

# **THE SOCIO-ECONOMIC IMPACT OF COMMERCIAL AGRICULTURE ON RURAL POOR AND OTHER VULNERABLE GROUPS**

**- A WORKING DOCUMENT -**

**by**

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## **GLOSSARY**

ACF	Agricultural Consultative Forum
ACP	Agriculture Commercial Programme
AIDS	Acquired Immune Deficiency Syndrome
ASIP	Agricultural Sector Investment Programme
CAS	Country Assistance Strategy
CBO	Community Based Organisation
CIDA	Canadian International Development Agency
CLUSA	Cooperative League of the U.S.A
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
DAC	District Agricultural Committee(s)
DDP	District Development Programme
DFID	(UK) Department for International Development
EC	European Commission
EU	European Union
FDI	Foreign Direct Investment
FRA	Food Reserve Agency
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IDA	International Development Association
IMF	International Monetary Fund
MAC	Ministry of Agriculture and Cooperatives
MOFED	Ministry of Finance and Economic Development
NAIS	National Agricultural Information Services
NAMBOARD	National Agricultural Marketing Board
NGO	Non Governmental Organisation
NR	Natural Resources
ODA	Official Development Assistance
OVC	Orphans and Vulnerable Children
PAM	Programme Against Malnutrition
PPP	Public-Private-Partnership
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Programme
PSCAP	Public Service Capacity Building Project
PWAS	Public Welfare Assistance Scheme
SADC	South African Development Community
SAP	Structural Adjustment Programme
SEZ	Special Economic Zone
SIP	Sector Investment Programme
SWAP	Sector Wide Approach
TNDP	Transitional National Development Plan
UNDP	United Nations Development Programme
UNIP	United National Independence Party
USAID	United States Agency for International Development
WforC	Women for Change
WTO	World Trade Organisation
ZACCI	Zambia Confederation of Chambers of Commerce and Industry
ZAMTIE	Zambia Trade and Investment Enhancement Activity
ZATAC	Zambia Agribusiness Technical Centre
ZCF	Zambia Co-operative Federation
ZLA	Zambia Land Alliance
ZNFU	Zambian National Farmers' Union

## **EXECUTIVE SUMMARY**

### **1 Aims of this Study** were to:

- Provide an analysis, through a review of relevant policies and programmes, of the potential impact of GRZ's plans for the commercialisation of agriculture on poor people, identifying the opportunities and constraints; and
- Provide a social development perspective to complement recommendations from other ongoing studies for potential DFID engagement in the agricultural sector.

### **2 The target group for this study, and for pro-poor interventions** were defined as the 830,000 rural households who are poor and dependent on agriculture:

- the very poorest and most vulnerable households who will require long-term social protection and support (200,000 'sub-subsistence' smallholders)
- the very poor households that have potential to achieve a poor but sustainable livelihood, regularly marketing a small surplus, with the eventual possibility of joining an outgrower scheme (300,000 'marginal' smallholders)
- the poor households with potential to become, or which have already become, commercially viable small-scale farmers, either joining an outgrower scheme or marketing their surplus in the domestic market (300,000 'viable small or emergent smallholders')

In addition there are 30,000 medium farmers, with land in excess of 10 hectares, who are poor. At an average of between 5-6 people per household these 830,000 households together total the estimated 4.6 million rural poor and ultra poor people.

### **3 Overview of DFID's development objectives in relation to agriculture**

The institutions of market and state are of strategic and policy interest to social development practitioners, as well as the discipline's interaction with the more obvious 'community' and 'household' institutions. It is in this sense that social development, within DFID's overall purpose to reduce poverty, intersects with removing barriers to market entry and with supporting good governance. In the context of this study, DFID is essentially concerned with social analysis of Zambia's agricultural markets. This must necessarily take into account the barriers to market entry that are experienced by Zambia's rural poor, and the processes by which policy is (or is not) formulated and implemented by GRZ to take account of the needs of the rural poor.

### **4 Conclusions on the impact of the macro-economic environment on the rural poor**

Overall, the ACP policy thrust has a number of advantages from the perspective of the macro-economic environment. At the *macro*-level, the ACP policy is likely to increase the contribution of the agricultural sector to foreign exchange earnings. The policy thrust is also likely to increase agriculture's share of GDP, increase the diversification of cropping patterns and make a modest contribution to poverty reduction.

At the *meso*-level, the ACP's policies are likely to build new linkages with international markets, develop new farmer-driven institutions, create new partnerships between CBOs, NGOs and multinational companies, and promote new crop specific single chain marketing systems.

At the *micro*-level, the ACP policies are likely to improve access to credit and inputs for the small proportion of farmers that are being serviced by the large-scale multi-nationals. In addition, the policy is likely to provide them with "guaranteed" markets, increased levels of income, and promote the development of a competitive agricultural production and marketing system.

**However, in spite of the above advantages, the ACP policy is not pro-poor. Consequently, the PRSP's pro-poor ideals will remain on paper and increase rather than decrease the levels of poverty in outlying rural areas that are not designated as 'high potential', ie the poorest parts of Western, Luapula, Northern and North-Western Provinces.**

### SUMMARY OF FINDINGS AND ANALYSIS:

(see Appendix F for detailed Social Impact Analysis and Primary Stakeholder Analysis)

#### Givens:

- **Export-orientated growth is essential** for obtaining the foreign exchange Zambia needs to meet its import bill, keep down inflation, and fuel its economic growth
- With the decline in the mining industry **it is essential that Zambia diversifies its outputs** (indeed donors have been urging this on GRZ for years), and agriculture is the only area of the economy with the scope to make up for the decline in mining output
- The PRSP (which incorporates the ACP) has been approved by the IMF and World Bank, and is a major factor in ensuring Zambia qualifies for HIPC relief. **The policy dialogue (for the time being) is therefore closed**; the next stage is implementation.

**However, whilst policies to promote export of non-traditional agricultural products will undoubtedly contribute to economic growth, it has to be recognized that:**

- i) such policies are **unlikely to have more than minimal impact on the livelihoods of the very poor rural households** who are dependent on, and likely to remain dependent on, sub-subsistence agriculture. This is because they cannot enter the market to begin with due to lack of a surplus to sell and no infrastructure to connect them to markets.
- ii) it is **likely to contribute to deepening the existing two-stream farming system**, with large and medium farmers orientated towards exports experiencing growth, whilst marginalized and sub-subsistence farmers continue to experience chronic food insecurity.
- iii) as the gap between the two gets wider **it will become harder and harder for the poor 'marginal' group of farmers to make the leap from poverty to viability**, ie to overcome constraints such as lack of infrastructure and distance from markets, lack of assets to use as collateral for raising finance, and lack of technical know-how to produce competitively.
- iv) **parallel policies need to be in place to ensure equitable, pro-poor distribution of the benefits of any growth** that results from export-orientated agriculture. These parallel policies will need to continue to include **social protection measures** for the very poor, but should also aim to help marginal smallholders make the leap from poverty to viability – so they can become full participants in the market economy – by development of infrastructure and services, and dissemination of technical know-how
- v) agricultural policies that **focus on a more holistic approach to rural development** (ie the livelihoods approach, with interrelated development of all five capital assets) in which increased commercialization of agriculture is a wealth generating component within that wider holistic development, **will have a greater impact on poor rural communities outside of the 'high potential areas'**. These livelihood based policies should run parallel to the market based ones, and so contribute to enabling the marginal poor to overcome the constraints that prevent them from making the leap from poverty to viability (as referred to above)
- vi) agriculture as the principle wealth-generating component of holistic rural development needs to be **supported by development of a well-regulated macro-economic environment** that aims to achieve policy implementation in an equitable, consistent, transparent and sustainable manner

## 5 Social Analysis of Zambian Government's policies to promote commercial agriculture

### 5.1 Weaknesses identified in the PRSP and ACP:

- Lack of prioritisation of policies
- Lack of implementation strategies
- Preservation of two-stream farming system

- Fails to tackle past problems and reasons for failure of agricultural policies: poor governance & lack of funds
- Weak on monitoring and evaluation: only monitors outputs rather than impact
- Lack of opportunity for participation in M&E by civil society
- Treats the poor as a homogenous group
- Absence of gender & generational analysis (particularly important in relation to the impact of coping strategies in households' affected by HIV/AIDS)
- Lack of evidence-based social and economic analysis
- Fails to build on past lessons and institutions
- Continues the top-down approach to implementation of agricultural policy
- Policy formed as response to crisis (political or financial) rather than taking a long-term view
- Politicisation of food and agricultural policy
- Focus on exports: almost nothing said about expansion of domestic and regional markets
- Fails to tackle continued dietary preference for maize which is not the most suitable crop for the large, dry areas of Zambia

### 5.2 Potential Winners & Losers:

<b>Potential Winners and Losers from GRZ's Agricultural Commercialisation Policies, extracted from Appendix E: Social Impact Analysis and Primary Stakeholder Analysis</b>		
<b>POTENTIAL WINNERS</b>	<b>POTENTIAL LOSERS</b>	<b>MIXED IMPACT</b>
Foreign owned estates producing for northern markets	Poorest and most vulnerable rural households	Agricultural traders & suppliers of services
Large and medium sized independent, Zambian owned farms	Marginal smallholders	Urban consumers & retailers
Small & emergent farmers that are located in high potential areas or demarcated farm blocks	Small and emergent farmers that are not located in high potential areas or demarcated farm blocks	
Overseas consumers		
<b>WHY &amp; HOW</b>	<b>WHY &amp; HOW</b>	<b>WHY &amp; HOW</b>
GRZ committed to providing stable macro-economic environment to attract FDI; overseas consumers can expect continued supply of stable priced, quality vegetables and flowers	Although poorest and marginal farmers may continue to benefit from continued free agric inputs and food relief, that can hardly be described as a "win" position	Increased competition resulting from improved access will lead to more entering business of agricultural services and trade
Those located in high potential areas and farmblocks designated for expansion of outgrowing will benefit from investment by GRZ in infrastructure (roads, irrigation & power)	Small and emergent farmers outside of the high potential areas will not benefit from the infrastructural investment they need to link them to markets	Urban consumers unlikely to benefit from improved quality of food being produced by local farmers as most will be exported; but will continue to be offered mainly imported products

### 5.3 Realities of Implementation:

In the light of past experience of government's disbursement of funds, a "reality check" is necessary to determine whether, and which, policies might be implemented, what will be the impact of any policy implementation that may take place over the next few years, and what could be the impact of non-implementation on poor rural households. The recent budget statement reflected a commitment to and support for furtherance of outgrowing and exports and continuation of subsidised agricultural inputs and food relief. Whether or not these commitments are actually met during the forthcoming year, however, will depend on funds being available for disbursement to meet those ends during the year, and based on the story of the past few years, this is a game of random chance. The reality is, that many of the PRSP and ACP policies will probably not be implemented, whether for lack of finance or lack of political will, or more likely a combination of both factors since political considerations will determine how the limited finances are distributed.

