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I. ACKNOWLEDGEMENTS

The National Microfinance Policy was developed through collaborative work by the National Taskforce on Microfinance whose membership comprised Government Ministries, apex organisations of microfinance and moneylenders, microfinance institutions, development partners, and the Central Bank.

The Policy paper also benefited from a National Microfinance Survey, conducted by Ernst & Young, and research on international best practice.

II. LIST OF ACRONYMS

DPB	Deposit Protection Board
HIV/AIDS	Human Immuno Deficiency Virus/Acquired Immuno Deficiency Syndrome
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MFIs	Microfinance Institutions
NGOs	Non-Governmental Organizations
RBZ	Reserve Bank of Zimbabwe
SACCOs	Savings and Credit Co-operative Societies
SME	Small to Medium Enterprises
VAT	Value Added Tax

III. POLICY SCOPE AND COVERAGE

a) The National Microfinance Policy, hereafter refered to as “the policy”, provides a strategic framework and roadmap for the development of a well integrated and sustainable microfinance sector in Zimbabwe.

b) The policy articulates the national vision, objectives, strategies and values adopted, following exhaustive consultations among all stakeholders through the National Taskforce on Microfinance, in pursuit of building an inclusive financial sector.

c) The policy further outlines the framework that should be put in place to ensure appropriate supervision of the microfinance sector including minimum requirements in respect of laws and regulations; licensing and supervision of different tiers; prudential and non-prudential supervision; institutional arrangements, and the roles of various stakeholders.

d) In line with international best practice in microfinance, the policy seeks to promote poverty alleviation and economic development by creating an enabling environment for the microfinance sector to blossom, while laying a strong foundation for macroeconomic stability by outlining the principles and guidelines that will promote development prospects of all stakeholders.

e) The policy enhances the sustained provision of diversified microfinance services to the poor which include savings, credit, money transfer, insurance and other services used to support their enterprises and economic activities as well as their household financial management and consumption needs.

1. INTRODUCTION

Definition...

1.1 Microfinance is generally defined as the provision of a range of financial services, including savings, small loans, insurance, and money transfer services to marginalized members of the population and SMEs that do not have access to finance from formal financial institutions.

National Survey...

1.2 A survey conducted by the National Task Force on Microfinance, through a consultancy firm, between December 2005 and March 2006, indicated that the formal financial system provides services to about 30% of the economically active population while the remaining 70% are excluded from access to formal financial services. This 70% is often served by the informal financial sector, through microfinance institutions, moneylenders, friends, relatives, and credit unions.

1.3 The survey revealed a wide range of critical issues that are discussed hereunder:

a) **Weak Institutional Capacity:** The prolonged sub-optimal performance of many existing Savings and Credit Cooperatives Societies (SACCOS), microfinance and development finance institutions was largely attributed to incompetent management, weak internal controls and lack of a bespoke deposit protection scheme. Other factors identified include poor corporate governance, lack of well-defined operations and restrictive regulatory/supervisory requirements.

b) **Weak Capital Base:** The existing microfinance institutions had weak capital bases which could not cannot adequately provide a cushion for the risk of lending to micro-entrepreneurs without collateral.

c) **Existence of a Huge Un-Served Market:** The size of the market unserved by existing financial institutions was large. The average banking density in Zimbabwe was one financial institution outlet to 17 000 inhabitants. In the rural areas, its was 1:63 000, that is less than 3% of rural households had access to financial services.

d) **Employment Generation and Poverty Reduction:** The survey noted that improved access and an efficient provision of savings, credit and insurance facilities enable the poor to be self-sufficient by providing them with self employment opportunities. The micro-enterprises accessing microfinance also create employment opportunities for other people.

e) **Economic Growth and Development**: Without permanent access to institutional microfinance, most poor households rely on meagre self-finance or risky and expensive informal sources of finance. This would limit their ability to actively participate in and benefit from development opportunities. Microfinance institutions assist in the formalization and integration of the informal sector into the formal sector thereby facilitating economic growth and development.

f) **The Interest of Local and International Communities in Microfinance:** Many international investors have expressed interest in investing in the microfinance sector. The establishment of a well defined microfinance framework for Zimbabwe would provide an opportunity for them to finance the economic activities of low income groups and the poor.

g) **Weak Regulatory Framework**: Due to the diversity of institutions that provide microfinance services, coupled with a fragmented regulatory framework; regulation and supervision of the sector, hitherto had provided challenges for the regulatory authorities.

