

# **Approach to Private Sector Development in the EEOA Programme, Zambia**

**Stephen Goss  
Roger Blech  
Guy Scott  
Christopher Mufwambi**



**Sida**



# Table of Contents

|   |    |
|---|----|
| EXECUTIVE SUMMARY .....   | 1  |
| 1 INTRODUCTION .....  | 5  |
| 1.1 Purpose .....   | 5  |
| 1.2 Methods .....   | 5  |
| 2 BACKGROUND .....  | 7  |
| 2.1 The agricultural sector in Zambia .....                                 | 7  |
| 2.2 Changing conditions for rural development .....                         | 10 |
| 2.2.1 Deregulation and institutional changes in the 90's .....              | 10 |
| 2.2.2 Land tenure .....   | 11 |
| 2.2.3 HIV / AIDS .....  | 11 |
| 2.2.4 Future policy directions .....  | 12 |
| 2.3 The role of the smallholder farmer in the emerging market economy ..... | 12 |
| 3 EEOA AND PRIVATE SECTOR DEVELOPMENT .....                                 | 13 |
| 3.1 Outline of the EEOA Programme .....                                     | 13 |
| 3.2 The underlying assumptions and design of the EEOA Programme .....       | 15 |
| 3.3 Adaptation of EEOA to the Zambian context .....                         | 17 |
| 3.3.1 Private and public sector perspectives .....                          | 17 |
| 3.3.2 Creation of an enabling environment .....                             | 19 |
| 3.3.3 Promotion of agricultural markets .....                               | 20 |
| 4 RELEVANCE OF EEOA ASSUMPTIONS, APPROACH AND DESIGN .....                  | 22 |
| 4.1 Relevance in the Zambian context .....                                  | 22 |
| 4.2 Relevance for Sida's goals .....  | 24 |
| 4.2.1 Poverty reduction .....   | 24 |
| 4.2.2 Gender issues .....   | 25 |
| 4.2.4 Environment .....   | 26 |
| 5 CONCLUSIONS .....   | 27 |
| DOCUMENTS CONSULTED FOR THE STUDY .....                                     | 30 |
| ADDITIONAL REFERENCE MATERIALS .....  | 32 |
| TERMS OF REFERENCE .....  | 35 |



# Acronyms

|       |   |
|-------|---|
| ADP   | Area Development Project                                    |
| ASIP  | Agricultural Sector Investment Programme                    |
| CB    | Capacity-building   |
| CDF   | Comprehensive Development Framework                         |
| CLUSA | Co-operatives League of the USA                             |
| EEOA  | Economic Expansion in Outlying Areas                        |
| HIPC  | Highly Indebted Poor Countries                              |
| IFI   | International Financial Institutions                        |
| IRDP  | Integrated Rural Development Programme                      |
| NATUR | Sida's Department for Natural Resources and the Environment |
| NGO   | Non-Governmental Organisation                               |
| NSSD  | National Strategies for Sustainable Development             |
| ODI   | Overseas Development Institute                              |
| PPP   | Public Private Partnerships                                 |
| PRSP  | Poverty Reduction Strategy Paper                            |
| RBA   | Rights-Based Approaches                                     |
| SL    | Sustainable Livelihoods                                     |
| UTV   | Sida's Department for Evaluation and Internal Audit         |

## Currency

As of January 2002

|      |      |      |
|------|------|------|
| US\$ | UK£  | ZK   |
| 1.00 | 0.68 | 4000 |



# Executive Summary

1. Sida commissioned ODI and its partners to conduct a study of poverty alleviation through Area Development using a Sustainable Livelihoods Framework. Area Development Programmes in Zambia, Ethiopia and Cambodia were chosen as case studies. Fieldwork was first tested in Cambodia before being carried out in Ethiopia and Zambia in a broadly comparable way. The Programme selected for study in Zambia was the Economic Expansion in Outlying Areas (EEOA) Programme.
2. At the same time, Sida requested additional work to be carried out as part of the Zambia country study, to review some of the private sector aspects of the EEOA Programme as an input to a larger private sector evaluation of approaches to private sector development within rural development. This is the report for this additional study.
3. The additional study has three points of departure:
  - a. *"The agricultural sector and related fields are a dominant economic activity in many Sida partner countries".*
  - b. *"The agricultural sector has been extensively deregulated in many countries during the 1990s".*
  - c. *"The smallholder farmer operates in a broad context of input and output markets to which the farmer contributes and on which she/he depends".*
4. A general aim is to assess how the three points of departure are reflected in Sida's approach to and design of private sector development support within the agricultural sector, using EEOA as an example. The overall purpose is to review the assumptions regarding market development and the approach and design of EEOA, and assess the relevance for the Zambian context and Sida's broad goals.
5. The three points of departure are largely relevant in Zambia as the agricultural sector is a dominant economic activity in Zambia and generates around 22% of GDP and provides livelihoods for more than 50% of the population. Agriculture is growing in importance as the mining sector declines and is regarded as the engine for growth for the future. The agricultural sector was extensively though not completely deregulated during the 1990s. Marketing parastatals, cooperatives and lending institutions collapsed but were not immediately replaced by the private sector leading to serious problems particularly in the more outlying areas. Government interference in maize has led to continued dependency, low crop diversification and accelerating seasonal food shortages. Private sector involvement and markets have nevertheless grown and a growing number of "emergent" smallholder farmers now operate in a broad context of input and output markets. However, the majority of rural producers are still subsistence farmers.
6. The EEOA Programme was initiated in 1995 as a response to liberalisation and the opportunities which should be offered by more effective private sector led growth. Its design reflected dissatisfaction with the previous generation of IRDPs, and in particular the lack of local ownership. The overall objective is *"to contribute to improved living standards in the target group through increased income"* Three main target groups are specified as rural village households, emerging smallholder farmers and district-based entrepreneurs in businesses related to agricultural production, processing or marketing. The Programme was set up with a separate "by-pass" structure, linked to but outside the Ministry of Agriculture, Food and Fisheries (MAFF) and considerable flexibility to deal with a rapidly changing situation. The Programme currently has current six closely linked components, addresses issues relating to gender, the environment and HIV / AIDS throughout the programme and has a strong monitoring and evaluation component:

- a. Facilitation: eight-step iterative process of dialogue, discussion and learning with local communities.
  - b. Rural Economic Expansion Facility (REEF) supports rural infrastructure to enhance production.
  - c. Business and Management Training.
  - d. Financial Services for Economic Expansion.
  - e. Business Promotion and Marketing.
  - f. Agricultural Extension Support and Networking.
7. A core assumption of EEOA was that the agricultural sector would be fully liberalised, the private sector would respond and an enabling environment would thereby be created. A further key assumption was that if smallholders could improve their understanding of the free market economy, develop their business, production and marketing skills and link up with fellow producers and traders, they would be able to take advantage of the opportunities from liberalisation and bring growth and income.
  8. EEOA was designed and initiated during a period of rapid change. The programme understood the risks and therefore built in considerable flexibility. Based on the declining capacity and morale in the government and previous experience from the IRDPs, the Programme was given a by-pass structure. At the heart of EEOA is facilitation and building capacity of smallholder farmers and local entrepreneurs, with additional support for infrastructure and developing a local financial services and credit institution. The focus is more on developing local markets, capacity and a supportive business environment, than a widespread “enabling environment”. The all result in the broadest terms has been generally good success in programme areas, but with the potential for spread of the ideas seriously restricted by the lack of an enabling environment.
  9. The approach and design of EEOA are felt to be largely appropriate to the present Zambian context. A by-pass structure gives programme staff the flexibility to respond to the changing situation, although flexibility alone does not guarantee success. This also depends on the programme developing a sound understanding of the socio-economic environment and predicting likely trends. All this requires sound management supported with a monitoring and evaluation system, both of which the programme possesses. While the basic design of the programme appears appropriate to the difficult situation within Zambia, further evolution is necessary. In relation to Sida’s goals, EEOA has promoted economic growth and greater equity in respect of gender, very much in line with Zambia’s stated policies. EEOA does not directly address Sida’s overall goal of poverty reduction but rather focuses on economic growth and wealth creation through working mostly with self-selecting, more articulate and literate smallholder households in the higher potential parts of the “outlying areas”. It is argued that EEOA should take on poverty reduction as an implied goal and a definite goal. The programme should then investigate and understand the mechanisms through which the increased wealth and opportunities can benefit the poor and take steps to enhance the positives and avoid the negatives.
  10. This report has highlighted the gap between the donor-driven government rhetoric and the reality, which is that strategies redolent of the command economy keep surfacing in new guises. No genuine viable business could operate basing its strategies on rhetoric; the shortage of private sector enterprises in Zambia as a whole argues that potential businessmen understand the reality of government policies all too clearly. The political nature of EEOA is illustrated by its need to accept government rhetoric at one level and yet act on the ground in a quite different fashion.
  11. Although not explicitly stated in the Project Document, it is implied in the programme vision that EEOA should achieve sustainable spread from a “critical mass” in core areas. Although covering only part of the District, and with a six-year time limit, the implication is that this is sufficient to



uplift the whole district in some way. The survey suggested there is only sparse evidence for this in practice and no model why it should work in theory. If your target group is self-selected, articulate, literate and with at least some surplus cash, it is hard to see why they should spread entrepreneurial skills to their neighbours. Why not restrict the information, which may be a source of income and gain advantage over those neighbours? In addition, if the neighbours are in a less accessible site, the motivation to travel there and diffuse skills would seem to be rather low. The conclusion that emerges is that if the spread of skills depends on a movement out from the centre to the periphery there has to be some compelling sociological model to suggest that this will occur; calling on some vague notion of goodwill is not enough.

12. EEOA policy on individual commodities has been contradictory; despite proclaiming that they promote methods and approaches rather than individual commodities, their literature on tomatoes is very product-specific, as is their promulgation of lime in Northern Province. Other NGOs have identified detailed work with specific commodities as a key tool in raising incomes and initial results suggest they are right. In Eastern Province, EEOA should engage more proactively with key players in the market at a higher level to break the control of rings of commodity buyers in direct collaboration with other concerned NGOs.
13. Appreciating the importance of market intelligence and information flow are crucial to the development of entrepreneurship. In West Africa, with its elaborate traditional market sector, information is highly valued and flow systems well-developed. Sustainable local systems for collecting, analysing and disseminating market information remain in their infancy in Zambia. EEOA rhetoric attaches great importance to this, but they have not yet been able to develop systems which can further disseminate information already collected and freely available, let alone collate original data. Serious strategies for promoting entrepreneurs must engage more fully with market information, both collating, disseminating and matching mechanisms to audiences.
14. There is a logical flaw here; potential collaborators lack market orientation and certainly lack information about wider markets. A consequence of this is that they frequently come up with unviable and sometimes naïve or bizarre business ideas. Ideally, these would be filtered out at an early stage by individual advice, review and adequate market information. But in reality, either these ideas are never implemented or the enterprise collapses. The conclusion must be that any training of this type must be followed up by a much more comprehensive review procedure.
15. A rather contradictory conclusion emerges regarding lessons for national policy. At one level, it seems rather evident that the Zambian government is quite impervious to policy development based on empirical data. Recent moves back to the command economy are certainly not based on its successes, merely on a sentimental attachment to a strategy developed on the back of nostalgia for the optimism of the 1960s and on the unacknowledged role of copper in supporting this strategy. Donors therefore will need to engage more energetically with actual behaviour and not be satisfied with rhetorical flourishes. The Zambian government has put its name to a number of papers, such as the National Agricultural Policy, Agricultural Commercialisation Programme and Poverty Reduction Strategy Paper underscoring its support for economic liberalisation. The outputs and lessons from Programmes such as EEOA could feed into these and give them a more empirical base, as well playing a role in convincing officials that practical benefits will emerge from adopting their strategies.
16. To summarise;
  - a) A focus on agriculture and rural areas is appropriate for Zambia
  - b) Zambia does not suffer from major climatic or demographic problems and therefore continuing food insecurity is essentially a problem of market failure
  - c) This can be addressed by upgrading the skills base and increasing information flow

- d) However, this will only benefit a certain segment of the population in the short and medium term unless a more enabling private sector environment develops
- e) Project design must specify how wealth creation reduces poverty
- f) At higher levels, donors must press government to match its liberalisation rhetoric with its actual policies.

