



FOUNDATION



PARTNER PAPER NO. 3
INCOME GENERATING
ACTIVITIES

Editorial

Income Generating Activities, so-called IGAs, have gained increasing attention in recent years, as they have proven to be a successful way to help people from rural areas doing business. IGAs are not just an asset for individuals but an innovative way to engage disadvantaged communities in problem solving as well as a guarantee for the sustainability of any external intervention. A study has shown that IGAs “are very useful alternative ways of producing additional funds” and to “solve financial problems” (Amos & Koda, 2018). It is an important added value in countries with small budgets for public services such as health or education. This is why almost all educational programmes of the Roger Federer Foundation include a component of strengthening IGA capacities on a community level. Thanks to the generated income, communities are able to maintain their achieved quality of education in the long-term. They gain ownership and take responsibility. It is, however, important to be aware that setting up IGA projects is not as easy as it sounds. IGAs are often unsuccessful due to, for example, “weakness in project design, failures in implementation, or failures by the beneficiary to make full use of the asset” (Shree, 2011). This is one reason why the Roger Federer Foundation asked its partner organisations Camfed, Child Protection Society and People’s Action Forum to contribute to this paper and share their experiences from the field. Another reason is the fact that we could not find a practical summary about IGAs useful for implementers in the field. Such information is crucial for organisations that decide to include IGAs in their programmes, as IGAs can only have the desired impact if they are carefully planned. The following paper should thus be regarded as a guidance and help for organisations that consider implementing IGAs in their programmes or those that are already working with IGA projects. We thank our partners for their valuable contributions.

Janine Händel, CEO Roger Federer Foundation, September 2018



Table of Content

| | |
|---|-----------|
| <i>Impact</i> | <i>1</i> |
| <i>Setting up IGAs</i> | <i>1</i> |
| <i>Examples</i> | <i>1</i> |
| <i>Sustainability</i> | <i>2</i> |
| <i>Common Challenges</i> | <i>2</i> |
| <i>Common Lessons Learnt</i> | <i>3</i> |
| <i>Key Opportunities</i> | <i>3</i> |
| <i>Managing Group Dynamics</i> | <i>3</i> |
| <i>Examples of Approaches to IGAs</i> | <i>6</i> |
| 1. Tuck shops: Child Protection Society (CPS) - Zimbabwe | 6 |
| 2. Cluster Model: Camfed Zimbabwe | 9 |
| 3. Revolving Fund Concept: Action Aid Malawi | 11 |
| 4. Village Savings: People’s Action Forum (PAF) Zambia | 13 |
| <i>References</i> | <i>18</i> |

Acronyms

CAMA: Camfed Alumnae

CBCC: Community Based Child Care

ECD: Early Childhood Development

ERP: Enterprise Resource Planning

GBV: Gender Based Violence

IGA: Income Generating Activity

MSG: Mother Support Group

SDC: School Development Committee

SWOT analysis: Strengths, Weaknesses, Opportunities, Threats

Impact

IGAs have the potential to have a number of positive impacts on individuals, families and communities. By running small businesses, community volunteers can generate the resources to sustain the support for their children, and can, by investing their profits, improve their families' lives. IGAs also have positive impacts on women's lives, as successfully running a business can go some way towards redressing gender inequality at home, since husbands give their wives more respect and more control over household budgets. Moreover, IGAs can also help communities to become self-sufficient by finding homegrown solutions to challenges faced by their children.

Setting up IGAs

Some key points to consider when setting up community-based IGAs are:

- Ensure the leadership of community volunteers as an integral part of empowering communities to own both their local problems and the solutions to these;
- Facilitate group cohesion with an explicit common purpose, e.g. supporting children to stay in school;
- Facilitate access to capital to set up businesses;
- Ensure access to targeted support so that community groups are able to move beyond subsistence-level businesses to larger-scale businesses that are able to employ other people in rural communities;
- Ensure access to training, particularly on financial management, business development, and sustainable agriculture to build knowledge and skills and improve business success;
- Connect the communities to markets for products and understand the community needs.

Examples

There are many examples of IGAs which have been running successfully in partner communities. Some examples are the following:

- Poultry projects
- Gardening/horticulture
- Buying and selling of commodities which are in short supply
- Goat keeping
- Bee keeping
- Sewing
- Pottery
- Craft
- Tuck shops
- Village banking/savings and lending schemes
- Revolving fund/loan schemes

Sustainability

The following list shows various ways how the sustainability of IGAs can be increased:

- Facilitating on-site support visits and continuous training from relevant ministries, such as Women Affairs, Youth, Small and Medium Enterprises;
- Opening up new markets for volunteers through offering the chance to participate in national fairs and shows;
- Familiarising communities with village savings and lending to build local capital reserves;
- Negotiating with local institutions and communities to become local markets for volunteers' income generation projects and building market linkages within and across districts (e.g. through clustering);
- Linking new businesses with established businesses for mentoring;
- Using technology to maximize marketing and selling of products;
- Supporting business owners to make sure businesses are properly registered and compliant with local laws in order to help unlock further financing options.

