

## Phase II: Chilimba and Market Associations

### *ABSTRACT*

*Phase II of the study was concerned with identifying two particular non-formal social security schemes. We selected for analysis the chilimba and market associations because they raised practical policy-related issues, seemed to address priorities, covered priority groups, (the poor and most vulnerable in urban and some parts of rural areas) and also addressed immediate and future needs, especially market associations. These are the non-formal social security schemes that have the most potential for strengthening by a policy regime that recognizes each individual's need to have some form of social security, identifies non-formal security schemes and their members' needs and then offers training in basic skills of leadership and management, business and entrepreneurship and expanding employment opportunities so that more people can earn enough to pay for formal social security.*

### **Chilimba**

The word *chilimba* means strengthening. It derives from the Nyanja and Bemba words “*kuiimba*” and “*ukulimba*”, respectively. In practice, *chilimba* is a self-help way of assisting those who are unable to raise the money required either for business or buying household items.

*Chilimba* started as an informal rotating credit and savings (without interest) scheme that provided mutual assistance among poor male labour migrant miners on the Copperbelt of Zambia during the colonial period as a means of coping with the perennial problem of lack of money. The contingencies covered ranged from buying personal items to meeting funeral, educational, transport and medical expenses. At this stage, only men participated in *chilimba* because only they were allowed to reside in the Copperbelt were employed. Epstein (1981) observes that as soon as Africans assembled in towns and engaged in industrial work they began to form social relationships appropriate to



**Table III: Distribution by gender of *chilimba* group members**

Gender	Number	%
Women	386	88
Total	441	100

SOURCE: FIELD DATA

their new situation. For example, tribal elders representing different ethnic groups and *chilimba* credit scheme emerged in mine townships.

In practice, *chilimba* means lending another person the whole or part of your wages for a period (for example, one month) and receiving it back, together with the other person's equal and reciprocal contribution, the following month. At the time of the study it was found that more women than men were participate in *chilimba*.

This was true both among those engaged in selling at the markets in rural and urban areas and those who were organized solely for the purpose of raising money for domestic use. This is because there are more women than men in the informal sector although more men are entering it as formal sector employment opportunities are narrowing, mainly as a result of business closures stemming from the economic restructuring process. At the time of the study, however, men who were out of formal employment were still hoping to rejoin it. They had not yet decided to start creating long-lasting reciprocal relationships like those required by *chilimba*.

Although the system of *chilimba* initially came about as a result of the poverty of the African mine migrant labourers on the Copperbelt,

**Table IV: Reasons for joining a *chilimba* group**

Reasons	Number	%
To raise money	300	68
No interest on contributions	56	12
No security or collateral required to join	47	11
You can stay in the group as long as you want	38	9
Total	441	100

SOURCE: FIELD DATA

NOTE: THIS NUMBER INCLUDES THOSE WHO WERE ENGAGED IN CHILIMBA FOR ITS OWN SAKE AND THOSE WHO USED IT WHILE OPERATING IN MARKET ASSOCIATIONS.



the system has spread to other urban areas. During the period of economic boom the practice of *chilimba* decreased but from the 1980s it came back with renewed vigour, when it began to be used for raising money to meet different needs such as education, medical fees and rent. The assistance is usually seen as primarily social terms as no interest is charged and the scheme remains informal.

Table IV shows the reasons given for joining a *chilimba* group. More than half of the respondents (68%) joined to raise money. For those who were working in markets the money raised is used mainly to expand their businesses, as indicated by the following remarks from two women:

---

*Chilimba enables me to raise money so that I can expand my business. I am able to buy more goods for sale and by doing so I make more profit than I would otherwise make without belonging to the chilimba group. Without chilimba I would have been out of business a long time ago.*

---

*I joined chilimba as a means of saving money and increasing my business capital"*

---

Those who join other *chilimba* groups outside the markets do so to raise money to pay for household items, medical and school fees. Another reason is because no interest is payable on loans and no security or collateral is required to join the *chilimba* group (23%). The following remarks convey the general feeling:

---

*I did not want to end up with the problems I would encounter if I failed to pay interest on loans from other organizations.*

*We do not go to lending institutions for fear of losing our property if we fail to pay back the interest.*

*Chilimba is better than borrowing money from banks or from the non-governmental organizations that lend money to women in markets because in chilimba groups you are not expected to enrich the lender; only yourself.*



*I am very comfortable with chilimba because, if I fail to contribute, when my time comes to collect, I simply do not collect and only miss one turn. There is no penalty for that.*

*I am not educated and I do not know how to get a loan from established institutions.*

*We fear losing our household property to organizations that would lend us the money due to the interest required.*

*I would rather go for chilimba than a loan from a bank or from a non-governmental organization because instead of progressing you spend most of your time servicing the loan.*

Nine per cent of respondents said they had joining because they could stay in a group as long as they wanted. *Chilimba* was effective as long as all members of the group were honest, hardworking and had the ability to pay their contributions. Other remarks were

*Although no specific number of people is required to form a chilimba group it is, however, better to have not more than ten people in order to reduce the waiting time for a member to collect the group's contribution" and*

*"The recommended number of chilimba group members is 4 to 10. There are usually problems when there are more than 10 members"*

The study found that the *chilimba* scheme had been transformed into a popular grassroots-based savings and credit scheme and that some

**Table V: Key factors for the success of *chilimba* scheme**

Factors	Number	%
Reciprocity, honesty and trustworthiness	161	37
Ability to pay for the contribution	122	28
Respect for other group members	71	16
Hardworking	53	12
A good network of members	34	7
<b>Total</b>	<b>441</b>	<b>100</b>

SOURCE:

FIELD DATA



of the problems members associated with a large group were dishonesty and defaulting. Its success, as shown in Table V, appeared to lie the limits attached to membership which allowed for a high degree of intimacy and, therefore, a fair amount of trust. By pooling their limited individual resources members were able to support one another in various ways.

The degree of participation in a *chilimba* group was determined by the nature of the individual's financial need and also her level of income. How wages were paid was also critical. If employed people received their wages weekly the *chilimba* practice was widespread as everyone needed to pool resources to purchase items that could not be bought on an individual's weekly wage, especially under conditions which did not allow savings. Thus such items as bicycles, sewing machines, a radio, relatively expensive clothing and raising money for social functions like weddings was generally made possible. Although initially *chilimba* did not involve written-down rules and executive leaders the study found some *chilimba* women's groups with both.

In one group that was interviewed, 12 women came together under a chairperson, secretary and treasurer. They agreed to contribute K35,000 each per month. The group's financial resources were mobilized by the treasurer and passed on to a group of three each month. To harness more than just the group members' resources, friends were invited to a monthly party and encouraged to bring presents. A group of twelve could, therefore, benefit from as many as 100 to 150 friends and relatives. The emergence of such groups was also the result of a liberalized economic environment which had made market goods available.

As men lose their jobs women take up informal trading in order to survive and raise their children. Such trading groups obtain capital through *chilimba*. A common practice is for women traders to contribute K1,000 every day for a week. At the end of the week the amount collected is given to one of them to replenish her stock or cater to some other need. The women involved in *chilimba* groups tend to be more serious over meeting their obligations to others than would generally have been the case with money borrowed from non-members.



### ***Potential for strengthening***

Although the *chilimba* is useful, however, it does not constitute a real social security scheme. Nevertheless it has the potential for being strengthened as long as it remains informal or semi-informal. The formalization of the *chilimba* scheme into, for example, an non-governmental organization, presents a possible danger of creating cleavages, ultimately leading to its collapse. What appears to be the way forward is to encourage many women as well as men to form such groups under their own informal control.

It could achieve more if the resource base were improved and women's management skills were enhanced by formal training. The success of the scheme depends on its being run by direct beneficiaries without outside interference but government could help by providing a policy environment that encourages and supports community-based non-formal social security schemes to widen their scope and coverage.