# 1 Introduction

## 1.1 Purpose

Sida has commissioned a forward looking study of sustainable poverty reduction through area development projects with a view to guiding the design of the next generation of area development programmes. The Economic Expansion in Outlying Areas (EEOA) Programme in Zambia was selected as one of the three programmes for study, the other two being Amhara National Regional State programme in Ethiopia and the Cambodia Resettlement and Reintegration Programme in Cambodia.

At the same time, Sida is in the process of commissioning an evaluation of approaches to private sector development support in rural areas aimed at developing broader policy-relevant lessons and recommendations. Considering the private sector focus of EEOA, it was decided to build into the Area Development Project study of EEOA an additional review of its private sector aspects, as an input to the larger private sector evaluation.

This additional study has three points of departure.

- *“The agricultural sector and related fields are a dominant economic activity in many Sida partner countries”.*
- *“The agricultural sector has been extensively deregulated in many countries during the 1990s”.*
- *“The smallholder farmer operates in a broad context of input and output markets to which the farmer contributes and on which she/he depends”.*

A general aim is to assess how the three points of departure are reflected in Sida’s approach to and design of private sector development support within the agricultural sector, using EEOA as an example. The overall purpose is to review the assumptions regarding market development and the approach and design of EEOA, and assess the relevance for the Zambian context and Sida’s broad goals<sup>1</sup>. A map showing the project areas is included in the main report.

## 1.2 Methods

This additional study was carried out together with and as a complementary part of the Area Development Project Study of the EEOA Programme in Zambia and therefore follows the same methods. Information relevant to the main issues highlighted in the ToRs was obtained initially through literature review and interviews with key Sida and other personnel in Stockholm, and key EEOA, MAFF, NGO, private sector and donor personnel in Zambia. Field visits were made to the Provinces with EEOA programmes and various key individuals and groups interviewed as listed in Appendix 2 of the main report. A check list of key issues was used for the interviews with key personnel as well as wide-ranging open-ended discussions. Field visits were made to Northern and Eastern Provinces where two and three districts respectively were visited. In each district, interviews were held with district EEOA staff and a variety of key government and public sector personnel. Visits were made to two “Facilitation Areas” in each district for discussion with a variety of groups benefiting directly under the Programme. After probing the particular focus of the group, the discussion was broadened to explore relevant issues. In addition, individual village households were interviewed using a questionnaire though this was prima-

---

<sup>1</sup> For acknowledgements please see the main report.

rily for the main Area Development Project Study. Further interviews were held with EEOA staff, Sida and some key public and private sector individuals on return to Lusaka. A preliminary draft report was made and presented to a cross section of stakeholders at a one-day workshop in Lusaka. This went through several cycles of revision before finalisation.

## 2 Background

### 2.1 The agricultural sector in Zambia

Zambia became independent (from Britain) in 1964. Up to that time little attention had been paid to smallholder/village agriculture save for the introduction by the Department of African Agriculture of improved varieties of plants and livestock for subsistence purposes and some experimentation with co-operative marketing. Northern Rhodesia's traditional role in the Southern African economy had been as a supplier of labour for mines, industries and commercial farms. Those who resided in villages partly "subsisted" in a non-cash economy while receiving cash, directly or indirectly, from those who travelled as migrant labour to the Copperbelt, to the farms of the Southern Province and of Zimbabwe, or to the South African gold mines.

After Independence the development of the rural areas, and agriculture in particular, became one of the Kaunda Government's high priorities (see summary in Reed 2001). Political developments largely blocked the migration of Zambian labour to the south; and demand for labour in the Copperbelt had stabilised and was not significant as a source of new jobs for migrant labour. At the same time, a number of white commercial farmers who felt insecure under the new African regime migrated to Zimbabwe and South Africa, leaving a shortfall in maize production capacity. In any event, the dependence of the country upon white commercial farmers for supplies of the staple crop maize was considered intolerable in the light of the racially polarised Rhodesian war. Zambia's revenue base was strong, due to reversion of mineral rights to the Government and to high copper production in a strong market buoyed up by the Vietnam war.

Agricultural interventions in the following categories were pursued:

- The establishment of state farms;
- Agricultural production by the Zambia National Service (ZNS);
- Promotion of smallholder farming through co-operatives and the establishment of a subsidised national marketing system: NAMBOARD for maize, LINTCO for cotton and soya beans, TBZ for Tobacco, the Coffee Board for Coffee.

State farms and the Chinese-style production of the ZNS failed in due course. Support for smallholders, through fertiliser and seed loans, and through guaranteed pricing of maize persisted for some time. Although there was an attempt to introduce other cash crops, maize was still the core crop – providing food security and cash at the same time. It was at the heart of the "social contract" between Government and the peasantry. No other crops received as much finance or guarantees of purchase from the State. Meanwhile, its price was heavily subsidised in the urban areas, and the price of mealie meal became the symbolic ground where the populace expressed its political discontent, and upon which the Government expressed its "caring" for the people.

By the late 1980s the input, transport, marketing, milling and retail subsidies of the maize industry were probably the major factor fuelling hyperinflation. The system was clearly unsustainable and started breaking down at all stages of its workings. It was "officially" brought to an end in 1992 by the new MMD Government that had removed the Kaunda government by a landslide victory in late 1991. The marketing of maize, seed and fertiliser was declared "liberalised" with the hope that the private sector would automatically take over.

In 1992 the extent of maize mono-cropping in the South, centre and East of the country was spectacular. The drought of 1992, which wiped out all maize in the southern half of the country, exposed the fact that the cultivation of all other carbohydrate crops had virtually ceased throughout the area. The proportion of land planted to maize in the Southern Province was estimated by air reconnaissance to be upwards of 98 percent. The new Government announced a policy of support for crop diversification.

The 10 years of MMD since 1991 have been marked by an evident gap between pronouncements and actions. The policies of liberalisation and diversification have gone hand in hand with the continued supply of fertiliser on unsecured credit for maize production. A variety of institutional and financial arrangements have tended to obscure the extent of Government involvement and insulate it from conditionalities imposed by donors. Periods of high maize prices have been characterised by the appearance on the market of maize meal that is obviously subsidised. The recent period of maize deficit that coincided with the run-up to the national elections of 2001 heavily featured various forms of price control not backed by law – including threats by Government officials to millers and retailers. The obsession with maize – as the only “real” crop and the only “real” foodstuff – still exerts its baleful influence.

The success of market liberalisation was threatened from the outset of the MMD period by macroeconomic policies of “structural adjustment”. The first year of full, free maize marketing – 1993 – also featured Zambia’s highest ever interest rates (rising to over 200 percent per annum). Such interest rates, and the fact that their future movement was unpredictable, were a powerful disincentive to the purchase and storage of all agricultural commodities including maize. They also acted as a powerful inhibitor of production – save where unsecured and thus non-repayable credit was available. The draconian interest rate regime was supposed to last for a transitional period of two or three years, following which the Zambian economy would enter a growth phase. However, the “transition” is still continuing, with current rates at over 30 percent in real terms. Rates have been kept high at least in part by the Government’s desire to maintain an overvalued currency (the kwacha is fully convertible) for the benefit of consumers. This in turn has depressed kwacha commodity prices in both domestic markets (due to cheap imports) and export markets. In summary, *Zambia’s macroeconomic policies of the past ten year have impacted negatively upon producers and upon traders in the slower moving commodities.*

Agriculture has received a low priority over the MMD period. The Food Reserve Agency (FRA) has never been funded to carry out its functions of price stabilisation and the maintenance of a strategic reserve. The Ministry of Agriculture, Food and Fisheries MAFF – now the Ministry of Agriculture and Co-operatives MAC – has had seven ministers in 10 years. Response to dissatisfaction in the sector is by way of “human sacrifice” rather than through considered reform.

While Government surreptitiously continues subsidies to maize producers and consumers, the private sector, the NGOs and the donors have been attempting to get the new, ostensibly liberalised agriculture sector working. Results have been “promising” though hardly spectacular. Commercial farms and estates have made strides in the production of horticultural exports, sugar and coffee. The most significant success in the smallholder sector has probably been the increase in cotton production, brought about by outgrower operators such as Lonrho and others following the privatisation of the State owned LINTCO. The smallholder tobacco sector has yet to exceed a few thousand tonnes (a fraction of Malawian production) and production of groundnuts has yet to return to historical levels. The extent of diversification is so poor that food security is not maintained following a relative failure of the maize crop.

Following presidential and parliamentary elections during the last week of 2001, Zambia has a new President and a largely new Cabinet, although the Movement for Multiparty Democracy (MMD) party continues in power (though with only 28 percent of the nation wide vote – well down from the heavy majorities of 1991 and 1996). In his inaugural speech President Levy Mwanawasa announced that his government will place priority upon agriculture. First indications were that it intends to “return to the past” rather than place its trust in the market. The first measures included the renaming of the ministry to include co-operatives, its placement under the Office of the Vice-President, and the announced intention of re-establishing a national authority for maize marketing.

In his speech at the opening of Parliament of February 22nd 2002 Mwanawasa announced a number of specific policies that reinforce the picture of “nostalgia” for the socialist marketing system. These include:

- Strengthening of a (State operated) input-supply system.
- Establishment of a new “Crop Marketing Agency” to replace the existing Food Reserve Agency to act as a buyer of last resort for “specified crops” (in practice maize would dominate any list of specified crops).
- The use of co-operatives and “farmer associations” as vehicles for government intervention, with the purpose of rationalising and targeting service delivery.
- Cost reduction of agricultural inputs (presumably through some form of subsidy).

Although the importance of the private sector in the agricultural policy framework is stressed, it is also explicit that the attainment of “market liberalisation and commercialisation” is a “long-term” goal.

In his budget speech and budget, presented to Parliament on March 1st 2001 the Finance Minister Emmanuel Kasonde puts flesh upon these elements of policy. The total budget for the Ministry is increased from K88 billion to K231 billion – in real terms a doubling from US\$30 million to US\$60 million. Almost half of this – K100 million – is allocated to the purchase of 80,000 tonnes of fertiliser (about the maximum amount that the village sector has ever been able to absorb). K50 million from this amount is explicitly provided as a subsidy “on fertiliser sold to targeted small-scale but commercially viable farmers, with each expected to grow one hectare of maize”. One thus presumes that the imported fertiliser is to be provided at less than half price to those fortunate enough to be targeted. Since neither the President nor any Minister has stated that the unsecured credit system will be dismantled, we might further assume that the fertiliser will be supplied on credit and that repayment may continue to present a problem. What is different from the previous state of affairs is that the intention to import and to subsidise, the financial provision to do so, and the exclusive focus upon maize, are all made explicit “up front”.

K2 billion is provided for the establishment of the Crop Marketing Authority (though this is plainly too little to allow it to actually operate). K15 billion is also provided for support to out-grower schemes dealing in non-maize crops – a matter of some interest to EEOA since this will presumably take the form of “soft” money for small-scale commercial developments such as are already taking place in some areas of operation.

Since the budget, the Minister of Agriculture and Co-operatives has announced that Government will effectively buy up all maize produced in the current season. The 2002 crop has been severely drought-struck and such maize as is produced (probably less than 400,000 tonnes) is a strategic commodity in the current context. Government took similar action following the drought of the 1991/92 season.

The gratifyingly frank presentation of Government reservations about liberalisation should remove any illusions concerning the context in which a project such as EEOA is operating. Farmers still look to



Government to supply the most expensive input and to purchase the (maize) harvest. Government itself looks to fulfil both these functions. It is not surprising that many EEOA staff mention “Government” as a major impediment to the success of their work.

Notwithstanding the many problems and challenges facing the agricultural sector, it is undoubtedly a dominant economic activity in Zambia. It generates around 22% of GDP and provides livelihoods for more than 50% of the population. Agriculture is growing in importance as the mining sector declines and is regarded as the engine for growth for the future.

## 2.2 Changing conditions for rural development

### 2.2.1 Deregulation and institutional changes in the 90's

To a large extent the agriculture sector became *de facto* deregulated in the 1980s. As the apparatus of State marketing and regulation gradually crumbled, “market forces” took hold and even maize became a privately traded commodity to some extent. The MMD Government formally removed subsidies and controls, and privatised the agricultural parastatals in the early 1990s.

An important aspect of deregulation has been Zambia's entry into various trading protocols that permit imported agricultural commodities – including those that have been subsidised at some stage – into the country at low or non-existent tariffs. Zambia has become a “dumping ground” for a range of agricultural products including milk, poultry, wheat flour, and rice. The responsibility for preventing this situation is with the understaffed Ministry of Commerce, Trade and Industry. The Ministry of Agriculture, Food and Fisheries has imposed some constraints through flexible use of sanitary and phytosanitary regulations. Further threats from imports come as a consequence of the smuggling of food aid from neighbouring countries (particularly the DRC). The situation can only be described as unsatisfactory for local producers.