#### 5.4 Can the policy dialogue be re-opened?

Opportunities for poor people to benefit from greater export-orientation of commercial agriculture are likely to be incidental or random, and indirect. They may even turn out to be negative. The groups most likely to be excluded from the economic growth process and its benefits are the very poorest and marginal smallholders in the most isolated parts of the country. Not only will they continue to be excluded from participating in markets by having no surplus to sell and no means to reach markets, they will also continue to be deprived of social capital such as accessible health and education services, and may even find their food insecurity worsening. There is a danger that some people's rights, particularly women, children, the elderly and sick, may be further violated by exploitation of their poverty.

The chances of the policy dialogue being re-opened are very slim: the PRSP has been approved and is a condition of HIPC; and the Government has made clear its priorities in the recent Budget, the rationale for which is the need for foreign exchange. What is needed, therefore, are secure social protection policies running parallel to the export-focused growth. By 'secure' we mean that they need to be consistently funded, and not subject to chance, so that the position of very poor people is at least stabilised. They should also have the aim of creating wealth and capital in isolated communities by increasing cash incomes in very poor households, and enabling them to build up a few household assets.

#### 5.5 Possible routes for making market based agriculture more pro-poor

In our view, a strictly market-based approach to commercial agriculture is only one route to sustainable economic growth, and it needs to be complemented by other approaches (ie livelihoods and rights approaches) in order to bring about an inclusive agricultural sector, rather than leading to a deepening of the current two-stream farming economy. We believe there is scope, though limited, for DFID to take forward both these approaches in the context of Zambia's market based agricultural policy. However, Zambia is already littered with donor projects and we caution DFID against setting up yet more projects. We also believe it is important for DFID to look at what has worked in the past, and to build on past lessons and institutions rather than seek a new approach. Rather, as it makes a decision on whether or not to enter the agricultural sector, DFID has the opportunity to consider how it can strategically engage with the government, private sector and civil society, in a way that will achieve long-term development of pro-poor, equitable economic growth.

### **6 Overview of the institutions and key players involved in agricultural policy formulation**

At national level several ministries share responsibility for the success or failure of the agricultural sector: Ministry of Finance & National Planning is responsible for policy formulation; Ministry of Agriculture & Co-operatives, and Ministry of Commerce, Trade and Industry influence and implement that policy. Other key players are the large number of organisations and advocacy groups that aim to influence government policy; these include ZNFU, ACF, Land Alliance.

### **7 Possible ways of re-opening and influencing the policy dialogue: Options for intervention by DFID-Zambia**

Policy dialogue could be re-opened by opening up areas for discussion through research, and strengthening weaker voices so that dialogue takes place on more equal terms. Possible ways by which DFID could support this dialogue process include:

7.1 Support for **better evidence-based social and economic analysis**, eg: mapping of vulnerability and poverty; donor activity; private sector and civil society advocacy groups

7.2 Support for a **comprehensive monitoring, evaluation and impact assessment process**:

A well-designed impact assessment process, with citizen participation at its core, can be a powerful tool in re-opening policy debate, as the feedback can be used in the context of shared institutional learning that guides subsequent policies and strategies. This may enable future policy to be more pro-poor, and to focus on how to move forward towards a more sustainable and inclusive commercial agriculture policy.

7.3 Support for **developing a 'voice for the poor'**: Based on the outcome of the mapping of private sector and civil society advocacy groups, this would identify the strengths and weaknesses of existing lobby groups, and where gaps exist in ensuring poor people are properly represented.

7.4 Support for **development of a Code of Ethical Practice** in relations between foreign-owned agricultural corporations and Zambian farming enterprises and associations.

7.5 Support for technical research, development and dissemination of information about alternatives to maize as the staple food.

# **THE SOCIO-ECONOMIC IMPACT OF COMMERCIAL AGRICULTURE ON RURAL POOR AND OTHER VULNERABLE GROUPS**

## **1 BACKGROUND AND AIMS FOR THIS STUDY**

This Study has been commissioned by DFID-Zambia as one component of the scoping exercise it is conducting into whether and how it should engage in development of Zambia's agricultural sector in line with its commitment to support implementation of GRZ's policies as outlined in the PRSP. The outcome of this and the other scoping studies that have been undertaken will contribute to DFID's Country Assistance Plan for Zambia.

The PRSP places commercialisation of agriculture at the core of Zambia's economic growth and development. In terms of DFID's developmental objectives for Zambia, however, GRZ's policies for commercialisation of agriculture, as set out in their Agriculture Commercialisation Programme that was the basis of the policies and approach that was incorporated into the PRSP, raise a number of key questions:

- Will, and how, can poor people directly participate and benefit from the commercialisation of agriculture?
- What kind of institutional arrangements/mechanisms/initiatives are in place or are proposed to maximise this participation and how might they be strengthened?
- Are there potential negative impacts of the commercialisation plans on poor people (and which groups of poor people in particular), and if so what are these?

The specific aims of this Study were to:

- Provide an analysis, through a review of relevant policies and programmes, of the potential impact of GRZ's plans for the commercialisation of agriculture on poor people, identifying the opportunities and constraints;
- Provide a social development perspective to complement recommendations from other ongoing studies for potential DFID engagement in the agricultural sector.

At the presentation of draft findings and analysis to the DFID team halfway through the assignment it was noted that there was general acceptance that there had been some shortcomings in the policy formulation process of the PRSP and the ACP, and limitations in the outcome as a result. It was therefore agreed between DFID and the consultants to slightly vary the Terms of Reference in order to focus in this final version of the report on how likely it was that the policies would actually be implemented in view of funding limitations – to take a 'reality check'; also to try to draw out possible avenues that DFID could pursue to strengthen the pro-poor impact of those policies that might be implemented. The findings and analysis are therefore only synthesised in this Report, and discussed in more detail in the Appendices.

## 2 DEFINITIONS

Before we embarked on meetings with key persons in the sector we felt it was important to clarify what we meant by "poverty", to identify who were the rural poor and very poor to whom interventions should be targeted and who were therefore the subject of this study, and to define the term "commercialisation of agriculture" in the context of Zambia. This helped us to develop a framework for our analysis of GRZ's policies and programmes, and the policy-making and implementation processes.

### 2.1 Who are the poor in Zambia?<sup>1</sup>

#### **4.6 million people are living in poverty and dependent on agriculture.**

Three quarters of Zambia's population live on less than the internationally accepted poverty line of US\$1 per day. Over half Zambia's population of approximately ten million people live in rural areas and of these almost all (97%) are engaged in agriculture. Poverty in rural areas is around 83% compared to 56% in urban areas.

The PRSP identifies small-scale farming households as the largest group of poor households: 84% are below the national poverty line and 72 % below the extreme poverty line; in rural areas 60% of these extremely poor households have a female head.<sup>2</sup>

Poverty is not just about low income, however. Poverty is multi-dimensional and includes lack of access to many human rights: clean, safe water; access to primary health care; basic shelter; primary education; enough to eat throughout the year. Even when considering these broader dimensions, poverty analysis tends to look only at those physical aspects and constraints that can be measured (e.g. size of landholding, number of meals eaten each day). It rarely pays attention to the complex social relations of poverty, such as the distribution of resources within households, and how gender roles define access to and control over resources. Nor does it always take into account the lack of opportunities for poor people to access social capital, or participate in democratic processes. Most notably, poor people are unlikely to be able to access markets or benefit from a country's economic growth unless there are policies aimed at ensuring equitable distribution of that growth.

The rural poor are most likely to live in Western, Luapula, Northern, Eastern and North Western provinces.<sup>3</sup> Within these provinces they will generally be furthest distant from road and / or rail lines, telecommunications, and other infrastructural facilities. The PRSP cites households some 50-60 km distance from the nearest health clinic. The rural poor are not a homogenous group, however: locality, gender, age, status within the community, tribal grouping, level of literacy, and many other social characteristics vary amongst the poor. Prevalence of HIV/AIDS is currently about 16%<sup>4</sup> of adult population, and the number of households with a child (usually the eldest girl child) or elderly relative (usually a grandparent) at its head is growing. 16% of children are orphans, with the greatest number being in rural areas, in small scale farming households. 28% of persons aged 12-19 are part of the labour force<sup>5</sup>.

### 2.2 Who are the target group for pro-poor interventions (and the subject of this Study)?

We reviewed a number of ways for enumerating and categorising the poor and very poor farming sectors: by size of land under cultivation; by capacity to enter into the market; by market stratification.

i) The PRSP divides Zambians living in rural areas who are dependent on agriculture into four groups by **size of land under cultivation**:

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<sup>1</sup> Data in this section is drawn from the PRSP and IDL's Agricultural Dataset for Zambia (commissioned by DFID, Dec 2002)

<sup>2</sup> Across urban and rural areas, 60.4% of female headed households are extremely poor compared to 51.5% of male headed households (PRSP, p24), and women have less education than men, with 29% having received no education cf 24% of men.

<sup>3</sup> A complete and detailed Vulnerability Mapping Exercise has not been undertaken, though the Co-ordinator of the Agricultural Consultative Forum said a basic exercise had been undertaken to determine delivery of PAM.

<sup>4</sup> Ministry of Finance & National Planning (Jan 2003) Economic Report 2002

<sup>5</sup> ILO (July 2002) Jobs, Gender & Micro-Small-Informal Enterprises in Zambia

Farming Characteristics	Small scale	Emergent	Medium Scale	Large Scale
No of farmers	459,000	119,200	25,230	>40
Hectares per holding	0.5 – 9.0	10 - 20	20 - 60	>60
Crops grown	Food crops	Food/cash crops	Food/cash crops	Cash crops
Production focus	Subsistence	Commercial/ Subsistence	Commercial/ Subsistence	Commercial

From PRSP (March 2002), p54 (Source: Ministry of Agriculture & Co-operatives: Agriculture Bulletin 2000)

- ii) The Co-ordinator of the ACF<sup>6</sup> gave a useful description of these small scale farming sectors by **capacity to participate in the market.**

Based on GRZ's 2000 Post Harvest Survey, there are 830,000 rural households dependent on agriculture. Of these, 200,000 represent the very poorest rural households who have no food security and are unable to grow enough to meet even their basic subsistence needs; of the other 630,000 about 300,000 are "marginally" viable and in a year of reasonable rain they are able to grow enough for their household's basic food needs with a small amount over for sale in local markets. The remaining 300,000 are the formal emergent and established small scale farmers, usually growing for the domestic market (after they have met their food and other household needs) and / or participating in outgrower schemes. In 2002, the PRSP puts the number of small holders participating in outgrower schemes as 100,000, with a target of 120,000 by 2004. This appears to have been exceeded already as Dunavant, alone, are currently working with 170,00 farmers; about another 6,000 are engaged in tobacco growing, 1500 in paprika and 400 in non-traditional horticulture (ie with Agriflor). Lastly there are 30,000 medium sized farms.