Common Challenges

Particularly in remote, rural communities, there are a number of common challenges that can affect the success of IGAs:

- **Lack of access to markets:** Some IGAs are based in remote, rural communities where households have little money to spend;
- **Community members with low education levels:** Some community members will have difficulties to fully grasp some of the more challenging concepts such as record-keeping. This in turn affects how they run their businesses;
- **Different levels of volunteers:** As training budget is limited, not all group members can necessarily be trained, and cascaded training does not reach all the group members directly;
- **Entrenched gender norms:** Where businesses are women-led, gender norms can hinder business success. Women are still considered subservient in some communities hence how proceeds from their businesses are to be used can be determined by male figures in their families.



Common Lessons Learnt

A number of common lessons learnt have emerged from the development of IGAs:

- Success for income-generating activities is the result of supportive stakeholders at the grassroots level;
- The more support given to vulnerable children by volunteers, the more sustainable their project;
- Facing a challenging context together strengthens community collaboration;
- A significant growth has been noted in the number of income generation projects for volunteers which can be attributed to training, peer-to-peer mentoring and exposure visits;
- There is a need to appraise beneficiaries in business management skills before giving out loans in order to improve business success and reduce loan default rates;
- Groups always adapt to suit their own way but prescriptive foundation at training allows groups to return to the core methodology if adaptations prove to be problematic;
- Being in a group of people focusing on one sole goal makes it possible to follow laid down financial principles even if managing one's own funds.

Key Opportunities

The following key opportunities to develop and grow IGAs have been identified:

- IGAs working together to provide bulk sales to big customers, buying their inputs and selling their products to each other and transporting stock together.
- IGAs with successful businesses would be equipped with resources, support and connectivity in order to cascade high quality knowledge, training and mentoring other IGAs. These can be chosen based on an established business track record.
- Mentoring programmes to facilitate learning by seeing for community groups.
- Video recordings and business manuals written by local group members for popular sectors such as poultry, market gardening, and garment making.
- Online portal for community groups to advertise their skills (e.g. website design, book-keeping, irrigation).
- Support with licensing and quality assurance to access bigger and more competitive markets.
- Transport solutions to allow for trading beyond IGAs' boundaries.
- Enhanced agriculture skills and businesses.

Managing Group Dynamics

Managing group dynamics is one of the greatest challenges and requires strong leadership and perseverance. Specifically around IGAs, a few members continuously push for income generated from the IGA to cover any gaps in the school without separating ECD from the entire school. While all children are equally important, it takes a united team or community to prioritize children based on their needs and level of vulnerability hence the choice to support feeding and more activities around ECD from the profits of the grant. Some community members advocated for the profits to cover tuition fees for those children who could not afford the tuition.

It is important to mention that strong community leadership is one of the greatest strengths a community may possess in managing group dynamics. However, if not managed properly strong leadership can easily be interpreted as dictatorship or leaders may become dictators. It is therefore important to have a bottom up

approach – a situation where community members understand the importance of ECD and why it should be prioritized. This knowledge will naturally lead to communities pushing the desired ECD agenda and to fewer conflicts. The project has thus been actively engaging community leaders, particularly traditional leaders, in capacity building platforms through the different training opportunities in the project. The project encourages the leadership or tasks them to cascade information down to their communities such that there is a shared vision and understanding on progress in activities in their schools.

It is rather difficult to highlight positive results that result from group dynamics; naturally, negative results are easier to pick. However, positive results are shown by groups of people communicating well and managing the IGA together, in that they all take responsibility for the result, be they positive or negative. Such groups also work together to solve problems the group is facing in achieving its goals. There are clear roles and responsibilities and the groups agree on all issues. Conflicts within the groups are solved amicably and they do not affect the operations. Conflicts experienced by these groups usually occur when it comes to power dynamics between the school administration and the community representatives. Support by partner organisations help to ensure that the school adheres to the mandate of the project. Also, setting concrete rules from the start helps to keep the group focused.

When it comes to constellation, groups constituting of literate middle-aged members are most innovative and self-motivated and possess good recording keeping. This type of group can win the support of the community and community leaders and consequently yield positive results.

Practical Example 1

Gurambira Primary School, which is located approximately 155 km from Victoria Falls, was given an IGA grant to start a project. The school opted to venture into a tuck shop business to generate income for the support of ECD activities.

The school is using one of the teacher's cottages as a shop for safekeeping of the goods. The goods available are basic commodities that have high shelf durability, quick returns and high profits. The school development committee is taking turns to monitor the project to ensure there is smooth running of the tuck shop on a daily basis. A teacher is also assigned to the project for checks and balances.