Removal of direct Government economic control in the agricultural sector has not been counterbalanced by a regulatory framework in which the free market can operate transparently and effectively. Contracts between buyers and sellers – especially small contracts – cannot easily be enforced through the cumbersome court system. The lack of protection afforded to either party in a forward transaction is a severe hindrance to the effective working of the free market. Grading and quality standards are effectively non-existent. Although there is a Competition Commission, nothing in the agriculture sector prevents monopoly pricing or collusion between buyers. Although commercial farms are adopting codes of conduct under pressure from foreign customers, this has had little impact in the smallholder sector.

The government elected in 1991 after decades of a one-party state controlled government, set in motion a rapid deregulation process which had mixed results. Marketing parastatals, cooperatives and lending institutions collapsed but were not immediately replaced by the private sector leading to serious problems particularly in the more outlying areas. Continued government interference in maize has led to its own problems including dependency, low crop diversification and continued seasonal food shortages. Further action is needed to create a more complete enabling environment.

The lack of secondary markets that could absorb products supplied by small traders constrains both small producers and traders. While the business community is interested in establishing secondary ventures, the lack of long-term credit locally makes this difficult. Some foreign investors have invested in selected crops for the export market only using off-shore funding, leaving all other crops without a well organised market.



### 2.2.2 Land tenure

Access to land for cultivation is not generally considered to be a constraint for the communities in the programme areas and over most of Zambia. Most villages have surplus land which can be allocated to individuals through the village headman according to customary land tenure rules. All those interviewed cultivated at least 2 hectares with a mean of 2.2 ha. (indicating a very low spread of wealth stratification). There is a gender aspect to land in that women in married, polygamous and female-headed households will be affected in different ways, reflecting their standing in the household and the community. Although, there are allegations in some quarters of discrimination against women, particularly in female-headed households, no specific problems were raised during the meetings and interviews with women's groups.

Land near to *dambos* (low lying and seasonally wet areas near streams) for *dimba* garden cultivation was reported to be limited in some areas in Eastern Province and not all households had all year round *dimba* gardens. Land which can be irrigated by gravity from water furrows (e.g. in Northern Province) is presently sufficient but will become limiting if more farmers wish to irrigate. Free range grazing in the dry season in some areas (e.g. Eastern Province) necessitates fencing of *dimba* gardens and can reduce the possibilities for improvements to the upland fields through management of the crop residue. In Petauke district it had been reported that the local Chiefs had been approached to encourage herding of livestock in the dry season.

Security of tenure through customary systems is generally felt to be adequate for small holders with allocation of land being essentially through usufruct, with the headman as arbiter and the chief as "court of appeal". There are disincentives, based upon lack of security, to investment in land held on mere customary tenure. But given the generally low land pressure it can be said to work adequately. The latest lands act (**LANDS ACT NO. 29 OF 1995**) was supposed to make title deeds to smallholders in customary areas easier for villagers to acquire. However, there has been almost no land converted by sitting customary occupants into titled state land since 1995. The process itself is expensive and cumbersome (requiring a survey for example) and land rent is required to be paid to the State thereafter. Further, from a credit point of view, title deeds are generally not useful to smallholders as collateral since commercial lenders do not want such small farms and the battles with the community that may follow upon their seizure. Following the passage of the Lands Act there appears to have been an increase the risk of alienation of customary land to outsiders – perhaps facilitated by its more rapid and easily manipulated procedures. There is particular agitation about the alienation of land to "investors" in the Southern, Copperbelt and Lusaka Provinces, and there have been notorious cases of individual members of a family acquiring title for customary land for themselves as individuals – and then evicting their siblings. However, controversy surrounding land acquisition was not encountered during the field work.

### 2.2.3 HIV / AIDS

HIV / AIDS is undoubtedly a serious social and health problem in Zambia with over 20% of the adult population reported to be infected with HIV. It has the potential to seriously affect household productivity and well being through the loss of the most productive members and the time and money spent in caring for patients. The field survey reflected the national rate of infection. Rural to urban migration seemed to be less important than previously, probably reflecting the decline in mining and opportunities in towns. In contrast some had reported returning to the village, although there was no indication that these were HIV / AIDS patients. Small-scale long distance trading is still an important business activity for individuals in villages and towns, with obvious risks for the spread of HIV / AIDS.

## 2.2.4 Future policy directions

Three important draft policy documents were prepared during 2001. These are the National Agricultural Policy for 2001 to 2010, the Agricultural Commercialisation Programme for 2002 to 2005 and the Poverty Reduction Strategy Paper. All three see economic growth through a liberalised economy as the way forward and agriculture as a key ‘engine of growth’ for Zambia. This is very much in line with the approach of the EEOA Programme. The new government which took office in early 2002 has however taken some steps outlined above which question its commitment to a liberalised economy. None of the three policy documents were made official and they will therefore need to be endorsed and probably revised by the new government. At the same time, prospects for the mining sector are poor, which should increase emphasis on agriculture. Until the government clarifies its position on these issues through actions, the future is not certain.

## 2.3 The role of the smallholder farmer in the emerging market economy

Farmers in Zambia have been described as subsistence, emergent, medium scale and large scale farmers (MAFF 2001). In this categorisation, subsistence farmers number around 500,000 and grow food crops purely for consumption, ‘own-account’ producers in recent development-speak. Emergent farmers number around 120,000 and grow food and cash crops on a commercial and subsistence basis on 10 to 20 hectare farms. There are around 25,000 medium scale farmers on 20 to 60 hectare farms growing food and cash crops, and around 750 large scale farmers growing cash crops on a commercial basis.

Smallholder farmers generally cultivate 1–2 ha. usually with hand hoes and sometimes with hired oxen or oxen they own. Use of tractors is very limited and even oxen have declined markedly in recent years due to the prevalence of East Coast Fever. Smallholders grow maize as their principal cereal and a restricted range of other crops. The growing of cash crops on small farms is a relatively recent phenomenon in many areas and the sort of responsiveness to the market that has been documented for precolonial West Africa appears to be virtually absent. Maize has few advantages but its widespread use reflects longitudinal government commitment to a command economy with irrationally priced inputs and extremely lax credit repayments. As a consequence, farmers are lacking in flexibility and all types of key technical skills<sup>2</sup>. State safety-nets and the inevitable World Food Programme trucks have discouraged real development in agriculture and reinforced a continuing desire for handouts. They have also learnt that incessant flattery of donors often produces better results than innovation and imagination.

The most significant growth area has been in the various “outgrower” input credit schemes supported by NGO’s and commercial companies. Moreover, the demand for vegetables from schools, hospitals and supermarkets is beginning to create a class of profit-oriented horticulturalists. If government commitment to liberalisation is maintained then the profile of such smallholders will gradually be transformed.

Private sector involvement and markets have nevertheless grown and a growing number of “emergent” smallholder farmers now operate in a broad context of input and output markets. However, the majority of rural farmers who would be considered as “subsistence farmers” are still largely outside recognisable markets and would grow food crops almost entirely for consumption.

---

<sup>2</sup> This is very much in contrast to the past, where the cultivation systems of the precolonial era are now much admired for their environmental sustainability.

## 3 EEOA and Private Sector Development

### 3.1 Outline of the EEOA Programme

The EEOA Programme was initiated in 1995 as a response to the liberalisation of the economy put in place in the early 90's by the Zambian government elected in 1991. It was expected that new opportunities would become available and that smallholders would need to improve their understanding and skills and develop links to the private sector, in order to be able to take full advantage of these new opportunities. The programme was also intended to build on the experiences, contacts and good will from the Sida-supported Integrated Rural Development Programmes (IRDPs) of the 70's, 80's and early 90's in Eastern, Northern and Luapula Provinces which had been closed following a shift away from independently operating service delivery programmes or projects. While learning from the problems of the IRDPs, a completely new approach was required to develop models for initiating an economic adjustment process and local self-sustaining capacity in agricultural production, processing and marketing. Key influences were to concentrate on capacity building outside government and build in ownership and maintenance of any infrastructural development from the beginning. In other respects, the new EEOA was more or less a complete departure from the old IRDPs, reflecting the changed context from liberalisation and other factors.

A first 'Pilot' phase was initiated in 1995. The second 'Consolidation' phase was supposed to run from 1998 to 2001 but has been extended to the end of 2002 when all agricultural programmes and projects will be unified under one umbrella programme. The initial overall objective in the first phase was retained almost unchanged for the second phase as *"to contribute to improved living standards in the target group through increased income"* (EEOA 1997). Quantitative targets were not provided in the project documents.

The specific (immediate) objectives for the first pilot phase were given rather loosely in the Programme Document as *"(a) to support sustainable production, processing and marketing activities and (b) to support the development and maintenance of related infrastructure at district level"*. These were elaborated in the Programme Document for the second consolidation phase as:

- *"to enable anyone involved in agricultural production marketing and processing to recognise opportunities under a liberalised market regime and to create self awareness and self confidence sufficient for individuals to exploit these economic opportunities."*
- *to create the conditions for sustainable economic expansion by contributing to the improvement of local infrastructure and management training through public and private institutions, and*
- *to improve access to lending by commercial financial institutions to entrepreneurs for viable projects and to improve the financial management skills required by entrepreneurs."*

The number and wording of these objectives has evolved but the essential character remains the same.

(Sources: EEOA 1997, EEOA November 2001)

Slightly different versions of the **"target group"**, stakeholders or beneficiaries have been presented in the two Programme Documents and various reports. The most specific and clear is probably that given in the Programme Document for the first phase which specifies three main categories: rural village households, emerging smallholder farmers and district-based and existing district entrepreneurs involved in businesses related to agricultural production, processing or marketing.

The **programme vision** captures the essence of the programme quite well and provides a clear statement against which to evaluate overall success of the programme and in particular its sustainability. Although not elaborated in the project documents, the programme vision was developed during the pilot phase and has been retained more or less unchanged to the present time. This is stated as:

*”After 6 years of operation in the target districts, the EEOA Programme will have initiated a sustainable economic development process in each district. A sufficient number of dedicated farmers and rural entrepreneurs will have been established in each district so as to form a Critical Mass necessary for sustainable economic expansion. Models will have been established for processes of future intensification of the economic links between urban and rural economic interests and stakeholders. Local and national commercial enterprises will have been formed and attracted to the districts and established profitable activities to such a degree that the private sector (which includes all farmers) will sustain commercial activities and future economic expansion (EEOA 2002)”.*

The critical mass of successful farmers and business entrepreneurs is expected to lead and drive the process of sustainable economic expansion. It has already been reported that additional farmers and entrepreneurs in the “Facilitation Areas” have followed this lead and initiated their own farming and other businesses thereby creating a “multiplier” effect. Ideally, the ideas would also spread to farmers in adjacent and then more distant “Multiplier Areas”. The vision also seems to imply that the process should be able to continue sustainably until the whole district is uplifted. Although the critical mass and multiplier ideas are of great importance for the implementation and indeed the justification of the programme, the theory and implications do not appear to have been well documented and are poorly quantified. The spread of the ideas and effect is a weak area of the Programme and this needs urgent attention.

The uncertainty in the target groups probably reflects that of the primary focus of the programme which is usually stated as “wealth creation” although an underlying poverty reduction goal seems to be implied. The critical mass would be expected to improve opportunities for employment, marketing and prices, which have the potential to benefit the poor. This is an important issue which is discussed further below.

The three initial components were (a) rural household facilitation, (b) district development funds (for infrastructure and management training) and (c) a credit guarantee fund. The REEF component was split for the second phase into its infrastructure and training sub-components to make four components. After the failure of early initiatives with the Credit Guarantee Fund, this was changed in 1998 to a “Financial Services for Economic Expansion” component for savings and microfinance mainly through the Micro Bankers Trust (MBT). Two new components were added in 2001 to reflect a greater emphasis on business promotion and marketing, and agricultural extension support and networking which had previously been covered under the facilitation component. The programme has therefore evolved into the current six closely linked components.