Social characteristics of each group of small-scale farmers are broadly:

- **200,000 are not commercially viable farmers, and are unlikely to ever become so. They represent the most vulnerable social groups:** ultra poor, often female headed households, or elderly or child headed households, the chronically sick and / or disabled – with less than sufficient to feed themselves throughout the year. They are usually far distant from main rail and road routes, occupy the least arable land in the community, and have no resources on which to call in event of a 'shock' (eg drought, death, sickness). They usually provide seasonal unskilled labour to large farm estates and outgrowers' holdings. The needs of this group are for free or cheap farming inputs, for example through food relief and PAM, and agricultural input packs (fertiliser and seed). It can be expected that most households in this group are almost certain to need social protection measures on a long-term basis.
- **300,000 could, potentially, become self-sufficient in food and capable of producing a small marketable surplus.** They are also ultra poor, or bordering on ultra poor, but have some resources, even though very small and weak, on which to call – eg greater physical strength and better health, slightly more and better land closer to means of irrigation, some small savings or livestock to use as collateral for informal or micro-loans. Again, they often rely on obtaining casual work on larger farms and estates. The approach to this group should be one of enabling and supporting them through to a position of food security and viability, eventually capable of producing a small marketable cash crop in addition to meeting their subsistence needs. Eventually some may be able to join outgrower schemes.
- **300,000 are poor but potentially, or already, commercially viable small scale farmers.** They often have resources which are not always maximised due to structural economic

<sup>6</sup> Dr A Mwanaumo, ACF Co-ordinator, at meeting with C Pinder & D Wood on 21 Jan 2003, referring to GRZ(MAC) Post-Harvest Survey (PHS) for 1999/2000 (latest survey analysed). These figs are a year later than those used in the PRSP, hence the slight variations between the two. The PHS are now used by GRZ as the official figures.

conditions such as lack of access to markets because of poor infrastructure, or inability to raise small loans for investment because they do not hold title to their land. As a result they are vulnerable to exploitative buyers (eg they are unable to store their surplus and are forced to sell it when prices are low, or they are forced to accept a low price from the only trader who passes through the area). They have the potential to participate, or may well be participating already, in export-outgrower schemes, or they are functioning as commercially viable, independent small-scale farmers selling on to the domestic market instead. Again, the approach to this group should be one of enabling and supporting them through to achieving stronger commercial viability so that they increase profitability and maintain their viability, and do not slip back to the previous group. The types of support and enablement they need will be different to what is needed for the previous group: more support in developing export market linkages, improved technology and research that leads to greater efficiency and lower transaction costs in order to retain comparative advantage.

iii) Another way to categorise farming activity in Zambia is by **stratification within the sector**. Zambia's farming community might be stratified as follows:

- (primarily) **Foreign owned corporations** producing crops on estates (97%) and through outgrower schemes (3%) for export
- **Large and medium independent farms in Zambian ownership** on which cash crops are grown mainly for export, with some for the domestic market
- **Small scale farmers who participate in outgrower schemes**, with their crop divided between the export orientated outgrower scheme and their own subsistence; sometimes they may have a surplus of the latter for sale to local markets. (In later discussion we refer to this group as “**emergent**” and “**viable**” small farmers.)
- **Small scale farmers who have failed to make the grade to participate in an outgrower scheme**, or who do not live in an area where an outgrowing scheme exists; they grow for subsistence and the local market, and provide seasonal labour to the estates and outgrowers. (In later discussion we refer to this group as “**marginal**” small farmers, smallholders or households)
- **(Sub-)Subsistence farmers who can barely grow enough for the survival of their households**, and in fact often run out of maize before the next harvest. Some of the ‘better-off’ of this group may have a small amount to sell in local markets at harvest time but because they lack access to storage facilities they are forced to sell when stock is plentiful and prices are low. The term ‘farmer’ for this group may be a misnomer - they are simply surviving by whatever means they can, frequently as casual labourers on larger farms and estates, more often on food relief. They are likely to continue to need social protection measures in the foreseeable future. (In later discussion we refer to this group as “**subsistence**” smallholders or householders – although “**sub-subsistence**” might more accurately reflect the depth of their food insecurity)

The last three of these strata parallels the division of the 800,000 poor and ultra poor small farmer households identified by ACF at ii) above.

**Conclusion on target group:** However one views the type of farming activity in Zambia, it is apparent there are three broad categories within the rural poor, small-scale farming community:

- the very poorest and most vulnerable households who will require long-term social protection and support
- the very poor households that have potential to achieve a poor but sustainable livelihood, regularly marketing a small surplus, with the eventual possibility of joining an outgrower scheme
- the poor households with potential to become, or which have already become, commercially viable small-scale farmers, either joining an outgrower scheme or marketing their surplus in the domestic market.

At an average of between 5-6 per household these 800,000 households together total the estimated 4.6 million rural poor and ultra poor.

### **2.3 What do we mean by 'commercial agriculture' and commercialisation of agriculture'?**

By commercialisation of agriculture we are referring to the development and promotion of a profitable agricultural production and marketing system, such that agricultural products are competitive locally, regionally and internationally. This market based definition accords with GRZ's vision for Zambia's commercial agriculture:

" . . . to promote development of an efficient, competitive and sustainable agricultural sector, which assures food security and increased income. . . . The main thrusts of the National Agricultural Policy are liberalisation, commercialisation, promotion of public and private sector partnerships, and provision of effective services that will ensure sustainable agricultural growth."<sup>7</sup>

There are four approaches to, or models of commercial agriculture:

Market-based                      Livelihoods                      Rights-based                      Resource/production-based

As can be seen from the quotes above GRZ has chosen to follow a market-based approach to both economic growth and commercial agriculture. The kind of agricultural exports being promoted under GRZ's concept of export-orientated growth are the high value, non-traditional products such as flowers and Northern-favoured vegetables (baby sweet corn, mange tout etc). This export focus is essential if Zambia is to raise the foreign exchange it requires to meet it's imports and keep down inflation. But does it have implications does for the long-term sustainability of Zambia's commercial agricultural base?

- Can (and for how long) Zambia compete with subsidised US and European products? Or those now coming out of countries with lower transaction costs (eg China, Eastern Europe?)

**From: "Cultivating Poverty: The impact of US cotton subsidies on Africa", Oxfam (late 2002)**

"American cotton subsidies are destroying livelihoods in Africa and other developing regions. By encouraging over-production and export dumping, these subsidies are driving down world prices.

. . . (in Africa, in 2001/2) the losses resulting from US subsidies amounted to US\$301 . . . the (result of) withdrawal of subsidies would be to raise world prices by 11 cents per pound, or by almost 26%.

In 2001/2 Zambia's actual cotton export earnings were US\$29m; if US subsidies were to be withdrawn that would have risen to US\$37m. (*Annex 5 of same report, extracted from table based on model predictions by International Cotton Advisory Committee*)

- What are the conditions which give Zambia comparative advantage in these products now? How long are these likely to continue? Are there dangers in placing so much emphasis on one route to economic growth? (ie Northern-export-orientated agriculture)
- How, and to what extent, can the poor participate within GRZ's vision for commercial agriculture? If nearly half the rural population are failing even to meet their basic food needs, they have no surplus to sell and therefore cannot be said to be in the market. We then need to ask "Will – and how will – the policies in the PRSP and ACP enable them to participate?"

The most desirable form of commercial agriculture is that which is sustainable in the long-term, even if less profitable in the short term. It should not be reliant on or endangered by factors outside it's control, such as fluctuating prices and US/EU subsidies, or enforced 'cut price' competitiveness between developing countries. It is therefore important for GRZ to also look at other routes for extending commercial agriculture, in addition to promotion of Northern-export-orientated agriculture; for example, development of a larger share in regional markets, and a stronger position in the domestic market for Zambian products that can be improved to competitively substitute for imports, particularly those sold in foreign-owned supermarkets.

<sup>7</sup> GRZ, National Agricultural Policy (2002-2010) – Draft, Sept 2002

This is not to say that consumers should accept lower standards, or that inferior Zambian products should be subsidized or given any preferential treatment over import, or that there should be a return to tariffs. Rather that where Zambian products are of the same or better quality at a similar price, supermarkets and other retail outlets should have incentives to sell these rather than imports. There should also be a campaign to change consumer perceptions in urban areas to “Buy Zambian” and not to see locally produced goods as automatically inferior to imports.

A summary of GRZ’s policies is at Appendix E.

### **3 AN OVERVIEW OF DFID'S ECONOMIC AND SOCIAL DEVELOPMENT OBJECTIVES IN RELATION TO AGRICULTURE**

In initial discussions with the DFID team it was agreed that the focus of this study should be on the potential impact of GRZ's policies on the two poorest strata of the groups discussed at 2.2, ie the very poor and vulnerable households, and the very poor 'marginal' smallholders with potential to move into commercial viability. At 500,000 households comprising some three million people, these two groups form the bulk of Zambia's 4.6 million poorest rural citizens. Following the presentation of the consultants' interim findings to the DFID team, however, it was agreed that in addition, we should review the impact of GRZ's policies in relation to the third tier of smallholders, ie the other 330,000, who are already commercially viable, with a view to assessing whether GRZ policies will in fact secure and maintain their viability, and not cause them to slip back into the second "marginal" group.

DFID's document "Better Livelihoods for Poor People: The Role of Agriculture" (2002) sets out its objectives in relation to agriculture as a means of economic development, and emphasises the important role that small-scale agriculture has to play in achieving economic growth and poverty reduction, providing the benefits of that growth are distributed towards the poor, and that poor people are able to articulate their demands. A summary of the objectives set out in that document are at Appendix C. This reflects a combination of market, livelihoods and rights based approaches to commercial agriculture, in which the pro-poor stance of 'making markets work for the poor' features strongly.

In the context of its social development work, DFID draws on a number of themes to guide its analysis at different levels, as depicted in the diagram at Appendix D. These themes can be applied to "test" or appraise the relevance of a policy in the context of its social impact. We used these themes to test GRZ's agricultural policies in the PRSP and ACP; the findings of that appraisal are at Appendix F, together with a Primary Stakeholder Analysis.

