023/24 drought. Sorghum contract farming would be a good investment for ISALS members as there is a guaranteed fair market and the group members can learn and grow together.

In Murehwa district, approximately half of the Sasso farmers participate in ISALS. The Murehwa ISALS groups adopt similar principles to those described in Mbire, with the main differences being the purpose of saving and the interest rates. The purpose of saving is usually related to enterprise development and the interest rates are more aggressive – as high as 20% per month. The most popular business ideas include broiler and layer projects, market gardening, and, in the case of Darare group, drink manufacturing. It is important to note that all Sasso production groups interviewed were linked to an ISAL group. The case of Murehwa demonstrates that ISALS can be a very useful funding mechanism when viable business ventures are possible.

The use of funds by ISALS in the two districts is very different, likely because of the difference in economic activity. Murehwa has greater business prospects for entrepreneurs and savings are used to pursue these opportunities. Mbire, more remote and in a harsher natural region, is less prosperous and there are fewer opportunities.

⁵ Another consideration is that the portfolio is too small to be extended to external people

External funding sources

Presidential input support programme

The PISP is an important source of agricultural inputs for farmers throughout Zimbabwe. In Mbire there are no agrodealers and farmers wait for the government to provide inputs. In Murehwa, farmers supplement the PISP inputs with self-purchases. In Mbire, farmers rank sources of crop funding as PISP inputs followed by savings from the sale of crops and livestock. The PISP is accessible to most of the farmers in both districts. Recent reports indicate that this source of funding may be in jeopardy as government has not paid input suppliers for the past three years.⁶ If true, this could prove disastrous for Mbire farmers in general, set to benefit from more favourable rainfall this 2025 cropping season. Those contracted by Agrowth will be somewhat cushioned. Murehwa farmers will also suffer setbacks.

Contract farming

The presence of contract farming companies can be another important source of financing for selected farmers who usually benefit from material support and production services. This is the case with Agrowth contracted farmers in Mbire who benefit from:

- Input credit: Sorghum seed, fertilizers, and chemicals delivered to the district
- Production services: Skill transfer through training and extension
- Access to appropriate technology: mechanized threshing
- Guaranteed market: Agrowth has a significant unmet demand for sorghum
- Fair prices: The company's sorghum prices in the previous season were amongst the highest offered by the private sector in Zimbabwe.

We report elsewhere that the 2023/24 season was adversely affected by drought conditions that resulted in widespread crop failure⁷. None of the farmers had managed to repay their input credit. Agrowth has offered farmers a second contract in the 2024/25 season which will help them repay their debts.

Group based financing

The Hamara mobile application supports Zimbabwean poultry farmers by helping them form clubs, which enables bulk purchasing discounts on chicks and feed and facilitates production coordination. This group model can help farmers, especially in places like Murehwa, better meet market demands by organizing production collectively. While the model has yet to be fully utilized by Murehwa Sasso producers, groups in Zvishavane have adopted it more actively, creating an opportunity for a learning exchange. In Zambia, the app is even further developed; poultry groups use it to link with foreign angel investors who can monitor production and marketing remotely, providing a potential solution for financing access in Zimbabwe.

To maximize this app's benefits, a learning tour for Murehwa Sasso farmers to Zvishavane could offer insights into effective group coordination, opening pathways for growth and financing through better application use.

This approach to funding combines digital platforms, group organization, and external investors to improve agricultural productivity and financing. The model is often termed "group-based financing" or "community financing," and it's used in various forms across Africa and Asia.

SACCO funding

In recent years the SME Association of Zimbabwe (SMEAZ) has struggled with the expanding informalisation of Zimbabwe's economy. The Association's member base, and therefore subscription payment income, has dwindled resulting in a need to develop new revenue streams. The Association's operations are mainly Harare-based and exclude funding for the mining and farming sectors. It used to have a Bulawayo office, but this was closed to reduce costs. These members are now serviced from Harare.

⁶ https://www.thezimbabwean.co/2024/10/free-seed-fertilizer-distribution-in-disarray-over-us300-million-debt-to-suppliers/#google_vignette

⁷ Dawes, M. and R. Mushongachware (2024). Lessons shared and engagements made with private and public investors. Submitted to CIAT in partial fulfilment of Amendment No. 2 to Sub-Agreement No. C23ROM178.

In 2014 the association formed a Savings and Credit Cooperation Organisation (SACCO) which it had to abandon in 2018 after the government introduced an exchange rate policy mandating all USD currency be converted into local ZWL currency at a rate of 1:1. The effect of this policy on the financial sector was catastrophic with many banks and MFIs losing a significant proportion of their loan book.

The SMEAZ SACCO resumed operations in July 2023. Members are permitted credit of up to six times their investment up to a maximum of USD 6,000. Members with higher credit requirements are referred to affiliate financial institutions. SMEAZ is willing to lend to external members and to rural areas provided they have partners to work with to reduce the information asymmetry.

The SACCO model provides two opportunities:

- SMEAZ expressed willingness to explore opportunities provided by the Murehwa SASSO programme.
- Upgrading of ISAL groups to SACCOs in the two AE-I districts. SACCOs are recognised by government and can benefit from support. They are permitted to lend to non-members, potentially increasing the availability of credit to communities.

Diaspora direct investment

Mrs. Na Ncube's remittance fund initiative offers a promising model for channelling Zimbabwean diaspora investments into local agricultural projects. By pooling contributions from Zimbabweans in the UK, the fund provides an alternative financing source for Zimbabwean farmers, lending at lower rates than local institutions and offering higher returns for UK investors than those available from UK banks. This setup leverages the Zimbabwean diaspora's interest in supporting national development while addressing limited access to affordable credit within Zimbabwe. This approach highlights the potential for collaboration with the diaspora, whose members are eager to invest in Zimbabwe's economic and social growth, particularly in sectors like agriculture where financing gaps are substantial.

There are precedents for models like Mrs. Na Ncube's remittance fund, where diaspora communities have pooled resources to fund projects in their home countries, especially in sectors like agriculture, small businesses, and infrastructure. This model, often called "diaspora direct investment," has seen success in various African and Asian countries.

These initiatives typically offer returns that are higher than those available in the diaspora's host countries, while also providing an opportunity to support local development. Many of these programme's appeal to diaspora investors because they offer competitive returns compared to low-interest rates in developed markets, while simultaneously addressing critical funding gaps in the origin country. This model is particularly powerful in economies like Zimbabwe where traditional credit is scarce and expensive, as it provides affordable capital to local entrepreneurs and fosters national development through diaspora engagement.