- *Facilitation* is the foundation or core of the programme. This is an eight-step iterative process of dialogue, discussion and learning with local communities in “facilitation areas” to develop an understanding of local business opportunities and identify interest groups and individual entrepreneurs. Training needs are identified and training provided.
- *Rural Economic Expansion Facility (REEF)* supports rehabilitation or construction and local management of rural infrastructure to enhance production and access to markets according to local priorities. REEF requires a 20% local contribution in cash or kind.
- *Business and Management Training* provides formal and intensive training to emerging and established and emerging entrepreneurs in the district according to the identified needs,

- *The Financial Services for Economic Expansion* component facilitates access to information, savings and microcredit (mainly through the Micro Bankers Trust (MBT)) in order to support business expansion in the district.
- *Business Promotion and Marketing*: This is a new component (introduced in 2001) which grew out of the facilitation approach to allow increased emphasis to be put on comprehensive business identification and market research, finding ways for businesses to exploit these opportunities, and developing better links between producers, agro-processors, associations and business organisations. A more proactive approach will be taken than previously (rather than relying only on facilitation) in order to more actively support ideas in which there is strong confidence based on sound market intelligence and some experience.
- *Agricultural Extension Support and Networking*: A new component (introduced in 2001) aimed at production through facilitating the development of linkages for provision of extension and technical services to rural entrepreneurs.

(Source: EEOA Programme Documents 1995 and 1997, and Annual Reports)

Cross cutting issues relating to gender, the environment and HIV / AIDS are addressed throughout the programme. Programme management includes a strong monitoring and evaluation component which emphasises “action – reflection – action”.

Of the total budget of just under 20 million SEK per year, approximately 48% goes on facilitation and District operations, 19% on REEF infrastructure, 3% on business management training, 4% on training of EEOA and government extension staff, 4% on monitoring and evaluation and 22% on management (EEOA 1997). Very little is now provided by EEOA for credit since MBT uses the funds recovered from loans.

The programme has a district focus, with each district programme working in four Facilitation Areas (and new districts expanding to six). The programme headquarters is in Lusaka. Each Facilitation Area has an EEOA ‘Facilitator’ and may include up to 1000 households. Work started in 1995 in Mpika and Chinsali Districts in Northern Province, and Petauke and Katete Districts in Eastern Province. The programme was extended to Isoka (Northern Province) and Chadiza (Eastern Province) Districts in 1998, and is now moving to Kasama and Mungwi Districts in Northern Province and Chipata and Nyimba Districts in Eastern Province (with minor activities in Lundazi and Mambwe Districts). The programme operates for three years in each Facilitation Area and a total of six years in a District. Activities are therefore phasing out in the first four districts.

The inherent flexibility of the programme has permitted a great variety of initiatives in different locations in response to particular local conditions and opportunities. This makes the programme complex and a complete description lengthy. The programme has prepared extensive documentation on all aspects. A detailed evaluation of EEOA was carried out in early 2001 (James et al. 2001).

## 3.2 The underlying assumptions and design of the EEOA Programme

An understanding of the origins of the EEOA Programme is useful in better understanding the underlying assumptions and design of EEOA. The initial approach and design of the EEOA programme was developed from 1992–95 when Zambia was undergoing marked changes. The liberalisation process had been set in motion, government had largely withdrawn from input supply, credit and crop purchase, but the private sector had not yet started to function. By 1994, agriculture had almost collapsed in the more outlying areas and government began to take back some of these functions in a move to what was known as a transition to liberalisation.



A process was initiated in 1992 to develop some kind of follow-on to the IRDPs through discussions with government (MAFF). Two consultants Dr L. E. Birgegard and Dr Eriksson (and later Dr Eriksson and Dr Bergdall) led these discussions. At this time, IRDP Eastern Province was following a planned phase-out process which was completed in mid-1993. The last coordinator for IRDP (EP), Dr H. Hedlund, was asked to prepare a concept paper to outline a possible follow-on project, to focus on a kind of demand-driven district-based development fund. A survey of all aspects of agriculture in Petauke, Katete, Mpika and Chinsali Districts (the first EEOA districts) was carried out in 1994 by Shawa and Simfukwe from MAFF, joined by Hedlund and Mothander from Sida. The draft for the EEOA Project Document represented radical changes in approach and caused intense debate when circulated for comment. The EEOA Programme was eventually initiated along the lines suggested in 1995 (Source: Hedlund 1993 and personal communication).

The proposed programme was a direct response to the liberalisation policies being put in place by the government, and also drew on the experiences of the IRDPs. It was felt that while liberalisation had the potential to stimulate growth, areas away from the line of rail would be disadvantaged and less able to take advantage of the new opportunities. There would be a knowledge and understanding gap and farmers, input suppliers and traders would all need to adjust to the new situation. Smallholder farmers would be particularly disadvantaged by poor access to information, communication, credit, etc. The smallholder was then considered to be at the centre of Zambia's agricultural policy. In addition to improved understanding, information flow and a business focus, it was envisaged that infrastructure, savings and credit would be needed in many cases to support economic growth. It was further considered that only real economic expansion could provide the resources for programmes to mitigate the effects of the Structural Adjustment Programmes.

The team leading the development of the EEOA Programme had an intimate knowledge of the IRDP (EP) and were very critical, particularly of the problems with ownership and maintenance of the infrastructure projects (roads, wells, etc), the apparent lack of impact from many years of capacity building within government and the growing aid/project dependence of government (Hedlund 1993 and personal communication). This understanding, reinforced by the decline and lack of direction of government at the time, indicated the need for EEOA to operate outside government bureaucracy but still retaining links for reporting, dialogue and making decisions on programme direction. At the same time, although EEOA was seen as facilitating the adjustment of farmers and entrepreneurs to a liberalised economy and getting the private sector and market economy to work, it was also seen as important to get the government / District Council side to adjust to its new role and for the private and public sectors to work together and demand and provide services.

Another relevant factor was that by 1994 the credit supply system had more or less collapsed. Government financial institutions had consistently had problems with loan recovery and so too had some other small-scale business support institutions such as Small Industries Development Organisation (SIDO) and the Village Industry Services (VIS). A number of reviews of the credit and savings situation in Zambia had been carried out and these were referred to in the first Project Document (e.g. ASIP 1994, Birgegard 1994, Henney 1992, IBRD 1993, Price Waterhouse 1994). Although there were differing views, credit and savings were seen as important elements in supporting economic growth and the "Credit Guarantee Fund" was established as one of the three key components of the EEOA. This assumed that viable, local, private and non-governmental microcredit institutions would be available or could be established to service the programme areas.

The period of programme preparation was one of intense change and uncertainty. The rapid liberalisation and privatisation of the agricultural sector in the early 1990s coincided with "structural adjustment" and very high interest rates. Government however continued to provide inputs for maize on

unsecured credit and manipulated the purchase price in an unpredictable way. In spite of this and the fast pace of change, the broad assumption was made that the government would continue through to full liberalisation, the private sector would respond and develop capacity, and an enabling environment would be created. Some help would be needed especially for the less sophisticated farmers and entrepreneurs in the outlying areas. In order to cope with uncertainty, a high degree of flexibility was built into the design, with the Programme seen as having a process approach. The details of the facilitation process, selection of areas within districts, mechanisms for infrastructural funding and credit delivery, etc would all be finalised during the course of the programme.

The first phase of EEOA was initiated as a development or “pilot” phase in mid 1995 with Dr Hedlund as the Coordinator. A second “consolidation” phase was planned to run from 1998 to 2001 and extended to the end of 2002 (EEOA 1994 and EEOA 1997). The approach,, methodologies, instruments and linkages for the programme were developed during the pilot phase and have continued to evolved during the consolidation phase. At the same time, the situation in the private sector and marketing situation in Zambia has also been transmogrified. Although the fundamental premises of EEOA has not changed greatly, the components and activities have evolved considerably with the changing context.

Considering that liberalisation and privatisation had affected the whole country, the need for smallholders and local entrepreneurs to understand and adjust to the market economy applies countrywide. The process of ‘multiplier’ effects envisaged by EEOA is slow and ineffectual as a ‘scaling-up’ procedure and it is not easy to see how the lessons learned from the programme can feed into higher level processes such as the PRSP and SWAPs.

### 3.3 Adaptation of EEOA to the Zambian context

#### 3.3.1 Private and public sector perspectives

Although the focus of the EEOA Programme is on private sector, business and market development related to agriculture, in practice, both private and public sector perspectives are combined. One primary aim is to build the capacity of farmers and entrepreneurs so that they take on a business approach, develop diverse agricultural production, processing and marketing enterprises, and link up with other entrepreneurs to expand marketing opportunities. The foundation of the process is facilitation backed up with some infrastructural support and credit through a local microfinance institution. EEOA claims not to promote specific enterprises but rather to arm farmers and entrepreneurs with the knowledge and skills to enable them to generate their own business ideas or improve existing operations. EEOA should therefore deliver the public goods of knowledge and skills in a neutral public-sector-like way in order to promote private sector business enterprises.

In reality, however, this has not been entirely so. Where EEOA has glimpsed potential for major income increases through market opportunities, it has promoted specific technologies. Fish-farming in Petauke was a early and largely unsuccessful idea. Elsewhere, tomato production has been promoted heavily. At present, EEOA is engaged with ‘facilitating’ liming of soils in Northern Province; this appears to be standard technology promotion to outsiders by EEOA officers insist it is a product of their distinctive methodology.

EEOA claims that it takes a private sector perspective to collect and analyse market information, research potential business ideas develop links with and between local, district, provincial and national interests. At least at ground level, this aspect of their work remains extremely weak; which is unfortunate because there is strong local support from NGOs such as CLUSA and Africare for collaborative

dissemination of market data. Similarly, the links with real business are still tenuous; partly because the control of marketing in Eastern Province is in the hands of an ethnic cartel and to deal with this is politically sensitive.

Although under a National Programme Committee chaired by MAFF and closely linked to the (MAFF) District Agricultural Coordinator's office in Districts, EEOA operates outside the MAFF and does not function in the same way as a government organisation. The EEOA Programme organisation actually works across the public – private sector divide and is closer in many respects to an NGO. The MAFF however remains one of the key partner organisations. Infrastructure is supported through the Rural Economic Expansion Facility (REEF). This is a fund provided by the EEOA Programme and administered through the DAC-SEE which judges requests from communities in Facilitation Areas through a thoroughly elaborated and generally transparent procedure. In implementing the REEF infrastructure support programme, EEOA collaborates with the District Agricultural Sub Committee for Economic Expansion (DAC-SEE) which is essentially a MAFF / District Council / private sector grouping. One aim is to coordinate with other infrastructure development in the districts e.g. through the Rural Infrastructure Fund (RIF) under MAFF. Several District Councils have adopted simplified REEF procedures for allocating RIF funds to rural infrastructure projects.

The third key partner for the EEOA Programme is the Micro Bankers Trust (MBT) which administers the credit component in all Districts covered. This is a trust set up originally through government loans and EU grant funds. EEOA provided loan capital and operational start up support funds. It is expected and important for the sustainability of EEOA facilitated initiatives that this should continue.

The direct beneficiaries of the EEOA Programme are the farmers and entrepreneurs who succeed in taking up and developing a variety of agriculture-related business enterprises. The aim is to form a critical mass of successful farmers and entrepreneurs to sustain and spread economic growth in a district.

Although EEOA was one of the pioneers, a number of programmes such as USAID's ZATAC, IFAD's SHEMP, CLUSA, Africare, etc have developed similar but different approaches to bringing people into and developing the liberalised free-market economy often through inputs on credit "outgrower" schemes. In addition, there are a number of commercial companies which run inputs on credit "outgrower" schemes for specific cash crops such as cotton, tobacco, soyabean, horticultural products, etc. The outgrower approach is one of the business approaches facilitated in EEOA areas by private entrepreneurs. These organisations are potential collaborating partners for the EEOA Programme.

Ownership and phasing out are key issues which can usefully be discussed here. EEOA sits across the private – public sector divide and operates for a limited time period (3 years in a Facilitation Area and 6 years in a district) to set things in motion before phasing out. During this time period, different private and public sector entities should take over and 'own' the relevant parts of what EEOA has been doing. EEOA as such is therefore not owned by any single organisation public or private, and its nature generally changes as the programme develops in a district. There is a tendency to say that the government, in this case MAFF, should own the programme and while this may have some validity at national level it could be misleading at district level. While the (MAFF) District Agricultural Coordinator may incorporate some of the business orientation and free market ideas and approaches supported by EEOA into normal extension work, which should help to consolidate and spread the ideas introduced, there is insufficient capacity to continue with much more of the overall EEOA programme. A greater role than this would also be questionable since the public sector is generally poor at leading private sector development and should concentrate on providing a regulatory framework and an enabling environment.