Policy Initiatives...

1.4 This policy provides for the establishment of a vibrant microfinance sector that would be adequately integrated into the mainstream financial system and provide the stimulus for growth and development. It also seeks to harmonize operating standards and provide a strategic platform for the evolution of the microfinance sector, promote appropriate regulation, supervision and adoption of international best practice.

1.5 The policy recognizes microfinance as a function, which can be provided by a continuum of institutions including credit only microfinance institutions, Non-Governmental Organizations (NGOs), Savings and Credit Co-operative Societies (SACCOs), microfinance banks, building societies and commercial banks.

2. ROLE OF THE MICROFINANCE SECTOR IN ECONOMIC DEVELOPMENT AND POVERTY ALLEVIATION

2.1 Overview

2.1.1 In recent years, there has been increased realisation throughout the world that microfinance plays a critical role in economic development and poverty alleviation.

2.1.2 Some of the notable benefits are briefly discussed hereunder

2.2 Financial Inclusion

2.2.1 A vibrant and sustainable microfinance sector promotes **financial inclusion** i.e. access to credit, savings and payment systems for all "bankable" people and firms, as well as access to insurance for all insurable people and firms.

2.2.2 An **inclusive financial sector** therefore enables poor or low income households to access financial services and hence manage their risks better, build their assets gradually, and develop their micro- enterprises.

2.3 Poverty Reduction and Improvement of Standards of Living

2..3.1 By plugging the gap left by the mainstream financial institutions, microfinance providers improve the standards of living of the poor but economically active as well as strengthen their social and human capital.

2.3.2 Microfinance activities also promote the social fabric of communities through productive activities. Where communities are engaged in productive activities, this tends to reduce social ills such as prostitution, drug abuse and trafficking.

2.4 Social Intermediation

Providers of microfinance services often integrate the provision of credit with developmental activities such as community and leadership development, recreation, training in practical skills, entrepreneurship and financial management. They also often play a critical role in delivering health education to their clients particularly with respect to HIV /AIDS awareness.

2.5 Microfinance and the Millennium Development Goals (MDGs)

2.5.1 In line with the international community, Zimbabwe has made a commitment to the achievement of the following MDGs:

a) Eradicate extreme poverty and hunger;
b) Achieve universal primary education;
c) Promote gender equality and empower women; and
d) Combat HIV/AIDS, malaria and other diseases.

2.5.2 Sustainable access to financial services enable the poor to have access to factors of production, improve, build human, economic and social assets and improve general standard of living.

2.5.3 Where microfinance has been developed on a sustainable basis, poverty levels of the affected communities have reduced, education levels have improved, and access to health facilities has also improved, particularly for women and children. This in turn has contributed immensely towards the attainment of the MDGs.

2.5.4 Thus, the microfinance sector has the ability to effectively engender among others:

a) Economic equality in the economy;
b) Improvement in gender welfare;
c) Equitable allocation of resources;
d) SME development and capacity building; and
e) Improved participation of women in mainstream economy.

3. RATIONALE FOR REGULATING THE MICROFINANCE SECTOR

3.1 Many developing economies are usually trapped in vicious cycles of poverty. There is limited economic participation of the majority of the citizens and a greater proportion of small to medium enterprises (SMEs) have no access to either formal banking or stock exchange services.

3.2 High levels of unemployment have also created a huge informal sector. Following upon these factors, there is immense potential for the microfinance sector to play a pivotal role in fostering economic growth and development by increasing productivity and employment opportunities.

3.3 The realization of the benefits accruing from microfinance activities to overall poverty alleviation and economic development calls for proper regulatory systems and structures for the sector to effectively foster **economic development and financial stability**.

3.4 **Financial stability** requires that all systemically important institutions be adequately regulated and supervised. While only a small portion of the providers of microfinance currently under the regulation of the RBZ may be of systemic importance on a global basis, the microfinance industry's impact on financial stability and economic development is significant.

3.5 Proper regulation is key to addressing the problem of **regulatory arbitrage**. Prior to 2004, some banks in Zimbabwe were conducting banking business through their unregulated subsidiaries to avoid statutory reserve requirements and other forms of regulatory scrutiny. Intra-group exposures, with no underlying economic transactions, were also on the increase, with potential detrimental effects on financial stability. In addition, these institutions provided conduits to money-laundering activities.