Bank lending

Access to formal banking services in Zimbabwe's rural areas, such as Mbire and Murehwa, remains limited due to several challenges:

- Limited Branch Networks: Banks primarily operate in urban centers, leaving rural communities underserved.
- High Service Costs: The expenses associated with servicing clients in remote areas deter banks from expanding their reach.
- Information Asymmetry: Banks often lack sufficient information about rural clients, making it difficult to assess creditworthiness and tailor suitable financial products.
- Collateral Requirements: Many rural residents, particularly farmers, lack the collateral needed to secure loans, further limiting their access to credit.
- Low Penetration of Mobile Banking: While some banks offer mobile banking services, their reach in rural areas is minimal, reducing the effectiveness of these solutions.

Accessing formal banking services presents significant challenges for smallholder farmers in Zimbabwe, particularly in remote rural areas like Mbire. Key obstacles include:

- KYC Documentation: Many farmers lack the necessary identification documents required by banks for account opening, hindering their ability to access financial services.
- Geographical Barriers: With no local banking agents, residents must travel approximately 85 km to Guruve, incurring additional costs and time.
- Bank Charges: Monthly fees are burdensome for farmers who typically receive income annually, making traditional banking less appealing.

- **High Interest Rates:** Interest rates ranging from 15% to 20% per annum are unsustainable for most SMEs and rural farming operations, limiting their ability to repay loans.

Banks such as Steward Bank that cater to smallholder farmers often do so only when they receive concessionary funding or credit guarantees from development partners. Outside of such arrangements, interest rates are prohibitively high and unsustainable for most SMEs and rural farming operations which would be unable to repay loans.

Most banks only accept immovable property as collateral, which hinders funding for SMEs and smallholder farmers. AFC Bank does accept movable property as collateral and is willing to explore asset-based financing for small equipment, but it applies a 'haircut'⁸ of between 60-80 percent on the value of the equipment, reducing its worth and requiring farmers to provide additional collateral. In cases where immovable property is not available, credit guarantees from development partners have sometimes been used instead.

For large corporations and established SMEs, banks typically have a turnaround time of 10-14 days for loan applications. However, the process can take considerably longer for smallholder farmers and SMEs, who often lack the requisite business and financial records. When commercial banks partner with development partners through credit guarantee schemes or concessionary funding, projects are usually pre-approved, allowing for a quicker turnaround of 48-72 hours. These partnerships often provide funding that enables banks to place officers in rural areas for the provision of financial services and to help to bridge the information gap.

Overall, formal banking finance remains largely inaccessible for most rural SMEs and smallholder farmers due to the associated risks for banks, high servicing costs, information asymmetry, lack of collateral, and absence of business and financial records. We recommend that development partners explore potential partnerships with financial institutions to develop innovative and sustainable funding models, perhaps drawing from international experience. These models might include:

- **Offtake Financing:** Banks disburse loans to an off-taker or contract farming company with a farmer database. The agreement stipulates that the loan amount for each farmer will be deducted from offtake sales proceeds. This approach will reduce costs related to loan assessments and reduce the information asymmetry. Empower Bank considers offtake financing as a viable and sustainable option for financing smallholder farmers.
- **Concessionary funding:** Zambuko Trust and Steward Bank are examples of financial institutions that have benefited from these arrangements in the past. A development partner invests in a concessionary fund with the bank and negotiates discounted interest rates. Partners are usually interested in smallholders and SMEs in a specific geographic location, such that the fund is ringfenced. The development partner may cover the cost of serving the farmers including provision of training in topics such as financial literacy and business management. Without the intervention of partners financial institutions would not afford the costs of outlaying such services. Donor funds reduce costs, buy down on risks, and allow for the bank to better understand rural lending, potentially allowing for the development of targeted and sustainable products.
- **Credit guarantee schemes:** A bank credit guarantee scheme is a financial program designed to encourage lending by reducing the risk for banks and financial institutions when they provide loans to borrowers, particularly small and medium-sized enterprises (SMEs) or individuals such as smallholders who might otherwise struggle to obtain financing. A development partner provides a guarantee to banks that a portion of the loan amount will be covered if the borrower defaults. By mitigating risk, banks are encouraged to extend credit to borrowers who may not have sufficient collateral or a strong credit history, thus promoting access to finance for underserved segments of the economy. Smallholders and SMEs benefitting from improved access to credit can invest in growth, purchase equipment, or manage cash flow. Such partnerships can stimulate economic growth, create jobs, and support entrepreneurship, contributing to overall economic development.

Zimbabwean commercial banks that will be suitable to engage with AE-I include Steward Bank and AFC Bank. AFC has the largest branch network in Zimbabwe with 45 branches located in all ten provinces. Steward Bank has experience in rural financing and has worked with development partners in the past. It is part of the Econet family which leverages technologies such as mobile banking and Artificial Intelligence (AI). Mobile banking holds the key to the development of low-cost microcredit. Digital platforms can reduce transaction and administrative costs by enabling farmers to apply for, receive, and repay loans via mobile devices. Mobile money platforms are already widely used and can make loan disbursement more efficient. Mobile platforms can also be used to collect data on farmers' mobile usage, social behaviour, and transaction history, which can be used for credit scoring. This helps mitigate risk and improve loan terms without the need for extensive paperwork and traditional credit checks. Steward Bank accepts EcoCash transaction records as an acceptable form of financial record for loan applications. Farmers and SMEs should be encouraged to transact using EcoCash rather than cash to create a credit

⁸ In secured lending, a haircut is applied to the value of collateral. For instance, if a lender considers an asset worth USD10,000, and applies a 60% haircut, they will only lend against USD4,000 of that asset's value to account for potential market fluctuations.

history. The bank also promotes its low-cost iSave Account⁹ which has proven to be one of the impactful products for financial inclusion in rural areas.

Empower Bank is somewhat unique in that it focuses on meeting the financial needs of youth. The primary focus is on delivering financial services, and not profit-making. It provides customized financial solutions aimed at empowering youth, and their communities to achieve financial growth. It has greater flexibility in its terms and interest rate offerings than the non-government banks.

MFI lending

MFI provide more flexible lending terms compared to traditional banks and are typically located closer to farmers and rural SMEs.

MFI capital is normally tied up in quick-turnaround, high-interest earning loans which are not well-suited for agriculture which requires low-interest, medium-term financing. MFIs attract more expensive deposits than banks due to real and perceived riskiness, leading to higher interest rates for clients. Market interest rates for loans can range from 8-10 percent per month (Table 4), which is too high for farming operations to absorb¹⁰. MFIs interviewed expressed concern that their high interest rates would likely prevent farmers from making a profit. However, they remain open to innovations that could lower interest rates for smallholder farmers¹¹.