Having such an income-generating project at school has seen the improvement of ECD activities such as supporting wet feeding for ECD children by purchasing relish (beans & chunks), cooking oil and salt. Maize corn is supplied by Ministry of Social Welfare through the drought relief programme. Furthermore, learning materials and other essentials are purchased with profits from the tuck shop.

The community is working hand in hand with the school authorities to ensure that the project will have a long lasting impact on the children and to provide employment opportunities to deserving community members.



Practical Example 2

The Mother Support Groups that are involved in the Income Generating Projects are comprised of rural women of varying backgrounds, intellectual capacities and skills. This diversity poses a great challenge to their own and their business' development, as well as to their businesses' growth and sustenance.

One of the groups has 20 members who are running a poultry project that keeps batches of 100 chicks at a time. The group business is housed at the group chairperson's home. Challenges which affected the group cohesion arose from adherence to duty roaster for feeding the chickens and from borrowing and non-returning of group funds for personal use by some members of the group. The key factors which drove these conflicts were the following:

- Differences in education levels of members: two members were once gainfully employed and were thus the most vocal and had taken up key leadership roles in the group. These two members would not do some of the business chores, which was fuelling other members to also stop adhering to the duty roaster.
- Lack of a group constitution to govern their operations.
- Age differences amongst group members: two members were significantly older than the other members and were still expected to perform the business chores at the same level as all the other group members.
- Husband interference for members with influential husbands in the community.
- Too many familial responsibilities for some grandmothers in the group. They required frequent support from the group profits.



The following actions helped to solve common issues.

- Organising group support visits as seen in the picture above by Camfed District Committee members and School Development Committee to encourage them and also have discussions with them on their challenges and working with them too come up with solutions.
- Providing training by Ministry of Small to Medium Enterprise on group constitution development.
- Splitting the group into half to coming up with two groups of 10 for easy coordination and management of their activities.
- Strengthening other group activities that cement and strengthen their personal relationships beyond Income Generation to bring them closer and uniting them.
- Strengthening the Teacher Mentor role of advisor to the Mother Support Groups.
- Negotiating with schools to house the Income Generating Projects for the mothers at school to curb interference by non-group members, e.g. husbands, as they will not have freedom of visiting the mothers' business at the school. This allows for technical support from school administration and teacher mentors.
- Providing unskilled group members with targeted skills training in order to balance the group members' beneficial participation.

- Offering team building training for the groups.
- Organising exchange visits to foster cross pollination of ideas and sharing of best practices amongst groups, as well as inter and intra district exchanges.

Examples of Approaches to IGAs

1. Tuck shops: Child Protection Society (CPS) - Zimbabwe

What is the concept?

A tuck shop is a small, food-selling retailer. In CPS's programme, tuck shops have been used as a way of generating additional income for schools in order to support children. The support might include buying materials for children to improve the learning environment, buying supplementary food to compliment the school feeding programme or raising funds to pay for paraprofessionals who assist in teaching children.

When the tuck shop is in a school, it is frequently a place other than the school bursary where monetary transactions can be made. In Zimbabwe's rural schools, stationery, snacks and basic commodities such as cooking oil, sugar, flour, and soap are primary sources of income. The tuck shop is mainly run by volunteers from the community, usually parents or School Development Committee (SDC) members. Tuck shops in schools have been found to be very easy to run as well as timesaving. This helps the school administration team, who is already overwhelmed with other school projects.

How does it work?

In order to start an income generating activity, schools submit their proposal, which is then reviewed by the Ministry of Women Affairs Gender and community development as well as the Ministry of Primary and Secondary Education before it can be approved by the funding partner. Upon approval, a grant is then released to schools where purchase of stock is done and parents or School Development Committee (SDC) members volunteer to run the tuck shop. Monitoring visits and audits are conducted by the two ministries to ensure that there is transparency and effective use of funds. Growth in this project is seen by increase in profit margin that will influence an expansion in stocked goods. Proceeds are further used to develop the school for example in terms of improvement of indoor or outdoor play areas, allowance for a community employed ECD facilitator or start another project such as a poultry project.

Below are two case studies on the success of tuck shop projects in Lupane and Hwange districts in Zimbabwe upon receiving a grant to establish an income generating activity in the schools.

Following feedback from the SDC on the benefits incurred from the tuck shop project, the community offered to renovate an old storeroom to serve as a selling point for the project. Through working with parents, the SDC further put in place security measures that include a door, locks, window burglar bars, shelves as well as a safe. This community contribution went a long way in reducing budget costs that would have been allocated towards such services.

