ZAMBIA AGRICULTURAL MARKETING COMPANY (ZAMAC)  
(ZAMBIA)

GENERAL INFORMATION

Purpose  Contribute to market-driven sustainable agricultural development within the small scale farming sector
Country  Zambia
Sector  Agriculture
Contribution to MDG #1 (eradication of poverty and hunger)
Time  June 2005 – April 2007

PARTNERSHIP BACKGROUND AND OBJECTIVE

Small scale farmers numbering 800 000 households, dominate Zambian agriculture. The proportion of female headed farming households is considerable and is estimated at 25%. Impediments for agricultural development of especially small-scale farmers are related to limited access to markets and trade information, inadequate organizational abilities, low investment power and poor input supply. All these factors cause the perpetuation of a weak agricultural sector. Despite the above constraints small scale farmers are able to account for more than 60% of national agricultural output.

Inappropriate production technologies, degraded soils, lack of capacity to invest, poor input supply and an inadequate crop marketing system all combine to perpetuate the weakness in the agricultural sector. Access to markets for small-scale farmers forms a major impediment to agricultural development. Since the demise of inefficient Government controlled marketing boards in the early 90s, the majority of small-scale farmers are dependent upon middlemen buying their crops (usually for cash), with prices determined by the buyer. The difference between what small-scale farmers are being paid and local end markets (breweries, millers, exporters etc) is often over 50%. With the majority of the population engaged in small scale farming as a means of earning a livelihood, it becomes crucial to use innovative and environmentally sustainable technologies for agricultural production. Production needs to be coupled with enhancement of market access, access to trade information, financial and economic advice.

In order to overcome the constraints in small-scale farmer crop marketing, a PPP was needed. The partnership brings a farmers union (ZNFU) together with a private sector commodity broker (CHC) in a joint venture (ZAMAC) that looks to provide small-scale farmers with better market access and improved services. Also involved in the partnership is a department within the Zambian Ministry of Agriculture (MACO) responsible for information dissemination (AMIC), a Dutch development NGO (SNV) and the Royal Netherlands Embassy in Zambia (RNE). The added-value of the Zambian Agricultural Marketing Company (ZAMAC) will be that small-scale farmers, organised through District Farmer Associations, will be able to access marketing services linking their agricultural produce directly to end users of agricultural commodities.

The common goal of the PPP is to enable small-scale farmers to access markets with improved prices, leading to increased on-farm income. As such the production of small-scale farmers will go up, leading to improved food security and reduced poverty. The programmes specific objectives are as follows:

- Set up 17 ZAMAC depots, providing direct market access to end users (millers, breweries, export opportunities) for small-scale farmers in a transparent manner;
- Link ZNFU’s decentralized farmer structures (District Farmers Assoaciations, DFAs) to ZAMAC marketing services enabling small-scale farmers to by-pass middlemen and gain direct access to end-markets, resulting in increased on-farm incomes.
PARTNERS INVOLVED

The PPP is between Zambian National Farmers Union (ZNFU) and CHC as principle partners. In addition to the principle partners the PPP has the following supporting partners: SNV Netherlands, AMIC and DGIS/RNE. The partnership is built on bilateral relations between the private actors and ZNFU and SNV. The project is implemented by ZNFU and CHC.

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<tr>
<th>Partner</th>
<th>Partner description</th>
<th>Contribution to project/ role in the project</th>
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<tr>
<td>Zambian National Farmers Union (ZNFU)</td>
<td>ZNFU, established by commercial farmers in early 1900s, has evolved in recent years to represent farmers across the spectrum (from large scale commercial farmers to smallholders). Small scale farmers now form the majority of its members. ZNFU has been looking for ways to provide better services to these small members and improve their opportunities. ZNFU's workplan focuses on: (1) market and trade facilitation; (2) institutional presence; (3) financial independence.</td>
<td>Using its organised membership (DFAs) through the DFIC structures as an input into the PPP company. DFIC equipment lease (from 17 DFICs) DFIC marketing running costs Contribution to depot rental Contribution of staff and ‘soft resources’ (in 3 years: 103 000 USD)</td>
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<td>CHC</td>
<td>CHC, a private sector agricultural commodity broker, has for some time been a significant player in commodity brokerage, storage, logistical support, finance crop input marketing and export crop development services in Zambia. Yet, its activities traditionally focus on the upper end of the farming spectrum and it was keen to access smaller farmers.</td>
<td>Using its expertise and infrastructure as an input into the PPP. Equipment for establishment of 5 depots (in kind contribution) ZAMAC head office equipment lease, based on 25% lease value Provided management support (staff)</td>
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<td>SNV</td>
<td>SNV is a Dutch Development Organisation. The major objective of SNV is to provide capacity building and advisory services to Zambian organizations leading to sustainable poverty alleviation.</td>
<td>Foreseen: advisory and capacity building support towards ZAMAC. In reality: brokerage role at the early stage; limited role in the partnership.</td>
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<td>Zambian Ministry of Agriculture (MACO) responsible for information dissemination (AMIC)</td>
<td>The objective of AMIC is to collect and disseminate crop marketing information from/to farmers in Zambia</td>
<td>Foreseen role: providing agricultural market information services to DFAs. In reality: sleeping partner; the partnership does not have significant influence with government.</td>
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| DGIS and Royal Netherlands Embassy in Zambia | The Dutch development policy emphasis on public/private sector partnerships as menus to achieving sustainable economic development via the proactive involvement of the private sector. | Funding (50%) which has paid for depots to be established, training to be undertaken etc.  
At the begin of the PPP, RNE was heavily involved in the agricultural sector – since then, in line with donor harmonisation, RNE has largely withdrawn from the sector (RNE is now lead donor in health and private sector development). |
ACTIVITIES AND RESULTS