3.6 Many countries including Zimbabwe, have witnessed an increase in **financial conglomeration** with banks establishing unit trusts, asset management companies, microfinance and insurance subsidiaries. In addition, some big microfinance institutions are planning to transform into deposit-taking MFIs, and also offer money transmission services. There is evidence that microfinance institutions are increasing their interaction with other financial sector players, for example, through:

a) borrowing from banks;

b) investing on money markets and on the stock exchange;

c) buying shares in banks; and

d) banks investing in microfinance institutions.

3.7 The rapid growth of the microfinance industry has an impact on the financial markets due to its sheer size and close ties with the formal financial sector. Regulation of microfinance institutions closes regulatory gaps and fosters orderly development of the sector.

3.8 Regulation will also provide microfinance institutions with **legitimacy and confidence** in the eyes of their customers and investors. Regulation provides a benchmark of acceptable behavior, which increases certainty, transparency and levels the playing field. A well regulated microfinance sector will help in attracting capital into the sector. Providers of capital view safety and soundness as very important investment considerations.

3.9 **Consumer protection** is also an important issue in the regulation of microfinance institutions because their clients usually have very limited choice or bargaining power. Some microfinance institutions employ abusive and reckless lending practices to increase the likelihood of loan repayment and/or overcome contract enforcement problems, which expose them to high reputation risk.

4. THE MICROFINANCE POLICY

4.1 Policy Vision and Mission Statement

4.1.1 To become a viable, ethical and sustainable pro-poor microfinance industry with effective outreach and impact, which is integrated into the mainstream financial sector, and has the support of all stakeholders.

4.1.2 To empower the economically active rural and urban low income households and micro-businesses through provision of diversified, sustainable, affordable and easily accessible financial services.

4.2 Policy Objectives

The specific objectives of this microfinance policy are:

a) to promote the development of a robust, inclusive financial sector;

b) to promote synergy and mainstreaming of the informal sub-sector into the national financial system;

c) to enhance service delivery by microfinance institutions to the economically active poor and SMEs;

d) to contribute to rural transformation; and

e) to promote linkage programmes between commercial banks, building societies, development banks, specialized institutions and microfinance banks and other microfinance stakeholders..

4.3 Policy Strategies

4.3.1 To realise the outlined policy objectives the following strategies will be employed:

a) Development of an appropriate regulatory and supervisory framework for the microfinance sector;

b) Licensing and regulation of Microfinance Banks (MFBs);

c) Encouragement of commercial banks and building societies to go downstream into microfinance either wholesaling funds to MFIs or retailing to consumers of microfinance institutions;

d) Promote the participation of Government in the microfinance industry by encouraging local authorities to devote at least five percent of their annual budgets to micro-credit initiatives administered through MFBs;

e) Establishing a Credit Reference Bureau to enhance credit risk management practices and aid decision making on current and potential microfinance clients;

f) Creation of a Financial Inclusion Fund for the development of the microfinance sector in respect of wholesale lending, guarantee funding, refinancing facility, capacity building, and other promotional activities;

g) Establishment of a Financial Inclusion Forum comprising key stakeholders in the sector that will operate within a given mandate;

h) Strengthening the capacity of regulators, practitioners, and beneficiaries of microfinance initiatives;

i) Conducting regular research in the area of microfinance for policy, programme review and evaluation;

j) Promoting sound microfinance practice by advocating professionalism, transparency and good governance in microfinance institutions;

k) Mobilize domestic savings and promote a banking culture among low-income groups;

l) Clearly define stakeholders' roles in the development of the microfinance sub-sector; and

m) Collaborate with development partners, coordinate and monitor donor assistance in microfinance in line with the provisions of this policy.

4.4 Policy Values

4.4.1 The implementation of this policy shall be guided by the following values:

a) Professionalism and Integrity;
b) Sound Corporate Governance Arrangements and Structures;
c) Dynamism and Flexibility;
d) Creativity and Innovation;
e) Client orientation and Customer Focus;
f) Respect for the Environment; and
g) Non-discrimination.