### **Market associations**

Between 1964 and 1991 all markets were run and controlled by the United National Independence Party and their main function was to mobilize mass political support for the Party. Since 1991 a few market associations have produced constitutions and rules with the aim of promoting their member's interests. They have created a common fund which they use to help members with such contingencies as sickness, birth, death, education and the payment of rent.

The market associations that existed before Independence were revived because of the numerous hardships that were being faced by poor peri-urban and rural people, large numbers of whom had experienced a sharp decline in their livelihood and food security during the 1980s as a result of economic liberalization and the reduced role of government in the Third Republic (1991–2001). In particular, the contraction of the formal sector workforce from 23.9% to 9.8%, devaluation of the currency and rapid inflation, the removal of subsidies for basic food and the decline of health and education services had, in peri-urban areas, precipitated a crisis which resulted in a low quality of life.



This was characterized by the growth of illegal compounds and poor quality homes; poor access to a clean and safe water supply; limited access to social services; low levels of community-based organization and participation and the use of pit latrines. Poverty was shown by the use of expensive charcoal as cooking fuel and paraffin being retained as the main source of lighting; spending most of the household income on food and housing; eating one or at most two meals a day and a high prevalence of stunting and underweight, especially among children; together with a high dependency ratio. Work was mainly to be found in the informal sector; there was increased reliance on neighbours or relatives for credit and a correspondingly limited access to individual assets and consumer durables. Finally, there was a significant number of children with no access to education.

Most people in these peri-urban areas, therefore, resorted to informal sector trade. As a result urban markets became full and the need to maintain order in the markets and address the needs of marketeers led to the formation of market associations with registered membership.

Some of these associations have produced operating modalities with elected leaders, constitutions, sets of rules and forms of training. They are also registered with the government. Most, however, are still semi-formally organized. There is no differential coverage by gender but geographically, market associations are more prevalent in urban than in rural areas. In rural areas they are restricted to provincial and district towns. The poorer the market, especially the rural market, the more loosely organized the association is.

The main goal of these associations is to look after the needs and welfare of their members. They are intended to meet contingencies such as sickness, education, accommodation, business and death. At the Lusaka City Market, for example there are two semi-formal social security schemes, Proud Africa and Take Care. Both were established in 2000 with government assistance. Interested marketeers were trained for six weeks, after which they are given loans of K270,000 each. Those who are trained are put in groups of five, with each member contributing K40,000 per week. After six weeks a member qualifies for a loan from the Association. If the member who is given the loan is successful then



the amount given out in the initial loan is increased to K500,000. It was not possible, however, to establish exactly how these two schemes operated.

On the Copperbelt in Kitwe, the study found a market association that had formed a funeral committee with rules for members in 1998. This was based on the realization that funerals are often unanticipated and always costly. At the time of the study, membership of the market association was open to anyone working in the market but plans had been made to restrict membership to only those people who had a stand and were willing to pay a membership fee. The study found the funeral committee was concerned with funerals that took place at the member's home. The committee collects donations from members in the form of money and food and takes this to the funeral house. The plans which the market association discussed with the research team include:

- Extending funeral support to family members and dependants of the registered members of the market association;
- Giving money the collectors allowances for lunch, transport and rent for their market stands and
- Making every member contribute K1000.00 per week.

Both men and women were members of market associations. In one association in Lusaka, for example, there was a chairman and chairwoman as well as a vice-chairman and a vice-chairwoman.

In general, the study found fewer market associations with a funeral committee than those which did not, but most had a market fund to which all the members contributed and incorporated *chilimba* practices in their work.

### ***Viability***

As a result of extreme levels of poverty and the frequency of funerals people do not attending funerals as much as before. With the support of market associations, however, it is easier for the bereaved to feed the mourners and also maintain a good number of people to help them with the funeral till the day of the burial. The fact that these market associations existed before and that people were entering markets to make a living gave them the potential to succeed in addressing social security



contingencies. The study, however, found no linkages between market associations and the formal social security system in the country. Market associations, like *chilimba*, were also found to be oriented towards meeting both immediate and the future needs of their members.