### 3.3.2 Creation of an enabling environment

EEOA was initiated to build on the opportunities from deregulation and liberalisation of the agricultural sector in the early 90's. Although much has changed, deregulation and liberalisation remain incomplete and the legacy of the one-party state era continues to flourish. Particular problems arose from the initial speed of deregulation and near collapse of the maize dependent agriculture particularly in the more remote areas, and the collapse of the largely government led credit institutions. In addition, continuing government interference with maize input supply, unsecured credit and price stabilisation has been largely responsible for increased uncertainty, reduced confidence in the market, reluctance of the private sector to get involved, and most importantly the continuing dependency syndrome, lack of crop diversification and ultimately food shortages. Problems still remain with the physical infrastructure (maintenance), weak extension, credit availability and market development. Little progress has been made with other aspects of the enabling environment such as the legal framework for small farmer lending and contracting, macroeconomic measures including overvaluation of the currency, protection of Zambian producers from dumping, the indirect effect of high fuel, VAT and other taxes upon small farmers, and the control of monopolies and buyer collusion. In other words, despite government rhetoric intended for donor ears, the political will to really transform the Zambian economic landscape is signally lacking.

There has been criticism from both the urban areas which have been used to cheap subsidised maize, and the rural areas where people tend to prefer the certainty of an assured maize market and subsidised inputs. The response of Government has been to reconsider the wisdom of deregulation, liberalisation and privatisation which tends to deepen the uncertainty and lack of confidence. Mixed messages continue to be emitted by the new government elected in December 2001.

The response of donors has been various programmes aimed at promoting the development of the free market economy. The World Bank, Sida, USAID and IFAD have been some of the notable players. While the precise mix of ingredients varies from one programme to another, there is broad agreement on the basics. Zambia should not return to a State controlled economy, government should withdraw from normal private sector functions, deregulation should be strengthened, and other factors should be addressed to promote a more complete enabling environment. Most programmes tend to work within the existing constraints and concentrate on education and capacity building, credit and some infrastructure, mainly in the more disadvantaged outlying areas. The EEOA Programme is no exception to this and supports the development of an enabling environment mainly at the local level through support to infrastructure, credit availability and business confidence through "facilitation", improved information flows and developing linkages.

EEOA included credit as one of the three main components of its first phase through a "Credit Guarantee Fund" to be operated through the Zambia National Commercial Bank. Many problems were experienced and only a handful of loans were disbursed. Collaboration with the Micro Bankers Trust (MBT) was initiated in 1999. MBT is a trust funded from government loans and a European Development Fund grant. After initial problems with on lending through a subsidiary, MBT agreed to set up offices in Mpika and Chipata for direct lending. EEOA provided loan capital (loan fund) and operational start up support funds. The system is now in operation and appears to be working well with repayment rates around 90%. Although MBT extended its services to the outlying areas in collaboration with EEOA, it is expected to continue providing these services on its own.

Donors need to collaborate to lobby for a consistent and transparent policy position of government and more committed support for an enabling environment. There is no evidence that donors will collaborate in this way, indeed donor balkanisation is the rule. The tendency is to pretend to believe govern-

ment assurances as this is a surer route to disbursement of funds. Nonetheless, effective programme design must be anchored in an in-depth understanding of the real situation as opposed to the stated policy position of government, and from a realistic assessment of what may be changed easily and what may not.

### 3.3.3 Promotion of agricultural markets

Development of agricultural markets is in a sense the key focus of the EEOA programme on which production, processing and trading depend. Greater emphasis has been placed on this over the last two years with the formation of two new components of “Business Promotion and Marketing” and “Agricultural Extension Support and Networking” from the facilitation and training components.

Facilitation and training are core activities of the Programme through which farmers and entrepreneurs develop the understanding, skills and capacity necessary to establish or improve their businesses and link up to develop the markets. The aim is to develop a critical mass to secure the market and continue economic expansion. The businesses generally relate to agricultural production, processing or trading. The aim is to encourage a change in attitude in farmers to regard farming as a business which operates in and towards a market. The roles of processors, traders and other businesses need to be understood as part of the environment within which farming operates. The importance of the economies of scale delivered by groups is important as is the understanding of risk and opportunity.

Facilitation aims to create awareness and understanding of the opportunities and risks in a liberalised market economy. A range of specific training courses is available including business idea generation, starting and improving a business, technical training, group formation, etc. The focus at local village level is on business oriented production for existing or growing markets. Examples would be sunflower, soyabean, irrigated vegetables, etc. Formation of interest groups and registered societies is encouraged to improve negotiation power, economies of scale and obtain credit. Processing is encouraged at village or urban / district level to add value and strengthen the market. Examples would be sunflower oil extraction, peanut butter, coffee pulping, etc. Trading businesses are encouraged at village level (groceries, input credit and commodity purchase through outgrower schemes, etc) and urban / district level (commodity traders, poultry feed, market organisation, etc). Trading with national level is facilitated through information and links.

Links and complementarity between farmers, businesses and traders is seen as an essential part of market development. The programme supports the development of various groups and businesses at district level to compliment and tie in with the production and processing enterprises being developed in villages. In response to local demand, some of the infrastructure support has been used for market structures at village and district level (e.g. Chinsali).

It can be seen that at this level, the programme is potentially concerned with a great many business with commodities at different levels. Given that the flexibility within the Programme allows varying approaches according to the needs of particular areas, EEOA Programme tend to be complex in the detail. These aspects of the Programme and both strengths and potential weaknesses.

In practice, it appears that the EEOA approach has worked better in Northern Province than Eastern Province. This is perhaps surprising considering that Eastern Province has historically been a strong agricultural province while Northern Province provided labour for the mines. This may be explained in part by the very heavy reliance on maize in the agriculture of Eastern Province and the consequently much greater impact of the collapse of credit and marketing institutions after liberalisation and subsequent continued government interference. In the northern provinces there was less dependence on maize and greater flexibility in crop repertoires. In Northern Province, the market is less complex and

has smaller players, and it was easier to identify sound business ideas which could be successfully developed. In Eastern Province, it appears that the markets are more sophisticated and controlled to a large extent for some commodities by a strong Asian business community in Chipata linked to buyers in Malawi. Margins are kept low and there is less room for farmers and the smaller entrepreneurs to manoeuvre. This is reinforced by the widespread cultivation of maize and the negative effects of government interference in this crop. When faced with difficulties to identify profitable products, the tendency was noted for some farmers to focus on what they wish to produce rather than on what the market needs. In the North there has been good success with Outgrower schemes which link up to local buyers. In the east, one of the main developments has been the more widespread growing of cotton as a response to outgrower credit schemes introduced by the companies concerned (Dunavant and Clark Cotton).

## 4 Relevance of EEOA assumptions, approach and design

### 4.1 Relevance in the Zambian context

The EEOA Programme was initiated as a response to liberalisation and the opportunities which should be offered by more effective private sector led growth. This assumed that the government would go through with liberalisation, an enabling environment would be created, the private sector would respond and markets would be developed. Farmers and entrepreneurs, particularly in the disadvantaged outlying areas, would need to improve their understanding and adjust to the new opportunities, and may need further support with credit and infrastructure. It is further assumed that with the programme inputs of facilitation, infrastructure and credit, a critical mass of business oriented farmers and entrepreneurs will be established to further develop markets and lead a continuing process of economic expansion.

In reality, the government did not withdraw completely, particularly from maize, and other requirements for a truly enabling environment have not yet been fulfilled. The private sector has generally not moved in to take over input supply, marketing, processing, credit and other functions previously provided by government, except in some of the high potential areas near the line of rail and in key areas for specific commercial crops such as cotton and tobacco where “outgrower” schemes seem to work well. In spite of these difficulties, EEOA has generally been successful in most of the programme areas. Through extra input, the programme has been able to support the local development of a more enabling environment.

Spread of the ideas and effect from a “critical mass” of farmers and entrepreneurs is an important aspect of the programme vision and has been used as part of the justification of the Programme. Although there has been insufficient time to see if the critical mass ideas really works, it appears that this will be much more difficult than anticipated because of the poorly developed enabling environment. It would be reasonable to expect that there would be some spread within a Facilitation Area. However, unless the “enabling environment” is improved, it is hard to see how the effect will spread naturally beyond the surrounding areas, let alone within the rest of the EEOA supported districts. It must be remembered that the EEOA supported Facilitation Areas were selected because of greater potential and responsiveness and that they had support with infrastructures and credit which will be difficult to extend to the rest of the district.

The understanding and ideas are in principle valid for the rest of the country. It is argued that this issue needs to be addressed in order to add value to the EEOA Programme. This is not a task for EEOA, but EEOA has a voice through its own staff and collaborating farmers, NGO's etc, and through the National Programme Committee in many fora.

A related issue is the sustainability of the various production, processing and trading businesses initiated by farmers and entrepreneurs, and the need to spread the understanding and opportunities much wider. In broad terms, it is felt that through thorough training and self motivated development of their own businesses, the majority of farmers and entrepreneurs should be able to keep their businesses running provided the economic and market situation remains relatively stable.

The partial failure of liberalisation and poor development of an enabling environment discussed above give cause for serious concern. As a core assumption of the EEOA Programme, it could be argued that

this undermines the validity of the Programme, particularly in so far as it frustrates spread. This raises two important questions. Why is the EEOA regarded as one of the more successful of its type in Zambia, and how can the crucial issue of full liberalisation and the enabling environment be addressed?

EEOA has been one of the pioneers in developing private sector led agriculture, has developed a sound and appealing methodology for facilitation of development, and has had real success in the field, particularly in the Northern Province. The lack of government consistency and commitment to liberalisation does not surprise many in the Zambian context and most programmes take this at least informally as part of the environment within which they have to operate. The fact that such an important assumption for EEOA is not fulfilled completely must give cause for concern but does not seem to undermine the Programmes' credibility. Since EEOA is able to improve the business environment on a local level in the Facilitation Areas, the main problem for EEOA is the difficulty for the ideas and effect to spread without a sufficiently "enabling Environment" in the rest of the districts. It is generally accepted as too early yet to assess the spread effect but the issue has been raised (e.g. James et al 2001). The above represents a wider problem concerning the frequent differences between government rhetoric on policy and the ground reality. This can be reflected in the formal view (documentation) of the project and the informal field view. While the reality is often appreciated, the documentation may as in this case make unrealistic assessments and projections based on policy rhetoric. This serves to confuse an already complicated situation. In this case, it would be better to make a more realistic assessment of likely spread in the current real situation and see if there are ways to improve this. It is felt that EEOA would still be regarded as a successful programme on which to build.

The second question of full liberalisation and creation of a more convincing enabling environment is an issue for government. Programmes can and should lobby and would do this much more effectively in collaboration with each other and with their respective donors. This becomes difficult when the government rhetoric is positive but does not coincide with reality. It appears that the stance of the new government is less favourable to full liberalisation, but the rhetoric is closer to the reality.

The continued government interference in maize has also caused additional problems, particularly in Eastern Province, through reinforcing the dependency syndrome and discouraging crop diversification which both contribute to seasonal food shortages. Although food shortages were particularly acute at the time of the field visits, it is understood that seasonal food shortages are still a feature of the rural areas. It is felt that this issue needs to be addressed or the efforts at business oriented farming will be undermined. Given the large number of subsistence farmers who are at present largely outside the market economy, the broader poverty issue need to be addressed at least as an implied objective as discussed below.

Although the private sector has generally not responded to liberalisation, when farmers and entrepreneurs in EEOA areas are given an improved understanding, appropriate skills, a vision and encouragement with the possibility of further support with credit and minor infrastructure, they do adopt a business orientation and develop a variety of business. Although EEOA Programme staff say that there has been good progress in Eastern Province, there is clearly a need to go further and operate at a higher level with a more in-depth understanding of the complexities of the market (see above). The market is larger and more complex in Chipata with collusion amongst part of the Asian business community for some commodities. The hands off "facilitation" approach may not be sufficient with weak and dispersed groups and an organised business community. A more proactive approach seems to be required to open up the market from the inside. CLUSA have been doing this with some success for groundnuts and paprika and have already managed to increase the farmgate prices for these commodities. It would be logical to join forces with CLUSA and others with similar interests to jointly address these issues.