The institutions of market and state are of strategic and policy interest to social development practitioners, as well as the discipline's interaction with the more obvious 'community' and 'household' institutions. It is in this sense that social development, within DFID's overall purpose to reduce poverty, intersects with removing barriers to market entry and with supporting good governance. In the context of this study, DFID is essentially concerned with social analysis of Zambia's agricultural markets. This must necessarily take into account the barriers to market entry that are experienced by Zambia's rural poor, and the processes by which policy is (or is not) formulated and implemented by GRZ to take account of the needs of the rural poor. Appendix D summarises DFID's approach to the social analysis of markets.

## **4 AN ANALYSIS OF ZAMBIA'S CURRENT MACROECONOMIC POLICY ENVIRONMENT AND ITS IMPACT ON THE RURAL POOR**

### **4.1 Overview of the Policy Thrust**

In 1992, the newly elected Government of the Republic of Zambia (GRZ) introduced major policy reforms that were aimed at reversing the sharp deterioration in Zambia's terms of trade. At the *macro-level*, the core policy changes were principally aimed at stabilizing and restructuring the economy. Using a series of monetary, fiscal and exchange rate interventions, the current broad array of macroeconomic policies were designed to: (a) reduce distortions in the economy by decontrolling prices; (b) improve incentives for greater production and diversification; and (c) strengthen the Government's capacity for economic management.

At the *meso-level*, the overriding objective was to stimulate markets and develop economic and social infrastructure that would provide an enabling environment for increased activity in all the sectors of the economy. This in turn would stimulate individuals and households at the *micro-level* to embark on economic activities that would (a) increase their levels of income; (b) improve their prospects for sustainable human development and (c) raise their human capital status with a view to enabling people, especially the youth, become more productive and better able to pursue the livelihood strategies of their choice.

### **4.2 Agriculture Sector Policy Framework and its impact on the rural poor.**

The full impact of the policy and institutional arrangements of the proposed Agricultural Commercialisation Programme on the rural poor cannot be fully understood without a thorough understanding of the background to Zambia's agricultural sector policy framework.

Between 1990 and 2002, the Government of Zambia produced four major policy documents that were aimed at transforming the agricultural sector into an engine of economic growth and development. These policy documents are: (a) the Ad Hoc Agricultural Policy Paper covering the 1992 to 1995 period; (b) the Agricultural Sector Investment Programme which covered the 1996 to 2001 period; (c) the National Agricultural Policy covering the 2002-2010 period; and (d) the Agricultural Commercialisation Programme covering the period 2002 to 2005.

#### **4.2.1 The Ad Hoc Agricultural Policy Paper**

The Ad Hoc Agricultural Policy Paper was an integral part of the newly elected government's Economic Recovery Programme for the period 1992 to 1993. This document was drawn up with the assistance of the IMF and the World Bank and was presented to the informal meeting of the Consultative Group for Zambia in December 1992. At the time, the agricultural policy focused on the decontrol of fertilizer and maize prices, the removal of subsidies on maize meal and fertilizer and the liberalization of all producer prices. These policies resulted in a seven-fold increase in maize meal prices for rural and urban consumers. In real terms, this increase accounted for a staggering 500 percent increase in maize meal prices. To cushion the effects of this increase in the maize meal price on the rural and urban poor, "free" maize was provided through Food-For-Work programmes.

#### **4.2.2 The Agricultural Sector Investment Programme (1996 – 2001)<sup>8</sup>**

ASIP was launched in 1996 as a joint public-private investment facility to consolidate government's policy of liberalisation and market reform. The key positive impacts of ASIP include a rising trend in average and total area cultivated and increased use of conservation farming. Diversification away from maize has been accelerated by out-growers. Maize area decreased by 22%, whilst cotton and cassava both increased by 65%, groundnuts by 76% and sweet potatoes by 54%. Agriculture's share of non-traditional exports rose from 21.9% in 1990 to 46.4% in 1999 before declining to 38.4% in 2000. Also, major outbreaks of cattle disease that decimated cattle populations were contained, thus reversing the pre-ASIP downward trend in cattle ownership among small-scale farmers. On the next page is a summary of the current production trends.

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<sup>8</sup> This section is based on GTZ's study of ASIP, 2001

**Table 4.1 Summary of Crop Production 1999-2000**

Crop	1999/2000	2000/2001	2001/2002	%Change 2002/2001
Maize	1,310,000	801,889	601,606	-24.9
Sorghum	25,494	30,245	16,801	-44.5
Millet	69,618	46,875	37,615	-19.9
Paddy Rice	16,537	12,387	11,645	-5.9
Wheat	75,000	69,226	74,527	7.7
Cassava	969,000	815,246	850,627	4.3
Groundnuts	53,950	51,000	41,421	-18.8
Mixed Beans	14,708	11,860	16,619	40.1
Seed Cotton	56,758	49,485	47,394	-4.2

**Source: Ministry of Agriculture and Cooperatives**

On the negative side most pre-ASIP constraints persist. These include poor crop and animal husbandry practices; low levels of farm power and mechanization; declining access to farm inputs; decreasing soil fertility especially in traditional farming areas and low yields. Local successes been reported but in general in rural areas, cash incomes are falling and poverty rates are on the increase. Overall, ASIP performed poorly and lost the confidence of its stakeholders. It failed to improve agricultural performance from 1996 to 2001 and failed to reduce poverty and hunger. While ASIP was designed to ensure food security, incidences of poverty rose in rural areas where agriculture is the main economic activity. [ CSO]

A major contribution of ASIP is to have redefined the roles between public and private actors in the agricultural sector. Institutional reform of the Ministry of Agriculture Food and Fisheries was undertaken to realign its structures to the new and leaner set of responsibilities while at the same time creating an enabling environment for private sector development. More appropriate service provision was to be achieved by participatory interaction between frontline staff and farmers as the basis of planning. Stakeholder participation was to be institutionalized through the Agricultural Consultative Forum at the national level and through the District Agricultural Committees (DACs) at district level.

However, throughout ASIP, government support to lower levels (be it DACs or district level sub-programmes) has always been extremely limited. For example, in Southern Province, certain sub-programmes did not receive any operational funding for over a year. DACs have not received any support except for that which was linked to their activities under the Rural Investment Fund (RIF); this meant that the DAC's role narrowed to that of an appraiser of community projects.

During this mission, field staff mentioned that towards the end of ASIP, operations in the field had begun to improve, despite (or maybe because of) these limitations. The re-introduction of the district-ceiling (as opposed to individual sub-programme funding) represented some hope for the chronically under-funded sub-programmes such as extension services, fisheries, animal production and farm mechanization. It is also important to note that the district Financial Management Units had started to work more and more effectively. In addition cooperation between sub-programmes improved significantly.

ASIP's Mid-Term-Review (1996) showed that farmers in the more remote areas had suffered something of a 'service-vacuum' after government had withdrawn from certain areas of service provision while the private sector was reluctant to step in. This led to the reintroduction of government subsidized inputs supply under the three-year Agricultural Inputs Support Programme under the Food Reserve Agency (FRA). To some extent the programme represents a policy U-turn, with the re-introduction of subsidized fertilizer and seed distribution through (government registered) cooperatives.

Since 2001, planting materials and fertilizer is distributed to vulnerable but viable farmers on a matching grant basis in the form of the so-called 'Food Security Packs'. This year (2002) the Fertilizer Support Programme was introduced by government as a supplement to the Food Security Pack but with a focus on subsidized inputs. The Ministry of Agriculture and Cooperatives has stated that the FRA will be phased out and replaced with the Crop Marketing Authority (CMA) through an Act of Parliament.

At the district level the DACs have played a key role in the Agricultural Inputs Support Programme, among others, by identifying cooperatives or farmer associations and potential local distributors. This responsibility, though important, was not specifically included in the DAC terms of reference of 1997. However, this may in fact be the kind of activities which DACs are well-placed to undertake.

### **The Agricultural Commercialisation Programme ( 2002-2005)**

ASIP's successor programme, the ACP has been designed as the vehicle for implementing the agricultural component of the PRSP. Its structure is a stark contrast to ASIP. [ GTZ: 2001] ASIP work-programmes and budget were formulated right down to the activity level in the assumption that this would help resource flow. Instead, the ACP merely outlines objectives and broadly delineates areas of government intervention based on core functions and intentions towards supporting private sector service provision. Both its structure and contents have been welcomed by donors. However, among agricultural staff there is resentment over the fact that no consultations, not even at the provincial level, were held in designing the programme.

A central theme in the ACP document is the need to develop economic thinking among farmers and agricultural staff. The programme's credo is that "farming must be seen as a business and not just a way of life". As a result, the ACP places an even stronger emphasis on private sector development and the strengthening of district structures than ASIP did.

In fact, the ACP possibly presents an even better policy framework for the commercial and private-sector driven agriculture than did ASIP. Participatory planning, the strengthening of stakeholder platforms at the district level and encouraging a business attitude among farmers are all key strengths of a private-sector driven agriculture.

With respect to the DACs, the ACP foresees their continued role as a stakeholder platform that influences government policy on agricultural matters. The DACs fall under the programme component Resource Management and Coordination which comprises some 10% of the budget, of which half is to be channeled to the DACs. However, problems may still arise as a consequence of the changed stance of the World Bank. The World Bank intends to support the ACP with a programme of their own: the Zambia Agricultural Development Support Programme. Under this programme, support to the DACs is withdrawn in favour of strengthening the role of the District Council. The World Bank now argues that the DACs are an external structure solely dependent on donor funds, while the District Council is a permanent feature at the district level. The Bank's programme concept does not contain a single reference to DACs. Instead mention is made of the District Council and farmer organizations as vehicles for channeling support and mobilizing development [ GTZ: 2001].

World Bank support to the RIF has already been withdrawn. It is expected that remaining funds under that loan facility will be subsumed by ZAMSIF under the District Council, but lodged into an agricultural account split into extension and commercialization components. Alternatively, the money will be deposited into a separate and yet to be established fund that aims at channel money to end-users (i.e the farmers themselves) as opposed to the providers of services. The upstart of this fund is yet to be designed but it will be limited to agricultural services only and reside under the District Council. This could potentially mean that from a national perspective, the only financial life-line to the DACs (i.e. the RIF) is effectively cut.