In two rural areas of Chipata and Mansa in Eastern and Luapula provinces respectively, it was found that the people working in markets had a market fund to address the needs of their members. A market fund operates like insurance and the members' contribution is the premium for the benefits that members receive or expect to receive from their associations. These markets also had been using *chilimba*. It was also found that in the two rural provinces there was a higher mix of schemes than in urban provinces for the mobilization of support when need arose. This usually consisted of a combination of the market fund, *chilimba* and the extended family, depending on the nature and severity of the contingency.

It was because members have to pay a premium and social protection is guaranteed that market associations can be considered social security-providing schemes. They were selected for in-depth review because they were readily available and found in both urban and rural areas, at least in provincial and district capitals of all provinces in the country.

### ***Weaknesses***

It was reported from both urban and rural market associations that, because of high levels of poverty, members' contributions were insufficient to meet their increasing security expenses or to sustain the remaining family. It was also reported that there had been cases when members of the market associations had lied about having a funeral in order to get funeral donations. When such cases are discovered they tend to demoralize members and discourage them from further contributions, even for a genuine funeral. The associations explained that they were still learning and that, in future, cases of cheating would not take place, as the associations would have the capacity to conduct physical checks at the funerals reported.

### ***Potential for strengthening***



The market associations have the potential to be strengthened, especially since they have worked successfully before in similar conditions. They also have the potential to work in the rural areas, where the only viable social security provider that exists is the extended family.

There is, therefore, a need to improve the market infrastructure itself first. Members and the leaders of market associations need to be trained in basic skills of cooperative organization, business development and management, record-keeping, pricing, marketing and stock-taking. This would enable them to make more money. Some of their members might even graduate into small and medium-scale business enterprises, which would not only give them additional income but also enable them to employ other people and, in turn, contribute to the reduction of unemployment, poverty and insecurity.

## **Conclusions and recommendations**

### **Formal social security**

Formal social security is guaranteed social protection against social distress, based on cash premiums. It covers the limited number of contingencies set out in the ILO's definition. In Zambia it targets only the 5% of the population in waged employment. As a result non-formal social security system on which most people depend should be the focus of expansion and strengthening. No deliberate gender bias was found in any of these schemes, although formal social security schemes had fewer women members than men because of other biases stemming from culture, socialization, education and employment. It was not possible, however, to get a gender breakdown of recipients of formal social security schemes because the data were not disaggregated. These schemes should be encouraged to disaggregate data by gender and improve their data collection, storage and retrieval systems. Their members should be allowed to transfer their pension rights in search of better performance and quality. Political interference should be reduced. Employers and pension scheme members should be able to influence investment decisions. Tough and enforceable penalties need to be legislated for evaders. Annuities should be indexed to inflation and pension scheme members should be able to ascertain the value of their



pension. Employment opportunities should be increased so that more people have access to formal social security.

Non-formal social security is a collective provision of guaranteed social protection through risk-sharing and pooling resources. It differs from formal social security in that it provides for an unlimited number of contingencies and the premium is generally received in kind, not cash. Among the five schemes of non-formal social security examined (the extended family, urban reciprocal social networks, church, the *chilimba* and market associations) only the first and last meet the criteria for being regarded as social security-providing schemes.

It is necessary to encourage and support community-based social security schemes. This includes making policies that are deliberately aimed at developing, recognizing and supporting community-based social security schemes and integrating social security issues into the mainstream discourse on national development. This would involve adopting a two-pronged approach to enable government to expand formal sector employment while encouraging the development of community-based, non-formal schemes.