The concrete results of the PPP in relation to the objectives are:

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<tr>
<th>Activities</th>
<th>Expected Results</th>
<th>Results achieved (September 2007)</th>
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| Access to ZAMAC marketing services by small-scale farmers | ● Increased farmer membership of DFAs and through this farmer self-organization leading to improved farmer service delivery in other areas (conservation farming methodology access; access by farmers to out-growers; access by farmers to HIV/AIDS programs)  
● 26,250 farmers in year 3  
● at least 30% of farmers accessing ZAMAC services are expected to be female headed households  
● Increased lobby capacity of ZNFU with regard to national agricultural development issues  
● Establishment of 12 ZAMAC crop handling depots | 14,500 farmers are serviced (the majority of which were women)  
12 depots were set up |
| Increase turnovers of small-scale farmers produce | ● Increased production by small-scale farmers:  
○ 450,000 tons of maize  
○ 6,000 tons of soya  
○ 1,500 tons of sorghum | ZAMAC did not reach its original target in year three of 13,000 metric tons |
| Improved prices for crops produced by small-scale farmers | Improved on-farm income | ? |
| Capacity Building Activities | Utilization of SNV capacity building services at DFA and ZNFU level | ? |
**INPUT**

- Goals, motives and resources of individual partners
  - The gap for ZNFU has been how to market small-scale crop production, basically a private sector function, without jeopardizing the delivery of its core mandate. ZNFU has not enough capacity to assist DFAs with market linkages facilitation. CHC has no direct link to organized small-scale farmers set-ups. The public sector is unable to cover all major agricultural districts effectively.
  - The PPP will enable the various partners to overcome their internal institutional, organizational and other external constraints in small-scale marketing and enable them to make use of their different strengths to extend their services to an otherwise poorly serviced market segment.
  - Partnership set up driven by private parties

**THROUGHPUT**

- Partnership characteristics, dynamism and design
  - ZAMAC is a joint venture between ZNFU (60%) and CHC commodities (40%). It has a board of directors (3 appointed by ZNFU and 2 by CHC). CHC had control on management level and ZNFU effective control at board level.
  - The joint venture structure is preponderant; it confirms the secondary status of SNV, AMIC and RNE within the partnership
  - Responsiveness: Little evidence that ZNFU and CHC had any shared understanding of the purpose, scope and evolution of ZAMAC (divergent views not discussed at any length)
  - Transparency: changes of roles due to inherent conflict of interest.
  - Compliance: minority partner (CHC) will no longer assume the entire risk by providing the guarantees alone!

**OUTPUT**

- Partnership objectives, sustainability and deliverables
  - Capacity building and transfer of knowledge at different levels: Farmers level, DFA level; ZAMAC level.
  - With some delays (and flexibility from the embassy) the partners have met most or all of the benchmarks originally set. Despite challenges, the ‘project’ has still been able to deliver an IRR of 14%
  - Impact of the strong concurrent on the partnership; market responsive nature of ZAMAC as hidden strength of the partnership
  - RNE had a slightly different role to its original roles posited for ZAMAC
  - Impact on management level and ZNFU level; DFA level; ZAMAC level.

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**EFFICIENCY**

**Costs-Benefit:** Critical success factors and lessons learned during process.

**Cost efficiency.**
- Partners have cited the initial transaction costs of the partnership as considerable; yet they have also suggested that more work could have been done in the preparatory stage;
- Hard to quantify additional costs; some costs are more reputational than financial.
- Partners wish to continue with the partnership but maybe in another context
- Discuss each partners risk at an early stage; broker required; having regular informal gatherings; capability to partner.

**Lessons learned:**
- Formal structure: a JV in itself may not be a partnership at all, but can (usefully) form one part of a wider partnership
- Partners compete amongst each other for responsibility and for reputation
- Donors play a variety of roles
- Partnerships can thrive in an environment where there is little direct trust

**EFFECTIVENESS**

**Added value:** of partnership to the participants and to the MDGs

- The institutional support mechanism in the rural areas is lacking and poses numerous challenges for the sector. The private sector is unable to fill the vacuum left by governments disengagement from this sector as part of liberalization policy. There is poor credit culture and a dependency syndrome on the part of smallholders.
- ZNFU needed a partnership with an experienced private sector organization (CHC). ZNFU was an ideal partner for CHC in moving ‘down the food chain’. To put the ZAMAC business model into practice some sort of partnership was probably necessary.
- Alternative partnering approach: other options are opaque: the characteristic of ZAMAC as ‘a business with a social conscience’ captures nicely the eventual course charted by the partnership
- Grant funding was needed at the outset: given the rural depots, local training and need to address market failure, it can be argued that it was indeed paying for public goods.
- Suggest any emerging broader lessons regarding multi-sector partnerships

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**OUTCOME**

**Impact:** direct and indirect contribution of partnership to MDGs.

- #1: the investments in ZAMAC and PPP support to the agriculture sector has made outstanding use of scarce development resources
- both primary partners perceive the impacts of ZAMAC to have been positive, if less than hoped for (largely due to a disabling market environment, undermined by FRA and government policy)
- Political will within government to support the aims of ZAMAC has been largely absent. Politics may have driven FRA (competitor) to fill many of the original roles posited for ZAMAC
- **Main Successes:**
  - ZAMAC was able to diversify away from direct competition with FRA
  - ZAMAC: Business with a social conscience