### **4.3 Analysis of recent policy reforms in the agricultural sector and its impact on the rural poor**

In spite of the far-reaching policy and institutional reforms introduced between 1990 and 2000, the level of growth and development in the agricultural sector has not been impressive. Between 1995 and 2002 agriculture's contribution to GDP first stagnated and then fell progressively from 18.4% in 1995 to 15.0% in 2002 (Table 4.2)

**Table 4.2**  
**Gross Domestic Product by Kind of Economic Activity at Constant 1994 Prices ((1995-2002)**

	1995	1996	1997	1998	1999	2000	2001	2002
Agric. Forestry Fish	403.4	400.0	379.9	384.6	423.4	429.9	418.9	406.6
Agric.	204.9	203.2	189.7	191.4	210.4	212.6	200	175.8
Forestry	110.7	115.1	119.8	124.5	129.5	134.7	140.5	146.5
Fishing	87.3	82.1	70.4	70.7	83.3	82.4	78.4	79.2
Total GDP at Market Prices	2184.8	2328.8	2405.6	2360.4	2413.3	2499.6	2622.5	2701.9
% Agric. Sector	18.4%	17.1%	15.7%	16.2%	17.5%	17.1%	15.9 %	15.0%

**Source: Economic Reports 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002.**

The reasons for this poor aggregate performance include the following:

- Overall, the economic stabilization programme introduced in the early 1990s has proved elusive. The resulting uncertainty continues to inhibit positive investment response to the new opportunities. This in turn has had a negative effect on growth and development of agriculture in the rural areas. More importantly the elusive macro-economic stabilization programme has delayed progress in rural development and increased poverty levels amongst the rural poor
- The credit crunch that resulted from a combination of financial sector liberalization and macro-economic stabilization sent rural interest rates to unprecedented levels. This had disastrous consequences on the financial health of medium and commercial farmers. In addition the closure of the government funded rural financial institutions resulted in a massive withdrawal of seasonal and medium-term funding to small, medium and large-scale farmers in the rural areas. The effects of the credit crunch will continue to be felt under the ACP as cost of funds continue to hover around the 50 to 60% rate.
- The institutional transition from an agricultural system organized around monopoly public institutions to one organized around markets and decentralized, predominantly private sector networks and institutions has proved to be difficult. Consequently, new pro-agricultural price incentives did not translate instantaneously into real opportunities. This problem will continue to affect the implementation of the ACP
- The prevalence of drought has continued to severely hurt the agricultural sector. This exogenous factor more than off-set the potential income benefits that would otherwise have been accrued from the pro-agriculture changes. In many instances, the prevalence of drought wiped out the productive asset base [draught oxen] of smallholders. The ACP's performance will continue to be affected by incidences of drought.

Although Zambia appears to have emerged from the most difficult stage of its economic transition, the Agricultural Commercialisation Programme will still suffer from the effects of this economic transition. Consequently, the core rural poor in Western, Luapula, Northwestern and Northern Provinces will bear the brunt of the effects of the prolonged effects of the economic transition. Throughout Sub-Saharan Africa, policy responses to shocks emanating from the adjustment and stabilization process have been varied and complex. There are basically three courses of action that governments can take. The first is to finance the current account deficit through capital inflows. The second option is to reduce the deficit to the level of available external capital through tightening capital and trade restrictions. The third option is to implement policy adjustments to restore a viable balance of payment position through export expansion and import substitution.

The PRSP and the ACP have taken the last of these routes. Under this policy option, prospects for agricultural growth and development will hinge on the rapid expansion of export crops. These export crops will include sugar, floriculture, horticulture, coffee, tobacco and cotton products. Under the export crop scenario, the doubling of the volume and value of agricultural exports by smallholders,

supported by outgrower schemes managed by the new multinational and transnational owners of the privatized state-owned enterprises (LINTCO, Tobacco Board of Zambia etc) is possible.

Between 2001 and 2002, the value of visible Non-Traditional Exports (NTEs) grew by 4 percent from US\$183 million in 2001 to US\$209 million in 2002 (Table 4.3).

**Table 4.3 Major Export Products in 2002 (US\$000)**

Product	Jan to Sept 2001	Jan to Sept 2002	% Change
White Sugar	21,804.0	28,101.9	28.9
Fresh Fruit & Vegetable	17,836.5	21,617.0	21.2
Fresh Flowers	19,343.8	21,035.1	8.7
Precious Stones	12,042.0	19,536.2	62.2
Gold/Bars Bullion	7,295.2	19,245.5	163.8
Cotton Lint	8,435.7	15,672.1	85.8
Cotton Yarn	24,220.7	15,052.6	-37.9
Copper Wire	6,775.7	10,416.6	53.7
Burley Tobacco	5,978.9	7,525.6	25.9
Cement	4,646.6	3,677.3	-20.9
Electrical Cables	5,039.4	3,612.1	28.3
Coffee	2,940.0	3,200.6	8.9
Bank Notes	2,393.1	3,025.7	26.4
Gas oil/Petrol/Oils	0.00	2,787.1	100.0
Ferro Scrap Steel	2,328.4	2,185.2	-6.1
Copper Scrap/Waste	0.00	1,938.4	100.0
Cereals/Starch	139.3	1,868.6	1241.1
Game Trophies/Hides	2,310.9	1,665.4	-27.9
Paprika	1,818.2	1,545.2	-15.0
Fuzzy Cotton Seed	743.3	1,335.2	79.6
Stock Feeds	1,414.1	1,217.2	-13.9
Sulphuric Acid	435.0	1,187.9	173.1
Skin Leather	0.00	1,157.9	100.0
Maize Seed	114.3	1,150.8	906.8
Total of above	148,055.1	189,757.4	28.2
<b>Total NTEs</b>	<b>182,969.7</b>	<b>209,155.6</b>	<b>14.3</b>

**Source: Export Board of Zambia**

The growth in NTEs largely emanated from commodities such as cotton lint, burley tobacco, fresh flowers, gemstones, sugar, copper wires and gold bars. In addition, the increase in export valued of precious stones resulted from the discovery of new mines by KAGEM that are rich in high value emeralds.

An analysis of the NTEs indicates that in 2001, agricultural exports accounted for 69.5% of NTEs while in 2002, the figure dropped to 61.7% total NTEs. In terms of value, agriculture exports accounted for US\$ 109.2 million in 2001 and US\$117.1m in 2002 respectively. Outgrowers schemes account for between 60% to 65% of agricultural exports.

Since 1998 there has been a decline in earnings from textiles (cotton yarn) largely due to:

- low international cotton prices following the Asian economic crisis
- oversupply of cotton textiles on world markets
- emergence of new, former Eastern block suppliers to the European market

In 2000 the decline was 4%, and since then, ie during the past two years, this decline has continued due to:

- continuation of falling international prices
- fall of all major European currencies against the US\$

This shows how precarious are incomes that are dependent on non-traditional exports.

(Source: Export Board of Zambia)

The development of private-sector led agricultural exports has had a positive effect on the volume and value of NTEs. Under the liberalized market environment, the private sector has quickly moved into the production and marketing of crops in which Zambia has comparative advantage. Facilitated by access to international markets through trade agreements (EU, COMESA and SADC) and appropriate incentives such as an appropriate exchange rate, duty exemptions and lower rated duty on imports, the sector has grown markedly (Table 4.4). In 1990 the value of agricultural exports was US\$ 23.4 million and accounted for some 35% of total NTEs. By 2000 the value of agricultural exports has increased five-fold and reached US\$ 106.0 million in 2000. In 2002, the value of agricultural exports accounted for 61.7% of NTEs (Table 4.4)

**Table 4.4 Value of Non Traditional Agricultural Exports 1990 to 2000 in US\$ ' 000**

Year	Animal Products	Floriculture Products	Horticulture Products	Leather	Primary Agriculture Products	Total	Total NTEs	%
1990	2291	1050	4544	1039	14542	23466	102202	23
1991	1185	1902	5807	675	22761	32330	121322	27
1992	456	2987	2834	375	19968	26720	101970	26
1993	740	5506	2391	1259	25072	34968	124091	28
1994	355	9110	2421	1235	10008	23129	138859	17
1995	654	18000	2589	1211	24000	46454	202498	23
1996	1972	4784	3286	2131	44527	56700	240824	24
1997	3412	7385	5637	2220	90959	109613	328557	33
1998	4116	32355	19002	3134	57642	116249	301792	38
1999	4374	42607	23128	1859	61973	133941	284946	47
2000	3374	33863	27355	4331	37103	106026	256236	41

**Source: MOF (May, 2001), Macro-economic Indicators**

In addition to the provision of government incentives, the outgrower scheme modal has facilitated small scale production of targeted high value products. These include cotton, sunflower, vegetables, tobacco and paprika. Through the provision of private sector extension support services, credit and marketing arrangements, the number of outgrowers has increased markedly. At the time of the mission, some 180,000 small scale farmers in Eastern, Southern, Central and Western Provinces were involved in cotton production. In addition, a further 1,500 smallholders were growing paprika whilst some 6,000 smallholders were growing tobacco.

Under the ACP outgrower model, by the year 2004, the Government expects to improve the livelihoods of some 300,000 farming households in the small and emergent category, located in high potential areas. However, this figure is only 36% of the estimated 830,000 rural poor and vulnerable households, many of whom will continue to need government support to grow and develop.

During the year 2002, Government's macro-economic objectives were aimed at sustaining the positive growth record in 2001 by achieving at least a 4 percent growth in real Gross Domestic Product (GDP), reducing end-year inflation to 13% and limiting the budget deficit to 3% of GDP. In addition, the Policy thrust was to increase gross international reserves by US\$129 million, or about one and half months of import cover, and to support the implementation of the poverty reduction strategy [Economic Report: 2002].

To achieve a 4% growth in the economy, the Government anticipated a recovery in the agricultural sector and continued growth in the tourism, manufacturing, wholesale and retail trade sectors.

To stimulate growth in the agricultural sector, the Government took measures to enhance crop production and national food security by allocating a total of K183 billion to the sector in 2002. This figure represents a small percentage of the national budget. An important aspect of the policy reforms in agriculture is government's commitment to the protection of the poor and vulnerable groups. During the fiscal year 2002, government did make a commitment to embarking on a concerted poverty reduction programme for the alleviating poverty. However, of the K183 billion allocated to the poverty reduction programme, only 52.8% was disbursed [see Table 4.5]. This indicates that budgetary constraints could torpedo the success of the poverty reduction strategy under the ACP.