In principle, EEOA does not promote specific commodities but rather seeks to make individuals and groups more aware of the possibilities of such commodities through facilitation. In the end they should come up with their own ideas. While this should build a better foundation for business development and is more flexible, it is difficult for information poor producers in remote areas, and is inherently slower. An alternative but complimentary approach is to concentrate on a limited number of well researched “best bet” initiatives and suggest these as possibilities (without necessarily promoting them). The research should be more thorough and farmers can learn their business skills by practicing them. This approach has been followed with some success by some NGO’s (e.g. CLUSA and Africare in Eastern Province) and allows them to concentrate resources, and engage with bigger interests to open up the market from the inside. It should be noted also that the cotton companies in Eastern Province have managed to promote cotton through outgrower / distributor schemes with considerable success. Although this more proactive approach may not be entirely compatible with EEOA at present, there are signs that EEOA is moving towards such a role (e.g. with the lime initiative being discussed) and much could be done through more active collaboration on these issues with the other NGO’s involved. If the less complicated and more proactive promotion of one or two best bet business ideas works as a vehicle to learn the skills practically at the same time as earning cash, the transaction costs are effectively lowered.

The other linkage crucial to the engine of economic growth is working with traders to disseminate market information in a timely and effective way. This should function both to help producers assess the likely profitability of a crop and buyers to identify market niches. But such dissemination has been weak in practice. EEOA outlined the workings of a ‘Market Information System’ in 1999 which was to collate and circulate such data. However, there is no evidence that this is functioning; whereas Africare and CLUSA both prepare such bulletins and make them freely available in Chipata. Yet buyers trained by EEOA in Chadiza had had no access to these bulletins.

Notwithstanding the above comments, EEOA Programme *has* made an impact and is generally acknowledged as being one of the more successful in Zambia. It has been held up as one of the models mentioned in the New Agricultural Policy and Agricultural Commercialisation Programme and is very much in line with the Poverty Reduction Strategy Paper.

## 4.2 Relevance for Sida’s goals

### 4.2.1 Poverty reduction

Poverty reduction was never one of the stated goals of the programme, and this stance has been reiterated in a number of documents and briefings by EEOA staff. The focus is on economic growth and wealth creation through working with articulate, literate households in relatively accessible areas. Indeed, the policy of ‘partial walkaway’, the withdrawal of EEOA from a Facilitation Area where uptake has been slow, underlines this policy of working with responsive partners.

The assumption must be, in terms of Sida’s priorities, that such growth acts as an engine of broader area development and that this in turn will benefit the poor through some kind of “trickle down”. Possible mechanisms could be through increased employment, increased opportunities for new crops with developing markets in the area, increased marketing opportunities for other products as a result of improved local cash availability, access and trade, savings of time and transport costs through availability of essential commodities from local groceries, etc. It is also possible however that economic growth may increase wealth stratification; the increased wealth of the upper strata makes them predatory on the poor, buying their land and encroaching on their communal property rights such as grazing land or employing the dispossessed at exploitative wages. It appears that this is not the case in Zambia because



of the continuing abundance of land and the few opportunities for wage labour in rural areas, where non-cash labour exchange still predominates. Wealth stratification is often linked to the growth of non-farm incomes and these remain minimal in the Programme Areas.

The Programme says very little about mechanisms for poverty reduction and tends to side step the issue through concentrating on wealth creation. It would seem important therefore that the programme should acknowledge poverty reduction at least as an implied goal and take steps to understand the mechanisms whereby the economic growth facilitated by the programme may or may not reduce poverty. Steps could then be taken to enhance the poverty reduction effects. Another aspect of poverty is the seasonal food shortages which are still widespread. As argued earlier, this issue needs to be addressed or it will undermine the development efforts in the area.

#### 4.2.2 Gender issues

In the area of gender, EEOA retained standard Sida guidelines. EEOA staff seem to be evenly divided while among those trained by the programme, typically more than 50% are women. Many women's Interest Groups have been formed and EEOA has facilitated credit for these groups. It was reported that women groups have a higher loan repayment rate compared to groups with men or both men and women.

The household approach promoted in facilitation and training was mentioned several times as having greatly improved the gender situation within households with regard to planning, budgeting, work, etc. Wives and the elder children are encouraged to plan together and make best uses of the household resources. Issues of early marriage and schooling for girls were also raised. It is not known how the ideas from this intensive approach have spread to other households. Meetings evidently incorporate articulate women who have benefited from the programme.

The number of women headmen and chiefs is still very low. They are only considered for such positions when there are no men in the family. In the political arena, there is a slight increase in the number of women holding decision making positions. Participation is limited by financial constraints, household responsibilities and the generally negative perception of women who get involved in politics as being of questionable character. Married women may thus be discouraged by their husbands.

In rural Zambia a typical social structural feature is the high proportion of female-headed households (which was reported to run to 30% in some areas) caused by divorce, death, migration, etc. The consequence is that women are compelled to manage the household enterprise and many are found running all types of small rural enterprises. The targeting of such households is a priority of EEOA which seems wholly appropriate in the circumstances.

Although access to land and security of tenure are commonly thought to be key issues which may constrain development in many countries, this is generally not considered to be the case in Zambia as discussed above. While acknowledging that women in married, polygamous and female-headed households will be at some disadvantage compared to men, no specific problems were raised during the meetings and interviews.

In the area of marketing, there are some interesting cultural issues to be considered. Through much of Africa, women predominate in marketing and usually small-scale agro-processing; the market women's associations of West Africa are famous in this respect. In Zambia and neighbouring areas, the absence of strong traditional market institutions has allowed gender assignment in marketing to be more haphazard; there are no strong cultural stereotypes about typical male or female roles. This can generally work to the advantage of innovative programmes.

### 4.2.3 Environment

Although the environment is defined as a ‘cross-cutting’ issue by EEOA, the environment was never mentioned as an issue during the field visits by either farmers or Facilitators. The principal environmental thrust has been ‘Conservation Farming’, a technique to reduce labour expenditure on tillage, reduce expenditure on inputs, notably fertiliser, maintain soil productivity and reduce soil erosion. Some of the farmers had been trained in this technique but results seemed to be mixed. It was reported in Eastern Province that some farmers had not planted on ridges, the fields had flooded and the crops were lost. This indicates some misunderstanding of the techniques. Ridging systems that exacerbate erosion are still widespread, indicating a clear need for further extension.

The broader issues are to do with conservation of environmental values. Population densities in Zambia remain low and trees are still abundant, particularly in the north. Even so, charcoal burning seems to be largely uncontrolled. Indiscriminate cutting of trees along dambos and streams that are a major source of water and fish stocks to rural people is not discouraged resulting in streams drying-up and dambos being unable to hold shallow ground water. It was also reported that bush fires are no longer controlled posing a danger to certain grass species for thatching, grass for dry season feeding of livestock and tree cover. Safari hunting was forbidden by Presidential decree during the 2001 season (for political reasons). However, this has merely served to increase the already high levels of illegal hunting for both subsistence and commercial purposes. In some of the areas covered by EEOA (e.g. the Mpumba area south of Mpika) it appears that income from sales of game meat procured from the Laungwa valley is a significant source of income. Although exploitation of non-tree forest products (NTFPs), especially mushrooms, edible caterpillars, and tubers is widespread, there has been little attempt to regularise and perhaps promote NTFPs as a source of supplementary income.



## 5 Conclusions

The agricultural sector is a dominant economic activity in Zambia and generates around 22% of GDP while providing livelihoods for more than 50% of the population. Agriculture is increasing in importance as the mining sector declines and is regarded as the engine for growth for the future. The agricultural sector was extensively though not completely deregulated during the 1990s. The government elected in 1991, after decades of one-party state control, set in motion a rapid deregulation process which had mixed results. While marketing parastatals, cooperatives and lending institutions collapsed, the private sector was unable to respond by replacing them. Continued government interference in maize has led to continued dependency, low crop diversification and persistent seasonal food shortages. There has been some success with the growth of outgrower and contract farming and some new cash crops, though this has been largely restricted to favoured areas along the line of rail and where there has been support from NGOs, donors and commercial companies. The much anticipated enabling environment may not be achieved in the present climate and the new government is likely to continue its interference. Private sector involvement and markets have nevertheless grown in some areas and a growing number of “emergent” smallholder farmers now operate in a broad context of input and output markets. However, the majority of subsistence farmers or own-account producers are still largely outside recognisable markets and grow food crops almost entirely for consumption.

Many smallholder farmers are still affected by seasonal food shortages and there is some evidence this is getting worse. Typically, climate and input shortages are blamed, although compared to many other African countries, farmers in Zambia have a highly favourable situation. Nonetheless, a failure to address food security issues will inevitably undermine and limit the degree of market orientation and economic development. This is largely a question of increased food crop diversity, breaking the dependency syndrome and probably improving social cohesion. Logically, any programme hoping to improve the situation in rural Zambia has three options;

- a) to increase production of staples in a risk-averse farming system
- b) to expand cash crop production based on realistic market descriptions
- c) to expand local agro-processing

All of these can generate income and improve food security if implemented successfully.

A core assumption of EEOA was that the agricultural sector would be fully liberalised, the private sector would respond and an enabling environment would thereby be created. A further key assumption was that if smallholders could improve their understanding of the free market economy, develop their business, production and marketing skills and link up with fellow producers and traders, they would be able to take advantage of the opportunities from liberalisation and bring growth and income.

EEOA was designed and initiated during a period of rapid change. The programme understood the risks and therefore built in considerable flexibility. Based on the declining capacity and morale in the government and previous experience from the IRDPs, the Programme was given a “by-pass” type of structure. At the heart of EEOA is facilitation and building capacity of smallholder farmers and local entrepreneurs, with additional support for infrastructure and developing a local financial services and credit institution. The focus is more on developing local markets, capacity and a supportive business environment, than a widespread “enabling environment”. The overall result in the broadest terms has been generally good success in programme areas, but with the potential for spread of the ideas seriously restricted by the lack of an enabling environment.

The approach and design of EEOA are felt to be largely appropriate to the present Zambian context. A by-pass structure gives programme staff the flexibility to respond to the changing situation, although flexibility alone does not guarantee success. This also depends on the programme developing a sound understanding of the socio-economic environment and predicting likely trends. All this requires sound management supported with a monitoring and evaluation system, both of which the programme possesses. While the basic design of the programme appears appropriate to the difficult situation within Zambia, further evolution is necessary. In relation to Sida's goals, EEOA has promoted economic growth and greater equity in respect of gender, very much in line with Zambia's stated policies. EEOA does not directly address Sida's overall goal of poverty reduction but rather focuses on economic growth and wealth creation through working mostly with self-selecting, more articulate and literate smallholder households in the higher potential parts of the "outlying areas". It is argued that EEOA should take on poverty reduction as an implied goal and a definite goal. The programme should then investigate and understand the mechanisms through which the increased wealth and opportunities can benefit the poor and take steps to enhance the positives and avoid the negatives.

This report has highlighted the gap between the donor-driven government rhetoric and the reality, which is that strategies redolent of the command economy keep surfacing in new guises. No genuine viable business could operate basing its strategies on rhetoric; the shortage of private sector enterprises in Zambia as a whole argues that potential businessmen understand the reality of government policies all too clearly. The political nature of EEOA is illustrated by its need to accept government rhetoric at one level and yet act on the ground in a quite different fashion.

Although not explicitly stated in the Project Document, it is implied in the programme vision that EEOA should achieve sustainable spread from a "critical mass" in core areas. Although covering only part of the District, and with a six-year time limit, the implication is that this is sufficient to uplift the whole district in some way. The survey suggested there is only sparse evidence for this in practice and no model why it should work in theory<sup>3</sup>. If your target group is self-selected, articulate, literate and with a least some surplus cash, it is hard to see why they should spread entrepreneurial skills to their neighbours. Why not restrict the information, which may be a source of income and gain advantage over those neighbours? In addition, if the neighbours are in a less accessible site, the motivation to travel there and diffuse skills would seem to be rather low. The conclusion that emerges is that if the spread of skills depends on a movement out from the centre to the periphery there has to be some compelling sociological model to suggest that this will occur; calling on some vague notion of goodwill is not enough.

EEOA policy on individual commodities has been contradictory; despite proclaiming that they promote methods and approaches rather than individual commodities, their literature on tomatoes is very product-specific, as is their promulgation of lime in Northern Province. Other NGOs have identified detailed work with specific commodities as a key tool in raising incomes and initial results suggest they are right. In Eastern Province, EEOA should engage more proactively with key players in the market at a higher level to break the control of rings of commodity buyers in direct collaboration with other concerned NGOs.