5. FRAMEWORK FOR SUPERVISION OF THE MICROFINANCE SECTOR

5.1 Enabling Legal and Regulatory Framework

5.1.1 Prior to 2006, the legal and regulatory framework for the microfinance sector in Zimbabwe was largely inadequate and fragmented. The legislation for the sector was a notable constraint to the deepening and broadening of microfinance services and the participation of credible private sector institutions as service providers.

5.1.2 To enhance the contribution of MFIs in economic development, the policy recommends amendment to existing legislation in line with the new strategic national microfinance vision.

5.2 Licensing and Supervision of the Microfinance Sector

5.2.1 The following tiered approach has been adopted for the regulation and supervision of the microfinance sector:

Table 5.1: Tiered System

MFI Tiers	MFIs	Supervisory Category	Supervising Agency
Tier 1	Banks and Building Societies	Prudential Supervision	Reserve Bank
Tier 2	Microfinance Banks	Prudential Supervision	Reserve Bank
Tier 3	Savings & Credit Union Cooperatives	Prudential Supervision - *Discretional*	Ministry responsible for Cooperatives
Tier 4	Microfinance Institutions	Non-Prudential Supervision	Reserve Bank

5.2.2 The licensing and supervision of institutions in Tiers 1, 2 and 4 shall be the responsibility of the Reserve Bank of Zimbabwe. SACCOs shall be licensed and supervised by the Ministry responsible for co-operatives.

5.2.3 Microfinance Banks shall be subjected to prudential regulation and supervision while the non-deposit taking MFIs will be subjected to non-prudential regulation.

5.3 **Prudential and Non-Prudential Regulation**

5.3.1 Cognisant of the diversity of the various microfinance providers, this policy provides guidance with regards to **Prudential and Non-Prudential Regulation**.

5.3.2 **Non-Prudential Regulation** focuses on “conduct of business” and is applied to non-deposit taking MFIs. It covers :

a) Registration of institutions to conduct the business of lending legally;
b) Periodic submission of returns;
c) Consumer protection;
d) Preventing fraud and financial crimes;
e) Setting up credit information services;
f) Developing policies with respect to interest rates;
g) Setting limits on foreign ownership and sources of capital; and
h) A variety of cross-cutting issues surrounding transformations from one institutional type to another.

5.3.3 Regulation is “**prudential**” when it is aimed specifically at protecting the financial system as a whole as well as protecting the safety of small deposits in individual institutions. In addition to the requirements for non-prudential regulations, institutions should meet the following prudential standards:

a) Minimal capital requirements;
b) Limits on unsecured lending;
c) Limits of lending to a single borrower or related party;
d) Limits on investment in fixed assets;
e) Liquidity requirements;
f) Provisioning requirements for unsecured lending;
g) Full registration of collateral costs;
h) Requirements for branches; and
i) Standard loan documentation requirements.

5.4 **Regulation of Interest Rates**

5.4.1 Although interest rate caps are retrogressive to the development of a sustainable microfinance sector, there remains a need for consumer protection, particularly in view of the captive nature of the microfinance market.

5.4.2 In this regard, interest rates shall be regulated in a way that ensures that microfinance institutions can become sustainable while at the same time ensuring that clients/borrowers are not unduly exploited.

5.5 **Performance Standards and Rating Agencies**

5.5.1 The policy promotes the development of performance standards for microfinance institutions and allows for development of a comprehensive database that can be utilized to monitor the contribution of the sector to economic development.

5.5.2 Further, the policy encourages the establishment of private rating agencies to rate microfinance institutions in order to encourage them to improve their risk management practices.

5.6 **Financial Inclusion Forum**

5.6.1 To give direction and guidance to the implementation and monitoring of this policy and to take-over from the National Taskforce a Financial Inclusion Forum shall be constituted.

5.6.2 Membership of the Financial Inclusion Forum will be drawn from key microfinance stakeholders to include the following:

a) representatives of registered MFIs and MFBs;
b) banking institutions providing microfinance services;
c) the Reserve Bank of Zimbabwe;
d) Government Ministries;
e) MFI apex bodies;
f) donor agencies involved in microfinance;
g) institutions of higher learning;
h) providers of research and consultancy services;
i) Consumer Council of Zimbabwe; and
j) any other significant stakeholders.