Table 4: MFI Interest rates

Name of MFI	Interest Rates	Comment
CBZ Red Sphere	5 % per month	No appetite to fund projects that are longer than 1-2 months. This excludes agriculture investments.
Zambuko Trust MFI	8-10 % per month	
Old Mutual MFI	CABS- 15% per annum, OMF - 5%-6% per month	
ZWMB		Interest rates are determined by the source of financing and the product developed. The most important consideration for the bank is that it recovers the loaned money.
FBC Microplan	7% per month for agricultural loans	

The ZWMB's mandate is to enhance financial inclusion for unbanked and underbanked women in Zimbabwe. It is similar to Empower Bank in that it has a development focus and is more flexible than mainstream MFIs.

For most MFIs loan tenure ranges from 1 to 6 months. In contrast, Old Mutual MFI offers an agricultural loan product with a tenure of 10 months, including a six-month grace period before repayments are required.

According to the ZIMLAC 2024 survey, the assets most commonly owned by rural households are hoes (89.7%), axes (80.5%), and telephones (73.6%) (Figure 5). The land owned by smallholder farmers does not have title and cannot be used as collateral. The figure shows that most smallholder farmers do not have immovable collateral for which to borrow against.

⁹ iSave Account features and benefits include low monthly service fees ZWG100, minimum Balance ZWG100, access to Kashagi loans, Steward Bank Debit Card, access to EcoCash wallet services, monthly transactional limit ZWG400,000, access to mobile and online banking, withdrawal Fee -3%

¹⁰ An exception might be short-term funding for Sasso production

¹¹ Credit guarantees, subsidized interest rates amongst others

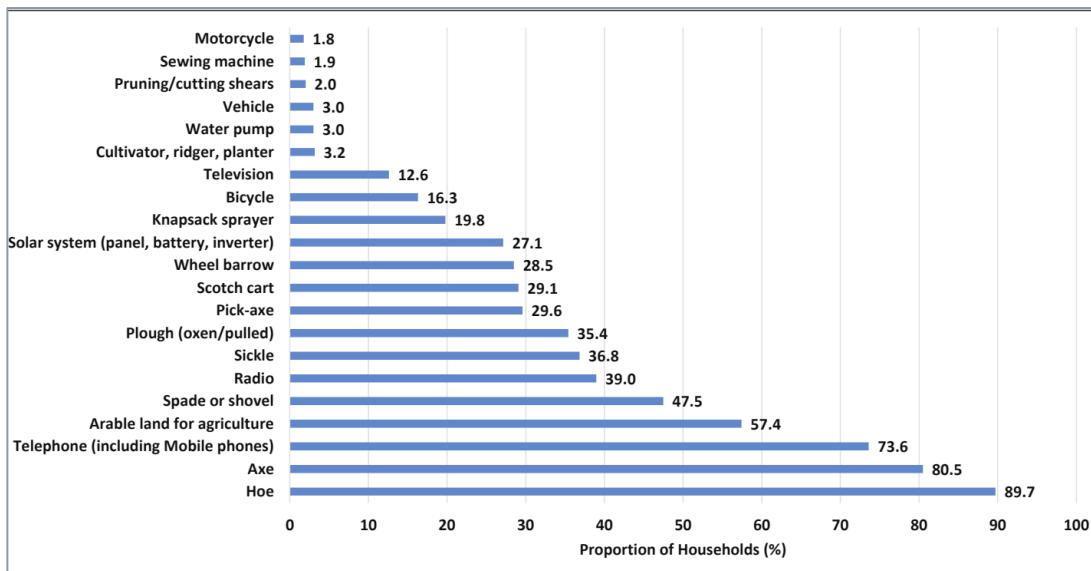


Figure 5: Asset Classes for rural households (ZIMLAC, 2024)

All MFIs accept alternative forms of collateral, such as movable property and livestock, and are willing to offer asset-based financing for business models involving mechanised tillage, grain threshers, and oil pressing. Notably, FBC Microplan has partnered with machinery supplier Kurima Machinery to finance wheel tractors.

E-Livestock Global is a Zimbabwean technology company offering a traceability solution for livestock¹² utilizing blockchain technology. This innovative system provides a pathway to livestock collateralization and financial inclusion for smallholder farmers¹³. The blockchain tracks data such as farmer records¹⁴, animal characteristics, and history from birth including significant events like vaccinations and sales. For the system to work, there is a need for a Bluetooth-connected scanner (USD1,000), ear tags (USD1), and a platform subscription (USD1/livestock unit). The system can be accessed through the E-Livestock application available at the Google Play Store and Apple Store. The initial setup cost consists of the scanner and ear tags, and a subscription fee of USD1 per cow annually. Realizing the cost barrier represented by the scanner, the next version expected in January 2025, will allow scanning via smartphones. There is significant potential for collaboration with financial institutions for the use of livestock as alternative security for loans, but the company has yet to pursue this avenue, perceiving less momentum in Zimbabwe compared to countries like Kenya, Ethiopia, and Malawi. Whilst they have engaged with the Zimbabwean government, success has been limited.

The RBZ manages a Collateral Register for both immovable and movable assets which is used by several microfinance institutions (MFIs) who accept such collateral using discount rates that vary amongst individual organizations. Established in 2017, the Credit Registry System enhances information sharing among credit providers and promotes responsible lending by providing up-to-date borrower creditworthiness information. This mitigates default risks. Since its launch in 2022 the Collateral Registry has recorded 1,631 active security interests, primarily utilized by community-owned microfinance institutions. Key statistics include:

- 78 registered institutional users, such as banks and MFIs.
- 1,631 active registered security interests equating to ZWG 13.95 billion in loans.
- A diverse range of movable assets including household goods, vehicles, trucks, and agricultural equipment are used as collateral.

As of June 30, 2024, a significant number of women borrowers have used various movable assets, particularly household goods and private vehicles, to secure loans. The RBZ recognizes the critical role of the microfinance sector in fostering sustainable and inclusive growth.

The RBZ has been encouraging MFIs to reassess their business models and cost structures to ensure that pricing does not hinder access to services. To achieve this, they have been promoting the adoption of digital financial delivery channels is essential for reaching the predominantly rural population. According to the central bank, a combination of macroeconomic stability and operational efficiency through digital technology may help MFIs lower interest rates, increasing demand and reducing default rates.