Hwange District (UNICA) – Borehole 36 Primary School

Borehole 36 Primary School is located in Chidobe ward in Hwange District with a total school enrolment of 210 children of who 52 are in ECD grade. The school has five teachers – one of them is a qualified ECD teacher trained on the new curriculum. The SDC and school authorities were trained on business management and were issued with a small grant to establish a tuck shop. The business idea was motivated by a lack of grocery shops for purchase of basic commodities at proximity amongst the local community - the nearest grocery shops are located approximately 5 km from the school yet they are also not fully stocked with key basic commodities.

Some community members, including school authorities, used to travel to the nearest town in Victoria Falls, which is 27 km away to acquire basic commodities and school supplies. Based on the above rationale, the tuck shop was hence established.

Target market and market needs: The market for the tuck shop is its local community and the school as the major consumer of its own products. Local community members mainly purchase basic commodities such as sugar, flour, drinks, cooking oil, and mealie meal, while the school purchases stationery that they utilize for their day-to-day functions.

Profitability analysis: Profitability analysis is a component of Enterprise Resource Planning (ERP) that allows the school authorities and SDC to forecast the profitability of the tuck shop project. On a weekly basis, the school realized profit ranging between US\$35 and US\$48 within the first 8 months of establishing their project. This acted as a motivating factor to the school that then expanded their project, moving from a smaller shop to a bigger space at the teachers' cottages. This resulted in an increase in income generated ranging from US\$50 to US\$60 weekly.

Utilization of proceeds: The school has managed to generate enough income to supplement feeding of all children from ECD to grade 7 weekly through provision of relish. Furthermore, income has been utilized to support repairs of outdoor playgrounds. Plans are under way to expand and have a poultry project from which proceeds will be channelled towards payment of an ECD facilitator to be employed.



A fully packed tuck shop in one of the schools

Why is this successful?

- Community involvement and participation;
- Appetite by community to improve other learning conditions for children in terms of staffing, infrastructural development, complementing the feeding programme and establishing other income generating activities;
- The potential to expand to other business ideas and raising more income for the school.

What challenges have been experienced?

- Individuals with low levels of education showed difficulties in record keeping;

- The targeted market being a local community has little money to spend hence fewer profits are realised in such scenarios;
- Purchase of goods for restocking is done in town centres where transport cost is needed;
- Competition with local shops where community members prefer to buy their goods.

What lessons have been learnt?

- The support of key stakeholders such as local leadership and Ministry of Primary and Secondary Education, Ministry of Women Gender and community Development, Rural District Council is key in running successful IGAs;
- When rendered the necessary support a community is better equipped to deal with its own problems;
- Community involvement in this project ensures that there is ownership and participation of community members in other school activities.

What steps can others follow in order to set up a revolving fund scheme?

- Project Development Committee Members and institution authorities meet to discuss on potential projects;
- Income generating activities sub-committee is nominated, led by the Project Development Committee Treasurer;
- IGA sub-committee invites parents and community members for an IGA brainstorming session;
- Guidelines and procedures derived from the Constitution and guiding ACT are developed and agreed upon;
- Training on Business Management for sub-committee members and selected community members (training done by The Ministry of Women's Affairs, Gender and Community Development). Training includes, but is not limited to, the following:
 - Potential and sustainable business ideas for schools
 - SWOT analysis
 - Costing
 - Basic book keeping
 - Inventory management
 - Marketing
 - Scaling up your business venture
 - Business management
- Developing an income generating project proposal:
 - An income generating project proposal is submitted by the funder (the NGO on the ground) for approval.
 - Proposals are assessed and forwarded to the Ministry of Women Affairs, Gender and Community Development (who have the mandate to support small and medium enterprises) and finally to Ministry of Primary and Secondary Education.
 - Proposals must consist of a detailed budget and cash flow projections.
 - Proposals that meet the requirements are approved and those that do not are returned with comments for further improvement.
- Income Generating Project Grants Issuing:
 - Grants are issued to all schools/institutions with approved proposals through deposits into school accounts or a requested bill of quantities to facilitate purchase of required items for resale.

- Ministry of Women Affairs, Gender and Community Development offers continued support while Ministry of Primary and Secondary Education performs audits and monitoring support visits.
- Expanding the model:
 - It is anticipated that schools will be clustered in the near future based on their geographical locations to formulate cluster IGAs. From a cluster level, these will form a federation which will launch ambitious business ventures to support not only ECD activities but ECD in its holistic perspective.

2. Cluster Model: Camfed Zimbabwe

What is the concept?

The cluster model works by enabling community members running separate businesses of the same type to work together as a 'cluster' to combine resources and access larger markets, as well as to increase cost effectiveness by sharing and reducing their outgoings and capital costs. Clustering can also be used to create an ecosystem of businesses that add value to each other, for example by supplying each other at different points in the value chain.