5.6.3 Terms of reference of the Financial Inclusion Forum shall be to:

a) sensitise stakeholders and the general public on issues pertaining to financial inclusion and the operations of the microfinance industry;
b) ensure that stakeholders carry out their roles and responsibilities as outlined

in the National Microfinance Policy;

c) promote transparency, professionalism, accountability of all microfinance institutions and donor programs;

d) facilitate capacity building, knowledge management and dissemination of best practices in the microfinance industry;

e) contribute to the attainment of the Millennium Development Goals; and

f) facilitate increased usage of support infrastructure (audit, credit reference bureau.

5.6.4 The Microfinance Unit of the RBZ shall serve as the Secretariat to the Forum.

5.7 Financial Inclusion Fund

5.7.1 In order to promote the development of the microfinance sector and provide for the wholesale funding requirements of microfinance institutions, a **revolving** Financial Inclusion Fund shall be set-up.

5.7.2 The purpose of the Fund is to promote the development of the microfinance sector through wholesale lending, guarantee funding, refinancing facility, capacity building, and other promotional activities.

5.7.3 The Fund will be a revolving facility provided by government, international development financing institutions, as well as multilateral and bilateral development institutions through soft loans and grant facilities.

5.8 Capacity Building

5.8.1 The policy recognizes the need to set-up an appropriate capacity building programme for the microfinance sector to bridge the technical skills gap, especially among microfinance practitioners, regulators and apex organizations.

5.8.2 To this end, the Financial Inclusion Fund will also be used to enhance the acquisition of appropriate microfinance operational skills, institutional strengthening and appropriate regulatory oversight of microfinance institutions.

5.9 Credit Reference Bureau

5.9.1 To improve the flow of information, enhance credit risk management practices and aid decision making on current and potential microfinance clients, the Reserve Bank will establish a credit reference bureau.

5.10 Deposit Protection Scheme

5.10.1 The envisaged microfinance landscape is where some microfinance institutions will be able to mobilize public deposits for on-lending. Therefore, deposit-taking microfinance institutions shall be incorporated into the deposit insurance scheme already in operation for the banking sector.

5.10.2 The objective of such a scheme shall be to compensate depositors for losses incurred in the event of insolvency of a contributory institution, thereby reinforcing public confidence in microfinance institutions.

5.11 **Apex Associations**

5.11.1 The policy encourages the establishment of effective, efficient and relevant apex organisations for microfinance institutions to promote best practices, transparency, good corporate governance, compliance and full disclosures in the conduct of microfinance operations.

5.11.2 Where necessary, apex bodies will be accredited by the Reserve Bank so as to promote the development and application of performance standards and benchmarks.

5.12 **Consumer Protection**

5.12.1 Microfinance has become more commercial and competitive and as such consumer protection issues have become an integral part of microfinance services.

5.12.2 In that regard, microfinance institutions will not be allowed to use clients' confidential items from other financial institutions such as pin codes, bank cards and passbooks among others, for security or collection arrangements.

5.12.3 Regulation of MFIs will enhance transparency through requiring proper documentation of the loan amount, total repayable, interest payable and its computation, total charges levied and the repayment period.

6. ENHANCING THE PROVISION OF MICROFINANCE SERVICES

6.1 Establishment of Microfinance Banks

6.1.1 Public and private sector-driven microfinance banks shall be established.

6.1.2 The banks shall be required to be well-capitalized, technically sound, and oriented towards lending to the poor and marginalised, based on the cash flow and character of clients.

6.1.3 An existing microfinance institution can fully transform into a MFB, subject to meeting the minimum regulatory requirements as shall be determined by the Registrar of Microfinance Banks (the Registrar) in Zimbabwe.

6.2 The Goals of Microfinance Banks

6.2.1 The establishment of microfinance banks has become imperative to serve the following purposes:

a) provide diversified, affordable and dependable financial services to the economically active poor, in a timely and competitive manner;

b) mobilize savings for intermediation;

c) create employment opportunities and increase the productivity of the economically active poor in the country, thereby increasing their individual household income and uplifting their standard of living;

d) enhance organized, systematic and focused participation of the poor in the socio-economic development and resource allocation process; and

e) render payment services, such as salaries, gratuities, and pensions to people on the periphery of the existing financial system.