¹² Including cattle, goats, sheep, and pigs

¹³ Another advantage is the mitigating livestock theft as police will be able to scan tagged animals at roadblocks

¹⁴ Without personal identification

In rural communities, MFIs often conduct physical cash collections for loan repayments, preferred by businesses wanting to avoid bank transaction fees. While there is a digital collection option through EcoCash, many clients shy away from the associated charges. Although MFIs are open to lending to farmers, they are concerned about their reputations, as many agricultural enterprises are not highly profitable.

In addition to the proposed financing models mentioned under the section on bank financing MFI Interventions that AE-I might consider for Mbire and Murehwa include:

- **Offtaker Partnership:** The offtaker invests funds at agreed interest rates into the bank, which would then lend to farmers. This arrangement allows the bank to handle loan disbursement and assume the associated risks, thereby reducing the off-takers risk while ensuring that their funds earn interest.
- **Revolving Funding:** A development partner could establish a revolving fund with the MFI at specified interest rates for targeted geographic locations and specific beneficiaries, such as SMEs or smallholder farmers. Depending on the agreement, the revolving fund could cover costs for servicing farmers including training in financial literacy. This approach aims to lower establishment risks and costs for the bank while reducing information asymmetry as they serve a particular community. Key elements to agree on include:
 - Geographic location
 - Business models to be funded
 - Interest rates
 - Targets
 - Additional services to be included in the loan facility
- **Matching Fund:** A development partner deposits funds with the MFI which are then matched to create a joint fund. Interest rates would need to be negotiated by the donor.

Digital Innovations and Nano loans

EcoCash, a mobile money platform under Econet Wireless, enables users to send money, transact, and transfer funds between banks and mobile wallets. With a network of 4,000 agents across the country, farmers can conveniently cash in and out. The platform offers Kashagi¹⁵ emergency nano loans¹⁶ with amounts tailored to users' transaction habits and has varying interest rates. This product could be particularly beneficial for Sasso chicken farmers seeking short-term financing, although they should utilize EcoCash to provide a credit history.

Old Mutual MFI is focused on improving the digital distribution of its products through the Omari application, which features a USSD platform. They plan to launch nano loans on this platform by January 2025.

As the Agrowth contract farming scheme expands in Mbire, cash management for farmer payments may become cumbersome and risky. EcoCash's bulk payment option, already used by companies like Cottco, can ease this process. Farmers face withdrawal charges of 1.7% but have no account maintenance fees as is the case with banks. Transactions with merchants incur a fee of 1.3%, while accounts under \$ 10 have no transaction fees. Old Mutual Group also offers bulk payment solutions through their CABS Textacash¹⁷ card and O'mari¹⁸ mobile money platform.

Insurance

Globally, fewer than 20% of smallholder farmers have access to any form of agricultural insurance - this figure drops to under 3% in Sub-Saharan Africa. This disparity is the result of various demand- and supply-side factors¹⁹. To enhance insurance access, Zimbabwe's Insurance and Pension Commission (IPEC) collaborated with the International Finance Corporation (IFC) in 2022 to introduce agricultural index-based insurance, aiming to shield smallholder farmers from climate-related crop losses. In December 2023, the government approved the agricultural index insurance policy framework proposed by IPEC.

¹⁵ A Kashagi loan is a short-term, collateral-free loan from EcoCash and Steward Bank that allows customers to access funds quickly and easily

¹⁶ A nano loan is a small, short-term loan that can be used to meet short-term financial needs for businesses or individuals

¹⁷ Textacash is a low-cost bank account and financial services offered by CABS in Zimbabwe that allows users to send and receive money, make deposits and withdrawals etc.

¹⁸ O'mari is a FinTech business and subsidiary of Old Mutual Zimbabwe that offers a variety of services, including mobile money, home insurance, investment products, digital lending, payment services etc.

¹⁹ <https://www.herald.co.zw/of-low-insurance-uptake-the-bane-of-growing-weather-uncertainties/>

The Insurance Council of Zimbabwe (ICZ) and its members are actively advocating for agri-weather-indexed insurance (AgricWII) among smallholder farming communities, with a pilot program currently being implemented in Goromonzi district, recognized as a relatively low-risk area for this type of insurance.

Conversely, areas like Mbire are classified as high-risk drought zones. Expanding AgricWII coverage in these vulnerable regions, where crop failures frequently occur, could provide significant social benefits to the Government of Zimbabwe (GoZ), even if it may not be economically viable for farmers or private insurers. To improve food security affordably, the government might consider subsidizing AgricWII costs in targeted districts, making crop insurance more accessible for low-income farmers.

Old Mutual offers two primary products: (1) drought weather index insurance, which safeguards against both inadequate and excessive rainfall; and (2) a multiperil crop insurance policy covering losses from flooding, fire, hail, and windstorms. They also intend to create a product for poultry farmers, providing coverage against losses from disease, theft, and fire, contingent on the farmers receiving training, implementing biosecurity measures, and maintaining suitable housing. They have previously collaborated with farmers in Gokwe, Chipinge, and Chiredzi, focusing on crops like maize, sorghum, and coffee. In 2023/24 the company provided a quotation for Agrowth in Mbire which was withdrawn after the extent of the predicted drought became apparent²⁰.

When dealing with smallholder farmers, Old Mutual prefers offering products through aggregators, having found direct engagement too complex. They view weather index insurance (WII) as the most suitable and affordable option for farmers with less than 5 ha. With WII, physical assessments are unnecessary; payouts are triggered based on proxies such as rainfall, wind, and soil moisture indexes, utilizing satellite technology through a partnership with ACRE Africa.

Although currently not covering wildlife-related crop damage, the company is open to developing such products. However, these would likely be costly, falling under multiperil crop insurance that necessitates physical verification. They recommend subsidies to offset assessment costs and highlight the need for support against human-wildlife conflict (HWC) and the use of deterrents. WII payouts are activated only under specific conditions, such as drought or excessive rainfall. The company offers flexibility in payment modalities and uses platforms such as Mukuru²¹, Ecocash, and Omari.

Moovah Crop Insurance is part of the Econet group. Their policies protect agricultural producers from unforeseen losses due to natural and unnatural disasters, including damage from windstorms, pests, stray animals, fires, and frost. Moovah primarily focuses on insuring tobacco farmers, providing coverage from cultivation to marketing. In the previous season, they insured over 2,000 smallholder tobacco farmers. They employ agronomists in the regions that they cover. Their current products do not currently include drought, a significant challenge in Southern Africa. The company is exploring index insurance as a solution for drought-related losses, drawing inspiration from similar initiatives in Zambia. They are considering introducing drought coverage through input-based or yield-based insurance options:

- Input-based insurance covers the costs of inputs if drought leads to crop failure
- Yield-based insurance compensates for yield losses calculated from historical performance over the previous five years.