Appreciating the importance of market intelligence and information flow are crucial to the development of entrepreneurship. In West Africa, with its elaborate traditional market sector, information is highly valued and flow systems well-developed. Sustainable local systems for collecting, analysing and disseminating market information remain in their infancy in Zambia. EEOA rhetoric attaches great

---

<sup>3</sup> This rather reverses the old dictum about an economist being someone who, seeing something work in practice, asks whether it works in theory.

importance to this, but they have not yet been unable to develop systems which can further disseminate information already collected and freely available, let alone collate original data. Serious strategies for promoting entrepreneurs must engage more fully with market information, both collating, disseminating and matching mechanisms to audiences.

There is a logical flaw somewhere here; potential collaborators lack market orientation and certainly lack information about wider markets. A consequence of this is that they frequently come up with unviable and sometimes naïve or bizarre business ideas<sup>4</sup>. Ideally, these would be filtered out at an early stage by individual advice, review and adequate market information. But in reality, either these ideas are never implemented or the enterprise collapses. The conclusion must be that any training of this type must be followed up by a much more comprehensive review procedure.

A rather contradictory conclusion emerges regarding lessons for national policy. At one level, it seems rather evident that the Zambian government is quite impervious to policy development based on empirical data. Recent moves back to the command economy are certainly not based on its successes, merely on a sentimental attachment to a strategy developed on the back of nostalgia for the optimism of the 1960s and on the unacknowledged role of high copper prices in supporting this strategy. Donors therefore will need to engage more energetically with actual behaviour and not be satisfied with rhetorical flourishes. The Zambian government has put its name to a number of papers, such as the National Agricultural Policy, Agricultural Commercialisation Programme and Poverty Reduction Strategy Paper underscoring its support for economic liberalisation. The outputs and lessons from Programmes such as EEOA could feed into these and give them a more empirical base, as well playing a role in convincing officials that practical benefits will emerge from adopting their strategies.

To summarise;

- a) A focus on agriculture and rural areas is appropriate for Zambia
- b) Zambia does not suffer from major climatic or demographic problems and therefore continuing food insecurity is essentially a problem of market failure
- c) This can be addressed by upgrading the skills base and increasing information flow
- d) However, this will only benefit a certain segment of the population in the short and medium term unless a more enabling private sector environment develops
- e) Project design must specify how wealth creation reduces poverty
- f) At higher levels, donors must press government to match its liberalisation rhetoric with its actual policies.

---

<sup>4</sup> This has been questioned by EEOA, but having listened to their own collaborators expound these ideas we stand by this statement.

## Documents consulted for the study

- Agricultural Consultative Forum, October 2001, *Overview on Zambia's Agricultural Sector*. Lusaka, Agricultural Consultative Forum Secretariat.
- EEOA. July 1994. *Economic Expansion in Outlying Areas: Final Project Document*,. Lusaka, EEOA.
- EEOA. August 1997. *Programme design document, Northern and Eastern Provinces, 1998–2000*. Lusaka. EEOA.
- EEOA, 1998. *EEOA Progress Report 1995–1998*. Lusaka. MAFF.
- EEOA, March 1998, *The Credit Guarantee Fund: EEOA issue paper*, Lusaka, EEOA.
- EEOA. December 1998. *EEOA Programme Design Document 1998–2000 Addendum: Framework for consolidation and Phase-out in 2001*. Lusaka. EEOA.
- EEOA, 1999, *EEOA Annual Report 1998*. Lusaka, Ministry of Agriculture, Food and Fisheries.
- EEOA, January 1999, *Impact assessment study of EEOA activities in Mwalala area of Chinsali District (Final Report)*. Lusaka, EEOA, Ministry of Agriculture, Food and Fisheries.
- EEOA, June 1999, *EEOA Progress report 1995–1998*. Lusaka, Ministry of Agriculture, Food and Fisheries.
- EEOA, 2001, *Facilitation in action*. Lusaka, EEOA Programme.
- EEOA. November 2001. *EEOA Programme Proposal 2003–2006 (First draft)*. Lusaka. EEOA.
- EEOA, 2002, *EEOA Annual Report 2001 (Draft)*. Lusaka, Ministry of Agriculture, Food and Fisheries.
- EEOA, Undated, *Guide for mainstreaming a gender perspective in the facilitation process*, Lusaka, EEOA
- Embassy of Sweden, Lusaka, 2001, *Semi-annual Report Zambia: November 2000–May 2001*. Stockholm, Sida, Department for Africa.
- Hedlund, Hans. September 1993. *To end and aid programme: The phasing out process of the Integrated Rural development Programme, Eastern Province, Zambia*. Stockholm. Sida.
- HJP International 20 Oct 1997, *EEOA, Draft appraisal report by Sida Consultant on Programme Design Document (August 1997)*. Lusaka, HJP International.
- James, A. R., Davelid, M., Breinholt, T., Chitundu, D. and Lundstrom, T., 2001. *Swedish support to the agriculture sector in Zambia*. Sida evaluation 01/26, Stockholm, Sida.
- Jere, Gabriel J and Banda, Diana J., November 2001. *Impact assessment study of EEOA activities: a comparative study of programme beneficiaries and non-beneficiaries in Chadiza District*. Lusaka, University of Zambia.
- Kalinda-Chilumba, Henrietta and Sandstrom, Emil. January 2001. *Cost benefit analysis for EEOA Programme, 1995–2020*. Lusaka. Sida / RWA International / MAFF.
- Kalinda T. and Maimbo, F. December 2001. *Impact assessment study of EEOA activities in Kaumba and Kalungu Facilitation Areas of Isoka District*. Lusaka.
- Ministry of Finance, 2001, *Poverty Reduction Strategy Paper for Zambia*. Lusaka, Ministry of Finance.
- Milestone International Consultancy. December 2000. *A tracer study of entrepreneurship development and its sustainability in Mthunya Facilitation Area in Katete District, Eastern Province*. Lusaka. Milestone International consultancy.

Ministry of Agriculture Food and Fisheries, April 1997, *Harmonisation study of the ADF-EP Programme and Sida supported Economic Expansion in Outlying Areas Project (Draft)*, Lusaka, MAFF

Ministry of Agriculture, Food and Fisheries. May 2001. *National Agricultural Policy (2001–2010)* Lusaka. MAFF.

Ministry of Agriculture, Food and Fisheries. November 2001. *Agricultural Commercialisation Programme (ACP) 2002–2005*. Lusaka. MAFF.

Mothander, Bjorn, Vukovich, Istvan, Freudenthal and Chiwele, Dennis, September 2000, *Swedish assistance to sustainable agricultural development in the Republic of Zambia 1998–2000: 6th Report of the Follow up Team: Follow up mission, October–November 2000*. Stockholm, Sida.

Musaba, E.C. and Mulenga, O. December 2000. *A tracer study of the development of entrepreneurship in Lubu area in Chinsali*. Lusaka, University of Zambia.

Richard Woodruffe and Associates in association with Terra Nov and Moses Banda Company, January 1997, *Savings mobilisation – Options for the EEOA project: a short term consultancy study*, Lusaka, EEOA.

Rudqvist, Anders, Christoplos, Ian and Liljelund, Anna, 2000, *Poverty reduction, sustainability and learning: an evaluability assessment of seven area development projects*. Stockholm, Sida.

Shawa, J. J. and Simfukwe, M., March 1994, *District survey reports (Petauke, Katete, Mpika, Chinsali)*. Lusaka, MAFF.

Sida, Department for Africa, 1998, *Proposed country strategy for development cooperation with Zambia 1999–2001*. Stockholm, Sida, Department for Africa.

Sinha, Sunil, Beijer, Anja, Hawkins, Julia and Teglund, Asa, 2001, *Approach and organisation of Sida support to private sector development*. Sida Evaluation Report 01/14. Stockholm, Sida.

## Additional reference materials

- Ashley, Caroline, and Carney, Diane, 1999, *Sustainable livelihoods: Lessons from early experience*. London: DFID [www.ids.ac.uk/livelihoods/nrcadc.pdf](http://www.ids.ac.uk/livelihoods/nrcadc.pdf).
- ASIP, 1994, *The agricultural credit and rural finance study*. Lusaka MAFF.
- Birgegard, Lars Erik, 1994, *Rural finance: a review of issues and experiences*, Stockholm, SUAS – IRDC.
- Booth, David, et al, 2000, *PRSP Institutionalisation Study: Report on Progress and Preliminary Findings*. London: ODI for Strategic Partnership for Africa
- Bryceson, D.F. (1996) *De-Agrarianization and Rural Employment in Sub-Saharan Africa: A Sectoral Perspective*. *World Development* 24(1): 97-111.
- Bryceson, D.F., C. Kay and J. Mooij (eds) (2000) *Disappearing Peasantries? Rural Labour in Africa, Asia and Latin America*, London, Intermediate Technology Publications.
- Carney, Diana (Ed), 1998, *Sustainable rural livelihoods: what contribution can we make?*. London, DFID.
- Carney, D. (1999) *Approaches to Sustainable Livelihoods for the Rural Poor*. ODI Poverty Briefing, January 1999.
- Conway, Tim, Arjan de Haan, and Andy Norton, 2000, *Social Protection: New Directions of Donor Agencies*. London: DFID Social Development Department
- Coudouel, A., and J. Hentschel (World Bank), 2000, 'Poverty Data and Measurement'. Washington, DC: World Bank
- DFID et al, 2000, *Sustainable Livelihoods Guidance Sheets* [www.livelihoods.org](http://www.livelihoods.org)
- DFID Sustainable Development Unit, IIED, and CAPE, 2000, *Strategies for Sustainable Development: Will country-led frameworks sustain poverty elimination?* [www.nssd.net/working/ProjDraft.htm](http://www.nssd.net/working/ProjDraft.htm)
- DFID, 2000, *Integrating sustainability into PRSPs: the case of Uganda*. London: DFID Sustainable Development Unit Keysheet, Issue 4 November 2000, [www.livelihoods.org/post/Docs/ugksht00.rtf](http://www.livelihoods.org/post/Docs/ugksht00.rtf)
- Edgerton, J., K. McClean, C. Robb, P. Shah and S. Tikare, 2000, *Participatory Processes in the Poverty Reduction Strategy*. Washington, DC: World Bank
- Ellis, F. (1998) *Household Strategies and Rural Livelihood Diversification*. *Journal of Development Studies*, 35(1): 1–38.
- Eurodad (European Network on Debt and Development), 2000, *Poverty Reduction Strategies: What Have We Learned So Far?* Brussels: Eurodad [www.oneworld.org/eurodad](http://www.oneworld.org/eurodad)
- Farrington, J. 2001. *Sustainable livelihoods, rights and poverty reduction strategies*. Paper for Sida Poverty Seminar, Sandhamn, 22–24 October 2001.
- Francis, E. (1998) *Gender and Rural Livelihoods in Kenya*. *Journal of Development Studies*, 35(2): 72–95.
- Godfrey, Steve, and Tim Sheehy (for DFID), 2000, *Civil Society Participation in Poverty Reduction Strategy Papers (PRSPs)*. London: SGTS & Associates for DFID.
- Henney, J, 1992, *Savings and money management: relegating credit to second rank role in rural Zambia*. Rome, FAO.



