



micr**loan**
foundation

Zimbabwe
September 2022

MicroLoan Foundation Zimbabwe is a subsidiary of MicroLoan Foundation UK, registered charity number 1104287 (England and Wales); SC041941 (Scotland)

MicroLoan Foundation Zimbabwe

MicroLoan Foundation Zimbabwe (MLF Zimbabwe) launched in April 2017. The operations have two branches in the North East of the country with Harare serving as the Head Office.

MLF Zimbabwe provides pro-poor financial services and focuses on clients living in the rural areas to reach financially excluded and underserved communities. There is high demand for appropriate financial products and services, and a real need for capital, business support and financial literacy training. As of 30th September 2022, the outstanding loan book ZWL 11,185,148 (USD 30,906).

Mobile money technology is used to make disbursements, collect repayments and provide savings facilities for clients via the EcoCash platform. All transactions are 100% cashless, making it safer, easier and faster for clients to run their businesses.

The macroeconomic climate in Zimbabwe is challenging and the operations have been impacted by hyperinflation and a highly unstable local currency. As a social microfinance provider with positive impact and the well-being of clients at its core, MLF Zimbabwe is currently relying on grants to fund its operations and growth. MLF Zimbabwe is one of the only social microfinance providers in the country, as such the organisation is well positioned for growth.

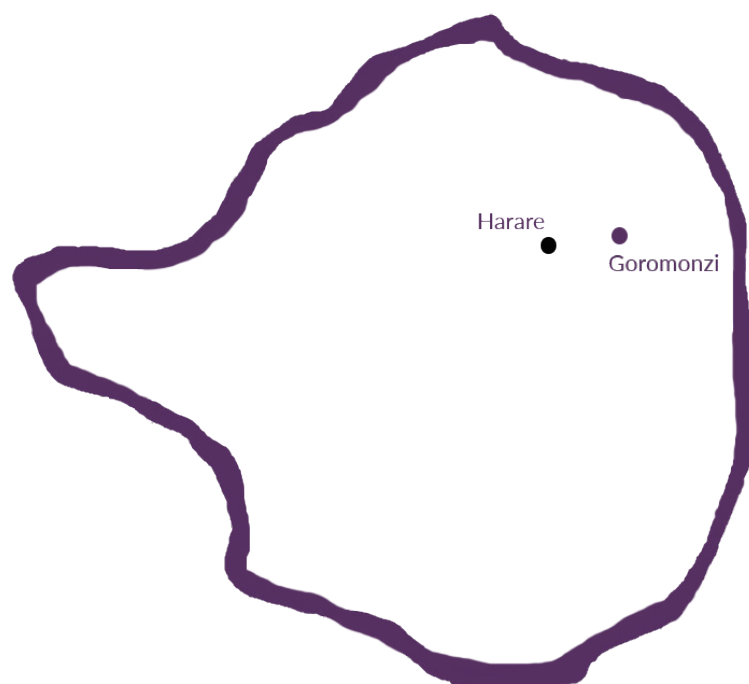
Leadership Team

Mateo Zanetic

Regional Director Africa and Chief Executive Officer Zimbabwe

As the Regional Director Africa, Mateo is responsible for overall operational development and results, specifically across Zambia and Zimbabwe. He works closely with the senior management teams and he leads the Social Performance Management function for the group. As a member of the Boards across all three of MicroLoan Foundation's subsidiaries in Malawi, Zambia and Zimbabwe he ensures operations are working effectively and efficiently. As of February 2019, Mateo serves as the Chief Executive Officer of MLF Zimbabwe.

Mateo holds a degree in Management Accounting and Corporate Finance from Wits University.



Social Performance Management

MicroLoan Foundation works towards achieving a long-term outcome that permits poor rural women to cope better with the challenges and stresses they face. We monitor activities and progress towards social and economic goals for our beneficiaries using rigorous and globally recognised systems. Our Social Performance Management model is often cited as an example of best practice, and is recognised by TrueLift, a global initiative pushing for accountability and learning in pro-poor programmes.

MLF Zimbabwe uses an internally developed poverty assessment tool based on the globally recognised Poverty Probability Index.

Key Products and Services

£ Four month business loan

This product is offered to women to help them start income generating businesses. It has a 15% interest rate per month and is repayable over 8 fortnights. No collateral is required.

\$ Customer Hotline

This is to provide customers with ongoing support on any operational issues. It is monitored monthly to analyse any common issues coming from clients.

££ Savings

In addition to loans, MicroLoan facilitates savings among clients. Since we are a non-deposit taking microfinance organisation, we facilitate savings for clients through the use of Ecocash club accounts. Clients can withdraw savings at any time required with consent from the group.

Financial literacy and business training

We offer pre and post loan disbursement training modules. They aim to help clients understand the purpose of the loans and ensure they are equipped to run and manage their businesses. Training modules include: market research, profit analysis, budgeting and the importance of savings. All training is taught through song, dance and role play.

MLF Zimbabwe News

Macroeconomic situation

The second quarter of 2022 was very challenging in terms of macroeconomic factors in Zimbabwe. Inflation rate rose sharply from 72.7% at the end of March to 191.6% at the end of June 2022. Local currency depreciated from around ZWL143 to USD to ZWL371 to USD. Black market rate moved from around ZWL 300 per USD, to ZWL 750 per USD. On the 7th of May, the authorities in Zimbabwe ordered banks and microfinance institutions to stop lending with immediate effect. There was no information on how long the ban would be in place, leaving the entire economy cash strapped. According to the government, the decision was taken to stop speculation against the Zimbabwean dollar and was part of a raft of measures to stop its rapid devaluation on the black market. MLF Zimbabwe communicated with clients and suspended lending in line with the directive. The ban was lifted after 10 days.