**Table 4.5 Agricultural Budget Allocation and Releases in 2002 (in K' millions)**

	<b>GRZ Allocation</b>	<b>Releases</b>	<b>% of Allocation</b>
Crop and Fertiliser Credit Revolving Fund	50,000.0	50,000.0	100.0
Southern Province Food Security Programmes	382.0	382.0	100.0
Small Holder Enterprise Marketing	2,940.0	618.0	21.0
Farmer Credit Facility	30,000	4,176.0	13.9
Small Holder Irrigation	70.0	0.0	0
Animal Husbandry Credit Fund	3,735.0	0.0	0
Farmer Support Programmes	10,000.0	24,000.0	240.0
Poverty Reduction Programme	33,010.0	14,076.0	42.6
Capital Expenditures	2,076.6	3,000.0	144.5
<b>Sub Total</b>	<b>132,213.6</b>	<b>96,252.0</b>	<b>52.8</b>
Personal emoluments	29,065.3	38,841.6	133.6
Recurrent Departmental Charges	20,064.1	12,592.2	62.8
Grants	2,101.8	1,438.9	68.5
Sub-Total	<b>51,231.2</b>	<b>52,872.7</b>	<b>103.3</b>
Grand Total	<b>183,44.8</b>	<b>149,124.7</b>	<b>81.2</b>

**Source: Ministry of Finance and National Planning**

#### **4.4 Conclusions on the impact of the macro-economic environment on the rural poor**

Overall, the ACP policy thrust has a number of advantages from the perspective of the macro-economic environment. At the *macro*-level, the ACP policy is likely to increase the contribution of the agricultural sector to foreign exchange earnings. The policy thrust is also likely to increase agriculture's share of GDP, increase the diversification of cropping patterns and make a modest contribution to poverty reduction.

At the *meso*-level, the ACP's policies are likely to build new linkages with international markets, develop new farmer-driven institutions, create new partnerships between CBOs, NGOs and multinational companies, and promote new crop specific single chain marketing systems.

At the *micro*-level, the ACP policies are likely to improve access to credit and inputs for a small proportion of farmers that are being serviced by the large-scale multi-nationals. In addition, the policy is likely to provide them with "guaranteed" markets, increased levels of income, and promote the development of a competitive agricultural production and marketing system.

**However, in spite of the above advantages, the ACP policy is not pro-poor. Consequently, the PRSPs pro-poor ideals will remain on paper and increase rather than decrease the levels of poverty in outlying rural areas that are not designated as 'high potential', ie the poorest parts of Western, Luapula, Northern and North-Western Provinces.**

The reasons for this are explained in detail in the next section.

## 5 SOCIAL IMPACT ANALYSIS OF ZAMBIAN GOVERNMENT'S POLICIES TO PROMOTE COMMERCIAL AGRICULTURE

### 5.1 Overview of the general limitations agricultural policies as set out in PRSP and ACP

On the positive side GRZ, in the PRSP and ACP, recognises the broad need to increase the competitiveness, efficiency and sustainability of agricultural production whilst bringing about improved food security and increased income. It also recognises some of the key constraints that exist at macro-level and which are preventing these aspirations from taking place, ie inadequate targeting of the poor; weak integration of small scale farmers into the market; absence of holistic livelihood approaches; low competitiveness, low investment flows to the agriculture sector, failure to implement policy due to lack of funding and absence of coherent political will.

Whilst this recognition and critique by GRZ is to be welcomed, on the negative side, there are some fundamental problems in the PRSP, particularly in the sections setting out agricultural policy:

- Lack of prioritisation of policies, particularly in light of limited available funding; there is a danger, as has occurred in the past, for example in regard to distribution of agricultural inputs, that political interests will determine priorities
- Lack of attention to detail or development of strategies for practical implementation of policies, suggests failure to think through the linkages between policies
- Failure to tackle (despite recognition) the two problems that have beset implementation in the past, ie inadequate finance and poor governance
- Continued preservation of, even a danger of widening, the current two-stream farming sectors: increased divergence in interests between large and medium farmers oriented towards exports whilst marginalized and sub-subsistence farmers continue to experience food insecurity
- Trends to treat the poor as a homogenous group, rather than distinguishing between different needs of sub-sectors, particularly geographical differences, amongst the most vulnerable groups
- Weak, often absent, gender or generational analysis of policies' relevance and potential impact<sup>9</sup>.
- Lack of evidence-based analysis; policies appear to be formulated on assumptions and loudest political voice which has led to inconsistencies in government policy in the past.
- Failure to build on past lessons and institutions, but rather tends to depend on setting up other, new ones.<sup>10</sup>
- Weak strategy for monitoring and evaluating impact of the PRSP: emphasis is on monitoring outputs rather than impact
- Minimal opportunity for practical participation in assessment and ongoing review of the PRSP's impact by citizens and organisations representing civil society; no indication of commitment by GRZ that such representation will be encouraged

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<sup>9</sup> It is stated in the PRSP that gender analysis will take place when policies are implemented, although it is at design stage that the analysis should take place if negative impacts are to be avoided

<sup>10</sup> In our view there are some institutions which have shown they can make a difference, eg the Rural Investment Fund, *provided* these are properly funded on a long-term basis and administered in a targeted and efficient manner. Instead, the ACP proposes setting up a new Agricultural Development Fund. We also believe there is an opportunity to create a rural financial infrastructure that could contribute to the country's savings base through expanding and modernising the network of outlets of the existing National Credit & Savings Bank, which is the bank most used by the poor.

- Agricultural policy is still likely to be implemented in a top-down manner: for example, it makes the assumption that subsidised fertiliser for maize is the most important interest of semi-subsistence farmers, over and above their expressed need for improved infrastructure.<sup>11</sup>
- Policy formulation – and implementation – continues to be the response to crisis and/or for short term gain (eg to please donors or for political advantage) rather than long term sustainability
- Politicisation of food and agricultural policy formulation and implementation, for example decisions about the distribution of fertiliser and maize are the prerogative of the President, with little regard to the market distortions that are created by free or subsidised distribution of these goods
- Considerable attention is given to Northern-export orientated production, less to how local production might be better absorbed in enlarged domestic and regional markets, for example through increasing the volume of local produce sold in foreign-owned supermarkets and developing opportunities for expanding competitive import substitution
- Fails to take account of need to encourage alternatives to maize as the main food crop which is not well suited to growing in large parts of Zambia, is lower in nutrition than other crops, and has a low price on international markets<sup>12</sup>

## **5.2 Potential winners and losers from GRZ's agricultural commercialisation policies**

The Primary Stakeholder and Social Analyses contained in Appendix E show clearly that the main beneficiaries of GRZ's policies (which have just been confirmed in expenditure priorities for agriculture in the 2003 budget) will be the foreign owned estates, large and medium independent farmers, and those small and emergent farmers who are located in the high potential areas (ie close to existing road and rail routes) and designated farm blocks. For example, in the 2003 budget it was announced that a further two areas will become farm blocks with Kw19 billion allocated for feeder roads, power, and irrigation; these blocks will be specifically for the expansion of export outgrower schemes.<sup>13</sup>

Small and emergent farms outside of these areas will do less well, however, and the very poor and marginal smallholders, most of whom are located outside of the high potential areas in any case, are unlikely to see any great change in their situation. This is not to say their position is going to get worse: in the budget GRZ committed itself to continuation of targeted subsidised fertiliser and seed (Kw50bn), but this can hardly be regarded as a "win" situation; rather it is confirmation and deepening of a two-stream farming system. Further, in the budget it was announced that Kw 600m (approx US\$130,000) would be available for "land advocacy programmes" – we are not sure what these are, but suspect they may be for acquisition of land and resettlement of population that do not meet the criteria for participating in the outgrower schemes in the new farm blocks, ie the very poor and marginal smallholders now living in the designated areas and who do not have title to their land. If so, what will be the conditions of their resettlement? and who will be speaking for them?

On the positive side, it was also announced in the Budget that funds would be made available for District Development funds, which may be used to contribute to feeder road networks, bridges and other infrastructure in areas further away from main routes. Similarly funds have been committed to construction of dams and irrigation schemes "throughout the country". However, given that many District Officers are already working under considerable pressure and with limited resources as the decentralisation programme fails to take place, it is doubtful whether either of these financial sources

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<sup>11</sup> Drivers for Change, p viii

<sup>12</sup> Due to poor climatic conditions, production of maize in 2001/2 declined by 24.9%, whilst cassava increased by 4.3% and exceeded maize volume by nearly a third; production of mixed beans increased by 40.1% (GRZ/ MOF "Economic Report 2002".)

<sup>13</sup> Minister of Finance's speech on 31 Jan 2003 referred to Kw14bn for new farming blocks for export-outgrower's schemes at Nasanga and Kalumwange, and Kw5bn for a sugar growing area in Luena .

will actually be taken up by Districts, or indeed, based on past experience as outlined in Section 4, that funds for these tasks will be available in any case.

<b>Potential Winners and Losers from GRZ's Agricultural Commercialisation Policies, extracted from Appendix E: Social Impact Analysis and Primary Stakeholder Analysis</b>		
<b>POTENTIAL WINNERS</b>	<b>POTENTIAL LOSERS</b>	<b>MIXED IMPACT</b>
Foreign owned estates producing for northern markets	Poorest and most vulnerable rural households	Agricultural traders & suppliers of services
Large and medium sized independent, Zambian owned farms	Marginal smallholders	Urban consumers & retailers
Small & emergent farmers that are located in high potential areas or demarcated farm blocks	Small and emergent farmers that are not located in high potential areas or demarcated farm blocks	
Overseas consumers		
<b>WHY &amp; HOW</b>	<b>WHY &amp; HOW</b>	<b>WHY &amp; HOW</b>
GRZ committed to providing stable macro-economic environment to attract FDI; overseas consumers can expect continued supply of stable priced, quality vegetables and flowers	Although poorest and marginal farmers may continue to benefit from continued free agric inputs and food relief, that can hardly be described as a "win" position	Increased competition resulting from improved access will lead to more entering business of agricultural services and trade
Those located in high potential areas and farmblocks designated for expansion of outgrowing will benefit from investment by GRZ in infrastructure (roads, irrigation & power)	Small and emergent farmers outside of the high potential areas will not benefit from the infrastructural investment they need to link them to markets	Urban consumers unlikely to benefit from improved quality of food being produced by local farmers as most will be exported; but will continue to be offered mainly imported products

As mentioned earlier, it could be argued that the very poor and vulnerable are not actually losing, rather they are standing still. Also, no resources are being diverted away from them: (assuming the promised funds for food relief and agricultural inputs are actually disbursed, and this seems to vary from year to year) they will continue to get social protection handouts. However, since GRZ policy is supposedly aimed at poverty reduction, maintaining the status quo of poverty is definitely not a win situation, and for this reason we have categorised them as losers. They may also be losers in the very real sense, particularly women, by finding their workloads increased, for example as they are forced to take on more casual work as well as trying to find the time to maintain their own household plots.

We have summarised our findings and analysis in the box on the next page.