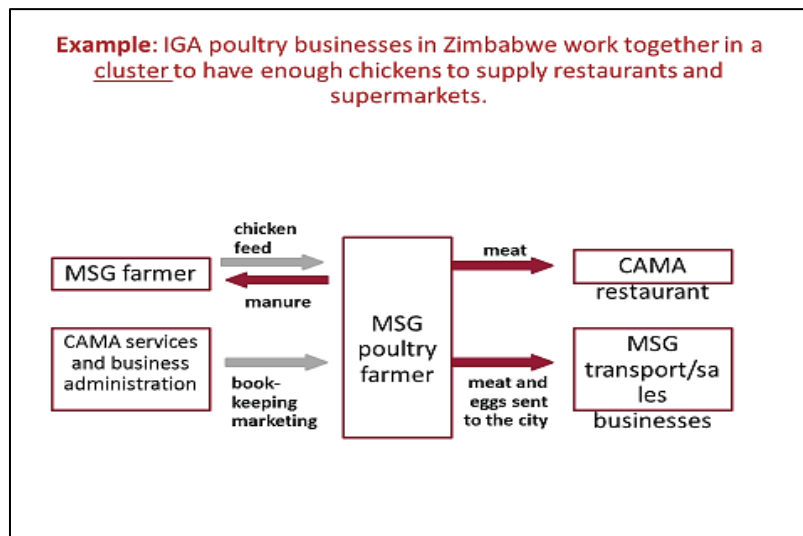
Under Camfed's programme in Zimbabwe, clustering has been used to support community partners such as Mother Support Group (MSG) members and Camfed alumnae (CAMA) members in expanding their businesses and generating higher profits, in order to support increased numbers of children to access education.

How does it work?

Camfed has enabled MSG and CAMA members to access training and small seed grants to launch rural businesses. Experts from local ministries such as the Ministry of Small and Medium Enterprises and the Ministry of Women Affairs provide training in financial management, calculating profit and loss, as well as record keeping. Subsequent training then targets specific skills training, e.g. in poultry farming, goat rearing, or market gardening. Grants are provided as capital to buy what is needed to launch the business. In the case of a poultry business, for example, women may use the grants to purchase chicks, chicken feed, and medicines. They may decide to launch businesses individually or as a group.

To increase productivity and to create markets for the income generating projects for the groups, Camfed introduced the Business Cluster Model to widen MSGs and CAMA business markets through creating internal markets. Moreover, they aim at increasing their productivity to challenge and penetrate bigger markets. The cluster model works by enabling community members running separate businesses of the same type to work together as a 'cluster' to combine resources and access larger markets, as well as increase cost effectiveness by sharing and reducing their outgoings and capital costs. Clustering can also be used to create an ecosystem of businesses that add value to each other, for example by supplying each other at different points in the value chain.

An example of how a poultry business cluster might operate within a wider system of mutually beneficial rural businesses is shown in the diagram below:



Why is it successful?

- **Joint Collaborations/Efforts:** Businesses are supporting each other creating internal markets where there are market challenges. Ordering chicks, feeds, etc. is enabling big savings due to price reductions for bulk buying and reduced transport costs.
- **Coopetition:** A shift from competition to healthy coopetition, working together and cooperating for a common cause.
- **Turning challenges into opportunities:** Those launching businesses in marginalized, rural areas are frequently risk-averse, preferring to start businesses that they are already familiar with, where the risk of failure is small but potential returns are correspondingly low. This means that a number of the same type of business may be started in the same area, reducing joint collaborations market share for each business owner and further driving down the potential for profit. Clustering businesses turns this common challenge into an opportunity: instead of competing with each other for the same small market with low profitability and high attrition rates as a result, clustering means business owners can work together to promote more profitable and sustainable businesses, without taking on increased levels of risk.
- **Increased profit margins:** Clustering the income generating projects for the mothers has led to increased profits for their businesses. If their products are not taken internally, they link each other to wider markets.
- **Enhanced product quality:** Cluster members have to meet an agreed upon group standard, e.g. agreed chicken weight, as per the requirements of their buyers/market. This has also led to cascade trainings and sharing of skills amongst groups.
- **Corporate social responsibility:** The groups involved, MSGs and CAMA, both have a common goal of giving back to their communities and supporting needy children to access and complete school. This collaboration is thus strengthened as members and clusters all have an understanding of what they intent to achieve.
- **Benefits to other local businesses:** Increased business success through the model not only affects individual business holders within the cluster but also creates opportunities for other businesses in the area. In the diagram above, for example, the availability of large supplies of poultry through poultry

farming clusters enables other businesses such as restaurants and hotels to more easily provide for their customers, improving their own business outcomes. The cluster also generates new types of businesses and/or potential employment in a context where jobs are scarce. Again, in the diagram above, the ability to access new and bigger markets, such as customers in urban areas, necessitates and supports distributors such as transport businesses.