Moovah collaborates with contractors who manage payments to farmers. They expressed interest in insuring sorghum but are wary of its low market value and would need to assess the size of the scheme to understand the viability.

In addition to crop insurance, Moovah offers livestock coverage, which protects against death, accidental injuries, theft, and natural disasters. This policy includes safeguards against disease-related fatalities, complications during birth, snake bites, vehicle collisions, and risks during transit. Moovah promotes its services through traditional leaders and bulk SMS campaigns.

²⁰ Old Mutual does not accept new growers in years with anticipated droughts. The contract farming programme was therefore uninsured

²¹ Mukuru is a financial services platform that offers money transfers, loans, card services, and funeral cover

Markets

Whereas contracted farmers in Murehwa have an assured and profitable market, Sasso farmers are less fortunate. The breed is gaining popularity locally but is relatively unknown in Harare. This status quo is satisfactory at the current low levels of production, however, should farmers want to take the enterprise to the next level there is a need to develop a marketing strategy.

Several of the financial institutions spoke of the necessity for a market for Sasso as a prerequisite for funding. Once markets have been established it is possible that they would consider investing in production to ensure continuity of supply.

To increase urban demand for Sasso chickens in Harare, Hamara could implement a multi-channel marketing strategy that builds brand awareness, educates consumers on the unique benefits of Sasso chickens, and establishes reliable market connections between farmers and urban buyers. Elements of the strategy would include:

Building Brand Awareness and Trust in Urban Markets

- Hamara should highlight Unique Selling Points (USPs): Educate consumers on what sets Sasso chickens apart, emphasizing their free-range qualities, better flavour, and nutritional value compared to conventional broilers. Position Sasso as a premium, local, and healthier choice for families and health-conscious consumers.
- Create a Distinct Brand Identity for Sasso Chickens: Brand Sasso chickens under a recognizable label that conveys quality and local pride. Packaging or labelling that highlights origin, free-range methods, and benefits can help consumers identify the product.

Launch a Digital Marketing Campaign

- Leverage Social Media Platforms: Use platforms like Facebook, Instagram, and WhatsApp to share videos and testimonials from Murehwa farmers, cooking tips, and recipes featuring Sasso chickens. Targeted ads can be directed at urban consumers in Harare who value local, sustainable products.
- Influencer Partnerships: Collaborate with local food bloggers, chefs, and influencers to showcase recipes and promote Sasso chickens as a unique and tasty choice. This can quickly build buzz in urban areas, especially among younger consumers and families.

In-Store and Market Presence

- Partner with Local Retailers and Supermarkets: Work with supermarkets and butchers in Harare to stock Sasso chickens and display them prominently with clear signage. This presence in key retail locations can introduce the product to urban shoppers and encourage trial purchases.
- Farmers' Markets and Pop-Up Events: Set up stalls at farmers' markets and host pop-up events in Harare to allow consumers to sample Sasso chicken dishes. Cooking demos and sampling can help educate customers on the taste and quality of the meat while also giving them a memorable experience with the brand.
- Chef Gourmet Event: Invite restaurant and hotel chefs to a Sasso culinary event where a selection of dishes prepared by a well-known Zimbabwean chef can be sampled. This could result in the inclusion of Sasso in menus throughout Zimbabwe.

Educational Campaign on Nutritional and Ethical Benefits

- Health and Nutrition Campaigns: Educate urban consumers on the nutritional benefits of free-range Sasso chickens, which may be perceived as healthier and less intensively farmed. Hamara could work with nutritionists or health-focused media channels to promote these benefits.
- Transparency in Farming Practices: Urban consumers may appreciate knowing how and where their food is sourced. Use videos or infographics to show Murehwa production and the care given to raising Sasso chickens in humane, natural environments. This can appeal to environmentally and ethically conscious consumers.

Develop Targeted Products for Different Consumer Segments

- Convenience Products for Urban Shoppers: Introduce pre-cut Sasso chicken portions (such as drumsticks, breasts, wings) or marinated options for convenience. These could appeal to busy urban customers who may not have time for whole chickens.
- Collaborate with Restaurants and Caterers: Partner with restaurants, fast-food outlets, and caterers to include Sasso chicken dishes on their menus. This increases exposure and provides consumers an opportunity to experience the unique taste of Sasso chickens, potentially boosting demand in retail settings.

Promotional Pricing and Introductory Offers

- Discounts and Bundles: Initially, offer discounts or bundles (such as a whole chicken plus a recipe card) to encourage trial and build customer familiarity. Loyalty programs or bulk-buy discounts can incentivize repeat purchases.
- Cross-Promotions with Other Local Products: Collaborate with producers of complementary local goods like vegetables, spices, or sauces to create value-added bundles for customers. This strategy could broaden appeal and position Sasso chickens as part of a wholesome, locally sourced meal.

Support Financial Inclusion and Sustainable Production Scaling

- **Market Linkages for Farmers:** To create reliable demand, Hamara could establish supply contracts with urban retailers, butcheries, and distributors. These contracts would not only ensure steady demand but also help farmers secure loans and financing based on guaranteed sales channels.
- **Aggregate Production Volumes for Consistent Supply:** By working with farmer cooperatives or aggregating smaller farms' production, Hamara can ensure a steady flow of supply to urban markets. This can help avoid supply gaps, improve economies of scale, and increase market confidence in the availability of Sasso chickens.

Encourage Word-of-Mouth and Community Endorsement

- **Testimonials and Success Stories:** Share stories from Harare-based early adopters or chefs who love cooking with Sasso chickens. Positive word-of-mouth from trusted figures in the community can build credibility and encourage others to try the product.
- **Referral Programs:** Introduce a referral incentive for customers who recommend Sasso chickens to friends or family. This could be as simple as a discount on future purchases or a special promotional item.

By combining brand awareness efforts with targeted educational campaigns, urban partnerships, and promotional incentives, Hamara can effectively introduce Sasso chickens to Zimbabwe's urban markets. This will not only boost demand but also creates sustainable market opportunities for farmers, supporting their ability to access financing and scale production.