6.3 **Organic Growth Path for Microfinance Banks**

6.3.1 This policy recognizes that the current financial landscape in Zimbabwe is skewed against Small and Medium Enterprises (SMEs) with respect to access to financial services. To address the imbalance, this policy framework shall promote an even spread of microfinance banks, their branches and activities.

6.3.2 The level of spread and saturation of the financial market shall be taken into consideration before approval is granted to a MFB to establish branches across the various provinces in fulfillment of the objectives of this policy.

6.3.3 Specifically, a MFB shall be expected to have a reasonable spread in a province before moving to another location, subject to meeting all necessary regulatory and supervisory requirements stipulated by the Registrar. This is to avoid concentration in already served areas and to ensure extension of services to the economically active poor, and to micro, small and medium enterprises.

6.3.4 An MFB shall be expected to primarily employ the mobilised deposits in the development of rural and peri-urban areas.

6.4 **Ownership of Microfinance Banks**

6.4.1 Microfinance banks can be established as companies by individuals, groups of individuals, community development associations, private corporate entities, foreign investors, or financial entities as defined in the Banking Regulations, Statutory Instrument 205 of 2000. Ownership diversification shall be encouraged to enhance good corporate governance of licensed MFBs.

6.4.2 Commercial banks that intend to set up a MFB as a subsidiary shall be required to meet all the licensing requirements for MFBs as stipulated by the Registrar.

6.4.3 No individual, group of individuals, their proxies or corporate entities, and/or their subsidiaries, shall establish more than one MFB under a different or disguised name.

6.4.4 No trustees or nominee companies shall be shareholders of an MFB in Zimbabwe.

6.4.5 The shareholding thresholds and minimum capital requirements for MFBs and MFIs shall be prescribed by the Reserve Bank from time to time in line with the obtaining macroeconomic environment.

7. PARTICIPATION OF EXISTING FINANCIAL INSTITUTIONS IN MICROFINANCE ACTIVITIES

7.1 **Commercial Banks:** Commercial banks currently engaging in microfinance services, and do not wish to set-up a subsidiary, shall be required to set-up a department /unit for such services and shall be subjected to the provisions of the MFB regulatory and supervisory guidelines as stipulated by the Registrar.

7.2 **Microfinance Institutions (MFIs):** This policy recognizes the existence of credit-only, membership-based microfinance institutions. Such institutions shall engage in the provision of micro credits to their targeted population and remain prohibited from mobilizing deposits from the general public.

7.3 **Transformation of the existing MFIs:** Existing MFIs that wish to convert fully into a microfinance bank shall be required to obtain an operating licence which meets the specified provisions as stipulated by the Registrar of Microfinance Banks.

8. ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS

The roles of the various stakeholders, namely the government, the Reserve Bank of Zimbabwe, the apex bodies, microfinance institutions and development partners (donors) shall include the following:

8.1 The Government

8.1.1 The Government, through its various ministries and arms, shall be responsible for:

a) Maintenance of a stable macro-economic environment,

b) Channeling subsidies to selected sectors of the economy involved in poverty alleviation initiatives through the Financial Inclusion Fund to avoid duplication of efforts and conflict of interest;

c) Provision of basic infrastructures (electricity, water, roads, telecommunications, etc) so as to enhance private sector participation and enterprise promotion to facilitate the provision of financial services to low income people in the remote areas;

d) Creation of a conducive legislative and regulatory framework that encourages sustainable and efficient growth of the microfinance sector and eliminates barriers of entry into the financial market;

e) Mobilise resources, through budgetary provisions, to build institutional capacity and innovation within the apex bodies and the MFIs; and

f) Coordinating donor intervention efforts in line with the provision of this policy so as to achieve desired impact.

8.2 The Reserve Bank of Zimbabwe

8.2.1 The RBZ, charged with the oversight of the country's financial sector, shall be responsible for coordinating the implementation of the microfinance policy by:

a) Adopting and implementing an appropriate regulatory and supervisory framework that promotes regulatory harmony, healthy competition and development of the microfinance sector;

b) Minimizing regulatory arbitrage through periodic reviews of the policy and issuance of regulatory guidelines;

c) Prudential Supervision of all MFIs that qualify to be in tiers established for prudential supervision;

d) Maintaining a database of all licensed MFIs, thereby ensuring that their contribution to the economy is tracked;

e) Also enforce compliance with all guidelines and regulations pertaining to the sector that shall be issued from time to time; and

f) Managing and administering the Financial Inclusion Fund on behalf of Government.