### SUMMARY OF FINDINGS AND ANALYSIS:

(see Appendix F for detailed Social Impact Analysis and Primary Stakeholder Analysis)

#### Givens:

- **Export-orientated growth is essential** for obtaining the foreign exchange Zambia needs to meet its import bill, keep down inflation, and fuel its economic growth
- With the decline in the mining industry **it is essential that Zambia diversifies its outputs** (indeed donors have been urging this on GRZ for years), and agriculture is the only area of the economy with the scope to make up for the decline in mining output
- The PRSP (which incorporates the ACP) has been approved by the IMF and World Bank, and is a major factor in ensuring Zambia qualifies for HIPC relief. **The policy dialogue (for the time being) is therefore closed**; the next stage is implementation.

**However, whilst policies to promote export of non-traditional agricultural products will undoubtedly contribute to economic growth, it has to be recognized that:**

- i) such policies are **unlikely to have more than minimal impact on the livelihoods of the very poor rural households** who are dependent on, and likely to remain dependent on, sub-subsistence agriculture. This is because they cannot enter the market to begin with due to lack of a surplus to sell and no infrastructure to connect them to markets.
- ii) it is **likely to contribute to deepening the existing two-stream farming system**, with large and medium farmers orientated towards exports experiencing growth, whilst marginalized and sub-subsistence farmers continue to experience chronic food insecurity.
- iii) as the gap between the two gets wider **it will become harder and harder for the poor 'marginal' group of farmers to make the leap from poverty to viability**, ie to overcome constraints such as lack of infrastructure and distance from markets, lack of assets to use as collateral for raising finance, and lack of technical know-how to produce competitively.
- iv) **parallel policies need to be in place to ensure equitable, pro-poor distribution of the benefits of any growth** that results from export-orientated agriculture. These parallel policies will need to continue to include **social protection measures** for the very poor, but should also aim to help marginal smallholders make the leap from poverty to viability – so they can become full participants in the market economy – by development of infrastructure and services, and dissemination of technical know-how
- v) agricultural policies that **focus on a more holistic approach to rural development** (ie the livelihoods approach, with interrelated development of all five capital assets) in which increased commercialization of agriculture is a wealth generating component within that wider holistic development, **will have a greater impact on poor rural communities outside of the 'high potential areas'**. These livelihood based policies should run parallel to the market based ones, and so contribute to enabling the marginal poor to overcome the constraints that prevent them from making the leap from poverty to viability (as referred to above)
- vi) agriculture as the principle wealth-generating component of holistic rural development needs to be **supported by development of a well-regulated macro-economic environment** that aims to achieve policy implementation in an equitable, consistent, transparent and sustainable manner

### **5.3 Realities of implementation**

Accepting the weaknesses of the policies in PRSP and ACP listed at 5.1, the real issue is whether they will be implemented at all! In the light of past experience and the anticipated continuation of a shortfall in funding (as described in Section 4), we were taxed by a number of questions regarding the reality of implementation of GRZ's agricultural policies, and what impact non-implementation of some or all of the policies might have on the rural poor. Such questions included:

- To what extent is the PRSP 'owned' by GRZ, or donor-driven, or driven to please donors?
- Realistically, is it likely to be implemented at all? In full or in part – and which parts?
- Can the policies be made more pro-poor in implementation? How? What is the likelihood of the policy dialogue being re-opened? What are the mechanisms for bringing forward the voice of the poor?
- How can the more pro-poor policies be prioritized if resources only allow part-implementation?
- What are the alternatives to promotion of agriculture? What else has Zambia got now its mining sector is in decline?
- Is something better than nothing? Or is nothing (non-implementation) better than policies that are not pro-poor?

A "reality check" is therefore necessary to determine what policies might be implemented, what will be the impact of any policy implementation that may take place over the next few years, and what could be the impact of non-implementation on poor rural households.

All of the budget commitments referred to above are from the poverty reduction allocation, about half of which is met by donors. Such well-publicised statements of commitment are a good reflection of GRZ's political priorities – and support for furtherance of outgrowing and exports is clearly foremost amongst these, as is continuation of subsidised agricultural inputs and food relief.

Whether or not these commitments are actually met during the forthcoming year, however, will depend on funds being available for disbursement to meet those ends during the year, and based on the story of the past few years, described in Section 4, this is a game of random chance.

According to the Minister of Finance, the 2002 budget "became extremely difficult to implement as planned . . . (and) resulted in reduced expenditure levels for some categories and non-release for others . . . the most affected expenditure category was that for poverty reduction programmes . . . (which were) allocated Kw450bn of which Kw210bn was expected from donors and Kw240bn from domestic resources. However, actual releases during the year were Kw110.1bn representing only 24.5% of the total budgeted amount."

The reality is, therefore, that many of the PRSP and ACP policies will probably not be implemented, whether for lack of finance or lack of political will, or more likely a combination of both factors since political considerations will determine how the limited finances are distributed.

### **5.4 Can the policy dialogue be re-opened?**

What, then, is the likelihood of the few policies that might be implemented being made pro-poor or more pro-poor, or for the policy dialogue to be re-opened? As shown in the analysis (Appendix E), at the moment **opportunities for poor people to benefit** from greater export-orientation of commercial agriculture are likely to be:

- **incidental or random** rather than deliberate (ie subject to inconsistent policy implementation, and dependent on what funds are available, from what source, and what are the political priorities for those funds), and
- **indirect** rather than direct (eg by increased demand for casual labour).

But even these incidental and indirect benefits may not be forthcoming (eg if people are moved out of disease-free areas rather than being allowed to remain and benefit from increased availability of vet services) or they may even turn out to be **negative** (eg if conditions of employment are exploitative,

and/or contribute to a worsening of women's health and/or contribute to worsening food security of the very poor due to the reduced time they have to spend on their own food crops).

**The groups most likely to be excluded from the economic growth process and its benefits are, therefore, the very poorest and the marginal smallholders in the most isolated parts of the country.** Not only will they continue to be excluded from participating in markets by having no surplus to sell and no means to reach markets, they will also continue to be deprived of social capital such as accessible health and education services, and may even find their food insecurity worsening.

Further, worse than the lack of benefit reaching very poor and marginal smallholders, potentially there **is a danger that some people's rights, particularly women, children, the elderly and sick, will be further violated by exploitation of their poverty**, resulting in overwork and worsening health. Depending on how resettlement schemes are implemented there is also a danger that some poor people could become landless, or be moved to less productive land, to make way for commercial agriculture enterprises such as livestock free zones, export orientated farming blocks etc.

**The chances of the policy dialogue being re-opened are very slim:** the PRSP has been approved and is a condition of HIPC; and the Government has made clear its priorities in the recent Budget, the rationale for which is the need for foreign exchange.

What is needed, therefore, are **secure social protection policies** running parallel to the export-focused growth. By 'secure' we mean that they need to be consistently funded, and not subject to chance, so that very poor people can begin to stabilise their poverty. They should also have the aim of creating wealth and capital in isolated communities by increasing cash incomes in very poor households, and enabling them to build up a few household assets. The note below shows that roughly six times (Kw89.5) was spent in 2002 on subsidising agricultural inputs as it is intended to spend this year on developing infrastructure of two new farming blocks (Kw14bn). It might, therefore, be preferable, when the HIPC funds eventually arrive, for GRZ to allocate a proportion of it to cash for work schemes that involve building of feeder roads in the areas where the poorest people live, thus generating cash incomes that will enable local economies to be kick started, and enable very poor people to enter the market economy.

**Note on disbursement of social protection measures under PWAS in 2002:**

Under the Public Welfare Assistance Scheme (PWAS) social protection measures include:

- health clinic vouchers (in + 50 districts)
- some food distribution
- community school bursary schemes (in 5 districts only)
- assistance for OVCs (school fees + uniforms in urban areas)
- a youth health care scheme (9 districts where all 6-12 yrs old receive exemption certificates)

Other institutions have 'piggy-backed' their programmes onto the PWAS administrative structure including:

- the GRZ Food Support Programme
- the Programme Against Malnutrition (PAMS)
- the Ministry of Education's outreach programme, BESEP

The funds for these benefits are disbursed by Ministry for Community Development & Social Services (MCDSS) to District Welfare Officers (DWOs), who then target the poorest through a structure of Area and Village Level Committees. There are two major problems with this system:

- the DWOs are currently coping with the workload but there is concern that the PWAS system may not manage so well if/when PWAS is running at full capacity (ie if all the funds are actually disbursed) or if too many other programmes are added on, and
- The amount of money available for PWAS measures is inconsistent: under HIPC, for 2001, MCDSS was promised Kw 12 Billion for PWAS (approx US\$4m, at that time) but they only received K 0.3 billion (approx US\$70,000)

Even so, 200,000 individuals were reached, and although these have not been disaggregated it is believed the majority were in rural areas as there were problems with targeting in urban areas which led to almost non-distribution in urban areas. Based on these very rough figures, the per capita cost of these social protection measures is in the region of US\$0.35cents.

In addition to the measures listed above is GRZ's finance to cover subsidised agricultural inputs (fertiliser and seed) which in 2002 was Kw89.3bn (US\$190,000)

### **5.5 Possible routes for making market based agriculture more pro-poor**

In our view, a strictly market-based approach to commercial agriculture is only one route to sustainable economic growth, and it needs to be complemented by other approaches in order to bring about an inclusive agricultural sector, rather than leading to a deepening of the current two-stream farming economy:

- A **livelihoods approach** would take a more holistic view of rural development in which commercial agriculture, including export-orientation, is the component which generates wealth and kick-starts an upward drive towards creation of viable local economies in which even the very poor can participate. A major constraint to rural development is poor, or more often absent, infrastructure: feeder roads, power, telecomms; also social capital assets such as schools and clinics. Given that the very poor tend to live in areas where none of these exist, we believe policy could be directed more towards this kick-starting, for example, through cash for work schemes for the very poor. These would put cash incomes into their households and open up areas to trade, both traders coming in to collect surplus crops, and service providers finding it worth their while to establish an outlet there, and farmers travelling out of the area to sell their produce in peri-urban and urban markets where they can get better prices.<sup>14</sup>
- A **rights-based approach** would focus on how to overcome the specific constraints preventing very poor and isolated people from participating in the market, and how the voice of the poor can be better heard – and listened to – in policy debate. It would ensure that poor people are not exploited in order to maximise economic growth, for example through resettlement or having to undertake casual work at the expense of having time for their own crops. It would follow through the principles of demand-driven policy making and accountability.

We believe there is scope, though limited, for DFID to take forward both these approaches in the context of Zambia's market based agricultural policy, and we outline these in Section 7. However, Zambia is already littered with donor projects, each aiming to reach a small number of clients in a confined area, and **we would caution DFID against setting up yet more projects** of three to five years duration.