Conclusions and recommendations

Conclusions

The conclusions to this report focus on the research question: *'Which financial services and financing mechanisms ensure the development of identified poultry and sorghum business models in Mbire and Murehwa districts in Zimbabwe?'*

The report concludes that a combination of targeted financial services and innovative financing mechanisms are essential to support the sustainable development of Sasso production and sorghum contract farming in the two districts. Tailored microfinance solutions, such as those offered by institutions like Zambuko Trust, can address the specific needs of agricultural cycles through adaptable loan tenures and reduced interest rates. Community-based financing options, notably the upgrade of Internal Savings and Lending Schemes (ISALs) into Savings and Credit Cooperative Organizations (SACCOs), provide a formal structure that mobilizes capital for local investments while attracting broader financial support. Digital financing models, leveraging mobile money platforms like EcoCash, and asset-based lending options, supported by Zimbabwe's Collateral Registry, offer accessible and flexible funding pathways, particularly for farmers with limited traditional collateral.

Contract farming and credit guarantees further reduce financial risks, providing assured market access and enhanced creditworthiness for smallholder farmers. Additionally, risk management through insurance, particularly Weather Index Insurance (WII), protects farmers against climate and production shocks, ensuring operational continuity. Collectively, these financial tools foster an inclusive, resilient financial ecosystem, enabling smallholder farmers to thrive within sustainable agroecological models in Mbire and Murehwa.

Market access is equally vital to sustain these models. The Agrowth contract farming scheme provides a guaranteed sorghum market however the market for Sasso poultry is underdeveloped because the breed is relatively unknown. Hamara should pursue numerous channels to develop this market, the success of which would increase its product sales.

Recommendations

This study identifies many potential funding mechanisms. Our recommendations for improving rural financing for smallholder farmers in Mbire and Murehwa districts of Zimbabwe, considering the challenges posed by drought and the broader economic context include:

Enhancing Microfinance Solutions

- **Leverage ISALs:** Strengthen ISALs by providing training on effective group management and linking these groups to formal financing options. This can help farmers access larger loans and support collective investments in agricultural inputs.
- **Promote Digital Platforms:** Promote digital microfinance applications to reduce transaction costs and improve access. Mobile money solutions, like EcoCash, can facilitate faster and cheaper transactions. This will also help the smallholder farmers to be financially included and create a financial track record they can use for borrowing.

Develop Insurance Products

- **Index-Based Insurance:** Expand agricultural index-based insurance schemes to cover drought and HWC risks, making them more affordable through subsidies. This should include simple procedures for claims to encourage uptake.
- **Education and Awareness:** Conduct community outreach programs to educate farmers about available insurance products, emphasizing their importance in mitigating risks.

Increase Access to Microcredit

- **Alternative Collateral Models:** Work closely with MFIs to find ways of using movable assets (like livestock and equipment) as collateral, leveraging technology such as blockchain to trace and register assets.
- **Credit Guarantees:** Consider the establishment of credit guarantee schemes to improve lenders' confidence in financing smallholder farmers. This can cushion lending risks associated with high default rates.
- **Revolving fund:** Consider setting up a revolving fund in partnership with a financial institution targeting farmers in Mbire and Murehwa

Support Agricultural Cooperatives (SACCO)

- **Promotion of Cooperatives:** Facilitate the formation of cooperatives that enhance bargaining power for inputs and credit. These cooperatives can pool resources and provide collective guarantees for loans.

Contract Farming:

- Strengthen partnerships with Agrowth, ensuring that these contracts include measures to protect farmers in the event of crop failures due to climate impacts.

Foster Partnerships with other Development Organizations

- Collaboration with other NGOs: Work with other partners in the district, providing ISALs and financial literacy training and capacity-building workshops for farmers, helping them to understand financial management and loan applications.
- Diaspora Engagement: Consider creating remittance investment schemes targeting Zimbabweans abroad interested in funding agricultural projects in Mbire and Murehwa (these could be children or relatives of the farmers). This can build financial inflows into rural economies.

Explore Technological Innovations

- Fintech Solutions: Encourage the adoption of fintech applications like EcoCash and Omari that simplify access to credit, such as credit scoring based on transaction history.
- E-Livestock Solutions: Promote initiatives like E-Livestock Global that provide traceability for livestock, enhancing access to credit and securing repayment through better collateralization.

Tailored Financial Products by setting up a revolving fund

- Custom Loan Structures: Partner with financial institutions to design loan products with flexible repayment terms aligned with the agricultural cycles in Mbire and Murehwa districts. This flexibility can help farmers manage cash flow more effectively post-harvest.
- Affordable Interest Rates: Work with MFIs to create tiered interest rates based on the risk profile or the potential economic impact of the funding to farmers, lowering the financial burden associated with high-interest loans.

Lobby Government to Improve Infrastructure and Connectivity

- Investment in Rural Infrastructure: Encourage investment in roads, communication, and banking facilities to enhance access to markets and financing sources. Increased connectivity can facilitate better service delivery from financial institutions, especially in Mbire district.

Lobby for Government Support and Policy Reform

- Regulatory Frameworks: Advocate for policies that support the microfinance sector's growth, including reducing bureaucratic hurdles for MFIs and banks in serving rural populations.
- Fiscal Incentives: Propose government incentives or grants for financial institutions providing tailored products for smallholder farmers, encouraging investment in rural financing.

Support the development of Sasso chicken markets

- Support Hamara brand awareness efforts with targeted educational campaigns, urban partnerships, and promotional incentives, to effectively introduce Sasso chickens to Zimbabwe's urban markets.

These recommendations aim to create a more supportive and inclusive financial environment for smallholder farmers in Mbire and Murehwa districts of Zimbabwe, addressing the challenges posed by climate change and economic hardships while leveraging existing community structures and innovations.

Annexures

Annex 1 - The Agroecology Initiative and Work Package 3

CGIAR²² is a global partnership that unites organizations engaged in research for a food secure future²³. In June 2022 the organisation embarked on a multi-nation²⁴ programme called 'Transformational agroecology across food, land, and water systems, also known as the Agroecological Initiative (AE-I). According to the project proposal, the Theory of Change is that:

Agroecology can only fulfil its potential as a contributor to sustainable food, land and water (FLW) systems if science and innovation provide evidence on the extent to which (1) agroecological principles and innovations, in different socio-ecological systems, are more effective at delivering the full range of social equity, agricultural productivity, economic benefits, and environmental protection benefits to farmers and food system actors (FSAs) than the status quo, and (2) agroecological transitions taking place at territorial system level can be efficiently scaled out and adapted to other Low- and Middle-Income Country (LMIC) contexts in the 2024-2030 cycle to reach a critical mass capable of triggering broad FLW systems transformation.