#### ***Recognition, links and support***

- **Studies** should be mounted to explore the modalities of formalizing non-formal schemes with potential, like burial and market societies.
- **Links** between formal and non-formal systems should be set up and policies put in place to improve the latter. Formal schemes should be encouraged to guide and train promising non-formal groups such as market associations and burial societies.
- **General training** and support programmes should be developed for non-formal social security schemes, to help to widen coverage. Their structures and operating systems need to be improved.

#### **Non-formal systems**

There are two types of non-formal social security systems; the traditional scheme, represented by extended family and based on customary and kinship ties; and semi-formal schemes, represented by urban reciprocal social networks, church, *chilimba* and market associations. All non-formal systems should be supported by expanding



opportunities for training in basic skills, food security; employment and income generation, literacy and health services, infrastructure, development and agriculture. Finally, the extended family has always been the main provider of social security in Zambia. The institution of the family therefore needs to be strengthened.

### **Semi-formal systems**

These are weak and loosely organized. It is necessary to strengthen all such schemes, including reciprocal urban social networks, churches, *chilimba* and market associations which serve most urban people. A priority lies in identifying the real causes of poverty and implementing anti-poverty programmes. Policies promoting the economic expansion, employment and income-generating opportunities will generally reduce poverty levels and allow more people to join formal social security schemes. More specifically, policy regimes should create a framework to provide a context and structure for non-formal social security schemes and to link them to formal structures and programmes in order for them to access other resources and support.

### **Rural social security**

More than 60% of the population live in rural areas with higher levels of poverty than urban areas and without any formal social security. As agriculture is the basis of any independent development, concentrating on agriculture and rural development will slow down poverty, rural-urban migration and chronic social insecurity. The non-formal social security schemes that have the most potential for strengthening are the extended family, *chilimba* and market associations. Social security, whether formal or non-formal, can be strengthened by a policy regime that recognizes each individual's need to have some form of social security, identifies non-formal security schemes and their members' needs and then offers training in basic skills of leadership and management, business and entrepreneurship and expanding employment opportunities so that more people can earn enough to pay for formal social security.



Finally, the baseline of information on both formal and non-formal systems of social security, which this study has attempted to provide, is to be built upon by future studies. In spite of the limitations of analysis and documentation, this study has provided useful answers to the questions asked at the beginning. It is, therefore, hoped that it has helped to place the question of formal and non-formal social security systems at centre stage of national development.

### References

- Baily, C. et al. 1997. *Reforming Pensions in Zambia: An Analysis of Existing Schemes and Options for Reforms*, Washington DC
- Berger, H. 1974. *Labour, Race and Colonial Rule: The Copperbelt from 1924 to Independence*, Oxford, Clarendon Press
- Central Statistical Office 1997. *Report*, Lusaka
- 2000. *Reports*, Lusaka
- Daniel, P. 1979. *Africanisation, Nationalization and Inequality: Mining Labour and Copperbelt Zambian Development*, Cambridge, Cambridge University Press
- Epstein, A.L. 1981. *Urbanization and Kinship: The Domestic Domain on the Copperbelt of Zambia*, London, Academic Press
- GRZ/UNDP 1997. *Human Development Report*, Lusaka
- 1997. *Prospect for Sustainable Human Development in Zambia: More Choices for our People*, Lusaka
- Kayongo-Male et al. 1984. *The Sociology of the African Family*, London, Longman
- Masiye, G. 1995. *Social Security and Poverty*, Lusaka
- Mitchell, C. (ed.) 1969. *Social Networks in an Urban Situation: Analysis of Personal Relationship in Central African Towns*, Manchester, Manchester University Press



- National Pension Scheme Authority 1996. *National Pension Scheme Act*, Lusaka
- 2001 *Research and Development Report*, Lusaka
- Richards, A.I. 1937. *Reciprocal Clan Relationships among the Bemba of North Eastern Rhodesia*, Manchester, Manchester University Press
- Stichter, S. 1985. *Migrant Labourers*, London, Cambridge University Press
- World Bank. 1994–1996. *Zambia Poverty Assessment*, Washington DC