We also believe it is important for DFID to **look at what has worked in the past**, and to build on past lessons rather than seek a new approach. For example, the Rural Investment Fund (World Bank sponsored 1998-2001) was found to be a useful way of developing community-driven infrastructural improvements in remote areas, but like so many projects, ended after a few years, just when it was beginning to make an impact.<sup>15</sup> Further research into "what worked and what didn't" should be undertaken at programme appraisal stage.

Rather, as it makes a decision on whether or not to enter the agricultural sector, DFID has the opportunity – "a clean sheet" unhindered by short-term project interests – to consider how it can strategically engage with the government, private sector and civil society, in a way that will achieve long-term development of pro-poor, equitable economic growth.

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<sup>14</sup> An example of where this approach has worked is a DFID/CARE project in Malawi (Central Region Infrastructure Maintenance Programme – CRIMP) through which former villages in which no enterprise took place have developed small, thriving economies directly as a result of increased cash incomes and feeder roads.

<sup>15</sup> This view was expressed to C Pinder and D Wood by several key informants met during research for this study.

## **6 OVERVIEW OF THE INSTITUTIONS AND KEY PLAYERS INVOLVED IN AGRICULTURAL POLICY FORMULATION.**

The last few years have witnessed a marked revolution in the structure of commodity and input markets and in the institutions governing these markets. This revolution is far from complete and has taken its share of individual and organizational casualties.

The mission reviewed the institutional arrangements and key players in the agricultural sector and identified various players that determine policy in the sector. At the national level, several ministries share responsibility for the success or failure of the agricultural sector.

### **6.1 The Ministry of Finance and National Planning**

The Ministry of Finance and National Planning is responsible for overall economic development, determination of inter-sectoral investment priorities, setting objectives and mobilizing finances from local and external sources. Through the Ministry of Finance, the government allocates grants and loans to the Ministry of Agriculture and Cooperatives to service operational budgets and for project support. The Ministry of Finance is instrumental in allocating funds to line ministries responsible for domestically financed Poverty Reduction Programmes.

In 2002, the Government's priority in the agriculture sector was to attain food security at both the household and national levels. In this regard a total of K183 billion was allocated to the sector to facilitate the distribution of fertilizer for the 2002/2003 season and to supply Food Security Packs to small scale farmers to enable them grow food crops. Due to pressures on the budget, the Ministry of Finance released only K149.1 billion which represented 81% of the Ministry of Agriculture's requirements. The Ministry of Finance's policies indirectly affect the implementation of MACO's policies

### **6.2 The Ministry of Agriculture and Cooperatives**

At the national level, the Ministry of Agriculture and Cooperatives plays a pivotal role in the agricultural industry. Through its various departments, MACO is responsible for formulating policies and programmes that will stimulate the development of agricultural production, and ensuring that the country is food secure. In addition to policy formulation, MACO assists with resource mobilization and the coordination of donors, NGOs and the private sector involved in agriculture. Other roles include liaising with other line ministries on issues relating to agriculture.

### **6.3 The Ministry of Commerce, Trade and Industry**

The Ministry of Commerce, Trade and Industry plays a pivotal role in providing an enabling environment for the marketing and trade of agricultural commodities. The Ministry is responsible for trade policies, tariff structures, export and import licensing regimes, trade promotion and the privatization programme. In addition, the Ministry of Commerce, Trade and Industry is instrumental in providing guidance on issues relating to export financing, pre-shipment, and export credit insurance and guarantee schemes.

There is a general consensus within the Ministry that agriculture has the greatest potential to provide a quick supply response to the challenge of exporting quality products at competitive rates. The Ministry has developed policies that have increasingly highlighted the importance of exports of agricultural products.

In addition to the above government ministries, the Ministry of Lands plays an important role in developing land reforms and land tenure policies that could stimulate increased agricultural production

### **6.4 Other Key Players**

In addition to the key economic ministries reviewed above there are a large number of organizations and advocacy groups that continue to influence government policy. These organizations include the Zambia National Farmers Union, the Agricultural Consultative Forum,

the Land Alliance, Women For Change and the Civil Society for Poverty Reduction. Other Key Players include the Jesuit Centre for Theological Reflection, the Catholic Commission for Justice, Development and Peace and the Zambia Agric-Business forum.

The Jesuit Centre for Theological Reflection has focused its attention on the issue of debt and its impact on the poor whilst the Catholic Commission for Justice, Peace and Development has been lobbying to promote the preparation and implementation of a national budget and policies that are sensitive to the needs of the poor. The CCJP's interventions have been instrumental in lobbying for a prop poor budget.

Women For Change and the Civil Society for Poverty Reduction have been influential in bring issues of poverty eradication and sustainable human development to the attention of the Zambian Government.

## 7 POSSIBLE WAYS OF RE-OPENING AND INFLUENCING THE POLICY DIALOGUE

At this stage we are not attempting to make suggestions as to what should be the precise form of DFID's engagement with GRZ's agricultural policy arena – indeed this is the task of DFID advisers and it's Zambian partners representing the three strands of state, private sector and civil society. We do believe, however, that there are five areas in which DFID might consider intervening to improve the quality of policy formulation and implementation, and these are described below.

The rationale behind the first three of these, and perhaps also the fourth, is that the policy dialogue could be re-opened by opening up areas for discussion through research, and strengthening weaker voices so that dialogue takes place on more equal terms.

### 7.1 Support for better evidence-based social and economic analysis:

As highlighted in 5.1, outlining weaknesses with the PRSP and ACP, there is a need for research in areas where there is presently a gap in knowledge, or it is incomplete, and which can have an important place in informing policy. These include:

- i) **Vulnerability mapping:** The Co-ordinator of ACF reports that some mapping has been undertaken with the aims of PAM in mind. More detailed, and participative, mapping is needed that draws out the differences in the types and structural, underlying causes of poverty, against which policy impacts (particularly in the PRSP) can be monitored and assessed (see below 7.2).
- ii) **Donor mapping:** Similarly, there is a need to bring together in a cohesive framework a review of the work being undertaken by the many donors and international NGOs operating in Zambia. There is also need to co-ordinate donor efforts more effectively, and the mapping will assist in this, though we recognise the difficulties in achieving co-ordination.
- iii) **Mapping of private sector and civil society advocacy groups** and citizens' initiatives aimed at voicing the views of all sectors of Zambian society, in particular the poor. The aim of this mapping will be to identify whose interests are currently being represented, through what means and in what strength. From this it will be possible to identify where and how support may be needed in building capacity for those not adequately represented at present (see below 7.3).

Besides informing DFID policy (not only in the agricultural sector, but throughout its work) the above exercises, if seen as a part of DFID's support to the PRSP, can also contribute to developing a more evidence-based approach to GRZ's national policy making process and provide new opportunities for dialogue between key institutional players.

### 7.2 Support for a comprehensive monitoring, evaluation and impact assessment process

A well-designed impact assessment process can be a powerful tool in re-opening policy debate, as the feedback can be used in the context of shared institutional learning that guides subsequent policies and strategies. This may enable future policy to be more pro-poor, and to focus on how to move forward towards a more sustainable and inclusive commercial agriculture policy.

In addition to the above areas of research, therefore, we believe DFID could make a direct contribution to achievement of a more pro-poor impact of the PRSP by offering to GRZ the financial support and technical assistance needed to **set up a comprehensive impact assessment system that has citizen participation at its core**. This should be done as soon as possible, so that baselines can be established; it should also be designed in a fully participatory way so that its results are owned and acceptable to all sectors of society. The Vulnerability Mapping referred to above will guide the types of indicators and means of verification most appropriate to assessing impacts of the PRSP on very poor and vulnerable rural households.

### **7.3 Support for developing a 'voice for the poor'**

Based on the outcome of the mapping of private sector and civil society advocacy groups, it should be possible to identify the strengths and weaknesses of existing lobby groups, and where are the gaps in ensuring poor people are properly represented. Besides aiming to develop capacity of those institutions which represent the poor (eg through skills development, good quality research into poverty issues), there should be a parallel aim of facilitating training which encourages government ministries and structures to 'open their doors and ears' to lobby groups and individual citizens. This could be a way of creating more open dialogue between state, private sector and civil society that will contribute to better policy formulation in the future.

### **7.4 Support for development of a Code of Ethical Practice in relations between foreign owned agricultural corporations and Zambian farming enterprises and associations**

This may follow on from 7.3, in that one task of a strong pro-poor lobby might be to develop a tool for contractual negotiation between groups of small farmer outgrowers and the foreign owned corporations, to ensure that contracts between the two are reasonable and mutually respected. Amongst the concerns with the present system of requiring small farmers to produce certain vegetables in a certain manner are:

- vulnerability to price fluctuations and outgrowers subsequently finding they do not have a guaranteed price after all, and
- (in the longer term) many of them only having acquired technical know how in a narrow type of horticulture or floriculture, rather than broad-based agricultural skills development that they can fall back on if/when there is a decline in demand for these currently popular products

A code of practice agreed between all parties could be the basis of developing more equitable and sustainable farming practices in Zambia. We understand that some work on these lines has already been started by SFAP and SHEMA (and a similar idea is contained in ICC's report on Strategies for Private Sector Development in Zambia). SFAP and SHEMA are essentially government-driven organisations, however, whereas we are suggesting the code should come from within civil society groups – both the pro-poor lobby groups and private sector business associations.

Taking this ethical approach as the foundation to relations between Zambian small farmers and agricultural transnational corporations one step further, there may be opportunities to extend ethical trading initiatives across the country, and to create in Zambia a model for agricultural corporate social responsibility and business development partnerships. Although small and emergent farmers involved in outgrower schemes are not amongst the poorest and most vulnerable rural dwellers, it is as important to ensure they do not slip back to marginality, as it is to give opportunity and support to marginal small holders to graduate to outgrower capability.

### **7.5 Support for technical research, development and dissemination**

This is an area which is unlikely to get priority by GRZ if funds are short, but we believe there are opportunities for RD&D to have an impact on very poor peoples' livelihoods if it is directed to that end from the start, rather than purely towards improving productivity in the sector of non-traditional export crops which is presently the case. For example, it has been found that legumes can thrive in drier conditions than maize, yet their annual tonnage remains low compared with maize. We understand from CLUSA that there is a need for more research into improving the quality of legume seed for the domestic and regional market, as they could become an important feature in future food security programmes. More importantly than the research itself, however, is the need to ensure the better seed reaches poor people; also dissemination of information about how they can make legumes more palatable and acceptable as a substitute to maize. A similar case can be made for cassava, the tonnage for which in the past two years has actually exceeded that of maize.