The AE-I is designed around a set of five Work Packages (WPs) based on application of agroecological principles to different components of the food system (food production, business models, policies, and local institutions), harnessing nature's goods and services whilst minimizing adverse environmental impacts and improving knowledge co-creation and inclusive relationships among FSAs. An important component of the AE-I approach is the use of Agroecological Living Landscapes (ALLs)²⁵. The multi-territorial network of ALLs is the vehicle through which to learn which agroecological innovations work, for whom and where, generating a replicable, generically applicable agroecology model (2022-2024) that acts as a 'blueprint' for scaling territorial agroecological transitions to trigger FLW-scale agroecological system transformation (2024-2030).

The five WP change pathways are:

WP1: Transdisciplinary co-creation of innovations in ALLs

WP2: Evidence-based agroecology assessments

WP3: Inclusive business models and financing strategies

WP4: Strengthening the policy- and institutional-enabling environment.

WP5: Understanding and influencing agency and behaviour change.

Each of the above WPs has its own outcomes that feed into the End of Initiative Outcome of *contextually relevant agroecological principles applied by farmers and communities across a wide range of contexts and supported by other food system actors by 2024.*

In 2022 the Agricultural Partnerships Trust (APT) was contracted by the International Centre for Tropical Agriculture (CIAT)²⁶ to contribute towards the achievement of WP3. This WP has two outcomes:

Outcome 1: Investors, the private sector, NGOs, and farmers participate equitably in partnerships to co-develop business models, linking agroecological innovations to markets and investment. Target: at least one strategic business partnership linking agroecological innovations to markets established and functioning in each ALL.

Outcome 2: Investors, the public sector, and farmer organizations co-design or adapt financial mechanisms that support agroecological innovations. Target: at least one financial mechanism in each ALL that supports adoption of agroecological innovation.

According to the project document, WP3 ensures that low-income rural communities can equitably capitalize on new or existing business opportunities arising from agroecological transitions in agricultural and food systems. WP3 brokers new, or facilitate enhancement of, existing producer-market linkages and support the development of innovative financial mechanisms, thereby unlocking key bottlenecks to inclusive, profitable business models that embrace agroecological principles (such as circularity, inclusivity, and solidarity). It will work with trading partners and public and private investors to incorporate the evidence and co-design agroecological innovations emerging from ALLs (WP1) and performance metrics (WP2) into innovative

²² Consultative Group on International Agricultural Research

²³ <https://www.cgiar.org>

²⁴ Also called multi-territorial. The AE-I is being implemented in Burkina Faso, India, Kenya, Lao PDR, Peru, Tunisia, and Zimbabwe

²⁵ Agroecological Living Labs (ALLs) are a mechanism or vehicle for a diverse set of actors (e.g., producers, traders, processors, consumers, and institutions) – who are part of the territorial food systems and landscapes in which ALLs are embedded – to exchange their views and knowledge and co-develop and adapt agroecological innovations.

²⁶ CIAT is one of the CGIAR Centres

business models, and financing strategies, ultimately enabling access to markets and financial resources – including carbon markets, payment for ecosystem services, climate finance, impact investment, etc. It is particularly important to close a potential financial gap during the initial stages of agroecological transitions and to support the incremental changes required to keep advancing agroecological transition.

The Key Outputs of WP3 are:

OUTPUT 3.1: Value chain maps and analyses that identify the current structure and dynamics, as well as constraints and opportunities for aligning different services (including financial services) and actors' functions along the value chain business models involved in agroecological transitions.

OUTPUT 3.2: Current business models and financial modalities classified according to how they perform on agroecological principles (e.g., according to the Agroecology Criteria Tool), social equity, and economic viability.

OUTPUT 3.3: Business model canvases developed for selected existing business models, including identification of challenges and opportunities for the trading partners.

OUTPUT 3.4: Cost Benefit Analyses (CBAs) that capture the profitability of innovative business models (i.e., applying agroecological principles) with that of current (conventional) business models carried out, for short- and long-term periods.

OUTPUT 3.5: New or redesigned business models co-developed under agroecological principles such that, in their application, they increase the inclusion of women, youth, and disadvantaged members of society, and empower producers and producer groups to participate more effectively in markets by establishing more-inclusive producer-buyer links. Each business model will have an implementation plan established for continuous evaluation and improvement of innovative agroecological business models.

OUTPUT 3.6: Investment cases to inform dialogs with interested private and public investors in supporting the co-designed business models, including financial returns, economic performance, and non-monetary benefits (WP2).

OUTPUT 3.7: Financial mechanisms for agroecological business models adapted, improved, and/or co-designed.

In Zimbabwe, there are two AE-I sites: Mbire District, wards 2 and 3, in natural region IV of the mid-Zambezi; and Murehwa District, wards 4 and 27, in natural regions IIb and IIa, respectively. Prior to engaging APT, the AE-I project team undertook a study to identify value chains in the two districts (Output 3.1) and identify actors and prioritise them for further development. Eleven crop and livestock commodities were identified: sorghum, cotton, sesame, maize, groundnuts, sweet potatoes, vegetables (tomato and onion), cattle, goats, poultry, and honey. Three value chains were then shortlisted for each district for AE-I investments:

Mbire: Sorghum, livestock (cattle and goats) and cotton

Murehwa: Maize, poultry, and vegetables (tomato and onion)

1.1.2. Work in 2022

APT was subcontracted in October 2022 to contribute to Output 3.2: Current business models and financial modalities identified and classified according to how they perform regarding agroecological principles. The four deliverables were:

- Identify the existing and potential business models at each stage of the selected value chains (Deliverable 1: Assessment report with list/addresses of business entities visited)
- Preliminary analysis on the functionality and inclusivity of the identified business models using agreed-upon indicators (Deliverable 2: Assessment report on selected businesses and interventions required in making them more functional and inclusive)
- Identify and engage trading partners for each identified business models at each stage of the value chain, and build a business model canvas for the identified businesses using a participatory approach (Deliverable 3: report on Business Model Canvas development for key businesses related to the selected value chains)
- Identify business models and specific components affecting agroecological transitions (Deliverable 4: Report on priority business models identified for future interventions and indications on their potential contributions towards agroecological transitions)

Four reports were submitted to CIAT in fulfilment of the deliverables.

Nine business models and their potential contributions to agroecological transitions were reported on for Mbire district, and six for Murehwa, for the pre-selected value chains. In addition, chili contract farming was identified as having good potential in both districts.