8.3 **Apex Bodies**

8.3.1 The role of apex bodies shall include:

a) Supporting capacity building initiatives for various MFI's technical assistance, training etc;

b) Advocating for consumer protection practices by all microfinance institutions;

c) Providing an appropriate interface between regulatory authorities and microfinance practitioners;

d) Sourcing funding for the microfinance sector; and

e) Promoting international microfinance best practices.

8.4 **Providers of Microfinance Services**

8.4.1 Microfinance practitioners shall include, among others, commercial banks, building societies, microfinance banks, microfinance institutions, Savings and Credit Cooperatives (SACCOs). They shall:

a) Observe sound and ethical risk management and corporate governance practices;

b) Provide efficient and effective financial services as spelt out in the regulations governing their operations;

c) Undertake appropriate recruitment and retention of qualified professionals through transparent and competitive processes;

d) Adopt continuous training and capacity building programmes to improve the skills of staff;

e) Strictly observe their fiduciary responsibility, remain transparent and accountable in protecting clients' deposits, in compliance with their lending policies and regulatory requirements; and

f) Promote and provide demand-driven and diversified products and services to the economically active poor.

8.5 **Commercial Banks and Building Societies**

8.5.1 The policy recognises the importance of the provision of wholesale funds for MFIs to expand their outreach to rural markets.

8.5.2 To this end, the policy fosters a linkage strategy between commercial banks, building societies and MFIs to enable MFIs to source wholesale funds and refinancing facilities for on-lending purposes.

8.5.3 Further, the policy encourages commercial banks and building societies to leverage their existing infrastructure by down-streaming their services to cater for the low income segments of the economy, especially the rural poor.

8.6 **Developmental Partners**

8.6.1 Developmental partners, who include the donor community, have been instrumental in the development and implementation of microfinance programmes in Zimbabwe through the provision of grants, subsidized funds and technical assistance.

8.6.2 Development partners are expected to coordinate their efforts to ensure that their programs are in compliance with microfinance best practices and provisions of this policy statement. To ensure development of sustainable MFIs their services will include:

a) Offering funds and technical assistance for the development of the microfinance industry in Zimbabwe;

b) Provision of financial assistance at concessional rates for items such as housing, income generation projects and community based projects; and

c) Capacity building through dissemination of international best practices in microfinance through organizing workshops and conferences.

9. POLICY INCENTIVES

9.1 The policy seeks to promote the microfinance sector to ensure sustained provision of financial services to the poor and marginalised communities.

9.2 To this end, the policy encourages collaborative efforts by all key stakeholders, especially government agencies such as fiscal and tax authorities, local government authorities to provide, among others, incentives such as:

a) Tax exemptions on financial transactions by MFIs such as lending or interest income, profit tax, VAT, etc so that they reinvest their profits to finance enterprise development;
b) Provision of land or premises to SMEs by local authorities and amendment of by-laws to foster financial inclusion;
c) Provision of budgetary allocation by government to enable access by MFIs to affordable sources of funding so as to lower the cost of funds;
d) Devotion of a certain percentage of local authorities budgetary allocation to support microfinance activities in their localities; and
e) Avail liquidity assistance to support microfinance activities in rural financial markets, subject to prudential and regulatory requirements that may be proscribed from time to time.

10. POLICY REVIEW AND MONITORING

10.1 It is critical to ensure that all key stakeholders in the microfinance sector deliver on their key result areas as outlined in this policy statement.

10.2 Pursuant to this, the Financial Inclusion Forum, in conjunction with the central bank, will be responsible for periodic monitoring and evaluation of the effectiveness, efficiency and relevancy of the policy to the development of the microfinance sector.

10.3 An annual conference on microfinance shall be held to deliberate on progress made in achieving policy objectives and key challenges facing the microfinance sector.

11. CONCLUSION

11.1 This policy provides a roadmap and strategic direction for all key stakeholders operating in the microfinance sector in Zimbabwe.

11.2 It is envisaged that comprehensive adoption of the policy will promote poverty alleviation and stimulating economic development by creating an enabling environment for the microfinance sector to blossom, while laying a strong foundation for macroeconomic stability by outlining the principles and guidelines that will ensure development of future prospects for all stakeholders.