- Holzmann, Robert and Steen Jørgensen (World Bank), 2000 (February), *Social Risk Management: A new conceptual framework for Social Protection, and beyond*. Washington, DC: World Bank Social Protection Discussion Paper No. 6
- IBRD, 1993, *Zambia rural finance*. Washington D.C., IBRD.
- IMF/World Bank, 1999, *Poverty Reduction Strategy Papers-Operational Issues*. Washington, DC: IMF/World Bank
- Ireland, Claire (DFID), 2000, *Report on the Informal Workshop on Poverty Reduction Strategies, the Comprehensive Development Framework and National Strategies for Sustainable Development: Towards Convergence*. OECD, Paris, 28–29 November 2000 [www.livelihoods.org/post/PRSP2-postit.html](http://www.livelihoods.org/post/PRSP2-postit.html)
- Kanduzza, A.M. ed. 1992. *Socio-economic change in eastern Zambia*. Lusaka: Historical Association of Zambia.
- Kokwe, G. M. 1997. *Maize, markets and livelihoods: state intervention and agrarian change in Luapula Province, Zambia, 1950–1995*. Helsinki: Interkont Books.
- Mano Consultancy Services Ltd., 1997 *Financing Zambia's Rural Areas*. Lusaka, Mano.
- Mano Consultancy Services Ltd. with Nordic Consulting Group, 2001 *Study on socio-economic and poverty issues in the Lusaka-Mumbwa-Mongu corridor*. Lusaka, Mano.
- Mano Consultancy Services Ltd., 2002 *Economic Change, Poverty and Environment Project Phase I: Summary Report*. Lusaka, Mano.
- McGee, Rosemary (IDS for the World Bank), 2000, *Poverty reduction strategies: a part for the poor?*
- Ministry of Agriculture Food and Fisheries, 2000, *The Consultative Group Report*. Lusaka, MAFF.
- Molund, S., 2000, *Ownership in focus? Discussion paper for a planned evaluation*, Sida Studies in Evaluation 00/5, Stockholm, Sida.
- Norton, Andy, and Mick Foster, 2001, *The Potential of Using Sustainable Livelihoods Approaches in Poverty Reduction Strategy Papers*. London: CAPE for DFID [www.livelihoods.org/post/Docs/prspsla1.doc](http://www.livelihoods.org/post/Docs/prspsla1.doc)
- Oates, P. & S. Seyoum 2000. *Indicative Social Impact evaluation of Phase I: Sida support to the Amhara National Regional State*. Report to Sida. Oxford: Mokoro.
- ODI. *Accountability and Local Governance*. DFID – DGIS Key Sheet for Sustainable Livelihoods No. 113
- OECD-DAC, 2001, *Strategies for Sustainable Development: Practical Guidance for Development Co-operation*. [www.nssd.net/working/guide/guidefv4.pdf](http://www.nssd.net/working/guide/guidefv4.pdf)
- Price Waterhouse, *Agricultural credit survey*. Price Waterhouse.
- Reardon, T. (1997) *Using Evidence of Household Income Diversification to Inform Study of the Rural Nonfarm Labour Market in Africa*. *World Development* 25(5): 735–47.
- Reed D. 2001. *Economic change, governance and natural resource wealth: the political economy of change in Southern Africa*. Earthscan Publications Ltd., London, UK
- Richards, A. I. 1939. *Land, labour and diet in Northern Rhodesia*. London: IAI for Oxford University Press.
- Robb, Caroline M. (IMF Africa Department), 2000, *Participation in Poverty Reduction Strategy Papers*. IMF

- Sida Department for Evaluation and Internal Audit, 1999, *Osida's Evaluation Policy*, Stockholm, Sida.
- Sida, 2000, *Strategy for Sida's support to democratic governance in Zambia 2000–2002*, Stockholm, Sida.
- Sunday Times of Zambia, 24 February 2002 *Full Presidential Speech at the Opening of Parliament*. Lusaka, Times of Zambia.
- Tacoli, C. (1998) *Bridging the Divide: Rural-Urban Interactions and Livelihood Strategies*, IIED Gatekeeper Series No. 77.
- Tembo, C. W. 1992. *Peasants and resettlement schemes in Chama-Lundazi, 1954–1980*. In: Socio-economic change in Eastern Zambia: pre-colonial to the 1980s.
- Thin, Neil, and Mary Underwood, with Jim Gilling, 2001, *An examination of sub-Saharan Africa's existing Poverty Reduction Strategy Papers (and associated documentation) from Social Policy and Sustainable Livelihoods Perspectives*. Oxford: Oxford Policy Management for DFID [www.livelihoods.org/post/Docs/SSA-PRSP.rtf](http://www.livelihoods.org/post/Docs/SSA-PRSP.rtf)
- Times of Zambia, 2 March 2002 *2002 Budget Speech (in full)*. Lusaka, Times of Zambia.
- UNDP, National Human Development Reports website: [www.undp.org/hdro/nhdr.htm](http://www.undp.org/hdro/nhdr.htm)
- UNDP/UNOPS 2001. *Draft Terminal Report CARERE II*. NATUR Document.
- United Nations, 2000, *We, the Peoples: Report of the UN Millennium Summit, 6–8 Sept 2000, New York* [www.un.org/millennium/sg/report/](http://www.un.org/millennium/sg/report/)
- White, Howard, Neil Thin et al, 2001, *DFID Poverty Guidance Handbook*. London: DFID
- World Bank, 1999, *Area Development Projects. Lessons and Practices*, Number 3, September 1993, [www.worldbank.org/html/oed/lp003.htm](http://www.worldbank.org/html/oed/lp003.htm)
- World Bank, 2000, *Overview of Poverty Reduction Strategies* [www.worldbank.org/poverty/strategies/overview.htm#core\\_principles](http://www.worldbank.org/poverty/strategies/overview.htm#core_principles)
- World Bank, 2000, *Guidance on Participation in Poverty Reduction Strategy Papers* [www.worldbank.org/poverty/strategies/](http://www.worldbank.org/poverty/strategies/)
- World Bank, 2000, *Dynamic Risk Management and the Poor developing a social protection strategy for Africa*. Washington, DC: World Bank Human Development Group Africa Region
- World Bank, 2000, *Social Protection Sector Strategy: From Safety Net to Springboard*. Washington, DC: World Bank
- World Bank, 2000, *World Development Report 2000/2001: Attacking Poverty*. Washington, DC: World Bank Washington, DC: World Bank [www.worldbank.org/poverty/wdrpoverty](http://www.worldbank.org/poverty/wdrpoverty)
- Zgambo, C. W. 1992. *Workers' responses to conditions on the settler farms of the Eastern Province, 1898–1964*. In: Socio-economic change in Eastern Zambia: pre-colonial to the 1980s.



# Terms of Reference for an Evaluation of Support to Agricultural and Rural Development in a Private Sector Development Perspective – Case Study: Economic Expansion in Outlying Areas in Zambia

## Background

The agricultural sector and related fields are a dominant economic activity in many Sida partner countries. The greater part of the private enterprise sector often consists of (smallholder) farmers, and agricultural markets are among the most important, not least for exports, for many of these countries. Increased production and growing markets are crucial prerequisites for reducing poverty. Traditionally, however, in the development cooperation context, agriculture has not primarily been regarded as a business activity consisting of private enterprises and markets. This view is gradually changing, partly as a result of changing patterns of land tenure and extensive deregulation of the agricultural sector in many countries during the 1990s. These changes are impacting on the work of Sida with support to agriculture and related fields.

Sida's Department for Evaluation and Internal Audit (UTV) commissioned an assessment of Sida's overall approach to and organization of private sector development in 2000<sup>1</sup>. As part of this assessment a conceptual framework for analysis of private sector development is being developed and Sida's private sector development support is being mapped. According to preliminary figures from the mapping exercise only a minor portion of the activities of the Department for Natural Resources and the Environment (Natur) were considered as relating to private sector development. Given that agriculture is the dominant economic activity in many Sida partner countries, this conclusion merits deeper analysis and UTV is planning an evaluation within this field.

One of the two dimensions of the *area development* evaluation is to study the integration of project activities with the livelihood strategies of target groups. In this respect, the Economic Expansion in Outlying Areas Programme (EEOA) in Zambia is clearly an interesting programme from a private sector development perspective. The EEOA has a private sector development focus and offers an opportunity to study Sida's approach to and organization of support to private sector development within the agricultural sector in practice, i.e. EEOA is a useful case study. Consequently, UTV has decided to include additional issues for the Consultants to address when assessing the EEOA.

## Additional issues

There are three points of departure for the issues the Consultants are to address: (1) the agricultural sector and related fields are a dominant economic activity in many Sida partner countries; (2) the agricultural sector has been extensively deregulated in many countries during the 1990s and (3) the smallholder farmer operates in a broad context of input and output markets, to which the farmer contributes and on which she/he depends. A general question emanating from these points of departure is how they are reflected in Sida's approach to and design of private sector development support

---

<sup>1</sup> Draft Report: Evaluation of Approach and Organisation of Sida's Support to Private Sector Development, Emerging Markets Economics, March 2001

within the agricultural sector. In order to have an illustrative example of this, the following issues are to be studied in the specific case of EEOA:

- What key assumptions and analyses regarding market development (input and output markets) does the approach and design of EEOA build on? What information, assessments and whose views are these assumptions and analyses based on?
- To what extent does the approach and design of EEOA reflect a broad contextual perspective? How has EEOA been planned and adapted to the context? To what extent does EEOA include measures to create an enabling environment for agricultural markets? If so, have these measures been adequately sequenced? Has EEOA used delivery mechanisms that promote the development of agricultural markets and farmers that are active on these markets (e.g. networks between suppliers and marketeers)?
- The Consultants are to revisit the assumptions regarding market development and the approach and design of EEOA and discuss the relevance for (a) the Zambian context and (b) Sida's overall goal of poverty reduction and, more specifically, the Sida goals of economic growth and gender equality (e.g. the land and gender perspective).

In order to hold an informed discussion on the issues above, the Consultants will have to carry out interviews at Sida and with stakeholders in Zambia. The Consultants will have to assess feasibility/ background material that preceded the programme and further studies made during the implementation of EEOA, as well as other background material on the agriculture sector in Zambia.

## Reporting

The 'additional issues' will be covered in a separate report that is to be used by Sida for discussions on private sector development and poverty reduction within the agricultural sector. The report will have to provide adequate information on context and background to serve the above purpose, even if this means that some information will be repeated from the main report. The Consultants are to present a suggestion for the report outline, including an estimate of number of pages, in their inception report.

The Consultants are to be prepared during the course of their work to provide an input to discussions in connection with UTV's planning of an evaluation dealing with private sector development within the agricultural sector and related fields.

# UTV Working Papers

- 1996:1      Kvalitetsutveckling – en inledande diskussion  
Tord Olsson
- 1997:1      Pre-appraisal for an evaluation of Bai Bang  
Anders Berlin
- 1997:2      Rutiner för planering och uppföljning av Sidas utvärderingsverksamhet  
Magdalena Ginste, Göran Schill
- 1998:1      En kort granskning: tre utvärderingar av svenskt stöd för arbetsmarknadsreformer i Polen, Ryssland och Letland  
Stefan Molund, Göran Schill
- 1998:2      Striden om Bai Bang. En studie av de inrikespolitiska och partipolitiska faktorernas betydelse kring Bai Bang projektet  
Ulf Bjereld
- 1998:3      Läsundersökning för Sida Evaluation Newsletter  
Törbjörn Mårtensson
- 1998:4      Bai Bang i svenska massmedier 1980–1996: part-study 1  
Anne Pandolfi
- 1998:5      Projektorganisationen i Bai Bang  
Mats J. Svensson
- 1998:6      Fackföreningsrörelsen, näringslivet och Bai Bang  
Johannes Lindvall
- 1999:1      UTVs kommentarer till remitterad slutrapport från projektgruppen för “Absolut Sida”
- 1999:2      Kvalitetsgranskning av Sidas internrevision  
Sven Hedlund, Larry Ribbeklint
- 1999:3      Statistics of Aid through Sida  
True Schedvin
- 1999:4      The Evaluability of Country Strategies in Sida Management Perspectives International (MPI)
- 1999:5      Report on the DAC Workshop on Evaluating Gender Equality and Women’s Empowerment  
Bonnie Keller
- 2000:1      Översyn av framställning av Sida Evaluations Newsletter  
Krister Eduards, Anja Linder
- 2000:2      Evaluability Assessment of Swedish-Tunisian Bilateral Cooperation 1962–1982: main report, appendices I–III  
Tom Alberts, Inger Ärnfast
- 2000:3      The Impact of Country Programmes on Poverty Reduction – an outline of an evaluation approach  
Jerker Carlsson
- 2001:4      The Quality of Counterpart Reports: an assessment of quaterly and annual reports from four bilateral programmes in Tanzania 1997–1999  
Göran Schill
- 2001:5      Evaluating External Assistance to the Western Balkans – with special emphasis on Bosnia and Herzegovina: a preparatory study  
Bo Sedin
- 2002:1      Mainstreaming Gender Equality – Sida’s support for the promotion of gender equality in partner countries: Inception report  
Britha Mikkelsen, Ted Freeman, Bonnie Keller et alis
- 2002:2      Approach to Private Sector Development in the EEOA Programme, Zambia  
Stephen Goss, Roger Blech, Guy Scott, Christopher Mufwambi







SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
S-105 25 Stockholm, Sweden  
Tel: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64  
Telegram: sida stockholm. Postgiro: 1 56 34-9  
E-mail: [info@sida.se](mailto:info@sida.se). Homepage: <http://www.sida.se>