Expected food crisis

Significantly below average crop production in the 2021/22 growing season and macroeconomic instability are expected to drive the emergence of a food crisis in Zimbabwe. The price hikes of fuel and fertilizer is likely going to impact agricultural production over the coming months as well as the 2022/23 harvest. Although MicroLoan's clients are not based in the hardest hit areas, they will feel the impact of food insecurity.

Inflation

MLF Zimbabwe registered a 15% growth in Portfolio Outstanding from ZWL 8.1 million to ZWL 9.3 million during the quarter whilst number of active clients decreased from 496 to 390. This was due to significant inflationary pressure on average loan sizes, which grew from around ZWL21,000 to over ZWL27,735 during the quarter.

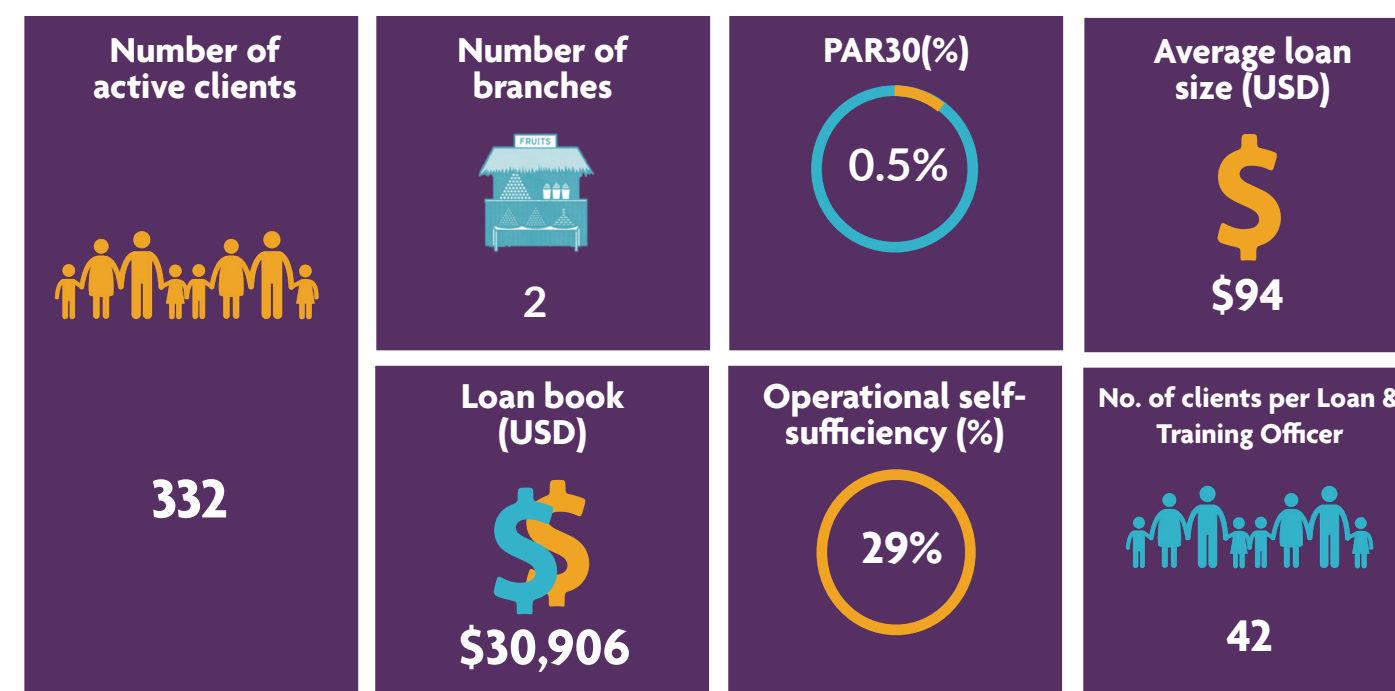
Increase in interest rates

The Board of MicroLoan Foundation Zimbabwe made a decision to increase the interest rate from 10% per month to 15% per month on RTGS loans from 1 September 2022. The decision is based on instruction from Reserve Bank of Zimbabwe (RBZ) which makes it illegal for us to lend at effective rates below 200% per annum. Note that this only applies to RTGS loans and would not be the case with USD loans that we are planning to be disbursing in the future. The annual inflation rate in Zimbabwe stood at 268.8% in October and as such clients are effectively paying back a lower value in real terms than they receive, even at the increased interest rate. Based on prevailing inflationary trends and the evidence that we have seen in the market, the increase in interest rates to 15% on the RTGS loans, will not negatively impact client affordability.

US dollar loans

The challenges of shortage of RTGS in Ecocash Accounts in rural areas continued to be a problem. MLF Zimbabwe has now received the approval for US dollar lending in Sep 2022. We will lend USD loans at 7% per month.

Operational highlights as of 30th September 2022



Source: MicroLoan Performance Report. Exchange rate based on Oanda at 30th September 2022.

Key Partnerships

Whole Planet Foundation is part of the Whole Foods Market and is dedicated to poverty alleviation around the world. They partner with MLF across all three countries of operations to facilitate growth. In Zimbabwe, they are providing a grant in the value of USD 50,000 to grow the loan book from April 2021 – March 2022.

The Paul Foundation is a grant giving trust and social impact investor. Their generous grants were instrumental in launching MLF Zimbabwe operations and come to a total of £120,000. In 2022 they are providing a donation of £41,000 for operational expenses and loan book growth. In addition to this, they have also provided a social impact loan to MLF operations in Zambia.



Kubatana loan group, MLF Zimbabwe

If you would like any further detail about the information included in this document please contact MicroLoan Foundation's Group Chief Executive Officer, Medha Wilson.

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