In Mbire district two canvases focused on the livestock value chain: (1) the development of a new abattoir (RDC and PHI Livestock) and (2) livestock aggregation (various abattoirs). Both models have potential to increase farmer incomes through access to new market opportunities. The remaining four canvases were (3,4) sorghum contract farming (Delta Corporation, PHI Commodities), (5, 6) multi-crop threshing and sorghum dehulling (village businesses). In addition to the red sorghum contract farming Delta Corporation will also buy white sorghum on the open market whilst PHI has demand for white sorghum, millets, and sesame. A canvas was developed for chili (Shumbatafari), a non-preselected value chain, because of its high potential for AE transformation in terms of income generation and human-wildlife conflict mitigation. The canvas involves (7) chilli contract farming in Angwa ward where there is serious human-wildlife conflict. There are no agrodealers in Mbire and a canvas was developed for the (8) last mile distribution of inputs by a retrofitted truck (FarmShop). Access to inputs will increase the productivity of crop and livestock commodities. Beneficiaries of the Presidential Inputs Support Programme (PISP) are required to practice conservation agriculture, or Pfumvudza, and the final model (9) is developed to increase efficiency through the establishment of mechanisation and spraying services operated by village businesses.

In Murehwa district two canvases (10, 11) were developed for the poultry value chain, focusing on interventions with the increasingly popular Sasso chicken breed (Hamara Chicks). The horticultural value chain is addressed with canvases on (12) onion drying (Sabi Thorn), (13) vegetable seed contract farming (National Tested Seeds), and (7) chili contract farming (Shumbatafari). Manual maize threshing is labour intensive, and farmers would benefit from access to (5) mechanised threshing services.

1.1.3. Work in 2023

APT was contracted once again in July 2023 to continue the work on business development in the two districts, specifically Outputs 3.4 and 3.5. The following research questions were to be answered through APTs AE-I engagement.

- What are the costs and benefits of the proposed agroecological transitions, how profitable are they, how much risk do they pose for farmers compared with the business-as-usual scenario, and which financial instruments or economic incentives support their implementation?
- How do new or reconfigured business models contribute to improvement of context-specific social, economic, and environmental indicators compared to the baseline (WP2)?
- What investment cases facilitate agroecological transitions across different value chains and ALLs? What new financial strategies support these investment cases?
- How best can promising business models to be actualized to get off the ground in the context of agroecology?

The specific deliverables of the assignment were:

1. CBA and other financial metrics for business models identified in 2022. The CBA included a reassessment of how the models might better support agroecological transitions in Mbire and Murehwa districts in Zimbabwe. Submit a comprehensive technical report on the CBA.
2. In consultation with AE-I, rank the businesses models based on the CBA findings and preselect four to five of the most promising models.
3. Business model design document: In consultation with the selected private sector partners, develop cashflow projections (with- and without grant scenarios) for the business models which are better able support agroecological transitions in Mbire and Murehwa districts in Zimbabwe. Updated functionality assessments should be compared with the before (i.e., 2022 studies) scenario. An implementation plan should be developed.
4. Develop a simple grant application template and assist selected companies in completing it.
5. Assist AE-I in contracting the selected businesses, providing advice on the nature and level of project support required.

This work was completed, and the report submitted in October 2023. Most the models identified in 2022 were no longer feasible in 2023. Two of the companies (Shumbatafari and Sabi Thorn) were experiencing financial distress whilst Farm Shop no longer considered its models to be viable. This natural fallout of companies made the process of prioritisation simpler. Deliverable 2 of the assignment called for a ranking of four or five of the most promising models, however, this was unnecessary with only three contenders emerging – Agrowth, Hamara Chicks, and PHI Livestock. The latter business also faltered leaving only two of the original six companies – Agrowth and Hamara. Both models have village business components that support the primary model – Agrowth requires sorghum to be threshed and Hamara recommends that Sasso day old chicks are raised by a local brooding business to the age of five weeks before being sold to farmers.

Two rankings were done - feasibility and farmer benefits. Both Agrowth and Hamara models were proven to be *feasible*. Hamara was ranked higher due its higher NPV and more positive cashflow projection. The NPV was also positive for the village threshing model. Hamara also ranked higher for farmer benefits - numerous cycles per year are possible when doing poultry and returns to farmers can be considerably higher than production of dryland field crops.

Qualitative analyses reinforced these findings, with benefits for AE-I farmers outweighing those of non-benefiting farmers. In addition, qualitative analyses for the threshing and Sasso brooding models were positive, as was the PHI Livestock business model. It is concluded that the two business models will accrue benefits to the partners involved – farmers and businesses. The models involve many of the 13 agroecology principals which will support broader transitioning in the AE-I wards.

1.1.4. Work in 2024

In 2024, APT was mandated to focus on Outputs 3.7 and 3.8 which involve confirmation of the previously developed investment cases and engaging with financial services to potentially support the sustainable development of identified business models in the two value chains. The outputs are:

Output 3.7. Investment cases for poultry development in Murehwa and sorghum value chain in Mbire developed and discussed with interested private and public investors.

Output 3.8. Sustainable financial mechanisms for poultry brooding and sorghum contract farming assessed and re-designed based on investment cases.

The research will provide answers to the following questions:

- What are the investment cases for poultry and sorghum value chain development in supporting the agroecological transitions at the ALLs in Murehwa and Mbire districts in Zimbabwe?
- Which financial services and financing mechanisms ensure the development of identified poultry and sorghum business models at the two districts in Zimbabwe?
- From agroecological transition perspective, what are the key lessons learned from the poultry and sorghum business models development in Zimbabwe?
- How best can the poultry and sorghum business models be sustained beyond project support?

An interim report submitted in September 2024 to address Output 3.7 provided an update on the Agrowth and Hamara inclusive business models. The 2023/24 season was characterised by the worst drought in living memory for most. Despite this, both companies are eager to press on because the business cases are still valid, for farmers and companies alike. Both company models were found to be supporting agroecological transitioning in their respective districts. They are aligned to principles such as recycling, input reduction, soil and animal health, synergies, economic diversification, co-creation of knowledge, social values and diets, fairness and connectivity. Access to finance by farmers is problematic – there are few options other than the sale of crops and livestock. In Murehwa savings clubs are vibrant and support poultry production, unlike in Mbire where farmers tend to spend their money on household needs. There are opportunities to use this model to further support production in both areas. The government’s presidential input support programme is also an important safety net for farmers. Continued investment by AE-I will be important, not only because of the past drought but because farmers and companies alike are upbeat about the interventions and willing to continue investing in the models. The 2024/25 season is predicted to have above-average rainfall, and increased productivity will set the two models on the road to sustainability.

This report focuses on Output 3.8, exploring how sorghum-contracted farmers and Sasso chicken producers might better access reasonably priced funding.

Annex 2 - Key infomants

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