3. Revolving Fund Concept: Action Aid Malawi

What is the concept?

A revolving fund is seed money or loan lent out to an ECD centre for sustenance of ECD centre operations. Repayments of the fund are passed on to another ECD centre to be used for the same purpose.

The two principle objectives of the initiative are:

- Strengthen the financial base of the ECD centres for continuity and sustainability as ECD centres are managed by communities and do not get funding from the government.
- Increase retention of motivated caregivers at the ECD centre, as ECD caregivers work as unpaid volunteers. According to the midline evaluation report, 10% of the caregivers dropped out because of lack of incentives.

Who manages the fund?

The fund is managed by the local communities under the guidance of a ten member Revolving Fund Committee at each centre. This committee comprises of caregivers, representatives of the ECD committees, parents representatives, as well as independent community members to ensure independence of the committee.

Thereafter, the committee attend a five-day training facilitated by Community Development Assistants. The topics discussed during the training include the following: introduction to revolving funds and their objectives, eligible uses of the funds, interest rates calculations, business management, management and recovery of the Loans, record keeping, cashbook, as well as monitoring and reporting systems enabling them to support loan/fund beneficiaries with their businesses.

The Revolving Fund Committee is also mandated to come up with revolving fund constitution with support of Community Development Assistants and ActionAid staff, which is endorsed by community members. With the constitution, every committee opens a bank account.

How does it work?

Each centre receives a maximum seed money amount of US\$1,000. The fund is grown for a maximum of a year before it is paid back. The idea is that by the end of one year, the ECD centre has at least doubled the amount of the seed money to be able to pay back the loan and have enough funds to continue with the revolving fund.

During that period, the caregivers and the community members borrow money for their individual small income generating activities using the agreed interest rates. Caregivers repay loans with interest rates within the range of 10-15%, while other community members repay loans at a higher rate (25% maximum).

The caregivers are the first priority to borrow the money at a lower interest rate. If there is money remaining, the committee members and the wider community members can borrow at a higher interest rate. The caregivers run small businesses such as running small tuck shops, bakeries, or selling dry fish, tomatoes, or fritters. By doing small businesses, the caregivers are able to meet their basic needs.

Apart from ensuring that the caregivers are motivated, the revolving fund helps to sustain the operation for the ECD centres as the proceeds are used as follows:

| Item/Category | % |
|------------------------------------|----|
| ECD centre maintenance/renovations | 15 |
| Caregivers honoraria | 30 |
| CBCC Food Items | 20 |
| Utilities (water bills) | 10 |
| Security | 5 |
| Savings | 20 |

Why is this successful?

There are several benefits of the revolving fund intervention both at household level of the beneficiaries and at the ECD centre:

- **Enhanced businesses for ECD caregivers:** At household level, the revolving fund has improved access to business capital for caregivers and members of committees at the lowest interest rates. This has helped to boost their businesses. For instance, before accessing the loan, caregivers like Judith Chitawo had no source of regular income, but now she is able to sell other foodstuffs such as rice, beans, and fish, among other items.
- **Improved livelihoods for ECD caregivers and their families:** With the proceeds from their businesses, most caregivers and committee members are able to have basic needs such as soap, and some have acknowledged that they are now able to afford two or three meals per day throughout the year using proceeds from the businesses they are running.
- **Sustained operation of ECD centres:** The use of the revolving fund scheme has generated resources to help address CBCC challenges and sustain their operation. These include repairs and maintenance for infrastructure, paying for utilities such as water, paying honoraria for caregivers, and purchasing food items to feed children at the ECD centre.
- **Increased motivation and commitment of ECD caregivers:** No caregiver has dropped out at the CBCC centres since the introduction of revolving funds in 2016.
- **Successful multiplication of funds:** Most ECD centres that received the seed money have paid back the loan while their fund is still growing. This will be passed on to new ECD centres.



Judith Chitawo selling tomatoes with funding from revolving fund.

What challenges and lessons have been experienced?

- Some beneficiaries struggled with paying back their loans. This can be linked to wider contextual pressures; for example, in times of food crisis, most beneficiaries default on loan payments as they use the money to buy food.
- The fact that only committee members were trained in business management resulted in some challenges for beneficiaries who did not receive training.
- Extensive community sensitization is needed in order for communities to fully understand the revolving fund concept, so that they understand that the funds are loans and not handouts.
- Clear guidelines covering loan qualification, repayment and default should be developed and signed for before making any loan disbursement.
- Well-defined ‘pay back’ and ‘pass on’ mechanisms need to be put in place in each centre at the beginning of a project.
- Linkages need to be established with government stakeholders; for example, in Malawi, the Department of Community Development support by conducting trainings and on the spot monitoring of the funds to ensure sustainability.

What steps can others follow in order to set up a revolving fund scheme?

- Thorough community sensitization is key for the communities to understand that the loan will be repaid.
- Community participation and involvement at the onset of the project is key, since this is the time to develop a constitution of the group – people being left out cause problems.
- It is key that the community democratically elects an independent committee to manage the fund. The chiefs are not to be elected in the committee because they influence its decisions. The committee should consist of beneficiaries from various groupings, e.g. caregivers, parents, and independent community members.
- The committee must have a constitution that governs the management and implementation of the fund.
- The committee must be trained in business management, loan management and recovery.
- The committee must have a bank account.
- Monitoring and evaluation of the fund is key: the committee must meet regularly to monitor the growth of the loan, loan payments, use of the loan, and circulation of the funds.
- The involvement of the District Community Development Assistants ensures sustainability of the scheme beyond the project timeframe.
- Establishment of a loan recovery system at the onset of the scheme ensures smooth pass on from one ECD centre to another.

4. Village Savings: People’s Action Forum (PAF) Zambia

What is the concept?

Village Savings or Village Banking, as it is also popularly known, is a “savings-based” financial service that includes, among other things, members meeting regularly (usually weekly) and contributing a fixed amount¹. The model differs from a revolving fund in that cash on hand does not benefit only one or a limited number at a time while the next group waits for their turn. Everyone that joins and ‘saves’ the agreed amount is eligible to go away with a loan to be repaid with interest each time the group meets.

¹ Allen, Hugh. August 2002 “CARE International’s Village Savings & Loan Programmes in Africa: Micro Finance for the Rural Poor that Works”

PAF aspires to be a self-sustaining organisation that empowers rural communities to initiate and manage their own development. For this reason, PAF's key result areas include Social Economic Empowerment through skills training and income generating projects. Under PAF's programme, among other IGA's, Village Savings has proved to be a viable means to PAF's aspirations to create real income by participants' own volition and effort. The savings and loan scheme has assisted members in personal building projects, paying children's school fees, and in starting or building small business ventures.

How does it work?

The group agrees on a standard saving amount to be banked at every meeting, which takes place at fixed intervals. The money contributed may be handed out to one member or more, or applied to any purpose that the group chooses. Besides putting in their savings, everyone can 'borrow' from the fund at every sitting of the group. Everyone who has borrowed will return the money with interest at the next meeting. The funds that are saved at each meeting may be invested in a group enterprise, the establishment of an interest-bearing revolving loan fund, or the establishment of a social fund to cover members' personal expenses. The concept, which may take various forms from group to group, follows a basic set of principles. These include:

- External borrowing or donations to the loan portfolio works only with members input;
- Self-management;
- Simplicity and transparency of operations;
- Flexibility in loan sizes and terms;
- Very low group management costs met through group earnings;
- Earnings are retained in the group and local community.

Why is this successful?

From inception to roll out, the approach lays great emphasis on intensive initial training and sticking to a simple set of operating procedures and management tools. This consolidates and standardises the methodology while leaving room for it to be adapted as needed and as opportunities demand.



Specifically, there are several reasons why this model works well:

- **Activities and results are locally owned and managed:** Community members contribute their own money and have ownership and responsibility over what happens to it. They can see the results in their own communities and experience the benefits directly themselves through a monthly household income, for example.
- **Small scale means the scheme is widely accessible:** Members do not need large amounts of money to set up the scheme and do not have to launch large, complicated businesses; they can start by selling chickens or scones, for example.
- **Working as a group means an in-built network of support and accountability:** The group can come together to share experiences, challenges and lessons, and gain support and encouragement, as

well as to monitor and challenge each other. This increases the chance of the overall success of the scheme as well as individual income generating activities.

- **Additional personal benefit:** Members can use their savings as capital for their own businesses and generate an ongoing income for themselves and their families. The idea has helped most women to start small business, which helped them raise income at household level.
- **Gains in a relatively short amount of time:** Members do not have to wait years to reap the benefits of savings, but can share these out after just six months or one year.

Some benefits cited by PAF Circle members include:

- Reduced pressure on parents as to where they can borrow funds for school-going children;
- Funds can be accessed to pay for Government agro-subsidized inputs (Ministry of Agriculture);
- Helps families and individuals to grow their business;
- Helps families and individuals to access soft loans in critical times of the year, such as the before harvest comes in, which can be paid in instalments;
- Some families have improved their diets and can increase number of meals in a day which is critical for the growing and school going child.

What challenges and lessons have been experienced?

- Support is required at the onset, which encompasses training in how the process works, and developing the rules of management (constitution).
- Lack of group constitution can result in the group being managed by an individual who has not undergone training, which again results in poor management.
- New members who are allowed in a group constitution that has already been agreed on may not agree on some of the rules and cause difficulties.
- In terms of capacity needed to run the group, literacy skills for the responsible persons, that is the treasurer and minute keeper, are necessary.
- Some members do not use the monthly shares according to the intended purpose (investing in some income generation) hence it becomes difficult for them to save.
- Often men fail to account for the money when they are appointed as treasurers hence most groups use women as treasurers.
- The saved and accumulated social fund must never be kept by a person, but shared and come back with interest.
- The members within the group encourage each other to carry out small businesses in order not to have a difficulty when paying back. Different small businesses have been started such as:
 - Buying and selling of maize
 - Chicken rearing
 - Grocery store
 - Buying and selling of vegetables, fish, etc.
 - Baking of buns and fritters
- Graduation day is a great opportunity to share and learn from each other. Members have used this as a platform to teach each other on different topics like GBV, how they can stop early marriages, and family planning.
- The model preferably receives a loan from the bank for many people, even those who are in employment, e.g. a group of police officers and teachers in Mazabuka who are saving US\$100 per month. The group started 4 years ago and one officer bought a car after getting a loan of US\$3,000 from the group.

What steps can others follow in order to set up a revolving fund scheme?

The following is the model adapted and used by groups working with PAF-Mazabuka:

- Groups with a minimum of 10 and maximum of 30 people are built.
- A committee is selected to include Chairperson, Secretary and Treasurer.
- A constitution is written in which the following is agreed on:
 - The saving cycle – how many months saving will take place before final sharing (e.g. 6 months or 12 months);
 - How often to meet (e.g. once per month);
 - How much to save monthly, in multiples of the base amount contributed (e.g. if the base amount is US\$1 you could save US\$2 or US\$3 per month);
 - How much interest to pay on loans (e.g. 10-20%);
 - A small monthly fee of up to US\$1 for administration or any social need (e.g. illness).
- Guidelines for depositing and withdrawing money:
 - Each person ‘saves’ (hands in to treasurer) the amount agreed;
 - The secretary and the treasurer record the amounts in their books and must tally;
 - Cash saved is added up, every member must confirm that it is the correct amount (as recorded at last borrowing);
 - The total amount is shared among members as loans (individual amount borrowed is not fixed, but as requested by the borrower);
 - If the amount is not enough for members who want the cash loan, priority is given to those who have never borrowed;
 - All cash in must be paid out, no money to remain;
 - Cash borrowed is entered in the books plus interest to be paid per person;
 - At the next meeting, the cash borrowed is paid back with interest agreed, and the total received shared (loaned out) again.
- Rules for loans and repayments:
 - Failure to bring in the agreed monthly saving will be treated as loan on which the agreed interest will be applied and paid;
 - Depending on the constitution, amount can be paid in one or two months plus the agreed interest;
 - Paying back by the next meeting is encouraged so that one can borrow again (quick turn over of interest);
 - One must clear to borrow;
 - The more one clears the more one can get.
- The Graduation:
 - In the last month of the cycle, everyone brings all the cash – savings, loans and interests;
 - Savings and interest are counted;
 - Cash in the book has to tie with cash at hand;
 - Give back to each person their total savings for the cycle, those with 2 or 3 savings will be given accordingly;
 - The profit accumulated is shared equally;
 - If a person has not cleared their loan the amount is subtracted from what they should get;
 - Whatever cash remains from the social fund is shared.
- On “graduation day”, the saving begins again.

Conclusion

The ongoing development and strengthening of IGAs represents a significant opportunity as a strategy to sustain initiatives to support children at school, including those in the earliest years of education.

PAF Circles (adult learning groups) that are implementing this programme have initiated Village Savings groups since 2009 from training by local trainers from different organisations following capacity building from PAF. New skills and confidence gained helped communities become proactive to work with other local partners. For example, in Mazabuka Plan-Zambia used it as an exit strategy when they were leaving communities, and groups which started 5 years ago are still running while Vision Fund gave out small loans which encouraged members to also start own savings. In all of PAF's target districts (Chadiza, Mumbwa, Namayani, Chipata, Monze, Mambwe and Mazabuka) some PAF Circle members have participated in own savings groups. The Ministry of Community Development has been monitoring such groups, especially those who received Government Empowerment Funds.

The Savings groups are now entirely run by their members after starting with contributions as low as US\$1 going up to US\$10 a month. In Chadiza, the highest return recorded was US\$600 to one person who had saved a total of US\$200 in monthly contributions. The Circles raised the highest total group income of US\$6,382 after total of US\$2,066 in monthly contributions over a one-year period.

The examples demonstrate that this model harnesses the determination of communities to provide the maximum support for their children. To reach success though, there is clear need for start-up resources, ongoing training and support, and support for the establishment and growth of market. There is also a need to support group cohesion and motivation in order to sustain the voluntary component, and ensure the maximum potential of the community-managed IGAs.

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